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Outlook for U.S. Tax Laws - Potential Changes and Process

As of February 24, 2025

Private Bank's *Washington Tax Watch* – February 24, 2025 Edition

Recent Developments

Corporate Transparency Act reporting is back in effect (again), with filing deadline set for March 21; bill recently introduced in Congress would extend deadline for pre-2024 entities, though timing and path for enactment remains uncertain

Highlights

On Feb. 18, the U.S. District Court for the Eastern District of Texas granted the government's motion to lift, for now, an injunction prohibiting enforcement of the Corporate Transparency Act (CTA). The CTA requires millions of "reporting companies" to report beneficial ownership information (BOI) to the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN).

The next day, FinCEN announced that there would be a 30-day extension for most companies, until **March 21, 2025** (with certain exceptions; for example, if the company qualifies for disaster relief). FinCEN also announced that during this 30-day period it will "assess its options to further modify deadlines, while prioritizing reporting for those entities that pose the most significant national security risks."

The district court's ruling is not likely to be the last word on the CTA. Several cases continue to move through the appellate process. Additionally, bills introduced in Congress would extend the reporting deadline for pre-2024 entities by one year, to January 1, 2026. The House recently passed its version of that bill by a vote of 408-0. The Senate, which is busy with other legislation, as well as nominations submitted by the new administration, is considering that bill, and its own bill.

Under the CTA, which became effective January 1, 2024, "reporting companies" in existence before that date were initially required to report their BOI by January 1, 2025. In addition, the CTA requires reporting companies created on or after January 1, 2024, to report BOI within 90 days of creation or registration. Reporting companies created on or after January 1, 2025, would be required to report within 30 days of creation or registration. Reporting companies are also required to report any changes to BOI within 30 days. Some of these deadlines have been impacted by these recent judicial developments and updated guidance issued by FinCEN.

Clients should contact their legal advisors for advice on how to proceed and be prepared to timely comply with the CTA in light of this recent decision. Please refer to the following website for more information on the CTA: Beneficial Ownership Information Reporting | FinCEN.gov.

Private Bank's *Washington Tax Watch* – February 18, 2025 Edition

Recent Developments

Republicans on House and Senate Budget Committees pass separate budget resolutions; leadership in respective chambers remains split on process and timing of tax legislation

Highlights

Republicans on the House and Senate Budget Committees began the "budget reconciliation" process last week by passing separate, substantively different, budget resolutions. (Unlike the House version, the Senate version does not address tax matters.) Republicans intend to use budget reconciliation as a procedurally necessary first step to extend many of the provisions of the 2017 Tax Cuts & Jobs Act (TCJA) scheduled to expire (or "sunset") at the end of 2025. If they can agree (a) on the amount projected to be added to the debt over the period covered by any extension of the TCJA, (b) that there would be no addition to the projected debt outside any TCJA extension, and (c) the specifics of the extension itself – Republicans can pass legislation without any support from Congressional Democrats

Republican leadership is not of one mind as to whether budget reconciliation should be covered in one bill or two. House leadership prefers a single, wide-ranging budget reconciliation bill that would also address border security, defense, energy, and other topics universally popular within the party, as well as taxes and spending; Senate leadership prefers to address tax and spending priorities in a separate bill to be considered later in the year. On Feb. 12, the Senate Budget Committee passed its first budget resolution, which addresses border security, defense and energy. The next day, the House Budget Committee passed a budget resolution that includes provisions for tax policy and moves to the House floor for consideration when its members return from recess Feb. 24.

The budget resolutions direct committees within the respective chambers to produce proposals within their respective jurisdiction that would produce the desired fiscally projected outcomes. For instance, the House budget resolution directs that the chamber's tax-writing committee, the House Ways & Means Committee, to propose legislation projected to add no more than $4.5 trillion to the national debt over the bill's term. Politically, any proposal will likely need to take into account the cost of President Trump's campaign promises that would, for example, exempt tips and overtime from U.S. income tax, and reduce corporate taxes for domestic manufacturers. The House's budget resolution also calls for a $2 trillion reduction in mandatory spending.

Regardless of whether Congress adopt on a one- or two-bill approach, the House and Senate must agree on a single budget resolution before they begin advancing legislation under the budget reconciliation process. We are unlikely to see details of any tax legislation proposals until this first step in the process is resolved.

Private Bank's *Washington Watch* – January 27, 2025 Edition

Recent Developments

U.S. Supreme Court temporarily lifts injunction against enforcement of Corporate Transparency Act; FinCEN then announces compliance remains voluntary

Highlights

On Jan. 23, the U.S. Supreme Court stayed the nationwide injunction against enforcement of the Corporate Transparency Act (CTA), thereby allowing the law's implementation by the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN).

The next day, FinCEN announced that reporting companies are **still** not required to comply with the CTA because of a national injunction against the law imposed Jan. 7 by a U.S. district court in another CTA-related case (*Smith v. U.S. Department of Treasury*) not (yet) before the Supreme Court. It is unclear whether the Trump Administration will appeal the *Smith* decision, or whether the court in that case might act in light of the Supreme Court's decision.

As a reminder: Effective Jan. 1, 2024, the CTA requires many U.S. and foreign legal entities operating in the United States to report information about themselves and their beneficial owners to a registry maintained by FinCEN. The law's constitutionality has been challenged in numerous jurisdictions, with some courts finding the law likely constitutional, and others not.

As of today, CTA compliance remains voluntary. Clients should (a) remain poised to comply with the law should its status change, (b) continue to consult with their corporate counsel and other legal advisors for advice on how to proceed, and (c) stay informed as these cases work their way through the federal court system.

Please refer to the following website for more information on the CTA: Beneficial Ownership Information Reporting | FinCEN.gov.

Private Bank's *Washington Tax Watch* – January 6, 2025 Edition

Recent Developments

Republicans take control of both chambers of Congress, clearing what may still be a bumpy path for enactment by year end of a law extending expiring provisions of the 2017 Tax Cuts & Jobs Act; President-elect Trump set to be inaugurated for his second, non-consecutive term on January 20

Highlights

On January 3, the members of the 119th Congress were sworn in to office. Congressman Mike Johnson (R.-La.) was reelected Speaker of the House. Republicans control both the House of Representatives (219-215) and the Senate (53-47). Tax legislation will be a top priority for Republicans this year, in anticipation of the scheduled expiration of many provisions of the 2017 Tax Cuts & Jobs Act (TCJA) at the end of 2025.

With Republicans controlling both houses of Congress, they will have the ability to address the TCJA and other tax policy through the "budget reconciliation" process with mere majorities in the House and the Senate, instead of requiring a "super-majority" 60 votes to pass legislation in the Senate. Republicans still might face difficulties with slim margins of control in the House and high projected deficits that are expected to require a measured approach to tax policy. The Congressional Budget Office last year estimated that a full extension of the TCJA would cost around $4.6 trillion over 10 years; updated estimates are expected to project an even higher cost. Given these difficulties, other Congressional and administration priorities, and unforeseeable events, we may not see new tax legislation enacted, if at all, until the second half of 2025.

Following certification of the presidential election results on January 6, President-elect Trump will be inaugurated for his second term on January 20. On that day, he is expected to, among other things, sign Executive Orders to freeze some ongoing rule-making by certain regulatory agencies. Congress will soon begin hearings to consider nominations, many of which are expected to be confirmed, to the President-elect's cabinet.

Key Dates to Watch

Jan 3	Jan 6	Jan 20	Feb 6	March	March 14	After April 1
119th Congress convened	Congress counted Electoral College votes	President is inaugurated	Deadline for President's budget	Budget process expected to begin	Government funding deadline	Budget resolution deadline; likely focus on tax legislation, among other policies

Private Bank's *Washington Tax Watch* – January 6, 2025 Edition

Recent Developments

Corporate Transparency Act enforcement blocked again; Department of Justice files application to U.S. Supreme Court to vacate the injunction during the pendency of the appeal

Highlights

Effective Jan. 1, 2024, the Corporate Transparency Act (CTA) requires many U.S. and foreign legal entities operating in the United States to report information about themselves and their beneficial owners to a registry maintained by the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN). Reporting companies in existence before Jan. 1, 2024, are required to report their beneficial ownership information (BOI) by Jan. 1, 2025. Reporting companies created on or after Jan. 1, 2024, are required to report BOI within 90 days of receiving actual notice that its creation or registration is effective or public notice of its creation or registration, whichever is earlier. Reporting companies created on or after Jan. 1, 2025, are required to report BOI within 30 days of creation or registration. Reporting companies are also required to notify Treasury, within 30 days, of any changes to their BOI or changes from exempt to non-exempt status.

The latest in a series of back-and-forth court rulings during December has, again, paused enforcement of CTA deadlines. On Dec. 3, 2024, the U.S. District Court for the Eastern District of Texas ruled that the CTA "appears likely unconstitutional" as exceeding Congress' power to regulate interstate commerce and issued a nationwide preliminary injunction prohibiting the CTA's enforcement by FinCEN. The Court stayed the Jan. 1, 2025, filing deadline for many companies pending further order of the Court. Twenty days later, a Fifth Circuit Court of Appeals panel lifted the injunction, and FinCEN announced new, briefly-extended deadlines. Three days after that - on Dec. 26 - another Fifth Circuit panel reinstated the injunction and paused enforcement. Finally (for now), on Dec. 31, the U.S. Justice Department petitioned the U.S. Supreme Court to stay the injunction and allow enforcement of the CTA pending the disposition of the government's appeal.

As of today, the injunction will stay in effect unless and until it is lifted at some future date. Clients should (a) remain poised to comply with the law should the preliminary injunction be vacated, (b) continue to consult with their corporate counsel and other legal advisors for advice on how to proceed, and (c) stay informed as this case, and others, work their way through the federal court system.

Please refer to the following website for more information on the CTA: Beneficial Ownership Information Reporting | FinCEN.gov.

Private Bank's *Washington Tax Watch* – November 12, 2024 Edition

Recent Developments

Republicans near control of both chambers of Congress, clearing what may still be a bumpy path for President-elect Trump's tax agenda in 2025

Highlights

President-elect Trump defeated Vice President Harris in the contest for President, winning 31 states and 312 Electoral College votes (to 226), as well as the national popular vote by several million votes. Republicans are close to control of both chambers of Congress, having won the Senate (53-47), and expected to win the House of Representatives by a narrow margin (as of November 12, at 1:00 PM, the Associated Press has Republicans ahead, 214-205, with 4 more seats needed for GOP control and 16 races still to be called).

Tax legislation is expected to be a top priority for Republicans. President-elect Trump campaigned on a platform that supported permanent extension of the tax cuts from the 2017 Tax Cuts & Jobs Act (TCJA), scheduled to expire (or "sunset") at the end of 2025. Republican control of Congress would make it easier for the party to advance this priority, but it still might face difficulties with slim margins of control in the House and high projected deficits that are expected to require a measured approach to tax policy. The Congressional Budget Office earlier this year estimated that a full extension of the TCJA would cost around $4.6 trillion over 10 years; updated estimates are expected to project an even higher cost.

It is unlikely that any effort by Republicans to advance tax legislation next year would garner any votes from any Congressional Democrats. (Recall that the TCJA passed with support from Republicans only.) With Republicans controlling the Senate and the House, they would have the ability to address the TCJA and other tax policy through the "budget reconciliation" process with mere majorities in the House and the Senate, instead of requiring a "super-majority" 60 votes to pass legislation in the Senate.

Congress returned this week to begin its "lame duck" session. New members are being introduced, and leadership elections are being held to determine who will lead the next Congress. Soon, members of Congress will need to turn their attention to government funding before it runs out on December 20. We do not expect any tax related legislation significantly affecting individuals before the end of the year. Republicans will likely wait to advance tax legislation until 2025, when they are expected to take control of the new Congress in a stronger negotiating position.

Source: "RealClearPolitics Election 2024, RCP Poll Averages" https://www.realclearpolitics.com/. As of November 3, 2024. Accessed November 4, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – November 4, 2024 Edition

Recent Developments

Presidential race is neck and neck the day before Election Day; Harris gains ground in some critical "swing" states; Republicans appear poised to take control of the Senate and strengthen their chances to win a very narrow majority in the House

Highlights

Former President Trump maintains his narrow lead in the national popular vote polls, according to the Real Clear Politics (RCP) poll average. As of Nov. 3, he holds a 0.1% lead over Vice President Harris. However, a new set of Marist College polls show the Vice President ahead, all within the margin of error in swing states Michigan (by three points), Pennsylvania (two points) and Wisconsin (two). These polls and others have shifted RCP averages and given Harris the lead in Michigan and Wisconsin, by 0.9% and 0.3%, respectively, while Trump still leads in Pennsylvania, by 0.3%.

It appears likely that Republicans remain on track to take control of the Senate, unless incumbent Jon Tester (D-MT) can upset Tim Sheehy (who holds a 6.5% lead in the RCP average), or other races flip unexpectedly.

Control of the House, much like the presidential race, remains a toss-up. The "generic ballot" still favors Republicans (0.4% in the RCP average). (This surveys whether voters would support an unnamed Republican or Democrat, and is considered a reliable indicator of the raw cumulative vote the parties' House candidates will receive.) Generic ballots in recent presidential election years tend to show that Democrats need a healthy lead in national polling to win the House. In 2020, Democrats led in the generic ballot on Election Day by 6.8%, and won a narrow majority, 222-213; in 2016, they led on Election Day by 0.6% and lost, 241-194.

Of course, control of Congress is crucial for either party to effect any major legislative change, including in tax policy. Regardless of who is elected president, tax legislation originates in Congress, not the White House, so any changes to tax laws must pass the House of Representatives and the Senate, with each chamber's, and their members', competing interests and priorities to consider. If control of the two houses of Congress is divided, or control is divided between Congress and the White House, we expect the parties will need to compromise to address the provisions of the 2017 Tax Cuts & Jobs Act that expire next year, or any other tax legislation.

Source: "RealClearPolitics Election 2024, RCP Poll Averages" https://www.realclearpolitics.com/. As of November 3, 2024. Accessed November 4, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – October 28, 2024 Edition

Recent Developments

With one week until Election Day, former President Trump takes the lead in national popular vote polls, holds slight edge in "swing" states; Republicans appear poised to take control of the Senate and strengthen their chances to win a very narrow majority in the House

Highlights

Former President Trump takes the lead in the national popular vote polls for the first time since Vice President Harris claimed the nomination, according to the Real Clear Politics (RCP) poll average. As of Oct. 27, he holds a 0.1% lead over the Vice President. Included in the RCP average, a recent *Wall Street Journal* poll shows Trump leading by 3.0%, while *New York Times* and *CNN* polls shows the candidates are tied. Early voting has begun in each of the seven battleground states, with state RCP averages showing Trump holds a slight edge of 0.2%-2.3% in each of those states. In some, his lead has grown slightly in the past week; in others, it has shrunk slightly.

It appears likely that Republicans are on track to take control of the Senate, unless incumbent Jon Tester (D-MT) can upset Tim Sheehy (who holds a 6.5% lead in the RCP average), or other races flip unexpectedly.

Control of the House, much like the presidential race, remains a toss-up. For the first time since early August, the "generic ballot" favors Republicans (0.8% in the RCP average). (This surveys whether voters would support an unnamed Republican or Democrat, and is considered a reliable indicator of the raw cumulative vote the parties' House candidates will receive.) Generic ballots in recent presidential election years tend to show that Democrats need a healthy lead in national polling to win the House. In 2020, Democrats led in the generic ballot on Election Day by 6.8%, and won a narrow majority, 222-213; in 2016, they led on Election Day by 0.6% and lost, 241-194.

Of course, control of Congress is crucial for either party to effect any major legislative change, including in tax policy. Regardless of who is elected president, tax legislation originates in Congress, not the White House, so any changes to tax laws must pass the House of Representatives and the Senate, with each chamber's, and their members', competing interests and priorities to consider. If control of the two houses of Congress is divided, or control is divided between Congress and the White House, we expect the parties will need to compromise to address the provisions of the 2017 Tax Cuts & Jobs Act that expire next year, or any other tax legislation.

Source: "RealClearPolitics Election 2024, RCP Poll Averages" https://www.realclearpolitics.com/. As of October 27, 2024. Accessed October 28, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – October 21, 2024 Edition

Recent Developments

With two weeks until Election Day, Vice President Harris narrowly leads national popular vote polls in presidential race, while former President Trump holds slight edge in "swing" states and thus the Electoral College

Highlights

Vice President Kamala Harris has maintained her lead in national polling since the only debate, on Sept. 10, between these candidates. Real Clear Politics (RCP), which publishes an average of major national polls has her, as of Oct. 20, with a 0.9% lead over former President Donald Trump. On the same day in 2020 and 2016, the same RCP average had President Biden and Secretary Clinton ahead 8.6% and 6.4%, respectively. Both candidates won the popular vote: Biden, by 4.5% and Clinton by 2.1%.

Regardless of who wins the national popular vote, to become president, a candidate must win at least 270 of 538 Electoral College votes; those are awarded state by state. Most analysts agree that Harris and Trump are sure to win 226 and 219 votes, respectively, with seven toss-up states: Pennsylvania (19), North Carolina (16), Georgia (16), Michigan (15), Arizona (11), Wisconsin (10), Nevada (6). Early voting has begun in six, with Wisconsin beginning in the next week. As of Oct. 20, RCP polling averages gave Trump a slight edge in all seven. Harris led or was tied in four on Sept. 10 and for the next two weeks. State-level polling may explain, in part, why betting markets have noticeably moved in the last several weeks; the RCP betting average shows a 17.5% margin in Trump's favor, 58.3% - 40.8%. Some recent reports suggest that a handful of anonymous bettors have made large wagers that have altered the odds. One can debate whether polling or betting odds are more accurate.

Of course, control of Congress is crucial for either party to effect any major legislative change, including in tax policy. Regardless of who is elected president, tax legislation originates in Congress, not the White House, so any changes to tax laws must pass the House of Representatives and the Senate, with each chamber's, and their members', competing interests and priorities to consider. Democrats face headwinds to maintain control of the Senate, and the race for control of the House is very close. If control of the two houses of Congress is divided, or control is divided between Congress and the White House, we expect the parties will need to compromise to address the provisions of the 2017 Tax Cuts & Jobs Act that expire next year, or any other tax legislation.

Source: "RealClearPolitics Election 2024, RCP Poll Averages" https://www.realclearpolitics.com/. As of October 20, 2024. Accessed October 21, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – October 21, 2024 Edition (cont.)

2024 presidential race

Highlights

Real Clear Politics RCP Poll Averages

National RCP Averages	This Week October 20, 2024		Post-Debate September 24, 2024		Presidential Debate September 10, 2024	
	Favors	**Spread**	**Favors**	**Spread**	**Favors**	**Spread**
National Polls	Harris	0.9	Harris	2.0	Harris	1.1
Betting Odds	Trump	17.5	Harris	5.7	Harris	1.4

Swing State RCP Averages	October 18-20, 2024		September 24, 2024		September 10, 2024	
Arizona	Trump	1.6	Trump	2.1	Trump	1.5
Georgia	Trump	1.8	Trump	2.1	Trump	0.3
Michigan	Trump	1.2	Harris	1.8	Harris	1.2
Nevada	Trump	0.8	Harris	0.8	Harris	0.6
North Carolina	Trump	0.5	Trump	0.5	Trump	0.1
Pennsylvania	Trump	0.8	Harris	0.6	Tie	0.0
Wisconsin	Trump	0.2	Harris	0.7	Harris	1.8

Source: "Real Clear Politics Election 2024, RCP Poll Averages," https://www.realclearpolitics.com/. As of October 20, 2024. Accessed Oct. 21, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – October 14, 2024 Edition

Recent Developments

Presidential race remains close; this week, we focus on the contests that will determine control of the House

Highlights

The presidential election will likely be decided by a narrow margin in seven swing states. The *Wall Street Journal* recently conducted a poll that found Vice President Harris leads in Arizona, Michigan, Wisconsin and Georgia, while former President Trump leads in Nevada, North Carolina and Pennsylvania (no lead was outside the margin of error). The poll also found that voters in the swing states favor Trump on top issues such as the economy and immigration, by at least 10 percentage points.

The prospects for tax reform in 2025 will depend on the outcome of both the presidential and congressional races. Regardless of who is elected president, tax legislation originates in Congress, not the White House, so any changes to tax laws must pass the House of Representatives and the Senate, with each chamber's, and their members', competing interests and priorities to consider. If control of the two houses of Congress is divided, or control is divided between Congress and the White House, we expect the parties will need to compromise to address the provisions of the 2017 Tax Cuts & Jobs Act that expire next year, or any other tax legislation.

Up for election in the House of Representatives are all 435 seats. One current forecast – the Inside Elections newsletter published by Nathan Gonzalez – projects that Republicans will win 214 seats and Democrats 208, with 13 seats (six held by Republicans) considered toss-ups and 218 required for a nominal majority. The generic ballot – which surveys whether voters would support an unnamed Republican or Democrat, and which is considered a reliable indicator of the raw cumulative vote the parties' House candidates will receive – favors Democrats by 1.0%. However, generic ballots in recent presidential election years tend to show that Democrats need a bigger lead in national polling to win control of the House. For example, in 2016, Democrats led in the generic ballot on Election Day by 0.6%, and Republicans won 241 seats and control of the House. Please refer to the following slide for the latest forecast.

Source: "Battle for Swing States Is Tied, Trump Has Edge on Top Issues, WSJ Poll Shows" https://www.wsj.com/politics/elections/trump-harris-swing-state-poll-october-2024-c3ca9414?mod. As of October 8, 2024. Accessed October 14, 2024. "Inside Elections 2024 House Ratings" https://insideelections.com/ratings/house. As of October 10, 2024. Accessed October 14, 2024; Generic Congressional Vote. https://www.realclearpolitics.com/epolls/other/2016_generic_congressional_vote-5279.html. Accessed October 14, 2024; 2024 Generic Congressional Vote. https://www.realclearpolling.com/polls/state-of-the-union/2024/generic-congressional-vote. As of October 13, 2024. Accessed October 14, 2024.

Private Bank's *Washington Tax Watch* – October 14, 2024 Edition (cont.)

2024 House forecast

Highlights

208 | 214

Safe Democrat (182D)	Likely Democrat (14D, 2R)	Leans Democrat (1D)	Tilts Democrat (7D, 2R)	Toss-up (7D, 6R)		Tilts Republican (10R)	Lean Republican (4R)	Likely Republican (3D, 9R)	Safe Republican (188R)
	AL-2 Open (Moore)	CT-5 Hayes	CA-47 Open (Porter)	AK-1 Peltola	CA-13 Duarte	AZ-1 Schweikert	CO-3 Open (Boebert)	AZ-2 Crane	
	CA-9 Harder		NC-1 Davis	CO-8 Caraveo	CA-27 Garcia	AZ-6 Ciscomani	MI-10 James	CA-3 Kiley	
	CA-49 Levin		NE-2 Bacon	ME-2 Golden	IA-1 Miller-Meeks	CA-22 Valadao	MT-1 Zinke	CA-40 Kim	
	IL-17 Sorensen		NM-2 Vasquez	MI-7 Open (Slotkin)	IA-3 Nunn	CA-41 Calvert	WI-3 Van Orden	FL-13 Luna	
	IN-1 Mrvan		NY-22 Williams	MI-8 Open (Kildee)	NY-4 D'Esposito	CA-45 Steel		FL-27 Salazar	
	LA-6 Open (Graves)		OH-9 Kaptur	VA-7 Open (Spanberger)	OR-5 Chavez-DeRemer	NJ-7 Kean		NC-6 Open (Manning)	
	MI-3 Scholten		OH-13 Sykes	WA-3 Perez		NY-17 Lawler		NC-13 Open (Nickel)	
	MN-2 Craig		PA-7 Wild			NY-19 Molinaro		NC-14 Open (Jackson)	
	NH-1 Pappas		PA-8 Cartwright			PA-10 Perry		NY-1 LaLota	
	NV-3 Lee					VA-2 Kiggans		PA-1 Fitzpatrick	
	NV-4 Horsford							TX-15 De La Cruz	
	NY-18 Ryan							WI-1 Steil	
	OR-4 Hoyle								
	PA-17 Deluzio								
	TX-28 Cuellar								
	TX-34 V. Gonzalez								

Source: "Inside Elections 2024 House Ratings" https://insideelections.com/ratings/house. As of October 10, 2024. Accessed October 14, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – October 7, 2024 Edition

Recent Developments

Vice presidential candidates met in a debate Oct. 1; this week, we focus on the contests that will determine control of the Senate

Highlights

On Oct. 1, Senator J.D. Vance (R-OH) and Governor Tim Walz (D-MN) met in New York City for a nationally-televised vice presidential debate. It is expected that this will be the only debate before Election Day scheduled between them. It is no surprise that only one meeting has been scheduled: Since vice presidential debates began in 1984, candidates have debated only once per election cycle.

With less than a month until Election Day, many pollsters indicate the presidential election will be decided by a narrow margin in seven "toss-up" states, namely, Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania and Wisconsin.

The prospects for tax reform in 2025 will depend on the outcome of both the presidential and 469 congressional races. Regardless of who is elected president, tax legislation originates in Congress, not the White House, so any changes to tax laws must pass the House of Representatives and the Senate, with each chamber's, and their members', competing interests and priorities to consider. If control of the two houses of Congress is divided, or control is divided between Congress and the White House, we expect the parties will need to compromise to address the provisions of the 2017 Tax Cuts & Jobs Act that expire next year, or any other tax legislation.

There are 34 seats up for election in the Senate. Democrats face significant headwinds to keep control of that chamber. Montana is a critical state to watch, as Republican Tim Sheehy is polling ahead of incumbent Democratic Senator Jon Tester. The Vice President casts the tiebreaking vote when the vote in the Senate is evenly divided, so one path to the Democrats retaining control of the Senate is if both Vice President Harris and Sen. Tester win their races. Please refer to the following slide for the latest forecast.

Private Bank's *Washington Tax Watch* – October 7, 2024 Edition (cont.)

2024 Senate forecast

Highlights

48 | 51

No Election (28D)	Safe Democrat (12D, 2I)	Likely Democrat (1D)	Leans Democrat	Tilts Democrat (4D, 1I)	Toss-up (1D)	Tilts Republican (1D)	Leans Republican (1R)	Likely Republican (2R)	Safe Republican (1I, 8R)	No Election (38R)
	CA-Open (Butler)*	MD-Open (Cardin)		AZ-Open (Sinema – Ind.)	OH-Brown	MT-Tester	TX-Cruz	FL-Scott	IN-Open (Braun)	
	CT-Murphy			MI-Open (Stabenow)				NE-Fischer	MO-Hawley	
	DE-Open (Carper)			NV-Rosen					MS-Wicker	
	HI-Hirono			PA-Casey Jr.					ND-Cramer	
	MA-Warren			WI-Baldwin					NE-Ricketts	
	ME-King (I)								TN-Blackburn	
	MN-Klobuchar								UT-Open (Romney)	
	NJ-Menendez								WV-Open (Manchin)	
	NM-Heinrich								WY-Barrasso	
	NY-Gillibrand									
	RI-Whitehouse									
	VA-Kaine									
	VT-Sanders (I)									
	WA-Cantwell									

* Special election

Source: "Inside Elections 2024 Senate Ratings" https://insideelections.com/ratings/senate. As of September 26, 2024. Accessed October 7, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – September 30, 2024 Edition

Recent Developments

Congress funds government through Dec. 20; Harris-Walz campaign releases economic plan; candidates for Vice President set for Oct. 1 debate

Highlights

On Sept. 26, President Biden signed a short-term bill to fund the U.S. government through Dec. 20, setting up another round of budget negotiations during Congress' post-election "lame duck" session. Members of Congress promptly returned to their districts to campaign. As House Speaker Mike Johnson (R.-La.) told reporters: "Our focus now turns exclusively to Nov. 5." Congress is adjourned until shortly after Election Day.

On Sept. 25, the Harris-Walz campaign released its economic plan, which includes tax proposals the candidates have mentioned on the campaign trail, such as a 28% long-term capital gains rate on individuals making $1 million or more, a minimum 25% "income" tax on individuals with a net worth of $100 million or more ("income" in this context defined to include unrealized capital gains), and an increased corporate tax rate, from 21% to 28%. Meanwhile, former President Trump continued to tout his plan to reduce the corporate tax rate to 15% for domestic manufacturers.

With early voting underway in seven states and just five weeks until Election Day, most analysts believe that the popular vote in the 2024 presidential election will be relatively close, making it likely that the outcome will be decided by a narrow margin in just a few states, including Arizona, Georgia, Michigan, and Pennsylvania. One recent Gallup poll suggests that more U.S. adults identify as Republican or lean toward the Republican Party (48%) than identify as or lean Democratic (45%); Republicans have not previously had this advantage during the third quarter of an election year.[1]

On Oct. 1, the major parties' Vice Presidential candidates – Senator J.D. Vance (R-OH) and Governor Tim Walz (D-MN) – will meet in New York City for a nationally-televised debate. This is the only debate before Election Day scheduled between them.

[1] Source: "2024 Election Environment Favorable to GOP" https://news.gallup.com/poll/651092/2024-election-environment-favorable-gop.aspx. As of Sept. 30, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – September 23, 2024 Edition

Recent Developments

House of Representatives and Senate adjourn until after Election Day; control of closely divided chambers remains uncertain

Highlights

Congress is scheduled to vote this week on a continuing resolution to avoid a government shutdown and fund the government through Dec. 20. Assuming the short-term funding bill passes, Congress is not scheduled to reconvene until shortly after Election Day.

In a Truth Social post on Sept. 17, former President Trump wrote of his support to restore full deductibility for state and local taxes (SALT) paid. This followed recent proposals to, among other things, end taxes on overtime pay, Social Security payments, and tips paid to restaurant and hospitality workers. Among other Congressional leaders, Senate Minority Whip John Thune (R.-S.D.), predicted Sept. 18 that any attempt to remove the cap on the SALT deduction would encounter "pushback from some of our members who think that subsidizing the high tax states isn't a good idea."

Regardless of who is elected president, tax legislation originates in Congress, not the White House, so any changes to tax laws must pass the House of Representatives and the Senate, with each chamber's, and their members', competing interests and priorities to consider. If control of the two houses of Congress is divided, or control is divided between Congress and the White House, we expect the parties will need to compromise to address the provisions of the 2017 Tax Cuts & Jobs Act that expire next year, or any other tax legislation.

Up for election in the House of Representatives are all 435 seats. One current forecast – the Inside Elections newsletter published by Nathan Gonzales – projects that Republicans will win 216 seats and Democrats 207, with 12 seats (five held by Republicans) considered toss-ups and 218 required for a nominal majority. The generic ballot – which surveys whether voters would support an unnamed Republican or Democrat – favors Democrats by 2%. The year of the most recent Presidential election – 2020 – Democrats led in the generic ballot on Election Day by 3.1% and won 222 seats.

Please refer to the following slide for the latest forecast.

Private Bank's *Washington Tax Watch* – September 23, 2024 Edition (cont.)

2024 House forecast

Highlights

206 | 216

Safe Democrat (177D)	Likely Democrat (16D, 2R)	Leans Democrat (4D)	Tilts Democrat (6D, 1R)	Toss-up (8D, 5R)		Tilts Republican (12R)	Lean Republican (5R)	Likely Republican (3D, 8R)	Safe Republican (188R)
	AL-2 Open (Moore)	CT-5 Hayes	CA-47 Open (Porter)	AK-1 Peltola	CA-13 Duarte	AZ-1 Schweikert	CO-3 Open (Boebert)	AZ-2 Crane	
	CA-9 Harder	IL-17 Sorensen	NY-22 Williams	CO-8 Caraveo	CA-27 Garcia	AZ-6 Ciscomani	MI-10 James	CA-3 Kiley	
	CA-49 Levin	MN-2 Craig	OH-9 Kaptur	MI-7 Open (Slotkin)	NE-2 Bacon	CA-22 Valadao	MT-1 Zinke	CA-40 Kim	
	IN-1 Mrvan	NY-18 Ryan	OH-13 Sykes	MI-8 Open (Kildee)	NY-4 D'Esposito	CA-41 Calvert	NY-1 LaLota	FL-13 Luna	
	KS-3 Davids		PA-7 Wild	NC-1 Davis	OR-5 Chavez-DeRemer	CA-45 Steel	WI-3 Van Orden	FL-27 Salazar	
	LA-6 Open (Graves)		PA-8 Cartwright	NM-2 Vasquez		IA-1 Miller-Meeks		NC-6 Open (Manning)	
	MI-3 Scholten			VA-7 Open (Spanberger)		IA-3 Nunn		NC-13 Open (Nickel)	
	NH-1 Pappas			WA-3 Perez		NJ-7 Kean		NC-14 Open (Jackson)	
	NH-2 Open (Kuster)					NY-17 Lawler		PA-1 Fitzpatrick	
	NV-1 Titus					NY-19 Molinaro		TX-15 De La Cruz	
	NV-3 Lee					PA-10 Perry		WI-1 Steil	
	NV-4 Horsford					VA-2 Kiggans			
	NY-3 Suozzi								
	OH-1 Landsman								
	OR-4 Hoyle								
	OR-6 Salinas								
	TX-28 Cuellar								
	TX-34 Gonzalez								

Source: "Inside Elections 2024 House Ratings" https://insideelections.com/ratings/house. As of Sept 12, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – September 16, 2024 Edition

Recent Developments

Presidential candidates met in a debate Sept. 10; this week, we focus on the contests that will determine control of the Senate

Highlights

On Sept. 10, former President Trump and Vice President Harris met in a nationally-televised debate. This is the only debate before Election Day scheduled between them. The vice presidential candidates are set to debate on Oct. 1.

Regardless of who is elected president, tax legislation originates in Congress, not the White House, so any changes to tax laws must pass the House of Representatives and the Senate, with each chamber's, and their members', competing interests and priorities to consider. If control of the two houses of Congress is divided, or control is divided between Congress and the White House, we expect the parties will need to compromise to address the provisions of the 2017 Tax Cuts & Jobs Act that expire next year, or any other tax legislation.

Up for election in the Senate on Nov. 5 are 34 seats. With 23 seats held by their party in a 51-49 Senate, Democrats face significant headwinds to keep control of that chamber. Two independents who count toward the Democrats' majority, Sens. Joe Manchin (WV) and Kyrsten Sinema (AZ), have chosen not to seek reelection. In West Virginia, Republican Governor Jim Justice has a solid lead in the race to succeed Sen. Manchin. Montana will be a critical state to watch, as Republican Tim Sheehy looks to unseat incumbent Senator Jon Tester. The race for the White House could also determine control of the Senate, as the Vice President casts the tiebreaking vote when the vote in the Senate is evenly divided.

Please refer to the following slide for the latest forecast.

Private Bank's *Washington Tax Watch* – September 16, 2024 Edition (cont.)

2024 Senate forecast

Highlights

48 | 51

No Election (28D)	Safe Democrat (12D, 2I)	Likely Democrat (1D)	Leans Democrat (1D)	Tilts Democrat (3D, 1I)	Toss-up (1D)	Tilts Republican (1D)	Leans Republican	Likely Republican (1R)	Safe Republican (1I, 10R)	No Election (38R)
	CA-Open (Butler)* CT-Murphy DE-Open (Carper) HI-Hirono MA-Warren ME-King (I) MN-Klobuchar NJ-Menendez NM-Heinrich NY-Gillibrand RI-Whitehouse VA-Kaine VT-Sanders (I) WA-Cantwell	MD-Open (Cardin)	WI-Baldwin	AZ-Open (Sinema – Ind.) MI-Open (Stabenow) NV-Rosen PA-Casey Jr.	OH-Brown	MT-Tester		TX-Cruz	FL-Scott IN-Open (Braun) MO-Hawley MS-Wicker ND-Cramer NE-Fischer NE-Ricketts TN-Blackburn UT-Open (Romney) WV-Open (Manchin) WY-Barrasso	

* Special election

Source: "Inside Elections 2024 Senate Ratings" https://insideelections.com/ratings/senate. As of Sept. 12, 2024. By visiting a third-party site, you may be entering an unsecured website that may have a different privacy policy and security practices from J.P. Morgan standards. J.P. Morgan is not responsible for, and does not control, endorse or guarantee, any aspect of any linked third-party site. J.P. Morgan accepts no direct or consequential losses arising from the use of such sites.

Private Bank's *Washington Tax Watch* – September 9, 2024 Edition

Recent Developments

Congress returns from recess, with adjournment until after Election Day scheduled for Sept. 27; presidential candidates set to debate Sept. 10; early voting begins in Pennsylvania Sept. 16

Highlights

Congress returned September 9 from its summer recess. Little to no activity regarding taxes affecting individual taxpayers is expected to occur, with both the House and Senate scheduled to adjourn September 27, not returning until the week after Election Day (which is Nov. 5).

On Sept. 10, Vice President Harris and former President Trump are scheduled to meet in a nationally-televised debate. This is the only debate before Election Day scheduled between them. The vice presidential candidates are set to debate on Oct. 1.

Meanwhile, the campaigns continue to reveal more about their respective tax policy proposals. At a speech hosted last week by the Economic Club of New York, former President Trump proposed reducing the corporate tax rate to 15 percent (from 21 percent) to incentivize domestic manufacturing. At a speech in New Hampshire, Vice President Harris moderated earlier Biden Administration proposals and suggested the preferential long-term capital gains rate on individuals making more than $1 million should be increased to only 28 percent (from 20 percent). Budget proposals from the Biden Administration had previously proposed high earners should pay as much as 39.6 percent. Assuming the Harris campaign continues to back the Biden Administration's proposal to increase the Medicare surtax on "net investment income" from 3.8 percent to 5 percent, this suggests a top 33 percent all-in tax rate on long-term capital gains.

Early voting begins in Pennsylvania, a key battleground state in the presidential election, on Sept. 16. In nine other states, voting begins more than four weeks before Election Day. Forty-seven states and the District of Columbia offer early in-person voting. National and state polls both continue to show a very tight race, with the results in the same six to seven states that were pivotal in the two most recent elections again seen as determinative of who will win the presidency.

Private Bank's *Washington Tax Watch* – September 3, 2024 Edition

Recent Developments

At party's convention, Harris and Walz accept Democrats' nomination as candidates for President and Vice President; Robert Kennedy, Jr., suspends presidential campaign, endorses Trump; court voids FTC's proposed ban on non-compete agreements

Highlights

The Democratic National Convention was held in Chicago from Aug. 19-22. As expected, Harris and Walz accepted the respective nominations. Additionally, in recent weeks, the Harris campaign has confirmed that its view on tax policy generally aligns with that of the Biden Administration, favoring higher tax rates on wealthy individuals and large corporations. Such policies include, for example, ending the preferential treatment for capital gains for millionaires, repealing the "stepped up" basis at death rule for the wealthy, taxing "carried interest" as ordinary income, eliminating tax deferral on transfers of real estate through "1031" like-kind exchanges, and increasing the corporate income tax rate from 21% to 28%. A Harris Administration would also support a minimum 25% "income" tax on individuals with a net worth of $100 million or more ("income" in this context defined to include unrealized capital gains). Of course, the likelihood of any proposal being enacted depends on which party, if any, controls the U.S. government after the November elections.

On August 20, a district court judge in Texas set aside the Federal Trade Commission's (FTC) rule prohibiting non-compete agreements that was set to go into effect September 4. The judge concluded that the FTC overstepped its rulemaking authority, and described the ban as "unreasonably overbroad without a reasonable explanation." This decision applies nationwide, unlike the earlier preliminary injunction, which affected only the five plaintiffs. The FTC has stated it is seriously considering an appeal. Clients should speak with their legal advisors to understand the potential impact of the decision.

On Aug. 23, independent presidential candidate Robert F. Kennedy, Jr., a former Democrat, suspended his campaign and endorsed former President Trump. Kennedy has taken steps to withdraw his name from the ballot in key swing states; some states, including Michigan, Wisconsin, and North Carolina, have so far declined to do so.

Congress returns September 9 from its summer recess. Even then, little to no activity regarding tax affecting individual taxpayers is expected to occur, with both the House and Senate scheduled to adjourn September 27, not returning until the week after Election Day (which is Nov. 5).

Private Bank's *Washington Tax Watch* – August 19, 2024 Edition

Recent Developments

Harris chooses Tim Walz as her running mate, unveils economic plan; Democratic National Convention underway in Chicago

Highlights

On August 6, Vice President Kamala Harris, Democrats' nominee for President, proposed Governor Tim Walz of Minnesota, as the party's nominee for vice president. Governor Walz, a former educator and Congressman, is serving his second term as Minnesota's governor.

On Aug. 16, Harris unveiled her economic plan, which builds on Biden Administration proposals to increase the housing supply through new tax incentives designed to promote the construction of affordable housing and expand the child tax credit to COVID-era levels. The plan would further increase the child tax credit for low- and middle-income families with newborns. The plan would also attempt to reduce health care and grocery costs. Since these proposals would likely require legislative changes, the ability of a Harris administration to implement any of these proposals depends on Democrats' ability to win control of both chambers of Congress, perhaps even including a filibuster-proof majority in the Senate (i.e., needing 60 Senators to support legislation) in the November elections.

The Democratic National Convention began in Chicago on August 19. Later this week, Harris and Walz are scheduled to accept the respective nominations.

Legislative activity is expected to remain minimal until Congress returns September 9 from its summer recess. Even then, little to no activity regarding tax affecting individual taxpayers is expected to occur, with both the House and Senate scheduled to adjourn September 27, not returning until the week after Election Day (which is Nov. 5).

Private Bank's *Washington Tax Watch* – August 5, 2024 Edition

Recent Developments

Democrats nominate Vice President Harris for president; Senate fails to advance tax bill expanding child tax credit and business benefits in face of Republican opposition

Highlights

On August 2, Democrats nominated Vice President Kamala Harris as the party's nominee for President, through a virtual roll call vote, in advance of the party's convention, scheduled to begin August 19 in Chicago. She is expected to announce her choice to be her running mate this week.

Shortly before the chamber went on summer recess on August 1, Senate Democrats could not muster the 60 votes needed to advance a tax bill that, six months earlier, had passed the House with bipartisan support. The bill, which got 48 of the 60 votes needed (with 44 opposed), aimed to expand the child tax credit and reinstate recently expired or reduced business-friendly tax benefits. Specifically, the bill proposed to:

- Retroactively restore 100% accelerated depreciation for certain business property placed into service (e.g., aircraft, machines, equipment, vehicles)
- Allow immediate expensing of domestic research and development expenditures, and
- Provide more generous limitations on business interest deductibility.

Senate Republicans objected to several provisions. They were especially concerned about the lookback rule in the child tax credit provision, which would have allowed taxpayers to qualify based on their prior year's income, and the retroactive nature of some of the business-friendly measures. Without any opportunity for Republicans to offer amendments, the vote was seen by many commentators as a foregone conclusion. These issues will likely be considered again in anticipation of the provisions of the 2017 Tax Cuts & Jobs Act that expire next year. One calculation Senate Republicans made was that they could get what they perceive is a better bill if they, as they expect, control both houses of Congress next year.

Legislative activity is expected to be minimal in the coming weeks, with Congress on recess for much of August, scheduled to return on September 9.

Private Bank's *Washington Tax Watch* – July 22, 2024 Edition

Recent Developments

President Biden ends his bid for reelection and backs Vice President Harris; former President Trump and Senator J.D. Vance officially secure the Republican nominations for president and vice president; Treasury and IRS clarify changes to required minimum distribution (RMD) rules for retirement plans

Highlights

On July 21, President Biden announced he was ending his bid for reelection, and endorsed Vice President Harris to be the Democrats' nominee for President. Shortly thereafter, Vice President Harris announced her candidacy for president. The party's 3,949 delegates (not including 749 "superdelegates") – virtually all of whom were pledged to President Biden – are now open to choose the candidate of their choice next month at the Democratic National Convention, scheduled to begin August 19 in Chicago. Before then, though, a pre-convention "virtual vote" in early August could nominate Harris (or potentially another candidate) as the Democrats' candidate for president. It is likely that such a virtual vote will be held and that a vice presidential nominee would also be selected by a virtual vote.

Biden's announcement follows the Republican National Convention in Milwaukee, where Senator J.D. Vance of Ohio made his debut as former President Trump's running mate, and the pair officially secured the Republican nominations in the shadow of the July 13 attempted assassination of the former president.

On July 18, Treasury and the IRS issued final and proposed regulations interpreting recent changes to required minimum distribution (RMD) rules for retirement plans. The regulations confirm that many individuals who inherit IRAs are required to take annual distributions each year over a 10-year period, instead of delaying required distributions until the end of the 10th year. This rule impacts "non-eligible designated beneficiaries" (non-EDBs) who inherit IRAs if the decedent died after he or she was required to start taking RMDs. Generally effective beginning January 1, 2025, this rule would apply to non-EDBs who inherit IRAs and defined contribution plans after 2019. Non-EDBs include any designated beneficiary other than: 1) the decedent's spouse; 2) the decedent's minor children; 3) someone who is chronically ill or disabled; and (4) a person who is not more than 10 years younger than the decedent. Generally, the RMD for each of those 10 years before the last is based in part on the beneficiary's life expectancy, with a perhaps outsized balance payable in year 10.

Depending on the outcome of the elections in November, administrative guidance issued by Treasury and IRS after the end of May is at risk of being overruled using the "look-back" rule in the Congressional Review Act. This rule would require support by the President and majority support in both houses of Congress. Although rare, its use is not unprecedented; in fact, this authority was exercised by Republicans following President Trump's election in 2016 to overturn several Obama Administration rules.

Legislative activity is expected to be minimal in the coming weeks, with Congress on recess for much of August, scheduled to return on September 9.

Private Bank's *Washington Tax Watch* – July 8, 2024 Edition

Recent Developments

U.S. Supreme Court concludes its term with several decisions that will likely restrict the authority of federal administrative agencies; Federal Trade Commission loses challenge to its rule banning non-compete agreements; presidential candidates highlight tax and other policy proposals in debate

Highlights

The U.S. Supreme Court recently concluded its term with several decisions that will likely restrict the authority of federal administrative agencies in the executive branch. Most notably, perhaps, in *Loper Bright Enterprises v. Raimondo*, the Court overruled the longstanding "*Chevron* doctrine," which stood for the proposition that courts must defer to a federal administrative agency's reasonable interpretation of an ambiguous statute. The Court's decision is expected to limit the power of administrative agencies, shifting more responsibility to Congress to address policy issues, and giving the courts greater authority to overturn regulatory guidance (including guidance issued by the IRS).

In other judicial news, on July 3, a federal district court in Texas ruled against the Federal Trade Commission in a case challenging its rule, scheduled to become effective September 4, restricting non-compete agreements. The court declined to ban non-competes for parties not involved in the lawsuit. Clients should speak with their legal advisors to understand the potential impact of the non-complete rule and any ongoing litigation, as the rule faces other federal court challenges that could delay its implementation.

On June 27, President Biden and former President Trump debated on national television over a variety of issues. The candidates did not share any new, meaningful insights into their tax policies. President Trump touted his record of cutting taxes and regulations, highlighting as one example the purported success of Qualified Opportunity Zones created in the 2017 Tax Cuts & Jobs Act. President Biden suggested he would ensure the wealthy pay their "fair share," and alluded to his budget plan proposal to impose a minimum 25% tax on individuals with a net worth of $100 million or more ("income" in this context defined to include unrealized capital gains); he also positioned former President Trump's proposal to increase tariffs as a tax increase. The candidates remain scheduled to debate again September 10.

Former President Trump will announce in the next week to 10 days his choice to be the Republican candidate for vice president. The Republican National Convention is scheduled to begin July 15 in Milwaukee. The Democratic National Convention is scheduled to begin August 19 in Chicago.

Private Bank's *Washington Tax Watch* – June 24, 2024 Edition

Recent Developments

U.S. Supreme Court rules in favor of the government in *Moore v. United States*, a closely-watched tax case that gives some insight into the Court's view on the constitutionality of a national wealth tax; Treasury and IRS attack partnership "basis shifting" transactions involving partners related to one another

Highlights

On June 20, the U.S. Supreme Court issued a decision in the closely-watched tax case, *Moore v. United States*. The case involved the U.S. government's ability to tax what has been argued to be unrealized income, in a challenge to the mandatory repatriation tax that was enacted as part of the 2017 Tax Cuts & Jobs Act, targeting offshore earnings of U.S. companies. Many in the tax world had expressed concern that a broad decision could upend several existing tax code provisions. However, in an explicitly narrow ruling in favor of the government, the Court upheld (7-2) the constitutionality of the mandatory repatriation tax, choosing to avoid what the majority opinion suggested might have been "fiscal calamity."

Tax practitioners and policymakers were also watching this case because it was anticipated that the Court might give guidance on its view of a proposed, though never enacted, national wealth tax. The majority opinion, written and joined by five of the nine Justices, declined to address the constitutionality of a wealth tax, which may turn on, among other things, whether "realization" of income is a constitutional requirement (as opposed to a tax on unrealized appreciation of property). Instead, the majority held the mandatory repatriation tax constitutional on the theory that Congress can attribute an entity's undistributed income to its shareholders or partners. Other Justices supported the government in their concurrence, but for different reasons. Nonetheless, through an array of concurring and dissenting opinions, the *Moore* decision makes clear that at least four of the Justices believe realization is required in order to tax the economic appreciation of property that might be subject to a hypothetical wealth tax. Some legal scholars have pointed out that the *Moore* decision indicates the current Court would be likely to strike down the constitutionality of such a tax.

On June 17, Treasury and IRS issued a guidance package that would prevent partners that are related to one another from using the partnership "basis shifting" rules in a manner that would increase the basis of an asset to either reduce taxable gain (or increase loss) upon sale, or increase the tax depreciation or amortization deductions that may be claimed on the property. Proposed regulations would also require disclosure by the taxpayer and any "material advisor" of related party basis shifting transactions of more than $5 million to the IRS as a "transaction of interest." Finally, the IRS issued a Revenue Ruling that indicates the IRS will challenge related party basis shifting transactions for lack of economic substance, which could prompt penalties as high as 40% for undisclosed transactions. The guidance was released in conjunction with an IRS announcement that the IRS will continue to focus on developing guidance related to pass-through entities and "closing loopholes" using Inflation Reduction Act funding that significantly increased the IRS' budget.

Private Bank's *Washington Tax Watch* – June 10, 2024 Edition

Recent Developments

U.S. Supreme Court unanimously rules in favor of the government in *Connelly v. United States*, an outcome that should prompt closely held business owners to reexamine the ownership structure of life insurance policies that will be used to fund buy-sell agreements

Highlights

On June 6, the U.S. Supreme Court decided *Connelly v. United States*, one of two significant tax rulings expected to be issued by the Court in the next four weeks (the other being the *Moore* case, discussed below). *Connelly* involved a closely held corporation owned by two brothers. When one died, the corporation had an obligation, under a buy-sell agreement, to purchase the shares owned by that brother's estate. The corporation itself owned an insurance policy on the deceased brother's life and used that death benefit to buy the shares owned by that brother, leaving the survivor as the sole owner. The only issue for the Court to decide was how the decedent's estate should value its interest in the corporation at the date of death.

In an explicitly narrow decision, the Court agreed with the IRS that the value of the life insurance proceeds should be included in the fair market value of the corporation's shares owned by the decedent at the time of death without any reduction for the corporation's obligation to buy the shares from the estate. (The estate argued that the corporation's obligation to buy the shares should reduce the corporation's value for estate tax purposes, as with any other contractual obligation to a third-party creditor.)

Why is this decision important? Because it is common practice, where there are two or more owners of a closely held business, for them to use buy-sell agreements funded by life insurance proceeds to help buy out a deceased owner's share of the business, and *Connelly* in effect tells us that having the company own the policies may be less tax-efficient than having, for instance, the owners themselves own the policies on the partners/fellow shareholders (a so-called "cross-purchase agreement").

Closely held business owners who intend to use life insurance to fund a buy-sell agreement should consider whether, following this decision, their buy-sell provisions still achieve the desired effect. Clients who own, or plan to own, insurance as part of an estate and business succession plan should determine whether the manner in which that insurance is, or would be, owned, should be changed. The pros and cons of any existing and/or future arrangement should be considered with tax and legal advisors.

The tax world awaits another decision from the Supreme Court in *Moore*, a case involving the U.S. government's ability to tax what has been argued to be unrealized income. A decision could give guidance on the Court's view of a proposed (though never enacted) national wealth tax. A decision is expected in the next month, at most.

Private Bank's *Washington Tax Watch* – May 28, 2024 Edition

Recent Developments

Bipartisan tax legislation remains stalled in the Senate; House Ways & Means subcommittee holds hearing on Qualified Opportunity Zones (QOZs); U.S. Supreme Court decisions expected soon in two key tax cases, *Moore* and *Connelly*

Highlights

On May 21, the House passed a bipartisan disaster relief bill that would provide $4.9 billion aid in the form of tax relief to victims of certain hurricanes, wildfires and other natural disasters. Senate Finance Committee Chairman Ron Wyden (D.-Or.) has vowed to block the disaster relief bill, instead favoring the Tax Relief for American Families and Workers Act, a separate bipartisan tax bill that passed the House earlier this year. The latter contains similar disaster relief provisions, in addition to an expanded child tax credit and several business-friendly provisions to restore recently expired or reduced tax benefits. Currently, neither bill has a clear path in the Senate. There appears to be very little opportunity for the closely divided Congress to pass any significant tax legislation before the 2024 elections.

On May 20, the House Ways & Means Tax Subcommittee held a hearing that drew bipartisan support on Qualified Opportunity Zones (QOZs). Investments in QOZs have become relatively less attractive since enactment of the law in 2017 because of the (a) loss of the 15% basis adjustment, and (b) approach (as of, at the latest, 12/31/26) of the deemed capital event on the gain deferred when the QOZ investment was made. There have been bipartisan proposals in recent years to reinstate and expand some of the tax benefits of this legislation, along with enhanced reporting requirements for QOZ investments. At this time, however, none of these proposals have passed either house of Congress.

We expect that activity affecting individual taxpayers could continue on the administrative front, through the issuance of new guidance from U.S. Treasury or IRS. Administrative agencies generally will try to publish rulemaking in advance of a new Congress to minimize risk of Congressional disapproval.

On the judicial front, the tax world awaits a couple of key U.S. Supreme Court decisions. The *Moore* case involves the U.S. government's ability to tax what has been argued to be unrealized income. A decision could give guidance on the Court's view of a proposed (though never enacted) national wealth tax. The *Connelly* case is considering whether, in determining the value of a closely held business interest in the estate, one must account for corporate-owned life insurance (COLI) proceeds used to facilitate the redemption of corporate stock held by the estate after the shareholder dies. Decisions in *Moore* and *Connelly* are expected to be issued before the Court's recess in late June or early July.

Private Bank's *Washington Tax Watch* – May 13, 2024 Edition

Recent Developments

Congressional Budget Office (CBO) issues new estimate on tax laws set to expire at end of 2025; Senate passes Federal Aviation Administration (FAA) package, to be considered by the House this week; U.S. Supreme Court decisions expected soon in two key tax cases, *Moore* and *Connelly*

Highlights

On May 8, the nonpartisan Congressional Budget Office (CBO) issued a report estimating the 10-year cost of permanently extending the provisions in the 2017 Tax Cuts & Jobs Act scheduled to expire at $4.6 trillion. The CBO in 2023 estimated the cost to be $3.5 trillion. Approximately $3.7 trillion of the new estimate relates to the individual income tax provisions, including the reduced rates, the enhanced child tax credit, and the 20% deduction for qualified business income from pass-through entities scheduled to expire 12/31/25. The fate of these expiring provisions depends largely on the outcome of the 2024 elections.

On May 9, the Senate passed a bill to, among other things, reauthorize the Federal Aviation Administration (FAA) and fund its operations for the next several years. The House is expected to address the FAA package this week. In the Senate, dozens of amendments were filed, including one that would have attached a bipartisan tax bill that passed the House earlier this year. Neither the bipartisan tax bill nor any of the other amendments were included in the FAA package, minimizing the chances that any tax legislation would be passed in 2024. The FAA legislation had been considered by many to be one of the last opportunities for the closely divided Congress to pass significant legislation before the 2024 elections.

We expect that activity affecting individual taxpayers could continue on the administrative front, through the issuance of new guidance from U.S. Treasury or IRS. Administrative agencies generally will try to publish rulemaking in advance of a new Congress to minimize risk of Congressional disapproval.

On the judicial front, the tax world awaits a couple of key U.S. Supreme Court decisions. The *Moore* case involves the U.S. government's ability to tax what has been argued to be unrealized income. A decision could give guidance on the Court's view of a proposed (though never enacted) national wealth tax. The *Connelly* case is considering whether, in determining the value of a closely held business interest in the estate, one must account for corporate-owned life insurance (COLI) proceeds used to facilitate the redemption of corporate stock held by the estate after the shareholder dies. Decisions in *Moore* and *Connelly* are expected to be issued before the Court's recess in late June or early July.

Private Bank's *Washington Watch* – April 29, 2024 Edition

Recent Developments

High-net worth individuals & entities notified of data breach; IRS extends required minimum distribution (RMD) guidance for inherited IRA beneficiaries; Federal Trade Commission issues final rule on non-compete agreements; House Ways & Means Republicans form "tax teams" focused on expiring tax provisions

Highlights

Many high-net worth individuals, and entities they own, have in the last three weeks received letters from the IRS notifying them that at least some of their tax return data had been leaked as part of a widespread breach by former IRS contractor, who was recently sentenced to five years in prison for the breach, having admitted to taking information regarding thousands of taxpayers. The IRS is required by law to notify taxpayers of the breach, but the letters did not share much personalized detail that would allow taxpayers to specifically determine the data taken and with whom it was shared. Clients notified by the IRS of the data breach should consult with an attorney to determine how to proceed.

On April 16, the IRS issued Notice 2024-35, delaying until 2025 the effective date of a proposed required minimum distribution (RMD) rule that would apply to certain beneficiaries of inherited IRAs. (Previous IRS Notices had delayed the effective dates for 2022 and 2023.) Proposed Treasury Regulations interpreting the SECURE Act of 2019 would require "non-eligible designated beneficiaries" (non-EDBs) to take annual distributions each year over a 10-year period, instead of delaying required distributions until the end of the 10th year. This proposed rule, once effective, would apply to non-EDBs who inherit IRAs and defined contribution plans after 2019, if the decedent died after he or she was required to start taking RMDs. Non-EDBs include any designated beneficiary other than: 1) the decedent's spouse; 2) the decedent's minor children; 3) someone who is chronically ill or disabled; and (4) a person who is not more than 10 years younger than the decedent.

On April 23, the Federal Trade Commission issued a Final Rule prohibiting non-compete agreements and other clauses that penalize or function to prevent most for-profit workers from accepting employment at another firm. The Final Rule prohibits employers from entering into new non-competes after the effective date. Existing non-competes, except those with Senior Executives (defined as a person in a "policy making position" who was paid at least $151,164 in the prior year), would also be rescinded. The Final Rule is supposed to be effective 120 days from publication in the Federal Register but already faces multiple legal challenges that could delay its implementation. Clients should speak with their legal advisors to understand the potential impact of the proposed Rule.

On April 24, House Ways & Means Committee Chair Jason Smith (R.-Mo.) and Tax Subcommittee Chair Mike Kelly (R.-Pa.) announced Republicans on the committee would form "tax teams" to study tax provisions from the 2017 Tax Cuts & Jobs Act scheduled to expire after 2025. The fate of expiring provisions depends largely on the outcome of the 2024 elections.

We will continue to monitor developments and communicate them when we have anything to report. We expect to publish *Washington Watch* regularly, in the next few months at least bi-weekly. Contents are informed by input from Government Relations, Corporate Tax, tax policy experts at national accounting firms, and other third-party sources.

Private Bank’s *Washington Tax Watch* – April 15, 2024 Edition

Recent Developments

Tax bill remains stalled in the Senate; “No Labels” group announces it will not offer a 2024 presidential candidate; House Ways & Means Committee members share views on tax provisions scheduled to sunset after 2025

Highlights

Many Senate Republicans remain steadfast in their opposition to the $78 billion tax bill that passed the House with bipartisan support earlier this year. “Every week that passes reduces the very small chance that this bill can be revived,” said Russ Sullivan, a former staff director on the Senate Finance Committee and a partner at a D.C. law and lobbying firm.

The bill would expand the child tax credit and includes business-friendly provisions to restore recently expired or reduced tax benefits. The latter would retroactively restore 100% accelerated depreciation for certain business property placed into service (e.g., aircraft, machines, equipment, vehicles), allow immediate expensing of domestic research and development expenditures, and provide more generous limitations on business interest deductibility. Several Senate Republicans object to certain provisions, including the lookback rule in the child tax credit provision that would allow taxpayers to qualify based on their prior year income, and the retroactive scope of some of the business-friendly language.

On April 4, the No Labels group announced it will not offer a presidential candidate in the 2024 election.

House of Representatives members from both parties used a House Ways and Means Committee meeting on April 11 to stake out positions regarding the scheduled sunset of many provisions of the 2017 Tax Cuts & Jobs Act. Ways & Means Chair Jason Smith (R-Mo.) said, “The 2017 Trump tax cuts provided a critical blueprint that Congress can build on to make lasting improvements to our tax code.” Committee member Lloyd Doggett (D-Tex.) condemned the “sorry legacy of the 2017 tax law.”

Private Bank's *Washington Tax Watch* – April 15, 2024 Edition

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Private Bank's *Washington Watch* – April 1, 2024 Edition

Recent Developments

Partial government shutdown averted; tax bill remains stalled in Senate; Robert F. Kennedy, Jr., announces running mate; U.S. Supreme Court hears oral arguments in *Connelly*, which is relevant to closely held businesses that use life insurance to facilitate stock redemptions

Highlights

On March 23, Congress passed, and President Biden signed, a $1.2 trillion bill to avert a partial government shutdown to fund the government through Sept. 30.

The tax bill that passed the House with strong bipartisan support was not included in the funding package. That bill's future hinges on the Senate. The current version would expand the child tax credit and includes business-friendly provisions to restore recently expired or reduced tax benefits. The latter would retroactively restore 100% accelerated depreciation for certain business property placed into service (e.g., aircraft, machines, equipment, vehicles), allow immediate expensing of domestic research and development expenditures, and provide more generous limitations on business interest deductibility. Several Senate Republicans object to certain features of the bill, including the lookback rule in the child tax credit provision that would allow taxpayers to qualify based on their prior year income, and the retroactive scope of some of the business-friendly provisions. Negotiations are likely to continue when the Senate returns from recess on April 8. At this point, the bill's prospects are unclear.

On March 26, Independent presidential candidate Robert F. Kennedy, Jr., announced his running mate, Nicole Shanahan, an attorney and tech entrepreneur from California.

On March 27, the U.S. Supreme Court heard oral arguments in *Connelly v. United States*. The Court is considering whether, in determining the value of a closely held business interest in the estate, one must account for corporate-owned life insurance (COLI) proceeds used to facilitate the redemption of corporate stock held by the estate after the shareholder dies. The executor is challenging the IRS' position that the COLI proceeds should increase the value of the company. This case is being closely watched by the estate planning community, particularly given the common use of life insurance proceeds to facilitate business continuity upon a shareholder's death. The Court's decision could prompt some businesses to revisit how they've structured buy-sell agreements and the ownership of life insurance policies intended to be used to purchase stock from the estate of a deceased shareholder.

Private Bank's *Washington Watch* – March 18, 2024 Edition

Recent Developments

Biden Administration releases its fiscal year 2025 Budget proposal and Treasury "Greenbook"; major tax proposals highly unlikely to be adopted by divided Congress; tax bill remains stalled in Senate; partial government shutdown possible March 22; former President Trump becomes presumptive nominee

Highlights

On March 11, the Biden Administration released its 2025 Budget proposal and the Treasury "Greenbook," which is the Administration's explanation of revenue proposals for the U.S. fiscal year, which begins Oct. 1. The Greenbook has no legal effect and does not constitute a bill to be considered by Congress; it represents, instead, the Administration's wish list for revenue-raising legislation. Nonetheless, the Administration has recycled many ideas to increase tax rates on high-income taxpayers and limit common estate and gift tax planning techniques. These proposals did not pass in recent years, even when Democrats had narrow majorities in both chambers of Congress.

With a divided Congress, to the extent the Greenbook proposals require Congressional action, it constitutes a list of wishes that will not be fulfilled. The Administration proposes to increase the top marginal rate for individuals to 39.6% and tax long-term gains for taxpayers earning more than $1 million at ordinary rates. It would expand the scope of the 3.8% Medicare surtax on "net investment income" to cover active, pass-through business income, as well as increase the 3.8% surtax on income above $400,000 (from 3.8% to 5.0%). In addition, it would, among other things, (a) repeal "stepped up" basis at death, (b) modify rules for grantor trusts, (c) tax "carried interest" as ordinary income, (d) limit tax deferral on transfers of real estate through "1031" like-kind exchanges, and (e) increase the corporate income tax rate to 28%. The Greenbook would also quadruple the 1% excise tax on corporate stock buybacks and impose a minimum 25% tax on individuals with a net worth of $100 million or more ("income" in this context defined to include unrealized capital gains).

A bill signed into law on March 8 funds several federal departments and agencies through September 30. Debate over the remaining funding measures, set to expire March 22, will continue this week. An agreement on funding could present a window of opportunity for the $78 billion tax bill that passed the House in January, and remains stalled in the Senate.

Sen. Mike Crapo (R.-Id.), ranking member of the Senate Finance Committee, has expressed his reservations on the tax bill, but is reportedly negotiating with Senate Finance Committee Chair Ron Wyden (D.-Ore.) on the details. The House version would expand the child tax credit and includes business-friendly provisions to restore recently expired or reduced tax benefits. The latter would retroactively restore 100% accelerated depreciation for certain business property placed into service (e.g., aircraft, machines, equipment, vehicles), allow immediate expensing of domestic research and development expenditures, and provide more generous limitations on business interest deductibility.

On March 12, President Trump became the presumptive Republican nominee for president, following primary wins in Georgia, Mississippi and Washington state that gave him more than enough pledged delegates to secure the nomination.

Private Bank's *Washington Watch* – March 5, 2024 Edition

Recent Developments

Corporate Transparency Act ruled unconstitutional; former President Trump still on track to win Republican nomination; President Biden will deliver State of the Union speech on March 7; Treasury to release Green Book March 11; tax bill still stalled in Senate; Congress agrees to fund government through Mar. 22

Highlights

On March 1, a US district court judge found the Corporate Transparency Act (CTA) unconstitutional. The law, effective Jan. 1, 2024, requires a "reporting entity" to report personal data about its "beneficial owners" (defined to include those who own at least 25% of, or exercise substantial control over, the entity) to Treasury's Financial Crimes Enforcement Network (FinCEN), which would preserve the data on a non-public registry as part of its efforts to prevent financial crimes. The CTA also applies to "company applicants" – those formally filing or registering entities created starting 1/1/24. An appeal is expected. Clients should check with their legal advisors on what they should do during the pendency of litigation.

Former President Trump is expected to win in all 15 states and the one territory (American Samoa) holding primaries on March 5, this year's "Super Tuesday," leaving him as still the overwhelming favorite to win the Republican nomination for President and face President Biden in the general election.

President Biden will deliver the State of the Union address March 7. No major new initiatives related to taxes affecting individual taxpayers that have any chance of being passed by this Congress are expected to be announced. Similarly, Treasury is expected to release the "Green Book" (an explanation of the administration's revenue proposals for the fiscal year beginning 10/1/24) on March 11. It reflects the administration's priorities and may contain tax proposals that garner attention and lay the groundwork for future legislation. However, at least for this year, with a divided Congress, to the extent the Green Book contains proposals that require Congressional action, it constitutes a list of wishes that will not be fulfilled.

On Feb. 28, Sen. Mike Crapo (R.-Id.), ranking member of the Senate Finance Committee, expressed reservations about a $78 billion tax bill that passed the House by a 357-70 vote on Jan. 31. Sen. Crapo said he would not support its passage until the bill has the backing of a majority of Republican senators. Among the provisions Senate Republicans, including Crapo, consider problematic is one involving the lookback provision of the child tax credit (which would allow families to have income earned in the prior year considered in computing the extent of eligibility for the credit). Not only does the bill expand the child tax credit, it includes business-friendly provisions to restore recently expired or reduced tax benefits. The latter would retroactively restore 100% accelerated depreciation for certain business property placed into service (e.g., aircraft, machines, equipment, vehicles), allow immediate expensing of domestic research and development expenditures, and provide more generous limitations on business interest deductibility.

Congress continues to grapple over government funding. Stopgap bills passed last week fully funded the government through March 8 (when there might be a partial shutdown) and March 22 (when there might be a "full" shutdown).

Private Bank’s *Washington Watch* – special edition (March 4, 2024) – Corporate Transparency Act ruled unconstitutional

Recent Developments

On Friday, March 1, U.S. District Court judge Liles Burke found the Corporate Transparency Act (CTA) unconstitutional.

Highlights

Enacted as part of the National Defense Authorization Act in 2021, the CTA became effective Jan. 1, 2024, for many entities formed on that date or later. Entities formed before 2024 must comply with the CTA by Jan.1, 2025.

Under the CTA, an entity must report personal information about its “beneficial owners” (defined to include those owning at least 25% of, or exercising substantial control over, the entity) to the U.S. Treasury Department’s Financial Crimes Enforcement Network (FinCEN), which would preserve that data on a non-public registry as part of FinCEN’s efforts to prevent financial crimes. The CTA also applies to “Applicants” – those formally filing or registering entities created starting Jan. 1, 2024.

The CTA exempts 23 kinds of entities, including banks, pooled investment vehicles, and insurance companies (presumably because they are heavily regulated anyway), as well as certain tax-exempt entities and those entities with more than 20 full-time employees, over $5 million in gross revenues, and a presence in the U.S. Personal trusts are also exempt, though trusts that own non-exempt entities would have to disclose personal information about the owners of those entities.

For more information on the CTA, refer to FinCEN’s Beneficial Ownership Information Reporting Home Page.

In its opinion, the district court rejected the Government’s argument that enactment of the CTA constitutes an appropriate exercise of the powers vested in Congress by the U.S. Constitution to tax, and/or its power to regulate foreign affairs and interstate commerce.

We expect the Government to appeal this decision, though it has made no formal or informal indication of its intent. In the meantime, clients should be aware of this development and consult with their legal and tax advisors on what they should do during the pendency of the litigation.

Private Bank's *Washington Watch* – Feb. 5, 2024 Edition

Recent Developments

House passes a bill that would pair enhancements to the child tax credit with business-friendly provisions to restore recently expired or reduced business tax benefits. With Senate amendments expected, the bill has several hurdles to clear and prospects for enactment, which might not occur for months, are uncertain.

Highlights

On Jan. 31, the House of Representatives, 357-70, passed the Tax Relief for American Families and Workers Act (AFWA) of 2024, a bill that would pair enhancements to the child tax credit with business-friendly provisions that would restore recently expired or reduced tax benefits. If enacted, the bill would:

- Restore 100% accelerated depreciation for certain business property placed into service (e.g., machines, equipment, vehicles, aircraft), from 2023 through 2025 (or through 2026 for longer production period property and certain aircraft);
- Allow immediate expensing of domestic research and development expenditures, from 2022 through 2025; and
- Provide more generous limitations on business interest deductibility, from 2022 through 2025

The bill would also provide tax relief to communities affected by federally declared natural disasters, increase the dollar threshold for certain information reporting to independent contractors, and pave a path for treaty-like benefits applicable to cross-border activities between the U.S. and Taiwan. The estimated $79 billion cost of the bill over 10 years is offset by accelerating the filing deadline for claims under the pandemic-era Employee Retention Tax Credit program to Jan. 31, 2024 (while enhancing related compliance requirements).

The House is also considering a bill that would double the current cap on the deduction for state and local taxes paid by joint filers who make $500,000 or less from $10,000 to $20,000 – for 2023 only, though this is not expected to pass due to strong objections from members from low-tax states.

Several hurdles still need to be cleared before larger tax relief bill become law. Many Republican Senators are withholding support without significant revisions to the text. Majority Leader Schumer will continue to look for a path forward for the House-passed bill, but this is still not expected for at least several months. With the government currently operating under temporary funding resolutions which expire in early March, Congress also needs to pass legislation that would fund the government through Sept. 30.

With a win in the South Carolina primary Feb. 3, President Biden remains on track to be the Democrats' nominee for President.

Private Bank's *Washington Watch* – Jan. 23, 2024 Edition

Recent Developments

Activity around both the Administration's and Congress' priorities is not expected to result in legislation in 2024 directly affecting most individual taxpayers. President Biden and former President Trump remain heavy favorites to win their respective parties' nominations for President

Highlights

With an almost evenly divided Congress and little discernible spirit of bipartisanship on many major matters, we are of the view that there is little to no chance that significant tax legislation affecting individual taxpayers will be enacted before the November general elections. The elections' outcome could push legislators to support bills in a lame duck session in November and December that they would not have supported before Election Day.

We expect that activity affecting individual taxpayers, if any were to occur, would take place on the administrative front (through potential proposed or finalized Treasury regulations) or the judicial front (through court decisions). Of particular interest is the Moore case, which involves the U.S. government's ability to tax what has been argued to be unrealized income and was argued before the Supreme Court in December. A decision could give guidance on the Court's view of a proposed (though never enacted) national wealth tax.

President Biden is expected to be the Democrats' nominee for President; he has what appears to be no serious competition for the nomination. Former President Trump, who comfortably won both the Iowa caucuses and the New Hampshire primary, appears poised to win a third consecutive Republican nomination to run for President.

House Ways & Means Committee Chair Jason Smith (R-Mo.) and Senate Finance Committee Chair Ron Wyden (D-Ore.) recently released a framework for legislation that would pair enhancements to the child tax credit with business-friendly provisions to restore recently expired or reduced tax benefits. The latter would retroactively restore 100% accelerated depreciation for certain business property placed into service (e.g., machines, equipment, vehicles), allow immediate expensing of domestic research and development expenditures, and provide more generous limitations on business interest deductibility. Several hurdles still need to be cleared before these proposals can become law.

On Jan. 13, leadership in both the House and Senate reached a deal on a bill that would fund the U.S. government through March 1-8 (an extension from Jan. 19-Feb. 2).

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