

# US TAX DEVELOPMENTS

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# IFA CANADA INTERNATIONAL TAX CONFERENCE

*IN-PERSON EVENT*



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# Overview of Energy Tax Credit Opportunities under the Inflation Reduction Act



# Section 48 ITC and Section 45 PTC

## **ITC credit rate is 30% and the PTC rate is \$27.50/MWh for:**

- Projects that start construction before January 30, 2023.
- Projects that start construction after January 29, 2023 and satisfy the wage and apprenticeship rules.
- Projects that are less than 1 MW (a/c).
- ITC and PTC levels can be increased by domestic content and energy community bonuses as discussed below.

# Section 48 ITC and Section 45 PTC

## **Production Tax Credit**

- Eligible Renewable/Other Technologies: Geothermal Electric, Solar Thermal Electric, Solar Photovoltaics, Wind (All), Biomass, Hydroelectric, Municipal Solid Waste, Landfill Gas, Tidal, Wave, Ocean Thermal, Wind (Small), Hydroelectric (Small), and Offshore Wind.

## **Investment Tax Credit**

- Eligible Renewable/Other Technologies: Solar Water Heat, Solar Space Heat, Geothermal Electric, Solar Thermal Electric, Solar Thermal Process Heat, Solar Photovoltaics, Wind (All), Stand-alone storage, Geothermal Heat Pumps, Municipal Solid Waste, Combined Heat & Power, Fuel Cells using Non-Renewable Fuels, Tidal, Wind (Small), Geothermal Direct-Use, Fuel Cells using Renewable Fuels, Microturbines, Offshore Wind Biogas, Microgrid Controllers, and Interconnection Property.

# Clean Electricity Investment Credit Section 48E (replacing 48 (ITC) after 2024)

- IRA adds new Section 48E, Clean Electricity Investment Credit as a continuation of Section 48 (ITC) in 2025.
- It applies for investments in qualifying zero-emissions electricity generation facilities or storage technologies for facilities placed in service after December 31, 2024.
- Applies to any qualified facility and energy storage technology. Sections 48E is intended to be technology neutral and replace the ITC for properties placed in service on or after January 1, 2025.
- **Credit Amount:** up to full ITC - 30%, mirrors the current Section 48 (ITC).
- **Timing:** begins January 1, 2025 and ends in 2035.
- **Wage and Apprenticeship Requirements:** similar to those set forth Section 48, see below.
- **Adders:** Subject to 10% energy communities and 10% domestic content adders, see below.
- **Depreciation:** eligible property for the credit will be 5-year MACRS property

# Clean Electricity Production Credit Section 45Y (replacing 45 (PTC) after 2024)

- IRA adds new Section 45Y, the Clean Energy Production Tax Credit.
- It applies to any qualified facility that is used for the generation of electricity, which is placed in service after 2024, and has an anticipated greenhouse gas emissions rate of no more than zero.
- Qualified facilities also include any additions of capacity that are placed in service on or after January 1, 2025. Section 45Y is intended to be technology neutral and replace the PTC for facilities placed in service on or after January 1, 2025.

# Clean Electricity Production Credit Section 45Y (replacing 45 (PTC) after 2024)

- Credit Amount: Full PTC (\$27.50/MWh) – increased by the inflation adjustments between now and 2025, and then annually.
- Timing: begins January 1, 2025, and ends in 2035.
- Phase-out: The credit amount is phased out based on when the facility begins construction after the “applicable year.”
  - The applicable year is the later of (i) the calendar year in which the annual greenhouse gas emissions from the production of electricity in the United States are reduced by 75% from 2022 levels, or (ii) 2032 (such year, the “Applicable Year”).
- Wage and Apprenticeship Requirements: similar to those set forth in Section 45, as discussed below.
- Adders: Subject to 10% energy communities and 10% domestic content adders, see as discussed below.
- Depreciation: eligible property for the credit will be 5-year MACRS property.



# Manufacturing Tax Credits, Section 45X and 48C

## Advanced Energy Production Credit – Section 48C

- A tax credit for certain manufacturing activities, such as:
  - Factories that make components for electric vehicles, hybrid vehicles, fuel cell vehicles and other wind, solar, fuel cells, and storage.
- **Timing:** starts January 1, 2023, with no specific end date.
- **Credit Amount:** 30%, but if construction of the factory begins after January 29, 2023, then prevailing wages must be paid, and apprentices hired.
- **Denial of double benefit:** the credit is not allowed for any qualified investment for which a credit is allowed under section 48 (energy credit), 48A (advanced coal credit), 48B (gasification credit), 48E (clean energy credit), 45Q (carbon capture), or 45V (clean hydrogen).
- **Allocation from IRS required:** Project owner must apply for and receive an allocation from the IRS.
- It is eligible for transferability



# Manufacturing Tax Credits, Section 45X and 48C

## Advanced Manufacturing Production Credit – Section 45X

- Provides a production tax credit (PTC) for the production and sale to unrelated persons of certain solar, wind, inverter, battery, or mineral components. The credit only applies to components produced in the U.S. or its territories.
- Timing: the credit applies to components produced and sold after December 31, 2022. It begins phasing out in 2030 and is not available for components sold after 2032.
- Credit Amount: varies based on the eligible component produced and sold and is calculated on a per component basis (no requirement to pay prevailing wages or employ apprentices).
- The section 45X credit is not available for components produced in a factory that benefited from the section 48C credit.
- It is eligible for direct pay (even if the factory is not owned by a tax-exempt) and transferability, as discussed below.

## Section 45x Eligible Components

- Eligible components under section 45X include photovoltaic cells and wafers, solar grade polysilicon, polymeric backsheets, solar modules, wind energy components, torque tubes, structural fasteners, electrode active materials, battery cells, battery modules, and certain critical minerals.

# Credit for Carbon Oxide Sequestration - Section 45Q

- IRA expands and extends 45Q credit.
- The 2022 changes to 45Q provide up to \$85 per metric ton (“MT”) of CO<sub>2</sub> permanently stored and \$60 per MT of CO<sub>2</sub> used for enhanced oil recovery or other industrial uses of CO<sub>2</sub> (provided emissions reductions can be clearly demonstrated.) - See the table on next slide.
- The credit amount significantly increases for direct air capture projects to \$180 per MT of CO<sub>2</sub> permanently stored and \$130 per MT for used CO<sub>2</sub> – See the table on next slide.
- The IRA reduces the capacity requirements for eligible projects: 18,750 MT per year for power plants (provided at least 75% of the CO<sub>2</sub> is captured), 12,000 MT per year for other facilities, and 1,000 MT per year for DAC facilities.
- Projects must “begin construction” before January 1, 2033.

# Credit for Carbon Oxide Sequestration - Section 45Q

## Enhanced Oil or Natural Gas Recovery

Details		Former 45Q <sup>1</sup>	IRA 45Q <sup>2</sup>
<b>Bonus(es)</b>	1. N/A	\$0/MT	\$0/MT
<b>Labor Requirements</b>	1. Prevailing Wage & Apprenticeship Requirements	N/A	\$48/MT
<b>Base Credit</b>		\$25.15/MT	\$12/MT
<b>Total Headline Credit:</b>		\$25.15/MT	\$60/MT
<b>Total Potential Credit:</b>		\$25.15/MT	\$60/MT

## Secure Geological Storage

Details		Former 45Q <sup>1</sup>	IRA 45Q <sup>2</sup>
<b>Bonus(es)</b>	1. N/A	\$0/MT	\$0/MT
<b>Labor Requirements</b>	1. Prevailing Wage & Apprenticeship Requirements	N/A	\$68/MT
<b>Base Credit</b>			\$17/MT
<b>Total Headline Credit:</b>		\$37.85/MT	\$85/MT
<b>Total Potential Credit:</b>		\$37.85/MT	\$85/MT

## Direct Air Capture

Details		IRA 45Q <sup>2</sup>	
		EOR	Geological
<b>Bonus(es)</b>	1. N/A	\$0/MT	\$0/MT
<b>Labor Requirements</b>	1. Prevailing Wage & Apprenticeship Requirements	\$104/MT	\$144/MT
<b>Base Credit</b>		\$26/MT	\$36/MT
<b>Total Headline Credit:</b>		\$130/MT	\$180/MT
<b>Total Potential Credit:</b>		\$130/MT	\$180/MT

# Clean Fuel Production Tax Credit - Section 45Z

- A PTC that applies only to the production of clean fuels that are used for transportation.
- Qualified Facility: must be used for the production of transportation fuels.
- No stacking with Section 45V Clean Hydrogen Production, Section 48 Clean Hydrogen ITC, or Section 45Q Carbon Capture
- Transportation fuel: any fuel that is produced in the U.S. by a registered producer, is suitable for use as fuel in a highway vehicle or aircraft, has an emissions rate not greater than 50 kg of CO<sub>2</sub>e per mmBTU, and is not derived from co-processing certain glycerides, fatty acids, or fatty acid esters with a non biomass feedstock.
- Timing: Credit is available in respect of fuel produced after December 31, 2024, and sold through December 31, 2027.
- Wage and Apprenticeship Requirement: Base rate multiplied by five when wage and apprenticeship requirements are met.
- Credit Amount: 20 cents per gallon of any transportation fuel produced at a qualified facility and sold to an unrelated taxpayer. For use by such person in the production of a fuel mixture, or in a trade or business, or who sells such fuel at retail to another person and places that fuel in the other person's tank.

# Clean Hydrogen Production - Section 45V

- Section 45V, gives projects that begin construction before 2033 a tax credit for 10 years after they're placed in service, getting 60 cents for every kilogram of clean hydrogen produced.
- The hydrogen must be produced through a process resulting in lifetime greenhouse gas emissions rate of no more than \$3.00 a kg of hydrogen, with a lower amount if it is less clean. The lifetime greenhouse gas emissions are determined by the GREET model which comes from the U.S. Department of Energy ("DOE") lab.
- As an alternative to the Clean Hydrogen Production Credit, taxpayers may elect the Section 48 ITC with respect to clean hydrogen production facilities, receiving an ITC of up to 30% depending on the carbon intensity of the production process.
- Timing: Credit is available for qualified clean hydrogen produced after December 31, 2022. The construction of a facility must begin before 2033.
- Denial of double benefit: A facility cannot take both the 45V and carbon capture and sequestration tax credits. However, a project can simultaneously take the 45V tax credit and other tax credits for clean energy generation, e.g., powering the hydrogen plant with wind or solar and claiming the ITC or PTC on the wind or solar.
- Credit Amount: depends on the life cycle greenhouse gas emissions associated with the hydrogen production and whether or not the hydrogen producer complies with the prevailing wage and apprenticeship requirements in the bill.

# Qualified Commercial Clean Vehicles Section - 45W

- The tax credit generally applies to a variety of commercial vehicles, as well as mobile machinery.
- Eligible Property: Qualified commercial clean vehicles, including mobile machinery that are “clean” vehicles as defined in Section 30D or fuel cell vehicles as defined in Section 30B. In addition, the vehicle must be:
  - Acquired for use or lease by the taxpayer and not for resale,
  - of a character subject to the allowance for depreciation (unless not subject to a lease and placed in service by a tax-exempt entity), and
  - of a character for which no credit under the Section 30D Clean Vehicle Credit has been allowed.



# Qualified Commercial Clean Vehicles Section - 45W

- Timing: begins January 1, 2025, and is subject to the phase-out as described below.
- Credit Amount is the lesser of:
  - 15% of the basis in the vehicle (increased to 30% if the vehicle is neither gas nor diesel powered), or
  - The increased price of the clean vehicle relative to a comparable vehicle. (A “comparable vehicle” is any vehicle of comparable size and use to the eligible clean vehicle and that is powered solely by a gasoline or diesel engine; comparable vehicles need not necessarily be of the same model or even of the same manufacturer).
    - The credit amount is subject to a hard cap of:
      - \$7,500 for vehicles with a GVWR of less than 14,000 pounds, or
      - \$40,000 for all other eligible vehicles.
- Eligible for Direct Pay, but not Transferability.

# Wage and Apprenticeship Requirements/Begun Construction

- W&A requirements must be satisfied for a facility to receive the full amount of tax credits (not be subject to an 80% haircut). E.g., a full **30% section 48 ITC would be reduced to 6%** if an eligible facility subject to the W&A requirements does not satisfy such requirements.
- Guidance: On November 30th, IRS issued wage and apprentice guidance with a list of requirements. Projects must be under construction by **January 28, 2023**, to be exempt from these new requirements.
- Construction begins:
  - (1) **Physical Work Test** - construction has begun when work of a “significant nature” is performed, and
  - (2) **Five Percent Safe Harbor** - construction has begun when a taxpayer has paid or incurred 5% of the total cost of a facility.
- Also, a project needs to satisfy the “**continuity requirement**” pertaining to continuous construction or continuous efforts after a facility starts construction, but also with the existing taxpayer-friendly, placed-in-service-date-dependent, continuity safe harbors.
- Completion time: generally, 4 years; offshore wind projects and projects on federal and Indian land - 10 years; carbon capture projects – 6 years; and renewable power projects with construction start date between 2016 and 2020 - 6 years. The continuity requirement does not apply if the project meets the continuity safe harbor (e.g., 4-years for most projects).

# Wage and Apprenticeship Requirements/Begun Construction

- Prevailing wage requirements: (1) laborers and mechanics employed in the construction, alteration, or repair of facilities have been paid the appropriate prevailing wages and (2) the taxpayer has maintained and preserved sufficient records substantiating such information.
- Apprenticeship requirements: needs to satisfy (1) the labor hour requirements set forth under the IRA, subject to any federal or state apprentice ratios required thereunder; (2) the apprentice participation requirements under the IRA; and (3) needs to comply with certain recordkeeping requirements substantiating such information.

# Bonus Credits

- Domestic Content (starting in 2023) – 10% bonus
  - Must include 100% domestic iron and steel and 40% domestic content for manufactured products (increases after 2024).
- Energy Communities (starting in 2023) – 10% bonus
  - Brownfield sites (as identified in CERCLA);
  - An area which has (or at any time after December 31, 1999, had) (i) (a) significant employment ( $\geq 17\%$ ) related to the extraction, processing, transport, or storage of coal, oil, or natural gas (as determined by the Secretary) or (b) 25% or greater local tax revenue from the foregoing activities, and (ii) higher unemployment than the national average for the “previous year”; or
  - A census tract in which (I) after December 31, 1999, a coal mine has closed, or after December 31, 2009, a coal-fired electric generating unit has been retired, or (II) which is directly adjoining to any census tract described in subclause (I).
  - Safe harbor for BOC year or projects are tested in placed in service year (ITC) or annually during the credit period (PTC)

# Bonus Credits

- Environmental justice credit (LMI) – 10 or 20 ITC percentage points (no PTC adder)
  - Only applies to solar & wind projects <5 MW of capacity.
  - IRS will start accepting applications in 3Q 2023. IRS saying can't be in service before allocation granted.
  - Key concept of “benefiting” low-income communities and residents remains to be defined by IRS.
  
- Wage and apprentice rules apply: The domestic content adder is only 2% (rather than 10%), and the energy community adder is only 2% (rather than 10%) if (i) construction of the facility begins after the January 28, 2023, (ii) the prevailing wage and apprenticeship requirements are not satisfied and (iii) the facility has a capacity of more than 1 MW.
  
- Environmental justice credit (LMI) only applies to wind and solar projects <5 MW of capacity and must apply to the IRS for an allocation before claiming credit. Preliminary guidance has been released with additional guidance expected in Q2 2023.
  
- Potential for 70% bonus credits for small solar and wind claiming ITC!

## Transferability - selling tax credits to third parties.

- Major banks are trying to offer less than 90 cents per \$1.00 of tax credit, but we continue to think they will trade in the low 90s cents.
- Only one sale allowed, no brokers acting as buyers to re-sell.
- Can be sold after the close of the tax year but before the buyer files its tax return.
- Must be sold for cash.
- Must be sold to an unrelated party.
- No taxable income to seller; no deduction for buyer.
- Sale election is made at the “partnership” level, not the partner level.
- Need guidance on application of passive activity loss rules and the at-risk rules to individual buyers.
- Need guidance on whether the buyer or seller suffers recapture from a transfer/casualty.
- Need guidance ability to combine with a lease pass-through election.
- Sellers that can provide stronger guaranties are likely to get a higher price.
- Leveraged ITC projects and recapture issues.
- Pillar II and transferability.

# Direct Pay for Tax Credits

- Available for all owners claiming the manufacturers' production tax credits (45X), hydrogen tax credits (45V), or carbon capture tax credits (45Q).
- For wind, solar, storage and other types of energy generation projects, direct pay is only available if the project is owned by **tax-exempt entity**:
  - (i) an organization exempt from the tax imposed by subtitle A of the Code, (ii) a State or political subdivision thereof, (iii) the Tennessee Valley Authority, (iv) an Indian tribal government (as defined in section 30D(g)(9)), (v) an Alaska Native Corporation (as defined in section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)), or (vi) a corporation operating on a cooperative basis which is engaged in furnishing electric energy to persons in rural areas.
- IRS pays 100 cents on the dollar.



# SHARE BUYBACK EXCISE TAX

IRC SECTION 4501

## General Rule

Tax equal to **1% of the FMV** of any stock of a covered corporation which is repurchased by such corporation during the taxable year

Effective for stock repurchases after December 31, 2022

## Covered Corporations

- (a) US corporation; and
- (b) Stock traded on an established securities market
  - A national securities exchange registered with the SEC (or exempt from such registration due to transaction volume)
  - Certain foreign securities exchanges that satisfy regulatory requirements analogous to those of the SEC
  - Regional or local exchange
  - Interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise

## Specified Affiliates

- Includes acquisitions of covered corporation stock by **specified affiliates**:
  - Corporation that is more than 50% owned (by vote or value), directly or indirectly, by the covered corporation
  - Partnership in which the covered corporation holds, directly or indirectly, more than 50% of capital/profits

## Specified Affiliates

- If a **non-US corporation** that is traded on an established securities market is acquired by a US affiliate corporation, then the US affiliate corporation will be treated as a covered corporation
  - Applies if the US affiliate corporation funds the acquisition or repurchase of the non-US corporation stock and the funding is undertaken for the primary purpose of avoiding the excise tax
  - Tax avoidance purpose is imputed if non-US corporation acquires or repurchases stock within two years of funding by US affiliate corporation

## Repurchases

- Redemption (within the meaning of Section 317(b))
- Transactions economically similar to a redemption
  - Applies to repurchase of common and preferred stock, even if the class is not publicly traded
  - May apply to warrants in certain circumstances

## Redemptions

- Section 317(b): Corporation acquires its stock from a shareholder in exchange for property
  - Whether or not the stock so acquired is cancelled, retired, or held as treasury stock



## Exceptions to Redemptions

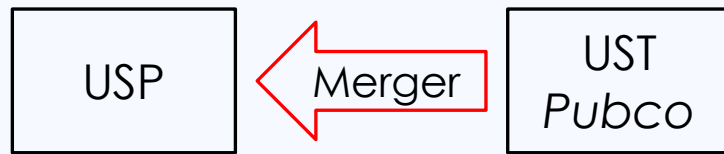
- A deemed redemption resulting from certain Section 304 transactions
  - Redemption through the use of a related corporation
- Certain payments of cash in lieu of fractional shares

## Transactions Economically Similar to Redemptions

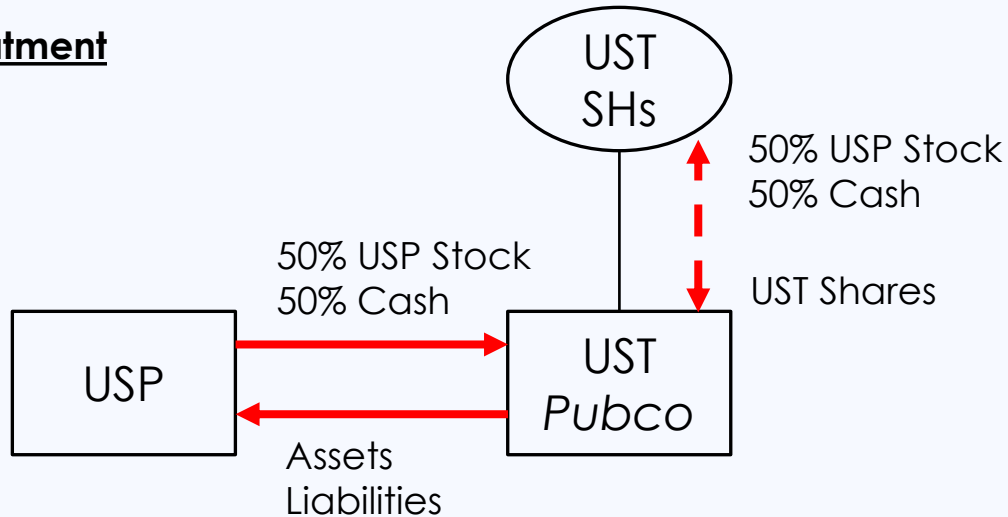
- Acquisitive reorganizations (certain A, C and D reorganizations)
- E reorganizations (recapitalizations)
- F reorganizations (change of form)
- Section 355 split-offs (distribution of target shares to some, not all, shareholders in exchange)
- Certain “overlap” complete liquidations (Sections 331 and 332(a) both apply)

# Acquisitive A Reorganization Example

**Form**

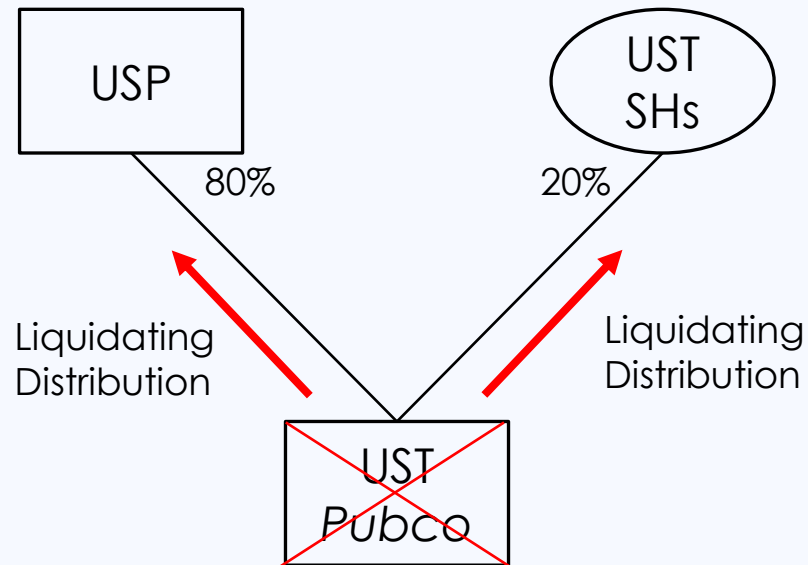


**Tax Treatment**



- The exchange of UST stock for merger consideration is treated as economically similar to a redemption
- Excise tax applies

# Overlap Liquidation Example



- The liquidation is tax-free under 332 for USP and taxable to the UST SHs under 331
- Liquidation of UST is economically similar to a redemption
- Excise tax applies to distributions to UST SHs

## Transactions NOT Economically Similar to Redemptions

- Complete liquidations (in which either Section 331 or 332(a) applies)
- Divisive Section 355 transactions (other than split-offs)

## Mechanics

- Timing: treated as repurchased at time when ownership of stock transfers to the covered corporation (or applicable purchaser)
- Determination of FMV: as of the date of the repurchase, using a permitted method based on market/trading price

## Mechanics

- Netting Rule: Amount taxed is reduced by the FMV of any stock issued by the covered corporation during the taxable year
  - Includes stock issued as compensation and option exercises



# Exceptions

- The following are treated as repurchases but the FMV is backed out of the excise tax calculation:
  - The repurchase is part of a tax-free reorganization where no gain or loss is recognized
  - The repurchased stock or its value is then contributed to an employee pension plan, ESOP or similar plan
  - The total amount of repurchases within the year does not exceed \$1 million
  - The purchaser is a dealer in securities in the ordinary course of business
  - The purchaser is a RIC or REIT
  - The repurchase is treated as a dividend

## Reporting

- Form 720 (Quarterly Federal Excise Tax Return)
  - Additional forms anticipated (including Form 7208 calculation)
- Excise tax will be reported once a taxable year, due for the first full quarter after the close of the taxpayer's taxable year
  - Calendar year taxpayer would report/pay its stock repurchase excise tax via Form 720 by April 30, 2024
- No extensions

## Things to Consider...

- Timing of stock buybacks and stock issuances
- Convertible debt and stock related transactions
- Leveraged acquisitions (funded by Target borrowing)
- SPAC Transactions
- Boot in reorganizations

# CORPORATE ALTERNATIVE MINIMUM TAX

IRC SECTION 55

## General Rule

Minimum tax imposed on an **applicable corporation** to the extent of the excess of (i) 15% of its **adjusted financial statement income (“AFSI”)** for the year, over (ii) its regular U.S. federal corporate tax liability

Applies for tax years beginning after December 31, 2022

## Applicable Corporation

- Corporation that meets an average AFSI test for one or more prior years ending after 2021
  - Book net income exceeding \$1 billion, on average, over a trailing three-year period
  - Excludes S-corporations, RICs, REITs
- For non-US parented groups, the average AFSI of the US group and all ECI of the WW group must be \$100 million or more for the three-year period

## Applicable Corporation

- Once a corporation is an applicable corporation, it retains such status unless an exception applies:
  - A change in ownership;
  - A consistent reduction in AFSI below a specified threshold;
  - In each case, only if the IRS determines it is not appropriate to continue to treat it as an applicable corporation

## Applicable Financial Statement Income (AFSI)

- Net income or loss (book income or loss) on applicable financial statement
  - Generally includes financial statements prepared in accordance with GAAP or IFRS
- Certain adjustments are made to book income or loss to determine AFSI



# AFSI Adjustments

- Income related to the appropriate taxable year
- Certain income from related entities (e.g., consolidated group members and partnerships)
- Dividends and certain other amounts from non-consolidated group corporations,
- Certain foreign income
- Adjust for the payment of certain foreign taxes
- Income of disregarded entities
- Take into account tax depreciation instead of book depreciation

## Controlled Group of Corporations

- Aggregation rules applies to include AFSI of both the corporation and certain affiliates
  - Any affiliates treated as a “single employer” with the corporation under tax laws
  - In general, affiliates under 50%+ common ownership
  - Includes pro rata CFC items
- Also includes partnerships, trusts, estates and sole proprietorships that form a commonly controlled trade or business with the corporation

## Net Operating Losses

- Allowed to deduct financial statement net operating losses (NOLs) from AFSI, equal to the lesser of:
  - The aggregate amount of financial statement NOL carryovers to the tax year, or
  - 80% of AFSI (as computed without regard to the NOL deduction)

## Foreign Tax Credits

- CAMT foreign tax credit may reduce the CAMT
  - Taxpayer must credit foreign taxes for regular tax purposes
- Equal to the sum of:
  - Pro rata share of applicable non-US taxes paid or accrued by CFCs, and
  - The applicable non-US taxes paid or accrued by the taxpayer and taken into account in AFSI
- Five-year carry forward of excess FTCs if pro rata share of creditable non-US income taxes of CFC exceeds 15% of pro rata share of CFC income

## Other Credits

- CAMT credits: if corporation is subject to the CAMT in a prior taxable year and regular corporate tax in later year
  - May apply the prior CAMT amounts against its regular tax liability (subject to CAMT in current year).
- General business credits: may offset up to 75% of combined regular tax and CAMT

# Policy Considerations

- Joint Committee on Taxation indicated expectation that approximately 150 companies would be subject to the CAMT
- Projected to raise \$222 billion over next 10 years
- Nonrecognition provisions generally allow corporations to separate and/or acquire businesses without incurring tax
  - Book income could be generated from these transactions (even if tax-free)
- Proposed Thune Amendment was intended to narrow application of aggregation rules to private equity fund structures
- No changes to GILTI regime from TCJA

# OECD Pillar 2 Comparison

## CAMT

- 15% minimum on worldwide income
- Reduction possible with tax credits
- Net income of at least USD 1 billion (3-year testing period)
- Excludes S-corps, REITs, RICs
- Tax loss carryforwards allowed

## OECD PILLAR 2

- 15% minimum on country-by-country basis
- Reductions possible with substance based carve outs
- Turnover of at least EUR 750 million (2 out of 4 year period)
- Excludes govt entities, various organizations, pension funds, certain investment funds
- No tax loss carryforwards

## Things to Consider...

- GAAP principles
- Compliance complexity
- Tax consolidation
- Impact on M&A activity (particularly for non-US parented groups)
- Up-C Structures and other partnership issues