TCJA 2.0: The Senate's Big Beautiful Bill

June 24, 2025

On June 16, the Senate Finance Committee released initial text of its version of the One Big Beautiful Bill (the "Senate proposal"). Despite early expectations to the contrary, the Senate proposal departs significantly from the House bill[1] in many important respects.

- The Senate proposal retains the general framework of the House bill with respect to extenders and campaign promises, and it would make permanent the trifecta of popular business tax incentives (i.e., cap ex and R&D expensing and interest deductibility).
- The Senate proposal would retain the revenge tax against unfair foreign taxes (Section 899) and may expand its scope, but it would delay its effectiveness until 2027 and would reduce the maximum additional rate.
- The SALT cap provisionally would remain at $10,000 (subject to continuing negotiations) but deductions for PTET would be allowed for partners of all businesses up to a 50% cap.
- The Senate proposal would retain the increased excise tax on private university endowments but would significantly lower the graduated rate scale (the top rate would drop from 21% to 8%).
- The Senate proposal would make significant changes to the international tax system, including higher taxes on GILTI and a higher BEAT rate.

Publicly, Republicans are continuing to push for Senate consideration of the proposal later this week into the weekend, with the goal to have the House pass an identical version to move the bill to the President's desk for signing by July 4. The process remains fluid with active ongoing negotiations among Republicans and additional rulings expected this week from the Senate Parliamentarian that may require additional changes to the package. Given the narrow majorities of Republicans in both chambers,

[1] Our prior In-Depth discussing the House bill can be accessed here.

the number of changes in Senate tax proposals, the Senate's proposed Medicaid cutbacks, and intervening geopolitical events, it remains to be seen if the differences can be reconciled within that time frame.

Extensions

Individuals

Individual Income Tax Rates, Standard Deduction

- *Senate*: The Senate proposal would make permanent the TCJA's individual income tax rate cuts, with the top tax rate remaining at 37%. For the years beginning after 2025, the Senate would increase the TCJA's $15,000 standard deduction ($30,000 for joint filers) to $16,000 ($32,000 for joint filers) with an inflation adjustment.

- *House*: The House bill provides for the same income tax rate structure. The House bill would retain the TCJA's standard deduction, but on a temporary basis and without increase or inflation adjustments.

Qualified Business Income ("QBI") Deduction

- *Senate*: The QBI deduction for qualifying income from certain pass-through entities (partnerships, LLCs or S corporations), sole proprietorships and from certain REIT dividends and PTP income would be made permanent at the current 20% rate. The Senate proposal would also provide for more generous phase ins for QBI deduction limitations for a "specified service trade or business" and for the QBI W-2 wage and capital investment limitations.

- *House*: The House bill would increase the QBI deduction permanently to 23% beginning in 2026 and would extend the benefit to certain interest-related dividends paid by a business development company.

Estate and Gift Tax Exemption

- *Senate*: The estate and gift tax exemption would be increased to $15 million beginning in 2026 ($30 million for joint filers), with an inflation adjustment.

- *House*: Consistent with the Senate proposal.

Home Mortgage Interest

- *Senate*: The Senate proposal make permanent the limitation on mortgage interest deductions to the first $750,000 of home mortgage acquisition debt.

- *House*: Consistent with the Senate proposal.

Businesses

Immediate Expensing of Depreciable Assets

- *Senate*: The Senate proposal would permanently reinstate 100% expensing of qualified depreciable property for property acquired on or after January 20, 2025.

- *House*: House bill would provide for 100% expensing of qualified depreciable property temporarily for property acquired on or after January 20, 2025 and placed in service before January 1, 2030.

Immediate Expensing of R&D

- *Senate*: The immediate deduction for domestic research and development ("R&D") expenses would be made permanent for expenditures paid or incurred in taxable years beginning after December 31, 2024 (with retroactive application to December 31, 2021 for certain small business taxpayers). Non-U.S. R&D expenses would continue to be amortized over 15 years.

- *House*: The House bill would temporarily provide for immediate expensing only for amounts paid or incurred in taxable years beginning after December 31, 2024 and before January 1, 2030.

Increase in Deduction for Net Business Interest Expense

- *Senate*: The deduction for net interest expense (business interest expense less business interest income) would be permanently increased to the TCJA's original 30% of EBITDA formulation for taxable years beginning after December 31, 2024. Since 2022, the limitation has been tighter (based on 30% of EBIT). However, under the Senate proposal, (a) the interest deduction limitation would be determined prior to most interest capitalization provisions and (b) any subpart F income, GILTI and the gross-up for deemed paid foreign taxes would be excluded from the EBITDA calculation.

- *House*: The House bill would temporarily increase the deduction for net interest expense to 30% of EBITDA for taxable years beginning after December 31, 2024 and before January 1, 2030.

Debevoise Comment: Immediate expensing and the more relaxed interest deduction limitation (each of which would go into effect for 2025) would favor business growth and M&A transactions by decreasing cash tax costs.

Debevoise Comment: Applying the business interest limitation prior to any interest capitalization limits planning opportunities for taxpayers and the exclusion of certain international income would disfavor U.S. multinationals. The increase in the limitation formulation overall to include depreciation and amortization likely outweighs the impact of these limitations.

Expansion of Qualified Small Business Stock ("QSBS") Gain Exclusion

- *Senate*: The Senate proposal would expand the gain exclusion for QSBS by increasing the per-person, per-issuer cap to the greater of $15 million (from $10 million) or 10x the taxpayer's tax basis in the stock, with the $15 million indexed for inflation after 2026. The proposal also would expand the definition of a "qualified small business" to include companies with gross assets of up to $75 million (from $50 million), with the $75 million cap also indexed for inflation after 2026. Finally, in addition to the 100% exclusion after a five-year holding period that exists under current law, the proposal would allow for a 50% gain exclusion after three years and a 75% after four years.

- *House*: No provision.

Debevoise Comment: The proposal would create further incentive for investment into a broader set of early-stage companies. The proposal would be effective for stock issued or acquired, and to taxable years commencing, on or after the date of enactment.

Sec. 899 Remedies Against Unfair Foreign Taxes

- *Senate*: The Senate proposal for the revenge tax against unfair foreign taxes retains the basic contours of the House bill but would make significant changes by (i) broadening the tax base to target more specifically income that is otherwise tax exempt, (ii) limiting the maximum additional tax increase to 15% above the rate that would otherwise apply to the affected foreign taxpayer and (iii) delaying the effective date one year to 2027.

  - The Senate proposal would increase by 5% per year, up to a 15% total increase, the otherwise applicable tax rate for regular U.S. withholding taxes on dividends, interest, rents, royalties and similar income; income taxes; and branch profits taxes. The tax applies to "applicable persons" from "offending foreign countries" that impose unfair foreign taxes on U.S. nationals.

  - The Senate proposal includes a broad provision that brings within scope of the tax applicable persons that benefit from an exemption, exception or zero-rate for U.S. withholding taxes, income taxes and branch profits taxes. For affected taxpayers, the tax would apply at increasing 5%, 10% and 15% rates over the three-year period, and thereafter at 15%.

- Unlike the House bill, the Senate proposal expressly excludes portfolio interest and interest-related RIC dividends from the revenge tax. The IRS can add additional exclusions.

Debevoise Comment: Although the Senate proposal specifically exempts portfolio interest from the increased rates, benefiting bond issuers and other debt transactions, exemptions that are not specifically enumerated do not have a clear path to exclusion from the tax without guidance from the IRS. For example, the treatment of the FIRPTA exemption for qualified foreign pension funds remains unclear, and the broad reference to exemptions or exceptions may raise questions about other unintended consequences.

- The Senate proposal removes Section 892 benefits for governments of offending foreign countries and their controlled entities.

- The Senate proposal applies to "offending foreign countries" that impose "unfair" extraterritorial or discriminatory taxes, including Pillar 2 UTPR and digital service taxes (DST), with broad latitude for the Secretary to add to the list. An angel list of excluded taxes includes conventional income taxes and withholding taxes on non-service income, VAT and property taxes, but the proposal gives the IRS authority to pull taxes off the angel list.

Debevoise Comment: Unlike the House bill, the Senate proposal would apply the 5% per year increase in tax only to applicable persons from foreign countries that impose extraterritorial taxes (such as Pillar 2 UTPR). The scope of the super BEAT is broader: it applies to US corporations that are more than 50% owned (by vote or value) by applicable persons resident in foreign countries that impose extraterritorial taxes or that impose discriminatory taxes (such as digital service taxes).

- "Applicable persons" that are subject to the tax include the governments of offending foreign countries, non-U.S. individuals and corporations tax resident in such countries, foreign corporations that are more than 50% owned by applicable persons, as well as non-U.S. foundations and any other entity identified by the Secretary. The Senate proposal provides for exceptions for publicly traded foreign corporations (not resident in an offending foreign country) if at least 80% of the stock in such a corporation is publicly traded and for controlled foreign corporations that are more than 50% U.S. owned.

- The Senate proposal also includes a "super BEAT" which applies to U.S. corporations owned more than 50% by applicable persons, regardless of the corporation's size, and with other unfavorable adjustments, such as reducing the de minimis exception to 0.5% (from 2%) and decreasing use of certain business credits in the income calculation for BEAT.

- *House*: The House bill also applies incremental rate increases to applicable persons from countries imposing "unfair" foreign taxes, but the rate increase is 5% per year, up to 20% above the statutory rate. Unlike the Senate proposal, the cap may result in an increase significantly higher than 20% if a taxpayer starts with a lower rate such as a reduced treaty rate

  - Like the Senate proposal, the House bill also removes Section 892 benefits and applies super BEAT rules to U.S. corporations more than 50% owned by applicable persons. New Section 899 under the House bill could take effect for taxable years beginning as early as 2026.

  - Under the House bill:

    - unfair foreign taxes subject to Section 899 are largely in line with the Senate proposal, though the House specifically included diverted profits taxes and the Senate did not; and

    - the super BEAT rules apply similar restrictions as the Senate proposal but apply a 12.5% tax rate and do not include any de minimis exception

Debevoise Comment: It remains unclear how the incremental rate increases under the revenge tax would apply to foreign partnerships and other passthrough entities. Although partnerships were removed from the definition of applicable person in the Senate proposal, the IRS has been granted regulatory authority to address these and similar entities.

International

GILTI and FDII

General Changes to GILTI and FDII

- *Senate*: The Senate proposal would increase the effective tax rate on "global intangible low-taxed income" ("GILTI") from 10.5% to 12.6% and would increase the effective tax rate on "foreign-derived intangible income" ("FDII") from 13.125% to 14%, for taxable years beginning after December 31, 2025.

  - The Senate proposal would repeal the tax-free "net deemed tangible income return" ("NDTIR"), which currently equals 10% of the CFC's tax basis in tangible property used in a trade or business (sometimes referred to as "QBAI"). The proposal would make a corresponding change to the FDII rules so that FDII would be determined as a percentage of "deduction eligible income" (without reduction for the "deemed tangible income return" ("DTIR")).

- *House*: The House bill would not repeal NDTIR and would modify and make permanent an effective 10.668% tax rate on GILTI and a 13.355% effective tax rate on FDII.

Debevoise Comment: The Senate would re-brand GILTI as "net CFC tested income" ("NCTI"), to clarify that U.S. parent corporations are taxed currently on all CFC income (not just low-taxed income from intangibles).

Foreign Tax Credits

- *Senate*: The Senate proposal would increase the GILTI (now NCTI) foreign tax credit from 80% to 90%. The Senate proposal would also limit deductions of a U.S. taxpayer that are allocated to income in the separate GILTI foreign tax credit category to only (i) the GILTI deduction itself and (ii) deductions directly allocable to GILTI.

    - The Senate proposal would provide, for purposes of determining the foreign tax credit limitation, that 50% of taxable income from sale of inventory attributable to a foreign office is treated as foreign source income.

- *House*: No equivalent provisions.

Debevoise Comment: Under the Senate's proposed 90% GILTI foreign tax credit, the effective tax rate on GILTI would match the 14% FDII effective rate (14% x 90% = 12.6%) because, in principle, GILTI that is subject to 14% foreign tax would not be subject to incremental U.S. tax.

Debevoise Comment: GILTI foreign tax credits are "use it or lose it" and allocating general deductions to GILTI can result in meaningful foreign tax limitations which increase the effective tax rate on GILTI. The increase in the GILTI foreign tax credit and the reform on allocating deductions to the separate GILTI foreign tax category may provide meaningful relief to U.S. multinationals.

BEAT

- *Senate*: The Senate proposal would increase the BEAT rate from 10% to 14% and would reduce the *de minimis* base erosion percentage to 2% for all taxpayers for taxable years beginning after December 31, 2025. The Senate proposal also would:

    - create a BEAT high-tax exception for certain payments that are subject to foreign income tax at an effective rate which is greater than 90% of the U.S. corporate income tax rate (i.e., an effective tax rate greater than 18.9%); and

    - treat capitalized interest expense as a base erosion payment.

  These changes would be permanent for taxable years beginning after December 31, 2025.

- *House*: The House bill would make permanent the TCJA's BEAT regime with a 10.1% minimum tax rate on corporations subject to BEAT (up from the current 10%, which is set to increase to 12.5% in 2026).

Debevoise Comment: Any tax planning for BEAT payments to be just under the current 3% *de minimis* exception will need to be reevaluated. Similarly, given the lack of grandfathering, any modeling around potential BEAT exposures also would need to be revisited.

CFC Ownership Attribution Rules

- *Senate*: The Senate proposal at long last would reinstate Section 958(b)(4) for most purposes, which was repealed in the TCJA. Section 958(b)(4) would block downward stock ownership attribution from a foreign person to a U.S. person, for purposes of determining CFC status of a foreign corporation.

- In connection with Section 958(b)(4) reinstatement, the Senate proposal introduces new "foreign controlled foreign corporation" ("FCFC") rules, which generally are aimed at taxing under the CFC rules U.S. 10% shareholders in foreign corporations, if the U.S. 10% shareholder and the CFC are controlled by a foreign parent.

- *House*: No provision.

Debevoise Comment: The TCJA's repeal of Section 958(b)(4) had the effect of creating a multitude of new CFCs, most of which did not actually have controlling U.S. shareholders (often as a result of downward attribution to U.S. subsidiaries of controlling U.S. parent companies), with many unintended knock-on effects.

The reinstatement of Section 958(b)(4) will cause many of these unintended CFCs to lose their CFC status. While this change would ease some reporting burdens, taxpayers will need to review the consequences of losing CFC status, which in some cases may have been desired or beneficial.

Debevoise Comment: The FCFC rules are intended to mute tax planning that was used by U.S. companies following tax inversions, consistent with the limited original intent behind the repeal of Section 958(b)(4).

CFC Look-through Rule

- *Senate*: The Senate proposal would make permanent the CFC look-through rule for dividends, interest, rents and royalties received from a related CFC. The Senate proposal also would:
  - require U.S. 10% shareholders to take into account their pro rata share of subpart F income and GILTI for each taxable year of a CFC (a change from the current pro rata rule, which only applies to U.S. 10% shareholders that own shares on the last day of the taxable year in which a foreign corporation is a CFC); and
  - repeal the one-month deferral year election for determining a CFC's tax year.
- *House*: No provision.

SALT Deduction Cap and PTET

SALT Cap

- *Senate*: The state and local tax ("SALT") cap remains unchanged from current federal law, which limits the itemized deduction for individuals for SALT at $10,000 (or $5,000 for a married taxpayer filing a separate return). However, the Senate Finance Committee's summary notes that the individual SALT cap is the "subject of continuing negotiations", meaning the $10,000 number is just a placeholder as negotiations continue.
- *House*: The SALT cap is increased to $40,000 (or $20,000) in 2025, and $40,400 for 2026 (with 1% step up each year through 2033). However, the cap would also phase down (but not below $10,000 (or $5,000)) by 30% of the excess of an individual's income over $500,000 (or $250,000) for 2025 and $505,000 (or $252,500) thereafter.

Both the Senate proposal and the House bill would allow individuals to fully deduct property taxes and sales taxes paid or accrued in carrying on a trade or business or any activity for the production of income ("212 Activity").

Debevoise Comment: The Senate proposal applies to taxable years beginning after 2025, while the House bill provides for relief for the 2025 taxable year. Although the Senate has indicated that the $10,000 cap is a placeholder and active negotiations are ongoing, it remains to be seen whether relief will apply only to taxable years starting after 2025 or include the current year.

PTET

- *Senate*: Generally, all taxes of a partnership (other than property taxes and sales taxes), including pass-through entity taxes (“PTETs”), would be separately stated on partners’ K-1s. In addition to the $10,000 that would deductible for direct SALT paid, a partner also would be permitted to deduct 50% (or, if greater, $40,000) of his share of PTETs attributable to *any* trade or business or 212 Activity of the pass-through entity. As defined, PTET would include true entity-level income taxes (e.g., such as the NYC unincorporated business tax (“UBT”), which predated the TCJA limits and was not implemented as a workaround). Starting with the first taxable year beginning after 18 months from enactment (i.e., likely 2028), in states with an individual income tax, these rules would exclude any PTE income tax from qualifying for the more favorable PTET allowance if the amount of such tax is greater than 102% of the amount that would be imposed directly on an unmarried individual if such activity were undertaken outside of the PTE.

- *House*: The PTET workaround to the SALT cap would effectively be closed for all businesses other than businesses that qualify for the QBI deduction. As with the Senate proposal, the PTET provisions would also apply to true entity-level income taxes (e.g., the NYC UBT), such that they would be fully deductible for businesses that qualify for the QBI deduction and subject to the overall limit for any other businesses. Consistent with the Senate proposal, property taxes and sales taxes of PTEs engaged in business or 212 Activity would not be limited.

Debevoise Comment: In contrast to the House bill which excludes many businesses (like asset management, accounting and legal businesses), the Senate proposal allows PTET deductions for all businesses, albeit at 50%. The Senate proposal makes clear that the PTET deduction applies not only to PTEs with trade or business activities but also to PTEs with any 212 Activity. If the Senate proposal is enacted, investment partnerships should reconsider whether to make a PTET election, if not made previously.

Debevoise Comment: The Senate proposal is extremely complex and will need clarification, in particular with respect to the 102% restriction. For example, it is unclear how the 102% limitation would apply to multiple PTETs imposed by a state or local jurisdictions within the same state. There is also a question of how the 102% test would take into account tax credits from other states and how graduated rates would factor into the calculation. The 18-month grace period would provide some time for states to align their PTETs with this restriction before the start of the 2028 taxable year.

Debevoise Comment: Both the House bill and the Senate proposal have "substitute payment" provisions intended to preclude states from avoiding SALT limitations by imposing taxes on PTEs where individuals benefit via credits or deductions against their individual taxes. Unlike the House bill, the Senate proposal is unclear both as to whether a PTET may also be a substitute payment and the consequences of such a dual characterization.

Campaign Tax Promises

Both the House bill and Senate proposal incorporate President Trump's campaign promises by immediately enacting temporary tax deductions to reduce or eliminate taxes on certain tips, overtime income and social security benefits for taxable years 2025 through 2028. While both legislative bodies agree that the provisions are to sunset near the end of President Trump's term, the Senate proposal includes more restrictions on deductions for tips and overtime.

No Taxes on Tips

- *Senate*: Allows deductions for tips for industries where tipping has been traditional and customary but limits the deduction to $25,000 and provides phase-outs for taxpayers who earn more than $150,000.
- *House*: A full deduction for tips for those earning less than $160,000 (with an inflation adjustment).

No Taxes on Overtime

- *Senate*: In line with its approach to tip income, the Senate proposal limits qualified overtime deductions to $12,500 and introduces a phase-out at $150,000 gross annual income.
- *House*: Full deduction for qualified overtime income for those earning less than $160,000.

Debevoise Comment: The Senate proposal significantly reduces the tax deduction benefit for both qualified tips and qualified overtime workers. Rather than focusing on guardrails to curtail gaming, this bright-line approach addresses deficit concerns by reducing the cost of the tax cuts.

Enhanced Deduction for Seniors

- *Senate*: Effectively implements a social security tax cut by making available a $6,000 above-the-line deduction for individuals over 65, with a phase out for those earning more than $150,000.

- *House*: Consistent with the Senate proposal but the deduction is limited to $4,000.

Revenue Raisers

Excise Taxes for Private Colleges, Universities and Foundations

- *Senate*: The Senate proposal would replace the 1.4% excise tax on the net investment income of applicable colleges and universities ("Institutions") with graduated rates based on the aggregate fair market value of an Institution's assets divided by the number of its eligible students. The maximum rate of 8% would apply to Institutions with student adjusted endowments exceeding $2,000,000. Many Institutions would be subject to a 4% rate. The net investment income base would also be broadened to include interest income from a student loan made by the Institution and royalty income derived from intangible property if any federal funds were used in researching, developing or creating the property. The Senate proposal would not alter the excise tax on the net investment income of certain private foundations.

- *House*: The House bill would apply higher graduated rates, with a maximum rate of 21%. Additionally, the House bill would replace the 1.39% excise tax on the net investment income of certain private foundations with a graduated rate table with a top rate of 10%.

Debevoise Comment: Institutions impacted by the proposal may consider accelerating recognition of unrealized gains in their investment portfolios in advance of the effective date, though the Senate proposal's reduction in rates would lessen the incentive to do so. Many affected institutions are on a June 30 fiscal year and would have until June 30, 2026 to implement any planning given the provision's effective date.

Debevoise Comment: Private fund sponsors will continue to see requests from Institutions for information relating to the determination of their net investment income, such as the applicable portion of a corporate distribution that is treated as a dividend for U.S. tax purposes.

Litigation Financing Excise Tax

- *Senate*: The Senate proposal would create a new excise tax on litigation financing proceeds received by investors under certain "litigation financing agreements." The tax rate would be the highest individual income tax rate, plus 3.8% (corresponding to the tax on net investment income), for a total rate of 40.8% under current law. If the investor is a pass-through entity, the tax will be imposed at the entity level. Litigation financing proceeds would be excluded from gross income for income tax purposes and thus should be taxable only under the excise tax.

  - A "litigation financing agreement" is any agreement where a third party provides funds to a litigant or the litigant's law firm (whether in the form of debt or equity) in a civil action and has a direct or collateralized interest in the proceeds of such action. Exceptions are provided (i) for de minimis funding (less than $10,000), (ii) if the return on the investment is capped at the greater of 7% and twice the average annual yield on a 30-year U.S. treasury note, or (iii) if the investor is related to the litigant.

  - The proposal would introduce yet another withholding compliance regime, requiring withholding at a 20.4% rate (based on current rates) on all litigation financing providers, apparently regardless of whether the financing provider is a non-U.S. investor.

  - This proposal would go into effect for taxable years beginning after December 31, 2025.

- *House*: No provision.

Debevoise Comment: The tax on litigation financing proceeds would be an excise tax, rather than an income tax. Accordingly, usual income tax exemptions or modifications would not apply. For example, there would be no capital gain/ordinary income distinction, no ability to utilize usual U.S. income tax exemptions that might apply (for example, under an income tax treaty or Section 892), no relief from lower graduated rates at lower income levels, and no ability to utilize capital or ordinary losses. The fact that the excise tax would be imposed at the entity level could raise significant withholding and reporting issues, particularly in fund or tiered-entity structures.

Excise Tax on Remittance Transfers

- *Senate*: The Senate proposal includes a 3.5% excise tax on remittance transfers to non-U.S. persons by non-U.S. nationals within the United States. Financial institutions that process and pay remittances on which the excise tax is due would be subject to secondary liability for any tax not paid at the time of the remittance. The proposal provides an exception for transfers from most U.S. bank accounts, as well as transfers funded via debit or credit cards issued in the United States.

- *House*: The House bill includes the same 3.5% excise tax on remittance transfers to non-U.S. persons by non-U.S. nationals within the United States.

Energy Credit Pullback

- *Senate*: The Senate proposal would introduce early terminations and phaseouts for a number of clean energy credits, including an early phase out of clean electricity production credits and clean electricity investment credits for solar and wind.
  - The Senate proposal would restrict access to certain energy credits (including the clean electricity production and investment credits and nuclear power production credits) for "prohibited foreign entities." Prohibited foreign entities consist of:
  - "Specified foreign entities," which include entities that are related to or controlled by China, North Korea, Iran and Russia, or by nationals of these "adversary" nations; and
  - "Foreign influenced entities," which include entities that formed in any jurisdiction and are 25% or more owned by a specified foreign entity or 40% or more owned by one or more specified foreign entities.
  - The Senate proposal generally would not limit the transferability of tax credits under current law.
- *House*: The House bill similarly would accelerate the termination of many of these clean energy credits. In some cases, the House bill is more restrictive. For example, the early phase outs for clean electricity production and investment credits extended beyond solar and wind. It also restricts the transferability of certain electricity and fuel credits within several years of the enactment of the bill. The House bill also includes lower ownership thresholds for foreign influenced entities.

Debevoise Comment: The prohibited foreign entity provisions have the potential to impact fund vehicles with concentrated ownership by entities that are owned or controlled by China.

Sports Team Amortization Limitation

- *Senate*: No provision.

- *House*: The Senate proposal would limit the amortizable step-up for sports teams to 50% of the cost allocated to goodwill and other 197 intangibles.

Deduction Limitation for Executive Compensation

- *Senate*: The Senate proposal would codify an entity aggregation rule under Section 162(m) so that compensation paid to a covered employee by each member of a publicly held corporation's controlled group is aggregated for the purpose of applying the $1 million deduction limitation. The proposed change tightens up the application of the deduction limit but for many public companies would result in no practical impact.

- *House*: Consistent with the Senate proposal.

Payments to Partners for Services or Property

- *Senate*: The Senate proposal would amend Section 707(a)(2) by striking the phrase "under regulations prescribed" and inserting "except as provided." The change is effective for services performed and property transferred after the date of enactment. It also makes clear that there is "no inference" for any prior transactions.

- *House*: Consistent with the Senate proposal.

Debevoise Comment: This change makes Section 707(a)(2) self-executing. By removing the requirement for the Treasury Department to first issue regulations, the amendment forecloses taxpayers from asserting that transfers of property between a partnership and a partner for services or disguised sales of partnership interests are not treated as sales of property solely because no regulations are currently outstanding.

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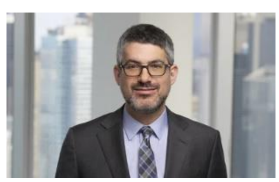

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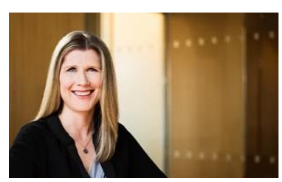

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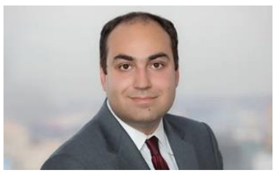

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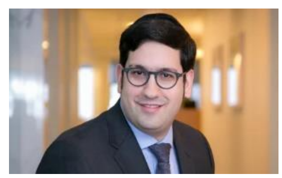

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