

TAX TAKE: Take Me Home, Country Road - Senator Manchin's Proposed Tax Increases

Tax Alert
10.04.2021

Late last week, Senator Manchin (D-WV) released a [July 28, 2021 document](#) in which he offered to support a \$1.5 trillion spending reconciliation package offset with associated tax increases. While the reduced scope of spending in comparison to the reported \$3.5 trillion package currently under consideration in the House garnered most of the attention, tax policy observers are particularly interested in the tax increases endorsed by Senator Manchin and how they compare to the tax increases that recently passed the House Committee on Ways and Means ([the House Package](#)).

While Senator Manchin provided relatively few details regarding his tax increase proposals, he did lay out the following:

- Corporate tax rate of 25 percent
- Corporate "domestic minimum tax" of 15 percent
- Top individual rate on ordinary income of 39.6 percent
- Capital gains rate of 28 percent "all in"
- "End[ing]" carried interest

Although many similar elements appear in the House Package, there are important differences that will need to be reconciled in order to find a package that is capable of passing both the House and Senate.

With respect to the corporate rate, the House Package proposes a corporate rate of 26.5 percent, rather than 25 percent. The House package, however, does not contain a corporate minimum tax, which presumably Senator Manchin is basing on the 15 percent book income minimum tax proposed in the [Administration's Greenbook](#).

The House Package and Senator Manchin appear to be in line with respect to individual taxation, as both propose a reinstatement of the pre-TCJA top individual rate of 39.6 percent, and the House Package's capital gains rate proposal of 25 percent combined with the 3.8 percent net investment income tax roughly equal the 28 percent "all in" capital gains rate proposed by Senator Manchin.

It is unclear whether Senator Manchin's proposal to "end carried interest" aligns with the House Package's proposal to extend the carried interest holding period from three years to five years, the more comprehensive proposal from the Administration's Greenbook, or [Senator Wyden's proposal](#).

Finally, it is interesting to note that Senator Manchin has not made any international tax proposals, which stands in stark contrast to the significant outbound and inbound international proposals contained in the House Package.

While the status and timing of consideration of the reconciliation bill remain uncertain, the release of Senator Manchin's tax increase proposals provides an interesting perspective into how the House Package proposals may be modified in future negotiations in order to determine a package that can, in fact, be enacted into law. **#TaxTake**

Upcoming Speaking Engagements and Events

On October 7, Jorge will speak at the [InvestmentNews RIA Summit](#) on the panel, "What Can RIAs Expect from Washington?"

Marc will discuss the upcoming tax legislative agenda at the [Savannah Estate Planning Council's 2021 Fall Meeting](#) on October 21.

Marc will speak at the [56th Annual Southern Federal Virtual Tax Institute](#) on a panel titled, "The 2021 Legislative Landscape: Evaluating Actual and Potential Changes," on October 25.

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