



# Current Federal Tax Developments

November 1, 2021

Kaplan Financial Education



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## This Week's Topics

We look at the Build Back Better Act draft's tax provisions (some)

What's not in the bill

Individual provisions

Corporate provisions







Photo by [Louis Velazquez](#) on [Unsplash](#)

# Build Back Better Act Text Draft Released by House Rules Committee



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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Late Thursday the House Rules Committee posted a draft of the Build Back Better Bill, revised to come into line with the Framework
  - Of the 782 pages cut from the original bill, 530 came from the Ways & Means portion per an 11/1/21 Tax Notes Today article by Doug Sword

# Build Back Better Act Text Draft Released by House Rules Committee



Photo by [Louis Velazquez](#) on [Unsplash](#)

- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - A lot of provisions did not make it into the final bill including
    - Higher rates (both corporate and individual)
    - Limit on the §199A deduction
    - Most of the anti-ROBS and super-sized IRA provisions



# Build Back Better Act Text Draft Released by House Rules Committee



Photo by [Louis Velazquez](#) on [Unsplash](#)

- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - A lot of provisions did not make it into the final bill including
    - Acceleration of end of TCJA higher unified credit
    - Anti-IDGT rules
    - Requirement to offer opt-out retirement plan deferral

# Build Back Better Act Text Draft Released by House Rules Committee



Photo by [Louis Velazquez](#) on [Unsplash](#)

- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - A lot of provisions did not make it into the final bill including
    - Billionaire's tax (mark to market)
    - Information reporting by banks

# Build Back Better Act Text Draft Released by House Rules Committee



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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Higher taxes on individuals
    - Broaden the reach of the net investment income tax
    - Make permanent excess business loss rule and change carryover



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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Surtax on modified adjusted gross income
    - 5% in excess of \$10,000,000 (\$5,000,000 MFS, \$200,000 trust/estate)
    - Additional 3% in excess of \$25,000,000 (\$12,500,000 MFS, \$500,000 trust or estate)

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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Worthless security change of disposal date
  - Partnership debt a security
  - Abandonment of security or partnership interest event of worthlessness
  - Worthless partnership interest treated as capital loss

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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Taxpayers with taxable income > \$400,00 can only use 50% §1202 gain exclusion (not 75% or 100% amount)
  - Also not available at all to a trust or estate
  - Digital assets subject to constructive sale rules
  - Wash sale rules massively rewritten



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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Child tax credit
    - 2021 modifications
      - Adds fraud and intentional disregard of rules
      - Joint return split of advance payment
      - Cleaned up annual advance calculation
      - Disclosure to joint filers

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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Child tax credit
    - 2022 changes
      - Extended to 2022
      - Advance payment of 100%
      - Not paid to those in phase-out range
      - Can use preceding year for phase-out

# Build Back Better Act Text Draft Released by House Rules Committee



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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Earned Income Credit
    - Carries many ARPA changes into 2022
    - Elect to determine income based on prior year
  - Premium tax credit expansion carried through 2025



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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Premium Tax Credit
    - Employer affordability moves to 8.5%
    - Lump sum social security excluded
    - PTC allowed for lower incomes
    - Unemployment rule through 2025
    - Exclude some dependent income

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- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Pell Grants Income Taxation
    - Treated as exempt scholarship
    - Conforming rule for AOTC
  - Repeal of felony drug conviction rule barring AOTC

# Build Back Better Act Text Draft Released by House Rules Committee



Photo by [Louis Velazquez](#) on [Unsplash](#)

- Rules Committee Print 117-17, Text of H.R. 5376, Build Back Better Act, 10/28/21
  - Corporate tax issues
    - 15% minimum tax on financial statement income (high income/public)
    - 1% tax on stock buybacks for public companies



**KAPLAN**

The logo features the word "KAPLAN" in a bold, white, sans-serif font. A white curved line arches over the text, starting from the left side of the letters and ending at the top right of the letter "N".