

Press Release



New Primer on the Global Intangible Low-Taxed Income (GILTI) Tax

ANDREW EVANS | SEPTEMBER 13, 2018

Last fall's tax reform law changed the U.S. corporate tax code from a global to a territorial system, and to prevent base erosion Congress implemented several rules, including a new tax on "global intangible low-taxed income," or GILTI. AAF's Director of Fiscal Policy Gordon Gray explains and illustrates how the rule works, and examines how the rule may increase taxes on U.S. firms beyond the intention of Congress.

An excerpt:

Despite the name, the GILTI provision does *not* just capture income from intangible assets. It may indeed apply to any income above the deemed return threshold. A heavy manufacturing plant earning income on fully depreciated assets overseas is treated the same as the filing cabinet tech subsidiary under GILTI. There is also uncertainty as to the availability of even the restricted (80 percent) foreign tax credit to offset U.S. GILTI tax liability.

The Treasury Department is reportedly close to issuing needed rules to clarify the tax treatment of this newly defined type of income and that will provide greater certainty to U.S. firms operating under this new tax regime.

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