



## The Daily Dish

# Let's Make a Tax Deal

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Yesterday, the chairs of the House Ways and Means Committee and the Senate Finance Committee [announced](#) an agreement on a \$78 billion piece of tax legislation that seemingly concludes extended negotiations on the pairing of an expanded child tax credit with some key business tax provisions from the 2017 law that had expired. The big pieces are:

- An expanded child tax credit for tax years 2023 to 2025. With many additional details for inflation adjustment, calculation of the maximum credit, and so forth, the credit would rise from \$1,600 to \$1,800 in 2023 and by \$100 each year thereafter.
- Restoring the deduction for Research and Experimental Expenditures. Interestingly, only domestic R&D will be expensed; that conducted outside the United States will be deducted over a 15-year period. The provision is retroactive to 2022 and is in place through 2025.
- Expanded deductibility of business interest for tax years 2022 through 2025.
- Restoration of full expensing of business investment for tax years 2022 through 2025.

There are several additional provisions that are notable for a variety of reasons, however. First, the bill includes the United States-Taiwan Expedited Double-Tax Relief Act. Because Taiwan is not recognized as a sovereign nation, there is no mutual tax treaty with Taiwan that prevents double taxation. Instead, both Taiwan and the United States have agreed to pass domestic tax laws that mimic the impact of such a treaty. China is sure to be thrilled.

Also, there is an increase from \$600 to \$1000 (indexed for inflation) for the threshold that necessitates sending to the Internal Revenue Service information for a Form 1099. These information requirements are popular in legislation because they bring in (theoretical) money. They are loathed in practice, so Congress regularly puts off, reduces, or drops entirely the requirement.

Finally, these revenue reductions are “paid for” by ending the ability to file for the Employee Retention Tax Credit (ERTC) at the end of this month. As readers have heard, the ERTC was intended as a narrow rifle shot to incentivize employers during the pandemic. The combination of several extensions, intense marketing of the credit, and outright fraud have turned it into a gusher of tax refunds. In recent months the IRS has made two extraordinary announcements regarding the ERTC: first, that firms could withdraw their filing for the ERTC “no questions asked” in an open attempt to reduce fraudulent claims and second, that firms could get 20 percent of the requested ERTC if they would identify those that aided in the development of a fraudulent claim. These efforts notwithstanding, the Joint Committee on Taxation concluded ending the credit in just two weeks would save \$80 billion. Stunning.