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Brady Amendment Updates Tax Bill During Markup's First Day.

By *Laura Davison* and *Colleen Murphy*

More tailored rules for multinational companies, a three-year holding period on carried interest, and a narrowed excise tax on college endowment income were among changes in a new amendment to the Republican tax bill House Ways and Means Chairman Kevin Brady (R-Texas) released yesterday as the committee began markup.

The changes come after Brady on Friday released a chairman's mark that made other changes.

The text of the amendment is here: **http://src.bna.com/t1K**.

Changes are as follows:

- Carried interest restrictions: The amendment would impose a three-year holding period requirement for partnership interests received in connection with performing services to be eligible for long-term capital gain tax rates.

Carried interest is the portion of an investment fund's profit -- usually a 20 percent share -- that is paid to investment managers. Currently, tax authorities treat that income as capital gains, making it eligible for a tax rate as low as 23.8 percent -- on gains from assets held for a year or more. The top tax rate for ordinary income is 39.6 percent. The change would triple the length of time an asset would have to be held to qualify for the lower rate.

- Base erosion: The amendment revises a provision taxing affiliated payments to provide for a foreign tax credit, and tweaks the excise tax on high returns "to clarify the scope of existing exceptions for certain local active financing and extraction activities."
- Endowment excise tax: The amendment narrows the 1.4 percent excise tax on colleges' net investment income to apply it only to institutions with assets of at least $250,000 per student.
- Stock options: The amendment includes the option to defer recognition of income for up to five years for employees who receive stock options as compensation for the performance of services, as long as the stock isn't publicly traded.
- Earned income tax credit compliance: The amendment includes new rules that require claims to reflect earnings from self-employment, impose additional reporting requirements on employers, and give the Internal Revenue Service additional authority to substantiate claims.
- Dependent care assistance program exclusion: The amendment would continue the exclusion for up to $5,000 of employer-provided dependent-care assistance through Dec. 31, 2022.
- Self-created musical works: The amendment would preserve the treatment of self-created musical compositions and copyrights in musical works as capital assets.

Brady doubled down on previous comments not to address a repeal or delay of some Affordable Care Act tax provisions in tax reform. He said while Republicans are united in opposition to the health insurance providers fee and medical device tax, two Affordable Care Act taxes set to take effect in 2018, changes to those provisions will come in separate legislation. This amendment doesn't address a repeal of the individual mandate.

Democrats panned the changes as last-minute. “This has been just the worst kind of process,” Rep. Sander Levin (D-Mich.) said.

The changes don’t have an updated score from the Joint Committee on Taxation. The most recent calculation says the bill costs $1.41 trillion. The committee hopes to approve the bill by Thursday of this week.

With assistance from Sahil Kapur, John Voskhul, and Melissa Mittleman (Bloomberg) and Kaustuv Basu (Bloomberg BNA).

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