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Summary and Analysis: White House FY2024 Budget Request Tax Proposals

Provision	Description	10-year Score
Reform Business Taxation		
Raise the Corporate Income Tax Rate to 28%	The proposal would raise the corporate tax rate from 21% to 28%. Prior to the Tax Cuts and Jobs Act, the corporate tax rate was 35%. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2022 (with a transition rule for fiscal year taxpayers).	The proposal would raise $1.33 trillion.
Increase the Excise Tax Rate on Repurchase of Corporate Stock	The new provision would increase the excise tax rate on stock repurchases to 4%, reducing the tax disparity between stock repurchases and dividends. **Comparison to FY2023:** this proposal is new. **Effective Date:** repurchases of stock after Dec. 31, 2022.	The proposal would raise $238 billion.
Tax Corporate Distributions as Dividends	The proposal would modify the treatment of certain corporate distributions to shareholders, treating them as dividends in several cases: Earnings and profits would be required to be reduced by the basis of distributed high-basis stock determined without taking into account adjustments from actual or deemed dividend equivalent redemptions (or any series of distributions or transaction undertaken to create and distribute high-basis stock), thereby treating the distribution as a dividend. **Effective Date:** after the date of enactment. Leveraged distributions from a distributing corporation to its shareholders, which are treated as a recovery of basis, would be treated as the receipt of a dividend directly from the related corporation funding the distribution, where a principal purpose was to avoid treating the distribution by the related corporation as a dividend. **Effective Date:** transactions occurring after Dec. 31, 2023. Non-recognition transactions involving the acquisition by a subsidiary corporation (directly or indirectly) of a shareholder's stock for cash or other property (commonly known as "hook stock") would be disregarded and the property used to purchase the hook stock would give rise to a deemed distribution from the purchasing subsidiary (through any intervening	The proposal would raise $1 billion.

	entities) to the issuing corporation, with the hook stock treated as being contributed by the issuer to the subsidiary. **Effective Date:** transactions occurring after Dec. 31, 2023. The boot-within-gain limitation would be repealed. Under current law, the limitation applies in a corporate reorganization in which a shareholder receives, in exchange for stock of the target corporation, both stock and property not permitted to be received without gain recognition (often referred to as "boot"). Under the limitation, the exchanging shareholder's gain is limited to the lesser of the gain realized in the exchange or the amount of boot received. **Effective Date:** transactions occurring after Dec. 31, 2023. **Comparison to FY2023:** this proposal is new.	
Limit Tax Avoidance through Inappropriate Leveraging of Parties to Divisive Reorganizations	The proposal would limit certain monetization techniques carried out in divisive reorganizations, such as spin-offs, split-offs and split-ups. The proposal would modify two safe harbors for tax-free transfers of property not permitted to be received without gain recognition (often referred to as "boot") and securities to the distributing corporation's creditors. As a result, the distributing corporation would recognize gain based on a new "excess monetization amount." The proposal also would limit the tax-free treatment of transfers of contingent liabilities in a divisive reorganization by imposing two additional requirements based on all the relevant facts and circumstances. If the new requirements are not satisfied, the distributing parent corporation would recognize gain. The first condition requires the controlled subsidiary corporation to be adequately capitalized as a result of the divisive reorganization. Under the second condition, the controlled subsidiary corporation must continue to be an economically viable entity after the divisive reorganization. **Comparison to FY2023:** this proposal is new. **Effective Date:** transactions occurring after the date of enactment. (Transition rule for divisive reorganizations described in a ruling request submitted on or before the date of enactment.)	The proposal would raise $39 billion.
Limit Losses Recognized in Liquidation Transactions	The proposal would modify the current limitation on the allowance of losses between related parties to deny losses resulting from a complete liquidation of a corporation within a controlled group where the assets of the liquidating corporation remain within the group. The proposal would provide regulatory authority for the Treasury Secretary to allow for deferral, rather than denial, of resulting losses in certain circumstances as well as address the use of controlled partnerships to avoid the provision. **Comparison to FY2023:** this proposal is new.	The proposal would raise $5 billion.

	Effective Date: distributions after the date of enactment.	
Prevent Basis Shifting by Related Parties through Partnerships	Currently, related parties in a partnership are able to make a section 754 election in certain circumstances to shift basis between the partners and achieve tax savings for the partners as a group, without meaningful changes to the partners' economic arrangement. The proposal would address this issue, in the case of a distribution of partnership property that results in a step-up of the basis of the partnership's non-distributed property through a section 754 election, by applying a matching rule that prohibits any partner that is related to the distributee-partner from benefitting from the partnership's basis step-up until the distributee-partner disposes of the distributed property in a taxable transaction. **Comparison to FY2023:** no substantive changes. **Effective Date:** partnership taxable years beginning after Dec. 31, 2023.	The proposal would raise $64 billion.
Conform Definition of "Control" with Corporate Affiliation Test	The proposal would conform the control test under section 368(c) to the affiliation test under section 1504(a)(2) so that control in both sections would be defined as ownership of at least 80% of the total voting power and at least 80% of the total value of the stock of a corporation. Under current section 368(c), the test for control of a corporation requires ownership of at least 80% of the total voting power of all classes of voting stock and at least 80% ownership of each class of nonvoting stock. Unlike the section 1504(a)(2) test, the section 368(c) test has no value component, which creates an opportunity to achieve (or sometimes avoid) tax-free treatment on certain corporate transactions. **Comparison to FY2023:** no substantive changes. **Effective Date:** transactions occurring after Dec. 31, 2023.	The proposal would raise $6 billion.
Strengthen Limitation on Losses for Noncorporate Taxpayers	The proposal would make permanent the excess business loss limitation with respect to passthrough businesses, which limits the amount of pass-through business losses (net of pass-through business income) that a taxpayer can use to offset non-pass-through income (e.g., wages and investment earnings). The current inflation-adjusted limit for 2023 is $289,000 for single filers and $578,000 for married filers. Under current law, the limitation expires after 2028.	The proposal would raise $71 billion.

	The proposal also would treat losses in excess of the annual limitation as business losses arising in the following year, rather than as net operating losses as under current law. **Comparison to FY2023:** this proposal is new. **Effective Date:** taxable years beginning after Dec. 31, 2023.	
Accelerate and Tighten Rules on Excess Employee Remuneration	The proposal accelerates the effective date to taxable years beginning after Dec. 31, 2023, for the expansion of the limitation to include not only the chief executive officer, chief financial officer and the next three highest-paid officers, but also the next five highest-paid employees. The proposal also would add an aggregation rule under section 414 that would treat all members of a controlled group as a single employer. The proposal would substantially expand the application of section 162(m) limitation by applying it to compensation paid to a covered employee, whether or not paid by a publicly traded corporation. The proposal also would expand the Treasury Secretary's regulatory authority to issue anti-abuse rules regarding the performance of services other than as an employee and payments of compensation through pass-through entities. **Comparison to FY2023:** this proposal is new. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $14 billion.
Prevent Prison Facility Rent Payments from Contributing to Qualification as a REIT	Rent received from a prison or other detention facility would not be qualifying rent for either the 95% or 75% test that must be satisfied to qualify as a Real Estate Investment Trust (REIT). In addition, the Treasury Secretary would have the authority to determine the status of such income under other REIT provisions. **Comparison to FY2023:** this proposal is new. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would have a negligible revenue effect.
Reform International Taxation		
Revise the Global Minimum Tax Regime, Limit Inversions and Make Related Reforms	*Revise the Global Minimum Tax Regime:* The proposal would largely conform U.S. tax law to the Pillar Two global minimum tax proposed by the Organisation for Economic Cooperation and Development's (OECD) Inclusive Framework. The proposal accomplishes this objective by making changes to the United States' existing global minimum tax system by: • Eliminating the 10% qualified business asset investment (QBAI) exemption; • Reducing the section 250 deduction to 25% (currently, the deduction is 50% with respect to global intangible low-taxed income (GILTI))—effectively increasing the tax rate on active foreign income to 21% (assuming enactment of the proposal to increase the corporate tax rate to 28%);	The proposal would raise $493 billion.

	• Replacing the aggregate method for calculating a U.S. shareholder's GILTI with a "jurisdiction-by-jurisdiction" calculation, with a similar approach applied to branch income; • Decreasing the current 20% haircut on foreign tax credits (FTC) to 5% and allowing FTCs to be carried forward within a single jurisdiction for 10 years; • Allowing net operating loss (NOL) deductions to be carried forward within a single jurisdiction; and • Repealing the high-tax exception to Subpart F income and cross-referencing the provision in the GILTI regulations issued under Section 951A. **Effective Date:** except for the reduction in the section 250 deduction to 25%, which would be effective for taxable years beginning after Dec. 31, 2022, the proposal would be effective for taxable years beginning after Dec. 31, 2023. *Dividends Received from Non-Controlled Foreign Corporations:* The proposal would limit the section 245A dividends received deduction (DRD) to dividends remitted either by a controlled foreign corporation (CFC) or by a qualified foreign corporation (including corporations incorporated in a U.S. territory and certain tax-treaty eligible corporations). A U.S. shareholder would receive a 65% DRD with respect to foreign-sourced dividends received from a qualified foreign corporation that is not a CFC if the U.S. shareholder owns at least 20% (by vote and value) of the qualified foreign corporation. Otherwise, if a U.S. shareholder owns less than 20%, the DRD would be 50%. **Effective Date:** distributions after the date of enactment. *Deductions Allocable to Exempt Income:* The proposal would expand the current law disallowance rules under section 265 to deductions allocable to a class of foreign gross income that is exempt from tax or taxed at a preferential rate through a deduction, such as the GILTI deduction under section 250 and the DRD under section 245A. The proposal also would narrow the FTC rules by repealing the exception under section 904(b)(4). **Effective Date:** taxable years beginning after Dec. 31, 2023. *Inversions:* The proposal also would make it harder for U.S. corporations to invert by tightening the current law anti-inversion rules. The proposal would continue to treat a corporation as U.S.-based and subject to U.S. tax, even if acquired by a foreign corporation, if at least 50% (decreased from 80% under current law) of the former shareholders (by vote or value) become shareholders of the new foreign parent. The proposal would eliminate the current exception for acquisitions in which the continuing shareholder percentage is at least 60%. The proposal also would treat a transaction as an inversion if: (i) the fair market value (FMV) of the U.S. entity is greater than the FMV of the foreign acquiror, (ii) the expanded affiliated group resulting from the transaction is managed and controlled from the United States, and (iii) the expanded affiliated group does not conduct substantial business in the country in which the foreign acquirer is created or organized.	

	Effective Date: transactions completed after the date of enactment. *Losses Attributable to Foreign Income Taxed at a Reduced Rate:* The proposal would amend the foreign stock basis rules for purposes of determining a U.S. shareholder's loss on the disposition of stock in a foreign corporation. The proposal would reduce the shareholder's basis, but not below zero, by the sum of the section 245A DRD allowed with respect to the stock, the deductions for GILTI inclusions attributable to the stock, and deductions for income inclusions under the section 965 transition tax. Similar principles would apply to reduce the basis in other property. The proposal would apply to successor companies to the stock or other property and to exchanged basis property or similar property. **Effective Date:** distributions after the date of enactment. *Definition of a Foreign Business Entity:* The proposal would expand the definition of a foreign business entity to treat any taxable unit in a foreign jurisdiction as a "foreign business entity" for purposes of applying the information reporting rules under section 6038. The proposal would also align the annual accounting period of a taxable unit that is a branch or disregarded entity to the annual accounting period of its owner. **Effective Date:** taxable years of a controlling U.S. person that begin after Dec. 31, 2023, and annual accounting periods of foreign business entities that end with or within the taxable years of the controlling U.S. person. **Comparison to FY2023:** some elements of the proposal were included in the House-passed Build Back Better Act; other elements are new to the budget.	
Adopt the Undertaxed Profits Rule	The proposal would repeal the Base Erosion and Anti-Abuse Tax (BEAT) rules and replace them with a UTPR that is consistent with the OECD Pillar Two Model Rules. The proposal would provide that when a foreign jurisdiction adopts a UTPR, a U.S. domestic minimum top-up tax would apply to protect the U.S. tax base. The proposal also would ensure that U.S. taxpayers would continue to benefit from U.S. tax credits and other tax incentives that promote U.S. jobs and investment. The UTPR would apply to financial reporting groups with global revenue of €750 million (approximately $798) or more. **Comparison to FY2023:** while the current proposal is substantially similar, the FY2023 proposal would have applied the UTPR based on financial reporting groups with global revenue of $850 million or more. **Effective Date:** taxable years beginning after Dec. 31, 2024.	The proposal would raise $549 billion.
Repeal the Deduction for Foreign-Derived	The proposal would repeal the deduction for Foreign-Derived Intangible Income (FDII), with the revenue generated from repealing FDII used to provide additional support for research and experimentation expenditures.	The proposal to repeal FDII

Intangible Income	Under current law, a corporation may deduct 37.5% of its FDII. The amount of eligible income is generally equal to a corporation's domestic income, minus certain exceptions, and a 10% reduction for the corporation's qualified business asset investment. This provision was originally enacted as part of TCJA to incentivize locating and expanding trades or businesses in the United States. **Comparison to FY2023:** this proposal was not included in the FY2023 budget, but it is similar to a proposal included in the FY2022 Green Book. **Effective date:** taxable years beginning after Dec. 31, 2023.	would raise $116 billion. The proposal to support research and experimen-tation would cost $116 billion.

Revise the Rules that Allocate Subpart F Income and GILTI between Taxpayers to Ensure that Subpart F Income and GILTI Are Fully Taxed	The proposal would modify existing pro rata share rules with respect to a U.S. shareholder of a CFC that owns the CFC's stock for part of the CFC's tax year. For such U.S. shareholders that do not own the stock on the last day of the CFC's tax year, the proposal would require the U.S. shareholder to include in income that portion of the CFC's Subpart F income, determined on a share-by-share basis, allocable to the portion of the year during which it qualified as a CFC to the U.S. shareholder.
	
	Under the proposal:
	• The taxable portion of the CFC's Subpart F equals the CFC's earnings and profits paid as a non-taxed current dividend;
	• The amount not allocable under the non-taxed current dividend rule would be allocated to a U.S. shareholder that owns the CFC's stock on the last day of the CFC's tax year;
	• The U.S. shareholder's pro rata share would not be reduced below the portion attributable to the portion of the year during which the U.S. shareholder owned the share;
	• Similar pro rata share rules would apply for determining a U.S. shareholder's GILTI inclusion; and
	• The Treasury Secretary would be authorized to issue regulations or other guidance necessary to carry out the purposes of the proposal, including to:
	    o Treat distributions and other amounts as dividends or not dividends;
	    o Treat a partnership as an aggregation of its partners;
	    o Allow/require a foreign corporation (for purposes of determining a U.S. shareholder's pro rata share) to close its taxable year upon a change in ownership; and
	    o Treat a distribution and related issuance of stock to a shareholder that is not subject to tax in the same manner as an acquisition of stock.
	
	Comparison to FY2023: this proposal is new.
	
	Effective Date: taxable years of foreign corporations beginning after the date of enactment and to taxable years of U.S. shareholders in which or with which such taxable years of foreign corporations end.
		The proposal would raise $4 billion.

Eliminate Exploited Mismatch in Calculation of Earnings and Profits of Controlled Foreign Corporations	The proposal would require that the earnings and profits (E&P) of a controlled foreign corporation (CFC) be determined by taking into account LIFO, installment sales and the completed contract method of accounting, with the effect that the E&P of a CFC generally would follow the income tax accounting treatment, including for purposes of section 245A. Current law provides that E&P of a CFC is calculated in one manner for Subpart F purposes and another manner for all other purposes. This mismatch permits taxpayers to engage in transactions that generate a large amount of E&P for all purposes other than Subpart F, with such E&P supporting a tax-free dividend under section 245A. The E&P may then be used to transfer the CFC outside of the U.S. tax system, preventing future taxation of the deferred Subpart F income. **Comparison to FY2023:** this proposal is new. **Effective date:** taxable years ending on or after Dec. 31, 2023.	The proposal would raise $3 billion.
Limit Foreign Tax Credits from Sales of Hybrid Entities	The proposal would apply the principles of section 338(h)(16) to determine the source and character of any item recognized in connection with a disposition of an interest in a specified hybrid entity (i.e., an entity that is treated as a corporation for foreign tax purposes but as a partnership or a disregarded entity for U.S. tax purposes) and to a change in the classification of an entity that is not recognized for foreign tax purposes (for example, due to an election under the entity-classification regulations), for purposes of the foreign tax credit (FTC) rules. Under current law, section 338(h)(16) generally provides that section 338 deemed assets sale are ignored when determining the source and character of any item for purposes of applying the FTC rules to the seller. Instead, for FTC purposes, any gain recognized by the seller is treated as gain from the sale of the stock of the target corporation. **Comparison to FY2023:** this proposal was not included in the FY2023 budget, but it is similar to a proposal included in the FY2022 Green Book. **Effective date:** transactions occurring after the date of enactment.	The proposal would raise $4 billion.
Restrict Deductions of Excessive Interest of Members of Financial Reporting Groups	The proposal would limit the ability of members of a multinational group that prepares a consolidated financial statement under Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) from deducting excess interest in the United States. The limitation would apply where the member's net interest expense for financial reporting purposes exceeds the member's proportionate share of the group's net interest expense reported on the consolidated financial statement. A member's proportionate share of net interest expense is based on the member's proportionate share of the group's earnings (computed by adding back net interest expense, tax expense, depreciation, depletion and amortization) as provided in the group's consolidated financial statements. The current section 163(j) limitation would still apply to the taxpayer's allowed net interest expense.	The proposal would raise $41 billion.

	Comparison to FY2023: this proposal was not included in the FY2023 budget, but it is similar to a proposal included in the FY2022 Green Book. **Effective date:** taxable years beginning after Dec. 31, 2023.	
Treat Payments Substituting For Partnership Effectively Connected Income as U.S. Source Dividends	The proposal would treat payments with respect to derivative financial instruments that are contingent on income or gain from a publicly traded partnership (or such other partnership as determined by the Treasury Secretary) as dividend equivalents, to the extent that the income or gain would have been treated as effectively connected to the conduct of a U.S. trade or business if the taxpayer owned the underlying partnership interest. Under current law, when a foreign person makes a dividend equivalent payment to another foreign person, the jurisdiction of the payor may not treat the payment as a U.S.-source dividend subject to U.S. tax. As such, the payor may avoid U.S. tax on effectively connected income from a trade or business by taking the position that the rules requiring reporting and payment of tax on investments in U.S. partnerships do not apply if such foreign payor acquires an economic interest in a publicly traded partnership with effectively connected income through a derivative financial instrument. **Comparison to FY2023:** this proposal is new. **Effective date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $90 million.
Expand Access to Retroactive Qualified Electing Fund Elections	A taxpayer is permitted under current law to make a retroactive Qualified Electing Fund (QEF) election with respect to a passive foreign investment company (PFIC) with the consent of the IRS Commissioner only if: (1) the taxpayer relied on a qualified tax professional (e.g., CPA) in failing to make a timely election, (2) granting consent does not prejudice the interests of the government and (3) the request is made before a PFIC issue is raised on audit. The proposal would modify section 1295(b)(2) to allow a taxpayer to make a retroactive QEF election more broadly without consent, provided the election does not prejudice the U.S. government. **Comparison to FY2023:** no substantive changes. **Effective Date:** on the date of enactment, but with the intent that regulations would permit taxpayers to amend previously filed returns for open years.	The proposal would raise $16 million.
Reform Taxation of Foreign Fossil Fuel Income: Modify Foreign Oil and Gas	Currently, under GILTI rules, Foreign Oil and Gas Extraction Income (FOGEI) earned through CFCs may be exempt from U.S. taxation and may be eligible for a deduction under section 245A when repatriated, while FOGEI and Foreign Oil Related Income (FORI) earned directly through a foreign branch are subject to full U.S. taxation. A foreign levy is considered	The proposal would raise $3 billion.

Extraction Income and Foreign Oil Related Income Rules	a tax under Treasury Department regulations if it requires a compulsory payment pursuant to the authority of a foreign government to levy taxes, but is not considered a tax if a person subject to the levy receives a specific economic benefit from the foreign country in exchange for the payment. The proposal would repeal the exemption from GILTI for FOGEI and amends the definition of FOGEI and FORI to include income derived from shale oil and tar sands activity. **Comparison to FY2023:** this proposal was not included in the FY2023 Green Book because it was a provision in the Build Back Better legislation. However, a similar proposal was included in the FY2022 Green Book. **Effective Date:** taxable years after Dec. 31, 2023.	
Reform Taxation of Foreign Fossil Fuel Income: Modify Tax Rule for Dual Capacity Taxpayers	Currently, dual-capacity taxpayers must determine the portion of a foreign levy that is paid as a tax and cannot claim FTCs for amounts paid in exchange for a specific economic benefit. Treasury Department regulations provide a safe harbor or a facts and circumstances method for determining the qualifying portion of the levy. The proposal limits the amount of a levy that would qualify as a creditable foreign tax to the amount of tax that the dual capacity taxpayer would have paid to the foreign government as a non-dual capacity taxpayer, codifying the existing safe harbor for determining the creditable portion of the levy. However, the proposal would yield to U.S. treaty obligations allowing a credit for taxes paid on certain oil or gas income. **Comparison to FY2023:** this proposal was not included in the FY2023 Green Book because it was a provision in the Build Back Better legislation. However, a similar proposal was included in the FY2022 Green Book. **Effective Date:** taxable years after Dec. 31, 2023.	The proposal would raise $63 billion.
Provide Tax Incentives for Locating Jobs and Business Activity in the United States and Remove Tax Deductions for Shipping Jobs Overseas	The proposal would create a new general business credit equal to 10% of the eligible expenses paid or incurred in connection with onshoring a U.S. trade or business. Onshoring means reducing or eliminating a trade or business currently conducted outside the United States and starting up, expanding or moving the trade or business to the United States, to the extent it results in an increase in U.S. jobs. Under the proposal, the Treasury Department would reimburse U.S. territories (e.g., Puerto Rico, U.S. Virgin Islands) if they implement substantially similar proposals under their local tax laws. The cost of this proposal would be offset by disallowing deductions for expenses paid or incurred in connection with offshoring a U.S. trade or business, to the extent it results in a loss of U.S. jobs. In addition, no deduction would be allowed against a U.S. shareholder's GILTI or subpart F income for any expenses paid or incurred in moving the trade or business out of the United States.	The proposal for the credit would cost $135 million. The proposal for disallowing deductions would raise $135 million.

	Comparison to FY2023: no substantive changes. **Effective Date:** expenses paid or incurred after the date of enactment.	
Support Housing and Urban Development		
Make Permanent the New Markets Tax Credit	The proposal would permanently expand the New Markets Tax Credit (NMTC), which provides up to a 39% credit for qualified equity investments (QEIs) made to acquire stock in a corporation, or a capital interest in a partnership, that is a qualified community development entity (CDE). The CDEs, in turn, make investments in low-income communities. Under the proposal, new annual allocations of $5 billion, indexed for inflation, would be made after 2025. **Comparison to FY2023:** no substantive changes. **Effective Date:** after the date of enactment.	The proposal would cost $7 billion.
Provide a Neighborhood Homes Credit	The proposal would create a Neighborhood Homes Credit (NHC) to support new construction for sale, substantial rehabilitation for sale and substantial rehabilitation for existing homeowners. The constructed or rehabilitated residence must be a single-family home (including homes with up to four dwelling units), a condominium or a residence in a housing cooperative. Each state would have a specified amount of potential NHCs. For FY2024, states could allocate the greater of $8 million or the product of $6 times the state population. Each state would create or delegate an agency to serve as the Neighborhood Homes Credit Agency (NHCA), with the authority to allocate potential NHCs to project sponsors. Taxpayers may only claim NHCs after construction, inspection and qualified-owner occupancy and may face financial consequences if the owner-occupant sells or rents the home within five years. The credits can only be claimed by owners whose household income does not exceed 140% of the area/state median income and is unrelated to the seller. **Comparison to FY2023:** this proposal was not included in the FY2023 Green Book because it was a provision in the Build Back Better legislation. However, a similar proposal was included in the FY2022 Green Book. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would cost $16 billion.
Expand and Enhance the Low-Income Housing Credit	The proposal would increase state Low-Income Housing Credit (LIHTC) ceilings for calendar years 2024–2026. For calendar years starting in 2026, the state housing credit ceiling would be adjusted for inflation. It would also lower the private activity bond (PAB) limitation from 50% to 25%, allowing more credit allocations that are not subject to the state credit cap. The proposal creates another exception to the extended low-income housing commitment for properties that received a credit allocation before Jan. 1, 2024, or a building financed under the lower PAB limitation that was received before Jan. 1, 2024, that the building would be eligible to receive	The proposal would cost $28 billion.

	an allocation of housing credits, or the credits to be earned are necessary for the financial feasibility of the project and its viability as a low-income housing project throughout the credit period. It further modifies the rules for acquiring a building subject to the exceptions for the extended low-income housing commitment to provide that a qualified contract must be for the fair market value of both the non-low-income and low-income portion of the building. Lastly, the proposal would replace the right of first refusal (ROFR) safe harbor with an option safe harbor and clarify that for the purposes of the safe harbor, the right to acquire the building includes the right to acquire all of the partnership interests relating to the building, as well as the right to acquire assets held for the development, operation or maintenance of the building. The purchase price of the LIHTC building would have to be at least the debt incurred more than five years before the date of sale that is secured by the building. **Comparison to FY2023:** this proposal was not included in the FY2023 Green Book because it was a provision in the Build Back Better legislation. However, a similar proposal was included in the FY2022 Green Book. **Effective Date:** the PAB reduction would apply to a building placed in service after Dec. 31, 2023. The proposal to repeal the qualified contract provision would apply from the date of enactment. The proposal to repeal the ROFR safe harbor would apply to agreements entered into, or amended, after the date of enactment.	
Modify Energy Taxes		
Repeal Enhanced Oil Recovery Credit	The proposal would repeal the 15% credit for costs attributable to enhanced oil recovery projects. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would have no revenue effect.
Repeal Credit for Oil and Gas Produced from Marginal Wells	The proposal would repeal the credit for oil and natural gas that is sourced from certain low-production or "marginal" wells. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would have no revenue effect.
Repeal Expensing of Intangible Drilling Costs	The proposal would repeal the expensing of intangible drilling costs, presumably requiring companies to recover such costs over a 60-month period. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $8 billion.

Repeal Deduction for Tertiary Injectants	The proposal would repeal the deduction for tertiary injection expenses, presumably requiring such expenses to be capitalized. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	Included in the repeal of the enhanced oil recovery credit.
Repeal Exception to Passive Loss Limitation for Working Interests in Oil and Natural Gas	The proposal would repeal the exception under the passive-loss rules for working interests in oil and natural gas properties. If enacted, the general passive-activity rules would require suspended losses to be carried forward and applied to future passive-activity income or claimed in full when the taxpayer disposes of the property. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $76 million.
Repeal Percentage Depletion for Oil and Natural Gas Wells	The proposal would repeal the use of percentage depletion with respect to oil and gas wells, presumably requiring the taxpayer to use the cost-depletion method, which cannot exceed the basis of the property. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $14 billion.
Increase Geological and Geophysical Amortization Period for Independent Producer	The proposal would repeal the two-year amortization period for geological and geophysical expenditures incurred by independent producers, presumably requiring such costs to be amortized over the seven-year period permitted for integrated oil and gas producers under current law. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $3 billion.
Repeal Expensing of Exploration and Development Costs	The proposal would repeal expensing of exploration and development costs pertaining to domestic ore and mineral deposits as well as coal and other hard mineral fossil fuel deposits. The proposal is unclear about whether taxpayers would be required to apply the alternative method, in the absence of current expensing, and deduct the costs ratably as the minerals or ores produced from the deposit are sold. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $703 million.
Repeal Percentage Depletion for Hard Mineral Fossil Fuels	The proposal would repeal the use of percentage depletion with respect to coal and other hard-mineral fossil-fuel properties, presumably requiring the taxpayer to use the cost-depletion method and recover basis in proportion to the exhaustion of the property during the year. **Comparison to FY2023:** no substantive changes.	The proposal would raise $829 million.

	Effective Date: taxable years beginning after Dec. 31, 2023.	
Repeal Capital Gains Treatment for Royalties	The proposal would repeal capital gains treatment for royalties received on the disposition of coal or lignite, presumably requiring the taxpayer to treat such royalties as ordinary income. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $617 million.
Repeal the Exemption from the Corporation Income Tax for Fossil Fuel Publicly Traded Partnerships.	The proposal would repeal the exemption from corporate tax for partnerships that derive at least 90% of their gross income from depletable natural resources, real estate or commodities—taxing them as partnerships instead. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2028.	The proposal would raise $945 million.
Repeal the Oil Spill Liability Trust and Superfund Excise Tax Exemption for Crude Oil Derived From Bitumen and Kerogen-Rich Rock	The proposal would repeal current exemptions from the Oil Spill Liability Trust Fund (OSTLF) and Superfund excise tax for certain crude. Currently, crude derived from bituminous deposits, as well as kerogen-rich rock, are not treated as crude oil or petroleum products for purposes of the OSTLF and Superfund taxes. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $2 billion.
Repeal Accelerated Amortization of Air Pollution Control Equipment	The proposal would repeal the 60- and 84-month amortization ($0.232 per dollar of capital costs) of pollution-control equipment, presumably requiring taxpayers to depreciate such facilities over 39 years as nonresidential real estate. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $741 million.
Eliminate Drawbacks on Petroleum Taxes That Finance the Oil Spill Liability Trust Fund and Superfund	This proposal would eliminate the eligibility of the petroleum taxes dedicated to the OSLTF and Superfund for drawback. **Comparison to FY2023:** no substantive changes. **Effective Date:** after Dec. 31, 2023	The proposal would raise $2 billion.

Impose Digital Asset Mining Energy Excise Tax	Any firm using computing resources, whether owned by the firm or leased from others, to mine digital assets would be subject to an excise tax equal to 30% of the costs of electricity use in digital asset mining. Firms engaged in digital asset mining would be required to report the amount and type of electricity used as well as the value of that electricity, if purchased externally. Firms that lease computational capacity would be required to report the value of the electricity used by the lessor firm attributable to the leased capacity, which would serve as the tax base. Firms that produce or acquire power off-grid, for example, by using the output of a particular electricity generating plant, would be subject to an excise tax equal to 30% of estimated electricity costs. The tax is phased in: 10% in 2024, 20% in 2025 and 30% in all subsequent years. **Comparison to FY2023:** this proposal is new. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $4 billion.
Strengthen Taxation of High-Income Taxpayers		
Apply the Net Investment Income Tax to Pass-Through Business Income of High-Income Taxpayers	The proposal would ensure that all pass-through business income of high-income taxpayers ($400,000 threshold) is subject to the net investment income tax (NIIT) or the SECA tax (3.8% Medicare tax). The definition of NIIT would be amended to include ordinary business income from S corporations (for which the owner materially participates in the trade or business), ordinary business income from limited partnership interests or interests in LLCs that are classified as partnerships (to the extent a limited partner or LLC member materially participates), and any other trade or business income to the extent such income is not subject to NIIT or SECA. The additional income subject to NIIT would be a specified percentage, starting at 0% and increasing linearly to 100% as AGI rises from $400,000 to $500,000 ($200,000 to $250,000 for married taxpayers filing separately). The threshold amounts would not be indexed for inflation. Material participation standards would apply to individuals whether they have a direct or indirect ownership interest. **Comparison to FY2023:** this proposal was not included in the FY2023 Green Book because it was a provision in the Build Back Better legislation. However, a similar proposal was included in the FY2022 Green Book. **Effective date:** taxable years beginning after Dec. 31, 2022.	The proposal would raise $306 billion.
Increase the Net Investment Income Tax Rate and Additional Medicare Tax Rate for High-Income Taxpayers	The proposal would increase the additional Medicare tax rate and the NIIT rate by 1.2 percentage points to 5% for taxpayers with more than $400,000 of income. The threshold amounts would be indexed for inflation. (The indexing appears to be inconsistent between this provision and the above provision.) The revenue from the NIIT would be directed to the Hospital Insurance Trust Fund in the same manner as the revenue from the current 3.8% tax on earnings. **Comparison to FY2023:** this proposal is new.	The proposal would raise $344 billion.

	Effective date: taxable years beginning after Dec. 31, 2022.	
Increase the Top Marginal Income Tax Rate for High-Income Earners	The proposal would increase the top income tax rate from 37% to the pre-TCJA rate of 39.6%, applied to taxable income in excess of the 2017 top bracket threshold, adjusted for inflation using the C-CPI-U. For 2023, the top marginal tax rate would apply to taxable income over $450,000 for married individuals filing a joint return, $400,000 for unmarried individuals (other than surviving spouses), $425,000 for head of household filers and $225,000 for married individuals filing a separate return. The bracket thresholds would be indexed for inflation. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2022.	The proposal would raise $235 billion.
Reform the Taxation of Capital Income	*Tax rate:* The proposal would eliminate preferential tax rates for long-term capital gains and qualified dividends for taxpayers earning over $1 million, increasing the rate to 40.8% when taking into account the net investment income tax. **Comparison to FY2023:** no substantive changes. **Effective Date:** gains required to be recognized after the date of enactment. *Transfers of appreciated property:* The proposal would treat transfers of appreciated property by gift or death as realization events. A transfer would be defined under the gift and estate tax provisions and would be valued at the value used for gift or estate purposes. Certain exclusions would apply: Transfers by a decedent to a U.S. spouse or charity would carry over the basis of the decedent. Exclusions also exist for household furnishings and personal effects (except collectibles); $250,000 per-person gain on principal residence would continue to apply ($500,000 per couple); as well as an exclusion for certain small business stock. In addition, the proposal would allow a lifetime per donor exclusion of $5 million from recognition of other unrealized capital gains on property transferred by gift. **Comparison to FY2023:** no substantive changes. **Effective Date:** gains on property transferred by gift, and on property owned at death by decedents dying after Dec. 31, 2023, and on certain	The proposal would raise $214 billion.

	property owned by trusts, partnerships and other non-corporate entities on Jan. 1, 2024.	
Impose a Minimum Income Tax on the Wealthiest Taxpayers	The proposal would impose an annual minimum tax on taxpayers with income, including unrealized capital gains, greater than $100 million. The computation would be 25% of the sum of taxable income and unrealized gains of the taxpayer, less the sum of the taxpayer's unrefunded, uncredited prepayments and regular tax. Taxpayers subject to the tax would be required annually to break out the total basis and the estimated value of their assets in each specified asset class. Taxpayers whose wealth consists of less than 20% tradable assets ("illiquid" taxpayers) may elect to include only unrealized gain of tradable assets in the calculation of their minimum tax liability. **Comparison to FY2023:** while the current proposal is substantially similar, the FY2023 proposal would apply a 20% rate instead of 25%. **Effective Date:** taxable years beginning after Dec. 31, 2024.	The proposal would raise $437 billion.
Modify Rules Relating to Retirement Plans		
Prevent Excessive Accumulations by High-Income Taxpayers in Tax-Favored Retirement Accounts and Make Other Reforms	*Impose Special Distribution Rules on High-Income Taxpayers with Large Retirement Account (IRA) Balances:* The proposal would require certain high-income taxpayers with large balance IRAs and defined contribution accounts to distribute a substantial portion of their retirement savings earlier than planned, potentially subjecting non-Roth savings to immediate taxation. The proposal would require a minimum of 50% of the excess of each high-paid taxpayer's aggregated vested account balances over $10 million to be distributed. If a high-paid taxpayer's aggregate vested account balance is over $20 million, the minimum excess amount required to be distributed is the lesser of: (i) the excess amount or (ii) the portion of the taxpayer's aggregated vested account balance that is held in a Roth IRA or designated Roth account. A "high-paid taxpayer" is defined as an individual with taxable income above $400,000 ($425,000 for head of household and $450,000 if married and filing jointly). Dollar amounts are to be adjusted for inflation. This provision would affect IRAs, section 401(a) and section 403(a) defined contribution plans, section 403(b) annuity plans and governmental 457(b) plans. The proposal also requires IRS reporting by plan administrators for defined contribution accounts of $2.5 million or more, including reporting participants' identities and account balances that are held in Roth and non-Roth accounts. Reporting does not apply to IRAs. The distributions must be made regardless of the taxpayer's age. The general 25% excise tax that applies to required minimum distributions that are not timely made also applies to distributions required by this provision. The excise tax is 10% if the failure is corrected within a specified period. Distributions from non-IRA plans (except designated Roth accounts) are subject to mandatory 35% federal tax withholding. The additional 10% tax on early distributions does not apply to these mandated distributions. Distributions from a Roth IRA or a designated Roth account are treated as a	The proposal would raise $23 billion.

	qualified distribution, which is not includible in income. Contributions to IRAs (other than rollovers) that take the aggregated account balance over $10 million are treated as an excess contribution subject to the 6% excise tax under section 4973. **Effective Date:** taxable years beginning after Dec. 31, 2023. *Limit Rollovers and Conversions to Designated Roth Retirement Accounts or to Roth IRAs:* The proposal would shut the mega "backdoor" Roth conversion strategy for high-paid taxpayers beginning in 2024. After-tax contributions in defined contribution plans and after-tax IRA contributions may not be converted to a Roth after 2023, regardless of the taxpayer's income level. **Effective Date:** taxable years after Dec. 31, 2023. *Clarify Disqualified Persons for Purposes of IRA Prohibited Transactions:* This proposal, combined with existing constructive ownership rules, expands who may be a disqualified person and, therefore, subject to the prohibited transaction rules. A subsequent prohibited transaction can cause an IRA to become immediately taxable. An IRA owner (including an individual who inherits an IRA as beneficiary after the IRA owner's death) is always a disqualified person for purposes of applying the section 4975 prohibited transaction rules with respect to an IRA. **Effective Date:** transactions occurring after Dec. 31, 2023. *Prohibit IRA purchase of a DISC or FSC ownership interest:* The proposal would prohibit an IRA from holding an interest in a DISC or FSC that receives a payment from an entity owned by the IRA owner. To determine if an entity is owned by the IRA owner, the constructive ownership rules under section 318 would be used, substituting 10% for 50% where applicable. **Effective Date:** interests in DISCs and FSCs acquired or held after Dec. 31, 2023. *Extend Statute of Limitations:* The proposal would permit the IRS to sanction taxpayers for IRA noncompliance for up to six years. It is currently unclear whether the extended statute of limitations for prohibited transactions would apply solely to IRAs, or apply more broadly. **Effective Date:** taxes for which the current three-year period ends after Dec. 31, 2023. **Comparison to FY2023:** these proposals were not included in the FY2023 Green Book because they were similar to provisions in the Build Back Better legislation.	
Support Workers, Families and Economic Security		
Expand the Child Credit and Make	For taxable years beginning after Dec. 31, 2022, and ending before Jan. 1, 2026, the proposal would increase the maximum credit tax credit (CTC) per	The proposal

Permanent Full Refundability and Advanceability	child to $3,600 for qualifying children under age 6 and to $3,000 for qualifying children ages 6 to 17. It would phase out the portion of the credit in excess of $2,000 for taxpayers with incomes in excess of $150,000 of modified AGI for married joint filers or surviving spouses, $112,500 for head of household filers and $75,000 for all other filers, with a modified rule for large families. It would also increase the maximum age to qualify for the CTC from 16 to 17. For taxable years beginning after Dec. 31, 2022, the proposal would make the CTC fully refundable, regardless of earned income. For taxable years beginning after Dec. 31, 2023, the proposal would make additional changes to implement an advance payment program so taxpayers who wish to could receive their credit in a series of 12 advance monthly payments ("monthly specified child allowances") during that year instead of as a lump sum when they file their income tax return in the following year. A taxpayer's eligibility for, and amount of, a specified monthly child allowance would be determined on a monthly basis. The proposal would establish a "presumptive eligibility" concept to determine when a taxpayer would be eligible to claim a monthly specified allowance or receive a monthly advance child payment, which the taxpayer would be eligible to receive until the date on which the taxpayer's presumptive eligibility terminates. The proposal establishes processes through which the Treasury Secretary may determine automatic presumptive eligibility based on information-sharing with trusted partners. It also establishes processes through which the taxpayer may be granted automatic grace periods to address certain failures to establish presumptive eligibility in a timely manner. The proposal would require that the Treasury Secretary disburse monthly advance child payments through electronic funds transfer. It would also require the Treasury Secretary to establish an online information portal similar to that required by the American Rescue Plan Act. Finally, the proposal would provide rules and procedures to address claims by multiple taxpayers of the same specified child, and it would establish statutory repayment protection procedures based on presumptive eligibility. **Comparison to FY2023:** this proposal was not included in the FY2023 Green Book because it was a provision in the Build Back Better legislation. However, a similar proposal was included in the FY2022 Green Book. **Effective Date:** the changes to implement an advance monthly payment program would be effective for all taxable years beginning after Dec. 31, 2023. The changes to the maximum credit amounts, phase-out thresholds, age requirements, and refundability would be effective for taxable years beginning after Dec. 31, 2022, and, except for refundability, would expire in taxable years beginning after Dec. 31, 2025.	would cost $429 billion.

Restore and Make Permanent the American Rescue Plan Expansion of the Earned Income Tax Credit for Workers without Qualifying Children	Currently, low- and moderate-income workers may qualify for a refundable Earned Income Tax Credit (EITC) based on the number of qualifying children in their household, earned income, adjusted gross income (AGI), filing status, age and immigration status. The EITC has a phase-in range, plateau and phase-out range, which vary based on the number of children. The American Rescue Plan Act of 2021 (ARPA) expanded the credit for workers without children by increasing the maximum credit and modifying age restrictions. The proposal would make permanent the increase in the EITC parameters for workers without children enacted in ARPA, which increased the maximum credit from $542 to $1,502 and expanded age eligibility. The proposal would also index the end of the phase-in and the end of the plateau for inflation and eliminate the maximum age limit for claiming the credit. Under the proposal, taxpayers must be at least 19 years old, or at least 24 if a full-time student, and in the case of married taxpayers filing jointly, at least one spouse must be over age 19 (or at least 24 if a full-time student). **Comparison to FY2023:** this proposal is new, but a similar proposal was included in the FY2022 Green Book. **Effective Date:** taxable years after Dec. 31, 2022.	The proposal would cost $156 billion.
Make Permanent the Inflation Reduction Act Expansion of Health Insurance Premium Tax Credits	The proposal would make permanent the premium tax credit expansions that were enacted during the COVID-19 pandemic under both the American Rescue Plan Act and the Inflation Reduction Act. Those laws decreased the applicable contribution percentages of household income used for determining the amount of the premium tax credit and expanded PTC eligibility to taxpayers with household income above 400% of federal poverty levels. The proposal further permanently repeals the indexation of the applicable contribution percentages. **Comparison to FY2023:** these proposals were not included in the FY2023 Green Book because they were similar to provisions in the Build Back Better legislation. **Effective date:** taxable years beginning after Dec. 31, 2025.	The proposal would cost $165 billion.
Make the Adoption Tax Credit Refundable and Allow Certain Guardianship Arrangements to Qualify	The proposal would make the adoption credit fully refundable, allow unused credits from earlier adoptions to be carried forward on 2024 tax returns, and allow families entering into certain guardianship arrangements with a child to claim the credit for expenses related to establishing the guardianship relationship. Requirements for guardianship arrangements include: • The relationship must be established by court order; • The relationship must not be with one's own child or stepchild (as is the case with the adoption credit); • The guardian and the child must meet a residency requirement; and	The proposal would cost $14 billion.

	• The child must be under 18 at the time the relationship was established. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	
Make Permanent the Income Exclusion for Forgiven Student Debt	The proposal would make permanent a provision of the American Rescue Plan Act that excludes certain discharged loan income from a taxpayer's gross income under section 108(f). As a result of this exclusion, income from applicable student loan forgiveness is not taxable. Under current law, this exclusion only applies to loans discharged after Dec. 31, 2020, and before Jan. 1, 2026. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2025.	The proposal would cost $1 billion.
Extend Tax-Preferred Treatment to Certain Federal and Tribal Scholarship and Education Loan Programs	The proposal would expand the scope of tax-favorable treatment under sections 117(c)(2) (scholarships) and 108(f)(4) (loans) to include several additional education programs. This proposal would exempt certain scholarship amounts from an individual's taxable gross income under section 117(c), even if it was provided in exchange for work or an obligation of work. As a result, income received from the Health Resources and Service Administration (HRSA) Nurse Corps Scholarship and Native Hawaiian Health Scholarship programs would be exempted from recipients' gross income. Additionally, funding received in connection with the Indian Health Service (IHS) Scholarship Program and Segal AmeriCorps Education Awards would be exempted from gross income. This proposal would also expand section 108(f)(4) to exempt from gross income debt forgiven in connection with certain loan repayment programs. Applicable exemptions would include loan repayment programs administered by the HRSA, such as the Nurse Corps Loan Repayment Program, the Substance Use Disorder Treatment and Recovery Loan Repayment Program, the Faculty Loan Repayment Program and the Child and Adolescent Mental Health Pediatric Subspecialty Loan Repayment Program. The tax-favorable status would also be allowed for debt forgiven in connection with the IHS Loan Repayment Program. **Comparison to FY2023:** this proposal is new. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would cost $782 million.

Increase the Employer-Provided Child Care Tax Credit for Businesses	The proposal would increase the existing tax credit from 25% to 50% of the first $1 million of qualified child care expenses, for a maximum total credit of $500,000 per year. Qualified expenses include the acquisition, construction, rehabilitation or expansion of qualifying properties, operating costs or contracting with a qualified child care facility to provide services for the taxpayer's employees. The portion of the tax credit related to referral expenses would remain at 10%, with a maximum total credit of $150,000 per year. **Comparison to FY2023:** this proposal is new. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would cost $358 million.
Improve the Design of the Work Opportunity Tax Credit to Promote Longer-Term Employment	The proposal would increase the minimum amount of hours an individual must work in the first year of service for the employer to receive the Work Opportunity Tax Credit (WOTC). Currently, employers can receive a 40% credit of qualified wages for specified individuals who work a minimum of 120 hours within the first year of service, and a 25% credit for individuals who work between 120 and 400 hours. The proposal would increase the minimum-hours threshold to 400 hours. **Comparison to FY2023:** this proposal is new. **Effective Date:** individuals hired after Dec. 31, 2023.	The proposal would raise $368 million.
Modify Estate and Gift Taxation		
Improve Tax Administration for Trusts and Decedents' Estates	The proposal includes a number of proposals aimed at facilitating trust and estate tax administration. *Definition of Executor:* The proposal expands the definition of "executor" so that it applies for all tax purposes, not solely for estate tax purposes and authorizes the Treasury Secretary to promulgate rules to resolve any conflicts in situations where there may be multiple authorized executors. **Comparison to FY2023:** no substantive changes. **Effective Date:** Effective upon enactment, regardless of a decedent's date of death. *Limit on the Reduction in Value of Special Use Property:* The purpose of the proposal is to reduce the fair market value of real property for estate tax purposes, which is based on the property's "highest and best use," in order to help preserve the property's current use (such as for a family farm) by reflecting the increase in real property values since 1997. Accordingly, the proposal increases the cap on the maximum valuation decrease for "qualified real property" elected to be treated as special use property to $13 million. Such property generally includes family farms, ranches, timberland and similar enterprises. **Comparison to FY2023:** no substantive changes.	The proposal would raise $17 million.

	Effective Date: Effective for the estates of decedents who die on or after the date of enactment. *Extend 10-Year Duration for Certain Estate and Gift Tax Liens:* The proposal extends the duration of the automatic lien beyond the current, unextendible 10-year period to allow the lien to continue for the duration of any deferral or installment period for unpaid estate and gift taxes that a taxpayer may negotiate with the IRS and is longer than 10 years. **Comparison to FY2023:** no substantive changes. **Effective Date:** Effective for 10-year liens in effect on the date of enactment and for the automatic lien on gifts made and the estates of decedents dying on or after the date of enactment. *Require Reporting of Estimated Total Value of Trust Assets and Other Information About the Trust:* In order to collect statistical data on the magnitude of wealth held in domestic trusts for various tax administration purposes and to assist with the development of tax policies, the proposal requires trusts, whether domestic or foreign, that are administered in the United States and whose estimated total value on the last day of the taxable year exceeds $300,000 (indexed) or whose gross income for the taxable year exceeds $10,000 (indexed) to annually report the estimated total value of trust assets. The Treasury Secretary is authorized to determine the manner of reporting and the information to be collected. The proposal also requires each trust (regardless of value or income) to report on its annual income tax return the inclusion ratio of the trust at the time of any trust distribution to a non-skip person, as well as information regarding any trust modification or transaction with another trust occurring during the reporting year. **Comparison to FY2023:** significant changes made to FY2023 proposal. **Effective Date:** taxable years ending after the date of enactment. *Require that a defined value formula clause be based on a variable that does not require IRS involvement:* The proposal provides that if a gift or bequest uses a defined value formula clause that determines value based on the result of involvement of the IRS, then the value of such gift or bequest would be deemed to be the value as reported on the corresponding gift or estate tax return. **Comparison to FY2023:** this proposal is new. **Effective Date:** transfers by gift or on death occurring after Dec. 31, 2023. *Simplify the exclusion from the gift tax for annual gifts:* The proposal: • Eliminates the present interest requirement for gifts that qualify for the gift tax annual exclusion;	

	• Defines a new category of transfers that includes transfers in trust (other than to a trust described in section 2642(c)(2)), transfers of interests in passthrough entities, transfers of interests subject to a prohibition on sale, partial interests in property and other transfers of property that, without regard to withdrawal, put or other such rights in the donee, cannot immediately be liquidated by the donee; and • Imposes an annual limit of $50,000 per donor (indexed) on the donor's transfers of property within this new category that would qualify for the gift tax annual exclusion. Under the proposal, a donor's transfers in the new category in a single year in excess of a total amount of $50,000 (indexed) would be taxable, even if the total gifts to each individual donee did not exceed $17,000. **Comparison to FY2023:** this proposal is new. **Effective Date:** gifts made after Dec. 31, 2023.	
Limit Duration of Generation-Skipping Transfer Tax Exemption	Currently, the generation-skipping transfer (GST) tax is imposed on gifts and bequests by an individual transferor to transferees who are two or more generations younger than the transferor. Each individual has a lifetime GST tax exemption ($12.92 million in 2023) that can be allocated to transfers made, whether directly or in trust, by that individual to a grandchild or other "skip person." The allocation of GST exemption to a transfer or to a trust reduces the applicable rate of tax (from as high as 40% to as low as 0%) on generation-skipping transfers. Also, an allocation of GST exemption to a trust has the potential to exclude from GST tax not only the value to which the GST exemption was allocated, but also all subsequent appreciation and accrued income on that value during the existence of the trust. However, while property remains in trust, no estate tax is imposed when any trust beneficiary dies and, instead, the value enters the gift and estate tax base only when the trust is terminated. Many states have either limited or no longer apply the common law known as the Rule Against Perpetuities to trusts and, as a result, a trust created under such state law could continue for such a long time as to be perpetual, with the result that the property in trust has been permanently removed from the estate and gift tax base. The purpose of the proposal is to limit this result and to cause trust property to become subject to taxation at some point. To do this, the proposal: • Applies the GST exemption only to: (i) direct skips and taxable distributions to beneficiaries no more than two generations below the transferor, and to younger generation beneficiaries who were alive at the creation of the trust; and (ii) taxable terminations occurring while any person described in clause (i) is a beneficiary of the trust; • Modifies section 2653, which currently "resets" the generation assignment of trust beneficiaries once GST tax has been imposed, so that it does not apply in determining the generation assignment of a	The proposal has no revenue effect.

	beneficiary for purposes of testing whether the GST exemption has terminated; • Subjects each such separate trust, which is created from contributions by different grantors, to the same rule for the duration of the exemption, measured from the date of the first contribution by the grantor of that separate trust; • Solely for purposes of determining the duration of the GST exemption, deems that a pre-enactment trust has been created on the date of enactment and provides that the grantor is deemed to be the transferor and in the generation immediately above the oldest generation of trust beneficiaries in existence on the date of enactment; and • Authorizes the Treasury Secretary to facilitate the implementation and administration of this provision. **Comparison to FY2023:** significant changes made to FY2023 proposal. **Effective Date:** Effective on and after the date of enactment to all trusts subject to the generation-skipping transfer tax, regardless of the trust's inclusion ratio on the date of enactment.	
Modify Income, Estate, Gift and Generation-Skipping Transfer Tax Rules for Certain Trusts	The proposal includes the provisions that had been included in the FY2023 budget proposal and several new provisions: *Modify tax rules for grantor trusts:* The proposal would limit the ability of a taxpayer to use a Grantor Retained Annuity Trust (GRAT) or sell assets to the taxpayer's grantor trust to remove significant value from the taxpayer's gross estate for federal estate tax purposes without federal income or gift tax consequences. With respect to GRATs, the proposal: • Requires that the remainder interest in a GRAT at the time the interest is created have a minimum value for gift tax purposes equal to the greater of 25% of the value of the assets transferred to the GRAT or $500,000 (but not more than the value of the assets transferred); • Prohibits any decrease in the annuity during the GRAT term; • Prohibits the grantor from acquiring or exchanging an asset held in the trust without recognizing gain or loss for income tax purposes; and • Requires that a GRAT have a minimum term of 10 years and a maximum term of the life expectancy of the annuitant plus 10 years. With respect to trusts that are not fully revocable by the deemed owner, the proposal: • Requires the transfer of an asset for consideration between a grantor trust and its deemed owner or any other person to be treated as one that is regarded for income tax purposes;	The proposal would raise $65 billion

- Requires such regarded transfers to include sales as well as the satisfaction of an obligation (such as an annuity or unitrust payment) with appreciated property;
- Requires a seller to recognize gain on any appreciation in the transferred asset and the basis of the transferred asset in the hands of the buyer being the value of the asset at the time of the transfer;
- Requires that regarded transfers include sales as well as the satisfaction of an obligation (such as an annuity or unitrust payment) with appreciated property; and
- Provides that securitization transactions are not subject to this new provision.

The proposal also treats the payment of the income tax on the income of a grantor trust as a gift, which occurs on earlier of: (i) Dec. 31 of the year in which the income tax is paid or (ii) immediately before the owner's death, or on the owner's renunciation of any reimbursement right for that year) unless the deemed owner is reimbursed by the trust during that same year. The amount of the gift is equal to the unreimbursed amount of the income tax paid, and the amount cannot be reduced by a marital or charitable deduction or by the exclusion for present interest gifts or gifts made for the donee's tuition or medical care.

Comparison to FY2023: no substantive changes.

Effective Date: The GRAT portion applies to all trusts created on or after the date of enactment. The gain recognition portion applies to all transactions between a grantor trust and its deemed owner occurring on or after the date of enactment. The portion of the proposal characterizing the grantor's payment of income taxes as a gift applies to all trusts created on or after the date of enactment. Legislative language is expected to appropriately detail the particular types of transactions to which the new rule does not apply.

Adjust a trust's GST inclusion ratio on transactions with other trusts: The proposal treats a trust's purchase of assets from, or interests in, a trust that is subject to GST tax (regardless of the selling trust's inclusion ratio), as well as a purchase of any other property that is subject to GST tax, as a change in trust principal that would require the redetermination of the purchasing trust's inclusion ratio when those assets (or trust interest) are purchased. The inclusion ratio would be redetermined in the same way as in the case of a consolidation of trusts.

Under the proposal, a redetermination of the inclusion ratio also would apply to a trust's receipt of assets pursuant to a decanting of another trust (generally, the distribution of trust property to another trust pursuant to the trustee's discretionary authority to make distributions to, or for the benefit of, one or more beneficiaries of another trust).

Comparison to FY2023: this proposal is new.

Effective Date: transactions after the date of enactment.

Change the GST tax characterization of certain tax-exempt organizations: The proposal adds tax-exempt organizations as permissible distributees of a trust, so that including such an organization does not interfere with a taxable termination of the trust being subject to GST tax.

Comparison to FY2023: this proposal is new.

Effective Date: taxable years after the date of enactment.

Modify the definition of a guaranteed annuity from a charitable lead annuity trust (CLAT): The proposal requires that the annuity payments made to charitable beneficiaries of a CLAT at least annually must be a level, fixed amount over the term of the CLAT, and that the value of the remainder interest at the creation of the CLAT must be at least 10% of the value of the property used to fund the CLAT.

Comparison to FY2023: this proposal is new.

Effective Date: CLATs created after the date of enactment.

Modify the tax treatment of loans from a trust: The proposal:

- Treats loans made by a trust to a trust beneficiary: (i) as a distribution for income tax purposes, carrying out each loan's appropriate portion of distributable net income to the borrowing beneficiary, (ii) as a distribution for GST tax purposes, subject to the payor's right to request a refund if made within one year after the final loan payment is made to the trust;
- Creates a special rule for GST tax purposes, which provides that the repayment (regardless of the identity of the payor) of any loan made by a trust to a deemed owner or the spouse of a deemed owner would be treated as a new contribution to the trust by the borrowing deemed owner(s). This is to discourage a person who is not a trust beneficiary but who is a deemed owner of the trust under the grantor trust rules from borrowing from the trust; and
- Includes a grant of regulatory authority to identify certain types of loans that would be excepted from the application of the proposal (e.g., short-term loans, use of real or tangible property for a minimal number of days).

Comparison to FY2023: this proposal is new.

Effective Date: loans made, as well as to existing loans renegotiated or renewed, by trusts after the year of enactment.

Revise Rules for Valuation of Certain Property	The proposal includes the provision that had been included in the FY2023 budget proposal and a new provision: *Require consistent valuation of promissory notes:* The proposal prevents a deceased taxpayer's estate from taking a tax position regarding the valuation of an unpaid below-market loan for federal estate tax purposes that is inconsistent with the tax position taken while the taxpayer was alive. In light of the past decade's low-interest rate environment, the use of below-market loans and the ability for these inconsistent tax positions has become a popular tax planning technique to reduce gift and estate taxes. Specifically, the proposal requires the tax positions taken before and after a taxpayer's death to be consistent, by requiring any below-market loan, which had been treated by the taxpayer while alive either: (i) as having a sufficient rate of interest to avoid the treatment of any foregone interest on the loan as income or (ii) as a gift, to be valued for federal gift and estate tax purposes by limiting the discount rate to the greater of the actual rate of interest of the note, or the applicable minimum interest rate for the remaining term of the note on the date of the taxpayer's death. The proposal requires regulations to describe exceptions to account for any difference between the applicable minimum interest rate at the issuance of the note and actual interest rate of the note. The proposal requires that the note be treated as a short-term note regardless of the due date, but term loans would be valued as demand loans if there is a reasonable likelihood that the note would be satisfied sooner than the specified payment date and in other situations as determined by the Treasury Secretary. **Comparison to FY2023:** no substantive changes. **Effective Date:** valuations as of a valuation date on or after the date of enactment. *Revise the valuation of partial/fractional interests in certain assets transferred intrafamily:* This proposal provides that the value of a partial interest in non-publicly traded property (real or personal, tangible or intangible) transferred to or for the benefit of a family member of the transferor would be the interest's pro-rata share of the collective FMV of all interests in that property held by the transferor and the transferor's family members, with that collective FMV being determined as if held by a sole individual. • The proposal replaces current section 2704(b), which disregards the effect of liquidation restrictions on FMV. • Family members include the transferor, transferor's ancestors and descendants, and the spouses of each. • Passive assets are segregated and valued separately from the trade or business. Here, passive assets are assets not actively used in the	The proposal would raise $12 billion.

	conduct of the trade or business, and thus would not be discounted as part of the interest in the trade or business. As a result, the FMV of the family's collective interest would be the sum of the FMV of the interest allocable to a trade or business (not including its passive assets), and the FMV of the passive assets allocable to the family's collective interest determined as if the passive assets were held directly by a sole individual. **Comparison to FY2023:** this proposal is new. **Effective Date:** Application is limited to intrafamily transfers of partial interests in property in which the family collectively has an interest of at least 25% of the whole. Effective for valuations as of a valuation date on or after the date of enactment.	
Close Loopholes		
Tax Carried (Profits) Interests as Ordinary Income	The proposal would eliminate preferential tax rates for income from profits interests in investment partnerships held by service providers, requiring such partners to pay ordinary income tax rates on partnership income from all sources in excess of $400,000. Under current law, the share of profits for private equity and hedge fund managers is typically subject to a lower tax rate of 20%. The proposal would also require partners to pay self-employment (FICA) taxes on the partner's share of income on such an "investment services partnership interest" (ISPI). The proposal would implement and authorize anti-abuse rules to prevent the use of alternative compensatory arrangements or designs intended to avoid the tax. The proposal would not affect REIT qualification. **Comparison to FY2023:** no substantive changes. **Effective Date:** repeals section 1061 for taxpayers with taxable income in excess of $400,000 for taxable years after Dec. 31, 2023.	The proposal would raise $6 billion.
Repeal Deferral of Gain from Like-Kind Exchanges	The proposal would eliminate the ability to defer taxation on real property investment gains greater than $500,000, or $1,000,000 in the case of married individuals filing a joint return. The proposal would eliminate "like-kind exchanges" under section 1031, which currently allows investors to roll proceeds from a real estate sale into a future purchase without paying capital gains taxes on the appreciation. **Comparison to FY2023:** no substantive changes. **Effective Date:** exchanges completed in taxable years beginning after Dec. 31, 2023.	The proposal would raise $19 billion.

Require 100% Recapture of Depreciation Deductions as Ordinary Income for Certain Depreciable Real Property	Currently, taxpayers generally recognize gain or loss upon the disposition of an asset used in a trade or business. When a taxpayer recognizes gain from the disposition of certain property used in a trade or business, that gain is subject to recapture mechanisms against the depreciation deduction that the taxpayer had previously recorded. Such qualifying property, known as "section 1245 property" (which, among other property, includes intangible depreciable property) and "section 1250 property" (which includes buildings and certain other real property), is subject to depreciation recapture of up to 100%. The proposal would require depreciation deductions taken on section 1250 property to be subject to the recapture rules as ordinary income. The proposal would not apply to noncorporate taxpayers with AGI below $400,000. **Comparison to FY2023:** no substantive changes. **Effective Date:** depreciation deductions taken on section 1250 property in taxable years beginning after Dec. 31, 2023, and sales, exchanges, involuntary conversions or other dispositions of section 1250 property completed in taxable years beginning after Dec. 31, 2023.	The proposal would raise $7 billion.
Limit Use of Donor Advised Funds to Avoid a Private Foundation Payout Requirement	Private foundations are required to annually distribute at least 5% of the total fair market value of their non-charitable use assets from the preceding tax year. Currently, a contribution to a donor-advised fund (DAF) would be a qualifying distribution, and there is no requirement that funds held by DAFs be distributed within a set period of time. The proposal would provide that a distribution by a private foundation to a DAF is a qualifying distribution only if: (i) the DAF funds are expended as a qualifying distribution by the end of the following tax year, (ii) the DAF funds are not distributed to another DAF, and (iii) the private foundation maintains adequate records or other evidence showing that the DAF has made a qualifying distribution with the required time frame. **Comparison to FY2023:** no substantive changes. **Effective Date:** after the date of enactment.	The proposal would raise $83 million.
Exclude Payments to Disqualified Persons from Counting toward Private Foundation Payout Requirement	As discussed in the previous proposal, private foundations are required to annually distribute 5% of the total fair market value of their non-charitable use assets from the preceding tax year. This proposal would disallow payments of compensation or reimbursements of expenses to disqualified persons (other than a foundation manager of such private foundation who is not a member of the family of any substantial contributor) from counting toward the payout requirements. Disqualified persons include foundation owners, substantial contributors and members of owners' families, among others.	The proposal would raise $7 million.

	Comparison to FY2023: this proposal is new. **Effective Date:** after the date of enactment.	
Extend the Period for Assessment of Tax for Certain Qualified Opportunity Fund Investors	Under current law, if a taxpayer elects to defer eligible gains from investments in a Qualified Opportunity Fund (QOF), the gains are excluded from the taxpayer's income until the year in which the gain is realized. This gain may be deferred only until Dec. 31, 2026, or the earlier date on which there is an inclusion event. Inclusion events prior to Dec. 31, 2026, may not be readily identifiable on the taxpayer's return. As a result, the IRS may be barred from assessing a deficiency arising from the early inclusion event due to the three-year statute of limitation for the IRS to assess a tax after a return has been filed. The proposal would extend the statute of limitations for the IRS to assess a deficiency in any tax if a taxpayer fails to properly include deferred gain in gross income and there is a tax deficiency that directly or indirectly results from this. Specifically, the IRS would have three years after the date on which it is furnished with all the information it needs to assess deficiencies. **Comparison to FY2023:** no substantive changes. **Effective Date:** inclusions of deferred gains with respect to which deferral elections had been based on QOF investments after Dec. 22, 2017 (the date of enactment of the Tax Cuts and Jobs Act of 2017). However, the proposal would not apply in situations where the statute of limitations for assessment has expired before the date of enactment.	The proposal would raise $90 million.

Impose Ownership Diversification Requirement for Small Insurance Company Election	The proposal requires the following conditions to be met in order for an insurance company to elect the section 831(b) alternative tax regime:
	
	• Qualify as a non-life insurance company;
	• Have taxable year net written premiums (or direct written premiums if higher) that do not exceed a statutorily determined amount ($2.65 million in 2023); and
	• Have no more than 20% of the assets or stock (by vote or value) owned directly, through attribution or through constructive ownership by:
	    ○ A policyholder or owner of such policyholder, or
	    ○ Collectively by a policyholder or owner of a policyholder and one or more persons related to the policyholder or its owner.
	
	Current law premium attribution rules are maintained.
	
	For purposes of the asset ownership rules, a policyholder includes any person that conducts a trade or business and deducts amounts paid under the contract as insurance premiums and adds an anti-abuse rule in the case of transactions between policyholders that would otherwise be able to qualify for the election. The Treasury Secretary would be authorized to issue guidance under the anti-abuse rule as well as possible requirements for new
		The proposal would raise $10 billion.

	elections, revocation of previous elections and the consequences for companies that previously made the election but no longer qualify. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	
Expand Pro Rata Interest Expense Disallowance for Business-Owned Life Insurance	The proposal further limits the tax advantages of business-owned life insurance and would repeal the exception from the pro rata interest expense disallowance rule for policies covering employees, officers and directors while retaining the exception for contracts covering a 20% business owner. **Comparison to FY2023:** no substantive changes. **Effective Date:** effective for contracts issued or materially changed in taxable years after Dec. 31, 2023.	The proposal would raise $7 billion
Modify Rules for Insurance Products that Fail the Statutory Definition of a Life Insurance Contract	The proposal would modify the section 7702(g) rules for determining "income on the contract." The proposal would: • Substitute "net investment value" for "net surrender value" in the definition of "income on the contract" with "net investment value" defined for a given date as the contract's death benefit, less the amount at risk and any specific changes imposed upon the contract's surrender; • Deem amounts distributed and policy loans from a failed life insurance contract to be amounts distributed or loaned under a modified endowment contract with adjustments made to "investment in the contract" to reflect amounts of income on the contract taxed prior to the distribution or loan date, other than amounts equal to the cost of insurance; and • Deem the excess of the death benefit over the "net investment value" to be paid under the contract for purposes of the income tax exclusion for death benefits and for purposes of estate and gift taxes. **Comparison to FY2023:** this proposal is new. **Effective Date:** effective for contracts as of the day following the publication of the Green Book.	The proposal would raise $4 million.
Correct Drafting Errors in the Taxation of Insurance Companies Under the Tax Cuts and Jobs Act of 2017	The proposal addresses two separate TCJA drafting issues in provisions affecting the taxation of insurance companies. The first provision changes the section 848 capitalization rate for group life insurance to 2.45% and the capitalization rate for all other non-annuity specified life and health contracts to 9.2%. The change is to be treated as a change of accounting method initiated by the taxpayer with the consent of the IRS for the taxable year beginning in 2023. The second provision specifically includes international and nonproportional reinsurance lines of business in the list of long-tailed lines of business in	The proposal would raise $650 million.

	order to prevent the deeper discounting of unpaid loss reserves for these lines of business. **Comparison to FY2023:** no substantive changes. **Effective Date:** the change to the capitalization rate is effective as if the provision was included in TCJA, while the change to the discounting of unpaid losses is effective for taxable years beginning after Dec. 31, 2023.	
Define the Term "Ultimate Purchaser" for Purposes of Diesel Fuel Exportation	The proposal would define the person entitled to a rebate of federal excise taxes as the last purchaser in the United States for the purposes of diesel fuel and kerosene exportation. **Comparison to FY2023:** no substantive changes. **Effective Date:** diesel fuel and kerosene exported after Dec. 31, 2023.	The proposal would raise $153 million.
Improve Tax Administration		
Enhance Accuracy of Tax Information	The proposal would expand the Treasury Secretary's authority to require electronic filing for forms and returns, which would allow tax return information to be provided to the IRS in a more uniform electronic format. This would enhance the IRS's ability to better target its audit activities. Examples of returns that would be required to be filed electronically include individual returns (income, estate or gift) with assets or gross income of $400,000 or more; partnership and corporate returns with assets or income of more than $10 million or more than 10 shareholders; returns of all insurance companies; and REITS, REMICS and RICs. In addition, return preparers who expect to prepare more than 10 corporate income tax returns or partnership returns would be required to file electronically. **Effective Date:** forms and returns required to be filed after Dec. 31, 2023. For reportable payments subject to backup withholding, the proposal would permit the IRS to require payees to furnish their Taxpayer Identification Numbers to payors under penalty of perjury. **Effective Date:** payments made after Dec. 31, 2023. **Comparison to FY2023:** no substantive changes.	The proposal would raise $2 billion.
Amend the Centralized Partnership Audit Regime to Permit the Carryover of a Reduction in Tax that Exceeds a Partner's Tax Liability	The proposal would amend sections 6226 and 6401 (centralized partnership audit regime) such that any net negative changes in tax due to the reviewed-year adjustment that exceeds the income tax liability of a partner is considered an overpayment under section 6401 and may be refunded. Currently, that amount cannot be carried forward and is permanently lost. **Comparison to FY2023:** no substantive changes. **Effective Date:** after the date of enactment.	The proposal would cost $63 million.

Modify the Requisite Supervisory Approval of Penalty Included in Notice	The proposal would modify requirements in section 6751(b) to expand the authority of the IRS to approve certain penalties against taxpayers for noncompliance under Title 26. Specifically, the proposal would clarify current deadlines to allow the IRS to approve a penalty at any point before the issuance of a noncompliance notice to the applicable taxpayer. This would allow for an expanded timeline in which IRS officials could approve noncompliance penalties, and it eliminates certain penalty assessment deadlines that have been imposed by some judicial opinions. The proposal would also expand the approval authority for penalty assessments to allow any IRS supervisory official to review potential penalties. Currently, only "immediate supervisors" can sign off on applicable noncompliance penalties. In addition, the proposal would eliminate the requirements that the IRS must receive written approval to impose penalties related to underpayments of tax; understatements with respect to reportable transactions; and fraud penalties. **Comparison to FY2023:** this proposal is new. However, portions of the proposal were included in the FY2022 Greenbook. **Effective Date:** after the date of enactment.	The proposal would raise $2 billion.
Modify the Requirement that General Counsel Review Certain Offers in Compromise	The proposal would amend section 7122(b) to repeal a current rule mandating the Treasury Department General Counsel review certain offers in compromise where the unpaid amount of tax is more than $50,000. Instead, the Treasury Secretary would be given the authority to determine the specific situations when the General Counsel would be required to review offers in compromise. **Comparison to FY2023:** this proposal is new. **Effective Date:** offer in compromise applications submitted after the date of enactment.	The proposal would raise $43 million.
Incorporate Chapters 2/2A in Centralized Partnership Audit Regime Proceedings	The proposal would amend the definition of a centralized partnership audit adjustment to include self-employment taxes (Chapter 2) and net investment income taxes (Chapter 2A), which would expand the definition beyond income taxes (Chapter 1) as under current law. The tax on any Chapter 2/2A adjustment items included in a partnership audit would be determined by applying the highest rate of tax in effect in the review year under sections 1401(b)(1) and 1401(b)(2). **Comparison to FY2023:** no substantive changes. **Effective Date:** after the date of enactment for all open taxable years.	The proposal would have a negligible revenue effect.
Simplify Foreign Exchange Gain or Loss Rules and	The proposal would allow individuals working abroad to use an average rate for the year to calculate qualified compensation received in foreign currency,	The proposal

Exchange Rate Rules for Individuals	as opposed to the current requirement of translating foreign currency into U.S. dollars on each date a payment is received. The proposal would increase the personal exemption amount for foreign currency gain from $200 to $500 and would index this amount for inflation annually. The proposal would also allow individuals to deduct (currently nondeductible) foreign currency losses realized with respect to mortgage debt secured by a personal residence to the extent of any gain taken into income on the sale of the residence as a result of foreign currency fluctuations. **Comparison to FY2023:** no substantive changes. **Effective Date:** after Dec. 31, 2023.	would cost $20 million.
Increase Threshold for Simplified Foreign Tax Credit Rules and Reporting	The proposal would modify section 904(j) to increase the foreign tax credit limitation exception from $300 ($600 for joint filers) to $600 ($1,200 for joint filers), and the proposal would index this amount for inflation—simplifying return preparation for taxpayers. Section 904(j) provides an elective exception for taxpayers who pay or accrue creditable foreign income taxes on their investment income. This exception is available for individuals whose only foreign income for the year is passive income and for whom all such income is reported on a qualified payee or similar statement. **Comparison to FY2023:** no substantive changes. **Effective Date:** foreign income taxes paid or accrued in taxable years beginning after Dec. 31, 2023.	The proposal would cost $318 million.
Authorize Limited Sharing of Business Tax Return Information to Measure the Economy More Accurately	The proposal would provide officers and employees of the Bureau of Economic Analysis (BEA) with access to federal tax information (FTI) for sole proprietorships with receipts greater than $250,000 and all partnerships. The proposal also would give officers and employees of the Bureau of Labor Statistics (BLS) access to certain business FTI. This would allow BEA, BLS and the Census Bureau to have access to FTI for businesses and allow the agencies to share information among themselves to provide improved economic statistics. No BLS contractors would have access to FTI. **Comparison to FY2023:** the following key changes were made to the FY2023 proposal: The previous proposal would have allowed employees of state agencies to receive from BLS certain FTI identity items to synchronize BLS and Census Bureau business lists. The updated proposal does not allow for the dissemination of data to state employees, limiting FTI information to the BEA, BLS and Census Bureau. **Effective Date:** after the date of enactment.	The proposal would have no revenue effect.

Expand TIN Matching and Improve Child Support Enforcement	This proposal would expand the TIN Matching Program by amending section 6103 to include all information returns requiring the reporting of names and TINs. Current law only applies to reportable payments for backup withholding under section 3406. **Comparison to FY2023:** this proposal is new. **Effective date:** after the date of enactment.	This proposal would have a negligible revenue effect.
Clarify That Information Previously Disclosed in a Judicial or Administrative Proceeding Is Not Return Information	Current law prohibits the disclosure of returns and return information, except for specific return information under specific circumstances outlined in section 6103. This proposal would amend section 6103(b)(2) to clarify that information previously disclosed as authorized by section 6103 is not return information protected from disclosure. **Comparison to FY2023:** this proposal is new. **Effective date:** after the date of enactment.	This proposal would raise $20 million.
Improve Tax Compliance		
Address Taxpayer Noncompliance with Listed Transactions	The proposal would double the statute of limitations period for returns reporting benefits from listed transactions under section 6501(a) from three years to six years. For listed transactions under section 6501(c)(10), the limitations period would be increased from one year to three years. **Effective Date:** after the date of enactment. The proposal also would impose secondary liability on shareholders who sell the stock of an "applicable C corporation" for payment of such corporation's income taxes, interest, additions to tax and penalties, to the extent of the sales proceeds received by the shareholders. The proposal would only apply to shareholders who dispose of a controlling interest in stock (more than 50%) in exchange for consideration other than stock issued by the acquirer. The secondary liability would arise only if the applicable C corporation failed to pay amounts within 180 days of assessment. The proposal would not apply to dispositions of controlling interests in corporations or REITs whose shares are traded on an established U.S. securities market; to RICs whose shares are offered to the public; or to an acquirer whose stock or securities are publicly traded in an established U.S. market or is consolidated with such a public issuer. **Effective Date:** sales of controlling interests in the stock of applicable C corporations on or after April 10, 2014. **Comparison to FY2023:** no substantive changes.	This proposal would raise $6 billion.
Impose an Affirmative Requirement to Disclose a	The proposal would impose an affirmative requirement on taxpayers to disclose a position on a return that is contrary to a regulation. Taxpayers who fail to make the required disclosure would be assessed a penalty of 75% of the decrease in tax shown on the return as a result of the position, even if the taxpayer's interpretation of the regulation ultimately prevails.	The proposal would raise $126 million.

Position Contrary to a Regulation	Penalties may not be less than $10,000 and may not exceed $200,000. Penalty relief would be available for failures to disclose due to reasonable cause and not willful neglect. **Comparison to FY2023:** no substantive changes. **Effective Date:** returns filed after the date of enactment.	
Require Employers to Withhold Tax on Failed Nonqualified Deferred Compensation Plans	Section 409A imposes election and distribution timing requirements on nonqualified deferred compensation arrangements ("NQDC plans"). An NQDC plan is broadly defined as any arrangement under which a service provider (e.g., an employee) has a legally binding right to compensation that: (i) has not been actually or constructively received in gross income during that year and (ii) pursuant to the terms of the NQDC plan, is payable to or on behalf of the service provider in a future taxable year. If an NQDC plan complies with section 409A, the service provider does not recognize income or owe taxes on the compensation payable under the NQDC plan until the compensation is received. The consequences for failing to comply with the applicable requirements of section 409A include: (i) the inclusion of the compensation in the service provider's current federal taxable income (even if not yet payable under the terms of the NQDC plan), (ii) the imposition of an additional 20% federal income tax on such amount (i.e., marginal federal income tax rate plus 20%), (iii) additional interest (based on the IRS underpayment rate plus 1%) and penalties for any failure by the service provider to timely remit income taxes and (iv) potential additional state income tax liability. Currently, employers and other service recipients are only required to withhold on the compensation that is includable in the service provider's current federal taxable income when there is a section 409A compliance failure. The IRS finds that trying to collect these additional taxes from individual employees is time-consuming, administratively impractical, burdensome and an inefficient use of IRS resources. Accordingly, to more efficiently and effectively collect these additional taxes and penalties, the proposal would require employers to withhold on the additional 20% tax and additional interest that is imposed on service providers when an NQDC plan fails to comply with applicable section 409A requirements. **Comparison to FY2023:** no substantive changes. **Effective Date:** after Dec. 31, 2023.	The proposal would raise $2 billion.
Extend to Six Years the Statute of Limitations for Certain Tax Assessments	The proposal would amend section 6501 to extend the general three-year statute of limitations in the case of a taxpayer omitting more than $100 million of gross income on their return. The new statute of limitations for these erroneous claims would be six years. **Comparison to FY2023:** no substantive changes.	The proposal would have a negligible revenue effect.

	Effective Date: returns required to be filed after the date of enactment.	
Increase the Statute of Limitations on Assessment of the COVID-19-Related Paid Leave and Employee Retention Tax Credits	The proposal would extend the current three-year statute of limitations period to assess erroneous claims of Families First Coronavirus Response Act (FFRCA) paid leave credits and Coronavirus Aid, Relief, and Economic Security (CARES) Act Employee Retention Tax Credits. The new statute of limitations for these credits would be five years, which is aligned with assessment provisions contained in the American Rescue Plan Act. This change would also provide IRS assessors more time to flag erroneous claims for taxpayers filing amended returns. **Comparison to FY2023:** this proposal is new. **Effective Date:** after the date of enactment.	The proposal would raise $269 million.
Expand and Increase Penalties for Noncompliant Return Preparation and E-Filing and Authorize IRS Oversight of Paid Preparers	*Expand and increase penalties for noncompliant return preparation and e-filing:* The proposal would increase noncompliance penalties on paid tax return preparers, as well as introduce the following new penalties applicable to paid return preparers: • A $1,000 penalty would apply for each unauthorized use of a Preparer Tax Identification Number (PTIN), with a maximum penalty of $75,000 for a calendar year; • A $250 penalty would apply for each unauthorized use of an Electronic Filing Identification Number (EFIN); and • Except for failures due to reasonable cause, a $500 penalty would apply for each failure by a taxpayer to disclose the use of a paid tax return preparer and the fees paid to such a preparer. The proposal also would double the limitation period from three to six years, during which the penalty for failure to furnish the preparer's identification number may be assessed. In addition, the proposal would clarify the Treasury Secretary's authority to regulate the conduct and suitability of participants in the authorized e-file program, including setting standards to protect the integrity of the program. **Comparison to FY2023:** the following key changes were made to the FY2023 proposal: (1) The new proposal expands the authority of the IRS to determine the suitability of paid tax return preparers applying for PTINS; and (2) The new proposal also provides the IRS greater authority to revoke PTINs for paid preparers determined to be unsuitable. **Effective Date:** returns required filed after Dec. 31, 2023. *Authorize IRS oversight of paid preparers:* The proposal would provide the Treasury Secretary with explicit authority to regulate all paid preparers of federal tax returns, including establishing mandatory minimum competency standards. In 2010, the IRS launched the Tax Return Preparer Initiative, which required certain paid preparers to pass a competency exam. The initiative was discontinued in 2013 after a court ruled the IRS lacked the authority to regulate paid tax preparers.	The proposal would raise $1 billion.

	Comparison to FY2023: no substantive changes. **Effective Date:** after the date of enactment.	
Address Compliance in Connection with Tax Responsibilities of Expatriates	If taxpayers relinquish their U.S. citizenship or cease to be a lawful permanent resident, they are required to provide IRS Form 8854 with their tax return. The proposal extends the time for assessment of tax, providing that such period would not expire until three years after the date on which Form 8854 is filed with the IRS, to reduce abuse and noncompliance with respect to high-net-wealth expatriates. Covered expatriates are required to pay a mark-to-market exit tax on a deemed disposition of their worldwide assets on the day before their expatriation date. The proposal grants the Treasury Secretary authority to provide relief from the rules for covered expatriates for a narrow class of lower-income dual citizens. This relief would apply only to taxpayers that have a home outside the U.S., whose income and assets are below a specified threshold and who satisfy other conditions that ensure their contacts with the United States are limited. **Comparison to FY2023:** the following key changes were made to the FY2023 proposal: The proposal would repeal the requirement for an alien to obtain a certificate of compliance—more commonly known as a "sailing permit." Currently, before leaving the United States, all aliens must obtain this certificate of compliance. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $32 million.
Define Control of the Payment of Wage	The proposal would amend section 3401(d)(1) to clarify the definition of the phrase "control of the payment of wages." This proposal would prevent common law employers from avoiding liabilities for employment taxes and income tax withholding by entering into contracts with professional employer organizations (PEOs). This change is proposed to prevent the potential adoption of an interpretation of section 3401(d)(1) that allegedly undermines the purpose and objectives of the certified PEO program to allow for this tax avoidance. The proposed definitional change would also prevent PEOs from claiming income tax credits that would otherwise belong to common-law employers. **Comparison to FY2023:** this proposal is new. **Effective Date:** after Dec. 31, 2023.	The proposal would have a negligible revenue effect.

Modernize Rules, Including those for Digital Assets		
Apply the Wash-Sale Rules to Digital Assets and Address Related Party Transactions	Digital assets would be added to the list of assets subject to the wash-sale rules. In addition, the wash-sale rules would be amended to defer the recognition of a loss with respect to all covered assets if a related party purchases the same or substantially identical assets within 30 days of a sale. The proposal also would modify the wash-sale rules to address derivative financial instruments more comprehensively, including modifications to the basis rules to prevent abuse. The Treasury Secretary would have the authority to require brokers to report such information as may be necessary or appropriate to implement the revised rules. **Comparison to FY2023:** this proposal was not included in the FY2023 Green Book because it was a provision in the Build Back Better legislation. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $24 billion.
Modernize Rules Treating Loans of Securities as Tax-Free to Include Other Asset Classes and Address Income Inclusion	The proposal would amend the nonrecognition rules with respect to securities loans to apply to loans of actively traded digital assets. Under current law, there are no rules that address whether loans of digital assets (other than securities) give rise to taxable gains or losses. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would have a negligible revenue effect.
Provide for Information Reporting by Certain Financial Institutions and Digital Asset Brokers for Purposes of Exchange of Information	The proposal would require financial institutions to report the account balance for all financial accounts maintained in the United States by a foreign person. The proposal expands current reporting requirements to include non-U.S. source payments and the sale or redemption of property held in such a financial account. The proposal would require digital asset brokers to report gross proceeds and other information with respect to digital asset sales. The proposal would enable the United States to share and receive data with other jurisdictions, pursuant to an international automatic exchange of information framework. **Comparison to FY2023:** no substantive changes. **Effective Date:** returns required to be filed after Dec. 31, 2025.	The proposal would raise $1 billion.
Require Reporting by Certain Taxpayers of Foreign Digital Asset Accounts	The proposal would require taxpayers to report any account that holds digital assets maintained by a foreign digital asset exchange or digital asset service provider, provided the taxpayer has total reportable assets with an aggregate value in excess of $50,000 in accounts reportable under section 6038D. **Comparison to FY2023:** no substantive changes. **Effective Date:** returns required to be filed after Dec. 31, 2023.	The proposal would raise $2 billion.

Amend the Mark-to-Market Rules to Include Digital Assets	The proposal would allow digital asset dealers to use mark-to-market accounting under section 475 for actively traded digital assets and derivatives of such assets. The proposal creates a new category for digital assets so they would not be treated as securities or commodities for purposes of the mark-to-market rules. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would raise $5 billion.
Improve Benefits Tax Administration		
Clarify Tax Treatment of Fixed Indemnity Health Policies	The proposal would clarify that employer-provided accident or health plan benefits, such as fixed indemnity health policies and critical disease or specific disease benefit plans, that pay fixed benefit amounts, directly or indirectly, without regard to the actual cost of the medical expenses incurred by the employee, would be treated as gross income to the recipient taxpayer. Such payments would also be treated as wages and subject to FICA and FUTA taxes. Employer-provided payments that apply to specific medical expenses incurred by the employee would continue to be excluded from gross income under section 105(b). Payments from accident or health insurance purchased with after-tax dollars by a taxpayer would also continue to be excluded from gross income, even if the amounts paid under the policy exceed the individual's medical expenses that triggered the payment. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would have no revenue effect.
Rationalize Funding for Post-Retirement Medical and Life Insurance Benefits	Currently, an employer can make deductible contributions to a welfare benefit fund up to the annual account limit, with an exception for additional reserves for post-retirement medical and life insurance benefits. These additional reserves must currently be funded "over the working lives of the covered employees and actuarially determined on a level basis." However, there is no mechanism to ensure that employers honor their implied promise to retirees, and, if employers eliminate or reduce retiree benefits, there is no prohibition on their using the funds for other welfare benefits for current employees. The proposal would require post-retirement benefits to be funded over the longer of the working lives of the covered employees on a level basis or 10 years, unless the employer commits to maintain those benefits over a period of at least 10 years. **Comparison to FY2023:** no substantive changes. **Effective Date:** taxable years beginning after Dec. 31, 2023.	The proposal would have a negligible revenue effect.
Clarify Tax Treatment of On-	First, the proposal would amend section 7701 to define on-demand pay arrangements as those that allow employees to withdraw earned wages before regularly scheduled pay dates.	The proposal would have

Demand Pay Arrangements	Second, section 3401(b) would be amended, to treat the payroll period for on-demand pay arrangements the same as a weekly payroll period, even if employees have access to their wages during the week. This amendment would prevent challenges under the longstanding constructive receipt rules that would otherwise require employers to maintain a daily payroll period, triggering withholding and payment of employment taxes on a daily basis. Third, sections 3102, 3100 and 3301 would be amended to clarify that on-demand pay arrangements are not loans. Fourth, section 6302 would be amended to provide special payroll deposit rules for on-demand pay arrangements, giving the Treasury Secretary and her delegates regulatory authority to implement the changes addressing the on-demand pay arrangement changes. **Comparison to FY2023:** no substantive changes. **Effective Date:** calendar quarters and years beginning after Dec. 31, 2023.	a negligible revenue effect.
Extend IRS Funding		
Extend Mandatory Funding Provided to the IRS for Fiscal Years 2032 and 2033	The proposal would extend certain above-baseline mandatory funding allocations made to the IRS for fiscal years 2032 and 2033. Currently, the $79.6 billion in total additional appropriations provided to the agency by the Inflation Reduction Act (IRA) are set to expire after 2031. However, this proposal would provide the IRS an additional $14.3 billion in FY 2032 and $14.8 billion in FY 2033 to continue IRA-funded enforcement and operations initiatives. This expansion of IRS funding would provide an overall net deficit reduction by closing the tax gap through increased taxpayer compliance and enforcement. Notably, this proposal would not extend the current IRA-provided mandatory funding for taxpayer services or business systems modernization projects. **Comparison to FY2023:** this proposal is new. **Effective Date:** fiscal years 2032 and 2033.	The proposal to increase IRS funding would cost $29 billion. The proposal to increase IRS enforcement would raise $163 billion.