

# Understanding the “State” of International and Federal Tax Reform

**Carrie Falkenhayn**  
Deloitte Tax LLP

**Bobby L. Burgner**  
General Electric Company

**Harrison Cohen**  
Deloitte Tax LLP

**Don Griswold**  
Crowell & Moring LLP



# OECD / G20 BEPS Action Plan

## Key themes

### Widening the tax base

- Interest expense
- Taxable presence
- Profit allocation:
  - Intangibles
  - Methods

### Compliance

- Transfer pricing
- documentation

### Enforcement

- Disclosure obligations
- GAAR
- Mutual agreement
- Harmful tax practices
- Data collection

## Digital Business

Coherence

Restoring International standards

Transparency and certainty

# Key International Proposals in the H.R. 1 Draft

| Proposal                            | Description  |
|-------------------------------------|--|
| Participation Exemption             | <ul style="list-style-type: none"><li>• Generally provides U.S. corporate shareholders a 95% DRD for foreign source dividends received from a 10% or more owned foreign corporation</li><li>• Current law branch treatment retained</li></ul>  |
| Foreign Tax Credit                  | <ul style="list-style-type: none"><li>• Actual dividends no longer eligible for foreign tax credits (Section 902 is repealed; no credit for dividend withholding taxes)</li><li>• 2 baskets retained with passive basket expanded and renamed</li></ul>  |
| Foreign Intangible Income Deduction | <ul style="list-style-type: none"><li>• A 15% rate generally is imposed on “foreign intangible income” of U.S. corporations</li></ul>  |
| Transition Tax                      | <ul style="list-style-type: none"><li>• Not imposed on pre-87 E&amp;P</li><li>• Imposed at two rates: 8.75% if E&amp;P invested in cash &amp; cash equivalents; 3.5% in other assets</li><li>• May be deferred over 8 years with graduated payments (8% per year for first 5 years; 15% in year 6; 20% in year 7; 25% in year 8)</li><li>• No interest charge</li><li>• FTCs and NOLs may offset the tax</li></ul> |
| Interest expense                    | Corporate U.S. shareholders of a WW affiliated group must reduce interest deductions by the lesser of reduction under:<br><ul style="list-style-type: none"><li>(i) relative leverage test or</li><li>(ii) percentage-of-adjusted-taxable-income test</li></ul>  |

# Contact Information

Carrie Falkenhayn, Partner, National Service Line Leader—  
Multistate Tax Services, Deloitte Tax LLP

[cfalkenhayn@deloitte.com](mailto:cfalkenhayn@deloitte.com)

Bobby L. Burgner, Senior Tax Counsel and Director – Global  
Indirect Taxes, General Electric Company

[bob.burgner@ge.com](mailto:bob.burgner@ge.com)

Harrison Cohen, Director, Deloitte Tax LLP

[harrisoncohen@deloitte.com](mailto:harrisoncohen@deloitte.com)

Don Griswold, Partner, Crowell & Moring LLP

[dgriswold@crowell.com](mailto:dgriswold@crowell.com)

This presentation contains general information only and the respective speakers and their firms are not, by means of this presentation, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. The respective speakers and their firms shall not be responsible for any loss sustained by any person who relies on this presentation.