



# The 2024 Election and Tax Policy Planning: What Companies Need to Know

November 12, 2024

# Introductions

Tax Policy

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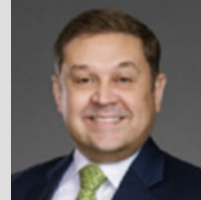
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# Overview of 2024 Election Results

# Polling question No. 1

How optimistic are you about how your company will fare in view of the election results?

1. Very optimistic
2. Cautiously optimistic
3. Nervous

# Today's Agenda

- Overview of Election Results
- Overview of 2017 Tax Law
- What About Inflation Reduction Act (IRA) Provisions?
- Perspectives on Anticipated Timing and Options for 2025 Tax Bill
- Questions

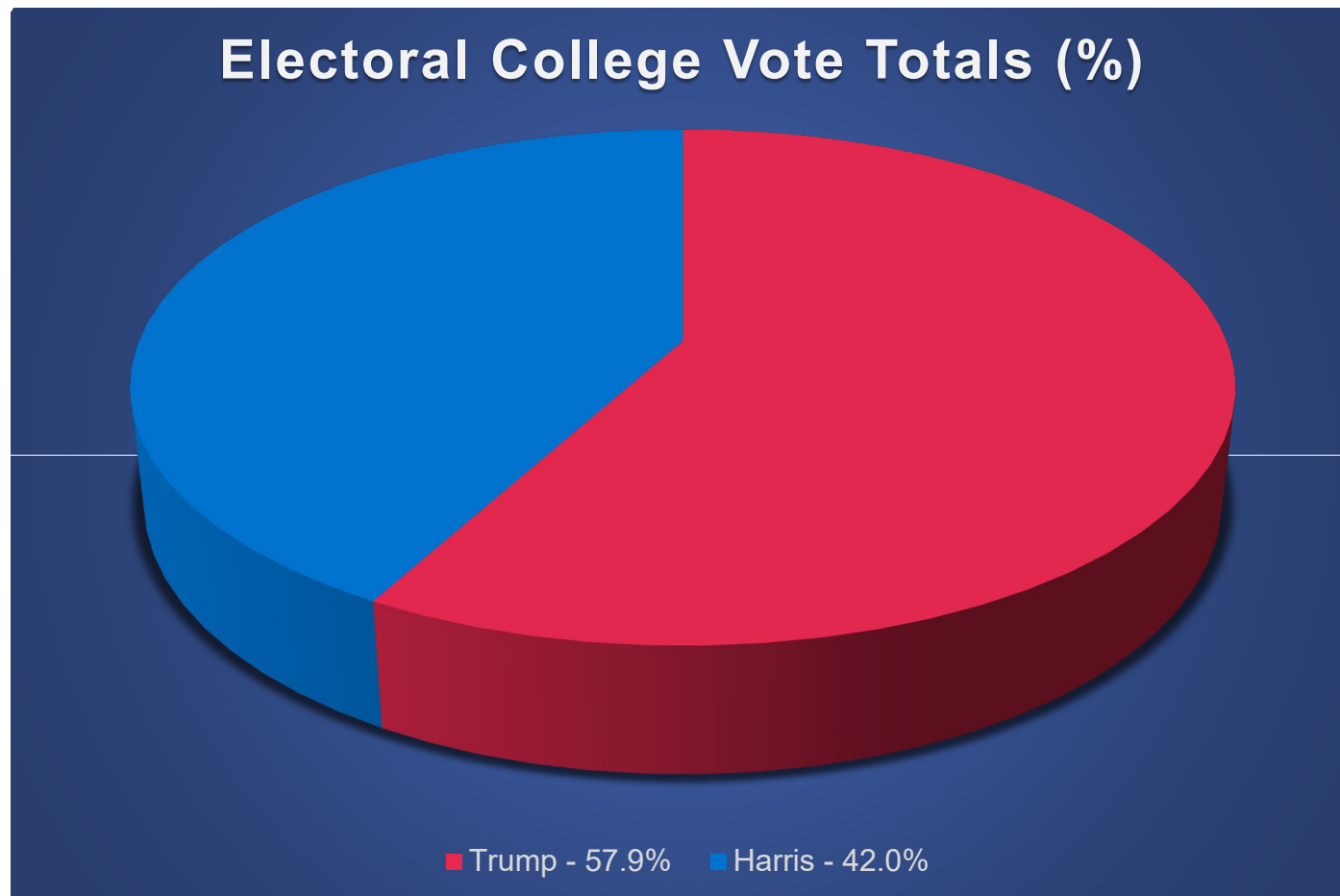
# Overview of 2024 Election Results



# Presidency

**Donald J. Trump**

- **Electoral College Votes:**
  - *Harris*: 226 (42%)
  - *Trump*: 312 (57.9%)
- **Popular Vote Totals:**
  - *Harris*: 70,9678,367 (48.0%)
  - *Trump*: 74,696,267 (50.5%)

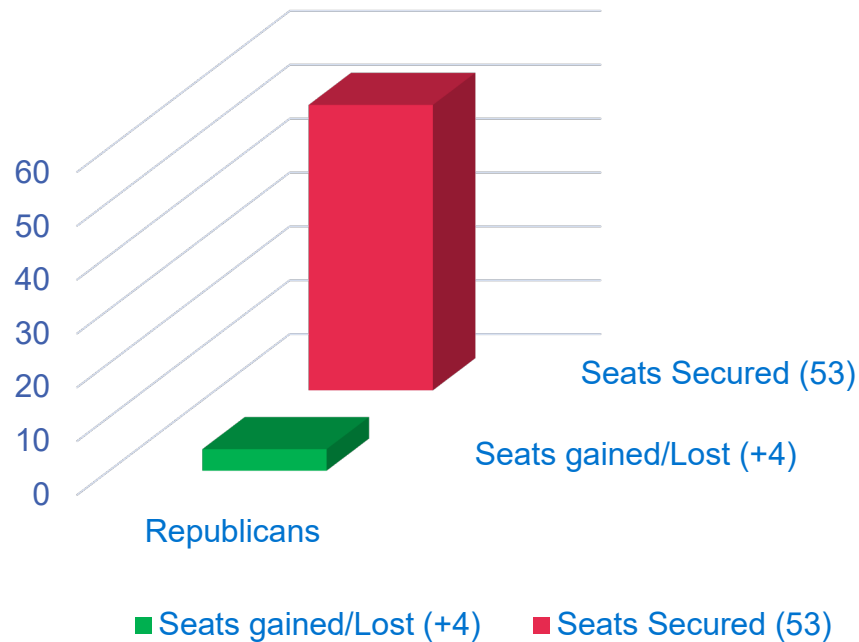




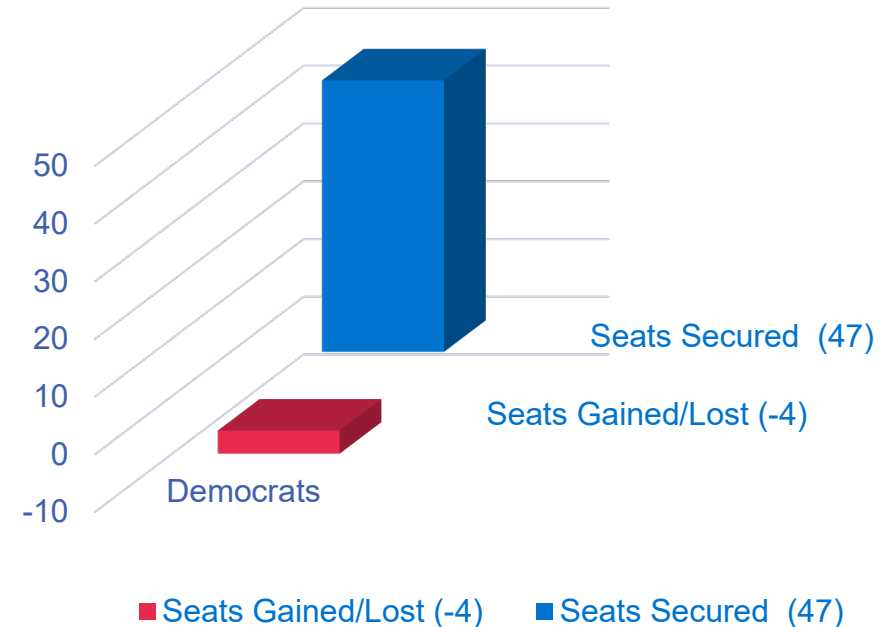
# US Senate

Republican Controlled

## Republicans



## Democrats

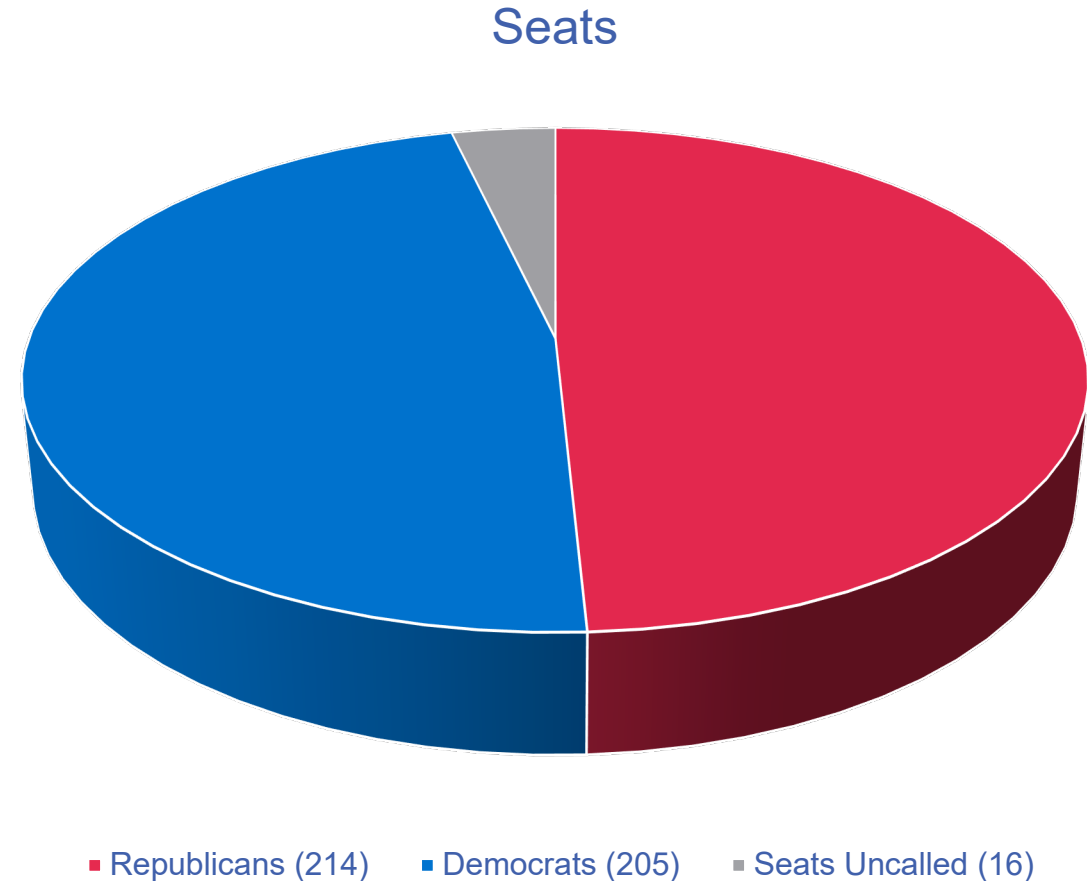


- **Senate Finance Committee Membership had both losses and retentions:**
  - **Democrats** had Committee Members Stabenow (MI), Cardin (MD), and Brown (OH) who won't be returning to the U.S. Senate, while Sen. Whitehouse (D-RI), Cantwell (D-WA), and Warren (D-MA) won their reelections.
  - **Republicans** retained Finance Committee Members Barrasso (R-MT) and Blackburn (R-TN) with successful re-elections.

# US House of Representatives

## Party Control Not Yet Determined

- As of Tuesday November 12, There are 16 seats yet to be called And neither party having yet reached The required 218 seats to gain control Of the House of Representatives.
- The party gaining control of the House Will be critical to determining such parameters of a tax package like whether and to what extent a tax package would need to be “paid for”, which also then sets broader goal posts as to the extent of tax provisions included and/or Expanded upon.



# Overview of 2017 Tax Cuts & Jobs Act

# Key Individual Provisions

Provisions Expiring December 31, 2025 Absent Action

## I. Individual Rates

- Marginal tax rates set to return to pre-TCJA levels, with the top rate returning to 39.6% from TCJA-implemented 37% rate.

## II. Standard Deduction

- Currently at TCJA-implemented value of \$12,000 for single filers would revert back to the reduced rate of \$6,500

## III. SALT Deduction

- TCJA-implemented \$10,000 cap would expire.

## IV. Child Tax Credit

- Maximum credit value reduced from TCJA-implemented \$2,000 back to \$1,000 and the upper limit threshold for claim by individuals and married couples would decrease.

## V. Estate & Gift

- Inflation adjusted exemption currently at \$13.6 million in 2024 would revert to pre-TCJA level of about \$5 million.

## VI. Mortgage Interest & Charitable Deductions

- Mortgage Int ddxn limited to \$1 million in property value from \$750,000.
- Charitable contributions limitation reduced to 50% AGI from TCJA-implemented level of 60% AGI.

# Overview of Key TCJA Business Provisions Expiring

## Pass-Thru Income Deduction




**199A:** Elimination of 20% deduction on Qualified income.

## Business “Trifecta”



1. **100% Bonus Depreciation**
2. **R&D Expensing**
3. **EBITDA-based Interest Limitation**

## International/Pillar 2

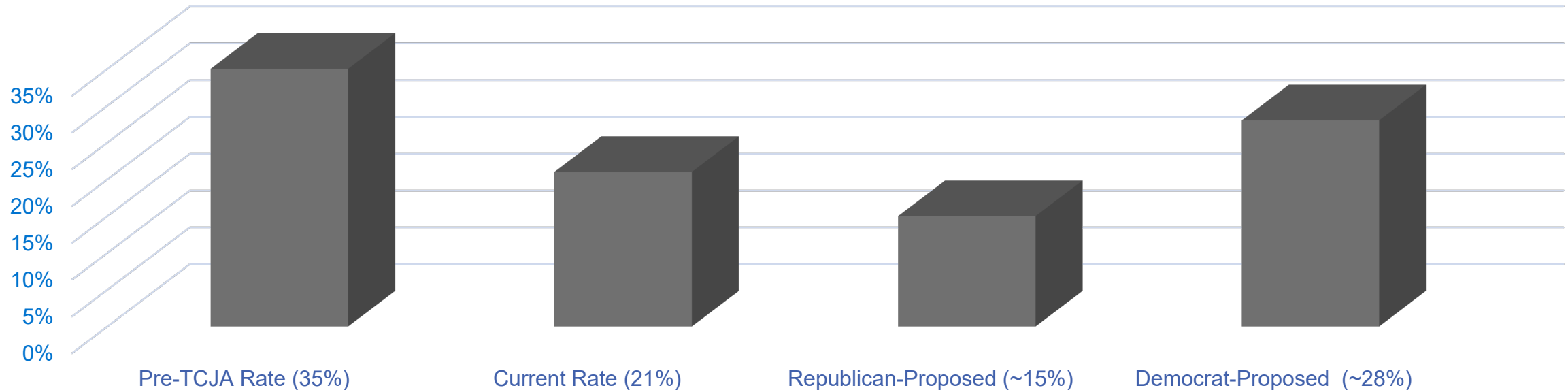


Potential for modification Of applied formulas for BEAT/GILTI/FDII



# What About Changes to Topline Corporate Rate?

TCJA made permanent reduction in the corporate rate from pre-TCJA 35% to 21%, but more action could be taken...



- There are other factors to consider alongside simply what may be done in changes to the corporate rate, the Biden Administration released corporate AMT regulations recently, which also begs the question whether or not those remain intact as released, or whether the new Administration seeks to recall/change.

# Future of IRA Credits

# Polling question No. 2

What is your preference level if Congress were to trade off tax credits for a lower corporate rate?

1. Prefer Congress keeps IRA tax credits
2. Prefer a lower corporate tax rate

# Summary of the Major Provisions

Area	Summary	Major Provisions
<b>Corporate taxes</b>	Significant changes to corporate taxes	<ul style="list-style-type: none"> <li>• New minimum tax on the income of larger corporations – taking effect after Dec. 31, 2022               <ul style="list-style-type: none"> <li>◦ 15% on corporations with annual income of \$1 billion or more, including foreign corporations with at least \$100 million in US-based annual income</li> </ul> </li> </ul>
		<ul style="list-style-type: none"> <li>• New excise tax of 1% on public corporation stock buybacks – taking effect after Dec. 31, 2022</li> </ul>
		<ul style="list-style-type: none"> <li>• Substantial additional funding for the Internal Revenue Service (IRS) enforcement, operations, and modernization</li> </ul>
<b>Clean energy projects</b>	Unprecedented funding for clean energy and climate change abatement	<ul style="list-style-type: none"> <li>• New tax incentives for clean energy projects</li> </ul>
		<ul style="list-style-type: none"> <li>• Revisions and expansions to existing tax incentives for clean energy projects</li> </ul>
		<ul style="list-style-type: none"> <li>• Expanding tax credits to additional technologies and allowing project owners to directly transfer those credits</li> </ul>
<b>Environmental policy</b>	Significant changes to federal environmental law and programs	<ul style="list-style-type: none"> <li>• New program to curb methane emissions</li> </ul>
		<ul style="list-style-type: none"> <li>• Reducing greenhouse gas emissions</li> </ul>
		<ul style="list-style-type: none"> <li>• Promoting environmental justice</li> </ul>
		<ul style="list-style-type: none"> <li>• Increased funding for climate resilience projects</li> </ul>
		<ul style="list-style-type: none"> <li>• Improving efficiency and effectiveness of environmental reviews</li> </ul>

# Summary of the Major Provisions (*continued*)

Area	Summary	Major Provisions
<b>Electric vehicle development</b>	Substantial tax credits and other incentives for electric vehicle market	<ul style="list-style-type: none"> <li>• New clean vehicle credits</li> </ul>
		<ul style="list-style-type: none"> <li>• New eligibility conditions and restrictions limiting use of clean vehicle credits</li> </ul>
		<ul style="list-style-type: none"> <li>• New advanced manufacturing production tax credit</li> </ul>
		<ul style="list-style-type: none"> <li>• Used electric vehicle credit</li> </ul>
		<ul style="list-style-type: none"> <li>• New incentives for the purchase of EVs and electric HVAC systems, and for the transportation technology manufacturing</li> </ul>
<b>Healthcare</b>	Significant changes to public healthcare financing	<ul style="list-style-type: none"> <li>• Direct negotiation for certain drugs</li> </ul>
		<ul style="list-style-type: none"> <li>• Medicare rebates</li> </ul>
		<ul style="list-style-type: none"> <li>• Part D redesign</li> </ul>
		<ul style="list-style-type: none"> <li>• Extension of Affordable Care Act (ACA) tax subsidies</li> </ul>



# Tax Incentives under the Inflation Reduction Act

## Electric Vehicle Credits

<a href="#">§30D – Clean Vehicle Credit</a>	Tax credit for new energy-efficient vehicles not powered by gasoline or diesel	<a href="#">§45W – Commercial Clean Vehicle Credit</a>	Tax credit for commercial energy-efficient vehicles not powered by gasoline or diesel
<a href="#">§25E – Used Clean Vehicle Credit</a>	Tax credit for used energy-efficient vehicles not powered by gasoline or diesel	<a href="#">§30C – Alternative Fuel Vehicle Refueling Property Credit</a>	Tax credit for electric charging infrastructure

## Manufacturing Credits

<a href="#">§45X – Advanced Manufacturing Production Credit</a>	Tax credit for eligible components and critical minerals produced in the U.S. and sold by the manufacturer to an unrelated buyer	<a href="#">§48C – Advanced Energy Project Credit</a>	Tax credit for investment in clean manufacturing
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## Clean Energy Credits

<a href="#">§45 – Electricity Produced From Certain Renewable Sources</a>	Tax credit for generation of renewable energy	<a href="#">§48 – Energy Credit</a>	Tax credit for investment in renewable energy
<a href="#">§45Y – Clean Electricity Production Credit</a>	Technology neutral tax credit for generation of renewable energy	<a href="#">§48E – Clean Electricity Investment Credit</a>	Technology neutral tax credit for investment in renewable energy

## Other Energy Credits

<a href="#">§45U – Zero-Emission Nuclear Power Production Credit</a>	Tax credit for production of electricity as a zero-emission nuclear power facility	<a href="#">§45Q – Carbon Oxide Sequestration Credit</a>	Tax credit for carbon oxide sequestration
<a href="#">§45V – Clean Hydrogen Production Credit</a>	Tax credit for production of low-emission hydrogen		

## Other Energy Efficiency Credits

<a href="#">§179D – Energy Efficient Commercial Buildings Deduction</a>	Deduction for energy-efficient commercial buildings	<a href="#">§25C – Energy Efficient Home Improvement Credit</a>	Tax credit for energy-efficient improvements to residential homes
<a href="#">§25D – Residential Clean Energy Credit</a>	Tax credit for the purchase of residential clean energy equipment	<a href="#">§45L – New Energy Efficient Home Credit</a>	Tax credit for eligible builders of new energy-efficient homes

# Summary of Transferable Tax Credits

Tax Credit	Transferable IRC §6418	Eligible Transferee	Direct Pay IRC §6417	Eligible Payee
§30C – Alternative Fuel Vehicle Refueling Property Credit	✓	Any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities
§45 – Electricity Produced From Certain Renewable Sources	✓	Any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities
§45Q – Credit for Carbon Oxide Sequestration	✓	Any taxpayer other than a tax-exempt entity	✓	Any taxpayer during the first 5 years of the credit period
§45U – Zero-Emission Nuclear Power Production Credit	✓	Any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities
§45V – Credit for Production of Clean Hydrogen	✓	Any taxpayer other than a tax-exempt entity	✓	Any taxpayer
§45X – Advanced Manufacturing Production Credit	✓	Any taxpayer other than a tax-exempt entity	✓	Any taxpayer
§45Y – Clean Electricity Production Credit	✓	Beginning in 2025, any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities
§45Z – Clean Fuel Production Credit	✓	Any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities
§48 – Energy Credit	✓	Any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities
§48C – Qualifying Advanced Energy Project Credit	✓	Any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities
§48E – Clean Electricity Investment Credit	✓	Beginning in 2025, any taxpayer other than a tax-exempt entity	✓	Tax-exempt entities

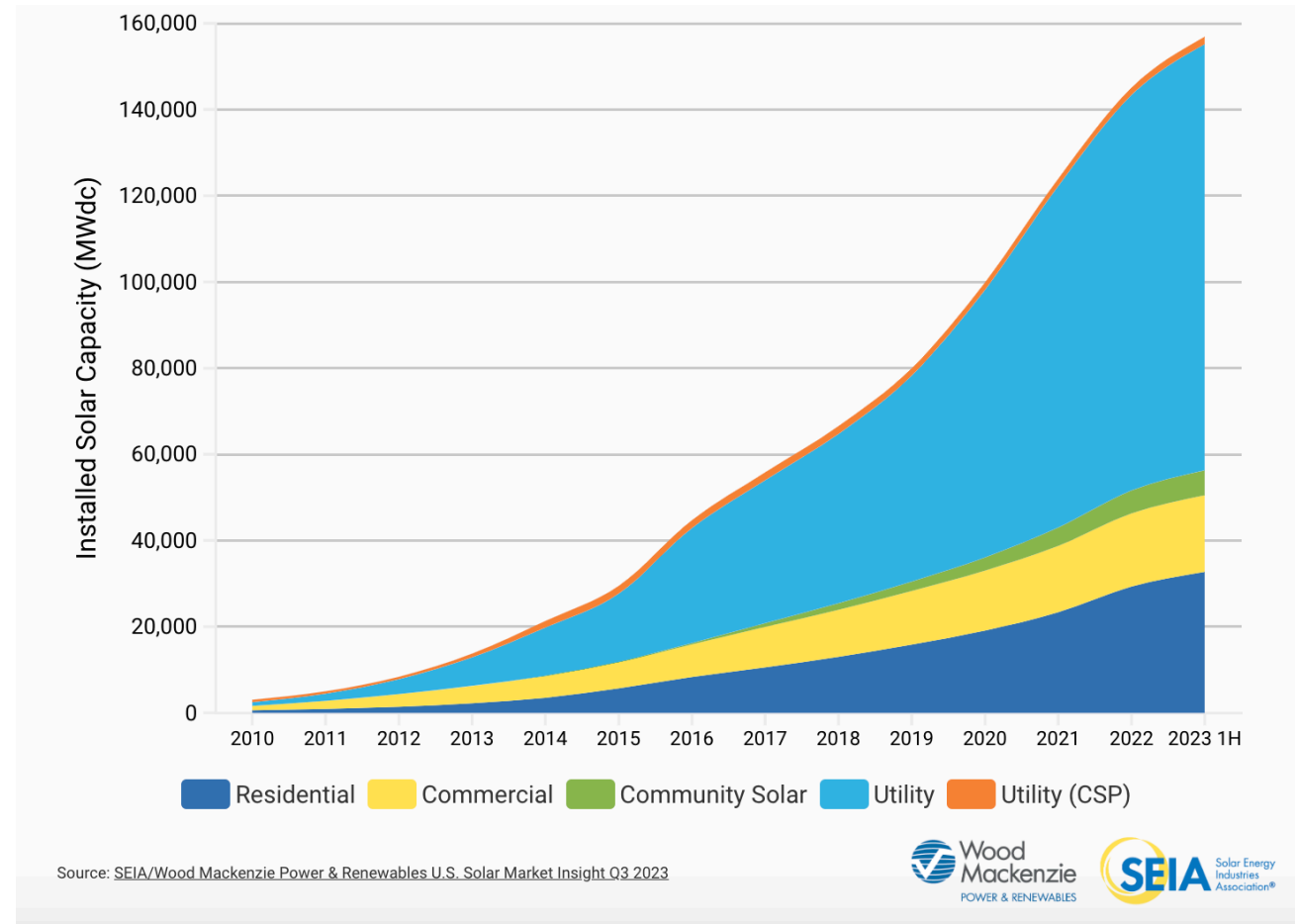
# A Brief History of Renewable Energy Tax Credits

The Energy Tax Act of **1978** created the first tax credits for clean energy

The modern Production Tax Credit (**PTC**) was implemented in **1992** and the modern Investment Tax Credit (**ITC**) was implemented in **2005**.

Renewable energy tax credits have grown to a ~\$20B market **pre-IRA**

Tax policy has driven substantial growth in solar installations in the U.S.



# 2025 Tax Bill Perspectives & Timing

*...Tax-A-Palooza or Taxmageddon?*

# Polling question No. 3

When do you think Congress will pass a tax bill next year?

1. April 2025
2. September 2025
3. December 2025
4. April 2026



# Anticipated Republican Priorities

While Congressional Republicans have yet to be collectively vocal, Trump has indicated some initial priorities that serve as the starting point for Republican consideration.

## I. Reinstate/Expand Core Business Provisions

- Bonus Depreciation
- R&D Expensing
  - *Will they seek to do more with R&D than what was included in draft legislation passed by the House earlier this year?*
- Action on interest limitation?
- Additional action to reduce the topline corporate rate will be dependent on still-undetermined control of the House.

## II. Heightened Focus on Incentives for Domestic Activities and/or Deterrents for Importation

- Reinstate the domestic production activities deduction at 28.5%
  - *In the face of perceived competition with countries like China, will there be a push to increase this deduction to impart greater incentive?*
- Trump Admin has been very vocal regarding their desire to impose universal tariffs on US Imports of ~20% and increasing sec. 301 tariffs on Chinese-imported goods of ~60%
  - *While Republican tax writers have yet to formally and fully weigh in on this path forward, there's likely to be significant concern over this type of action that would increase prices on US Consumers in the face of persistent inflation.*
- Elimination of taxes on various "classes" of income:
  - No tax on tips, overtime pay, and Social Security income.
  - There have also been discussions of employer tax incentives that would help bolster new worker hires.

# 2025 Tax bill Go-Forward Perspectives...

# Timing & Legislative Pathways

## I. Timing

- TCJA-expiring provisions set for December 31, 2025
- Timing may be further complicated or assisted by which party ultimately gains control of the House, which is still undetermined.

## II. Potential Legislative Pathways

- Regular Order, OR
- Reconciliation ... AGAIN?!

## III. Other Points of Consideration Likely to Impact Timing and/or Manner/Path of Consideration

- Pay-fors or not?
- How do Republican Members from more populist constituencies weigh key business provisions versus incentives for families, children, and workers?

# Additional Policy Considerations

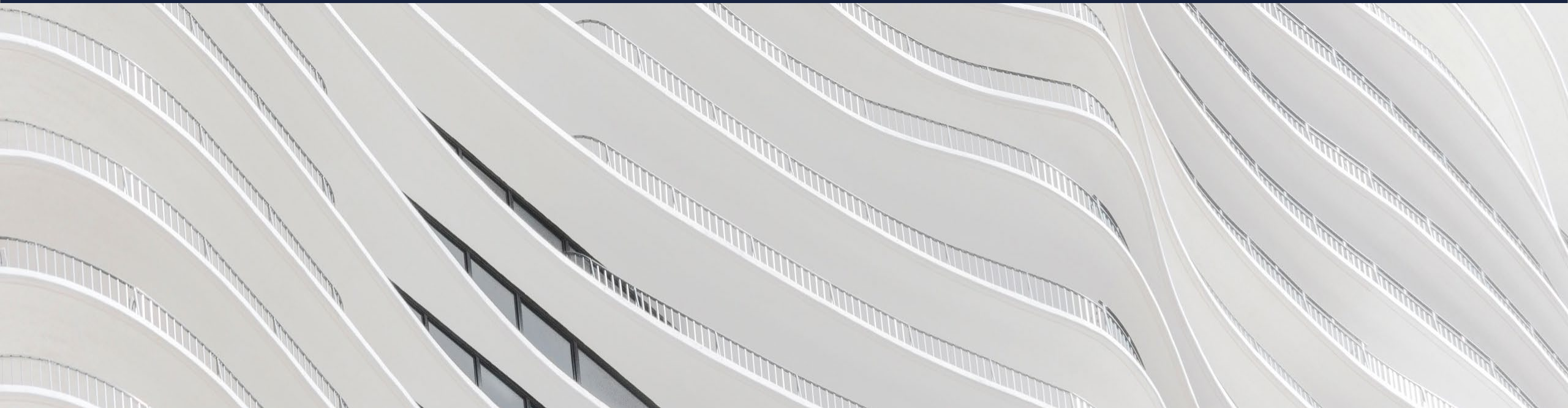
- **Energy Tax Credit Transactions**

- In the face of still outstanding control of the House of Representatives, it remains to be seen how much flexibility (or not) Republicans will exude with respect to retaining IRA energy credits.
- ✓ **Key Question:** *If there is a push to repeal in-full or in-part any of the IRA credits will those changes be retroactive and stand to impact those clients having relevant transactions?*
  - Even if clients have insurance policies, any retroactive change may prove highly problematic for clients with relevant transactions, having projects that could be disqualified.

- **Pillar II**

- With a change in party control of the White House and subsequent alignment of party control across the White House, US Senate and, likely, the House of Representatives, there will be a shift in the negotiating dynamic with the OECD.
- ✓ **Key Question:** *What does this mean for Pillar II and how does any constructive collaboration between the U.S. and the OECD translate to changes in 2025 for BEAT/GILTI/FDII.*

# Questions?



# Thank you

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# Bonus Polling question

How optimistic are you that the renewable energy and electric vehicle (EV) tax credits under the Inflation Reduction Act (IRA) will remain?

1. Very optimistic
2. Somewhat confident
3. Not at all optimistic