



Tax

What to Watch For

Lots of Activity, Little Action Expected

With the House majority shifting back to Republicans, tax policy issues can be expected to receive significant attention in 2023. However, little if any tax legislation is expected to be enacted, as it will require the support of House Republicans, a bipartisan coalition of senators, and President Biden. In the months ahead House Republicans can be expected to consider legislation to extend expiring provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) and to repeal provisions of the Inflation Reduction Act (IRA). Many Democrats will seek to promote provisions that were included in the Build Back Better Act (BBBA) that passed the House in Nov. 2021 but stalled in the Senate. A short description of major provisions can be found below.

Tax Cuts and Jobs Act

House Republicans will be interested in legislation to extend the following TCJA provisions:

- **Top individual tax rate** of 37% (expires in 2025, increasing to 39.6%)
- 20% deduction on **pass-through income** (expires in 2025)
- Doubling of **standard deduction** (expires in 2025)
- \$10,000 cap on deductions for **state and local taxes** (expires 2025)
- Full **research & experimentation** (R&E) expensing (expired at end of 2021)
- 100% **business meals** deduction (expires at end of 2022)

Inflation Reduction Act

House Republicans will also be interested in repealing the following provisions of the IRA:

- **15% minimum tax on corporate book income**
- 1% excise tax on **stock repurchases**
- \$80 billion in **IRS enforcement** funding

Build Back Better Act

Many Democrats will seek to pass provisions included in the BBBA:

- Extend the expanded **Child Tax Credit** and refundability
- Extend the expanded **Earned Income Tax Credit**
- Repeal **carried interest** deduction
- Cap **Roth or traditional IRA contributions** if accounts are over \$10 million
- Impose a **high-income surcharge** of 5% on incomes over \$10 million, 3% over \$25 million

Congressional Leadership Changes

With the retirement of Rep. Kevin Brady (R-TX), there is a three-way race to become the new Chairman of the House Ways and Means Committee in the next Congress. The leading contenders are Reps. Vern Buchanan (R-FL), Adrian Smith (R-NE), and Jason Smith (R-MO). Rep. Buchanan has the most seniority of the three. The decision is expected to be made by the House Republican Steering Committee in early December.

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