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Ways and Means Republicans reintroduce bill to impose additional taxes, executive order on IRA funding unveiled

Shortly after President Donald Trump issued a number of executive orders on energy and trade, legislation was introduced in the House that would increase tax rates on foreign individuals and corporations if their home country imposes extraterritorial or discriminatory taxes on US taxpayers.

The bill followed a memorandum that Trump issued on January 20 which instructed the Treasury Secretary and the permanent representative of the United States to the OECD to notify the OECD that any Biden administration commitments related to the Pillar One and Pillar Two processes have no "force or effect" within the United States. It also came on the heels of a separate January 20 memorandum which instructed the Treasury Secretary to investigate whether any foreign country subjects US citizens or corporations to discriminatory or extraterritorial taxes under section 891 of the Internal Revenue Code. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 3, Jan. 21, 2025.)
URL: https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/
URL: https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250121_1.html

For more guidance on President Trump's January 20 executive orders on trade and tariffs, see the new alert from Deloitte Tax LLP.
URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/dttl-tax-alert-us-23-january-2025.pdf

The Defending American Jobs and Investment Act

House Ways and Means Committee Chairman Jason Smith (R-Mo.) and all 25 Republican committee members reintroduced the measure (H.R. 591) – the Defending American Jobs and Investment Act – which reinforced President Trump's cancellation of US involvement in the OECD Inclusive Framework's agreement for international tax reform (Pillar One and Two), earlier in the week.
URL: https://www.congress.gov/bill/119th-congress/house-bill/591/text

Smith announced the bill in a January 22 press release, which provided general background information on the bill. At a high level, the House bill would require Treasury to identify extraterritorial and discriminatory taxes enacted by foreign countries. After extraterritorial and discriminatory taxes are identified, tax rates on the US income of individuals and corporations domiciled in those foreign countries would increase by 5 percentage points each year for four years, after which the tax rates remain elevated by 20 percentage points while the discriminatory taxes are in effect. The increased tax rates would cease to apply only after a foreign country repeals its extraterritorial and discriminatory taxes. Smith specifically identified the undertaxed profits rule (UTPR) – an area of concern previously cited by him – and noted that "several countries have already made the wise decision to exclude the UTPR surtax from their implementation of the OECD global minimum tax."
URL: https://waysandmeans.house.gov/2025/01/22/ways-and-means-republicans-introduce-legislation-to-reinforce-trump-administrations-rejection-of-biden-global-tax-surrender/

The UTPR allows a country to levy top-up taxes if a company isn't taxed at the Pillar Two global minimum tax rate of 15 percent in a country in which it operates. Congressional Republicans have argued that the Biden administration overstepped its authority in negotiating and signing on to the OECD two-pillar approach and have especially opposed the UTPR being applied to US businesses. The US had not taken any action to come into compliance with either Pillar One or Pillar Two of the OECD framework, a two-part international agreement signed on to by the Biden administration in 2021 with 140 other countries.

Smith and all 24 Republican committee members in the 118th Congress introduced a prior version of the bill in May 2023, H.R. 3665, and while it did not receive a vote either in committee or on the floor of the House, it was intended to declare the Republicans' aversion to President Biden's participation in the OECD's global tax deal, and particularly its Pillar Two measure. Republicans also intended to send a warning to foreign governments that planned to use provisions like the UTPR to tax American businesses. Smith stated in a release in May 2023 that "this bill sends a clear warning to any nation tempted to exploit the success of our workers and businesses for its own gain. Republicans are taking action where the Biden Administration has failed—in standing up for the interests of American workers and families."
URL: https://www.congress.gov/bill/118th-congress/house-bill/3665/text
URL: https://waysandmeans.house.gov/2023/05/25/ways-and-means-republicans-introduce-bill-to-combat-bidens-global-tax-surrender/

US won't be party to a global tax deal, says Smith

When he reintroduced the bill this week, Smith stated that "Congressional Republicans made it clear that as soon as the Biden administration initiated its negotiations with the OECD that the United States would never be a party to a global tax surrender."

He contended that, unlike the Biden administration, President Trump will stand up for American workers and businesses. He expressed support for the fact that "one of the Trump Administration's first actions was to reject the OECD framework that would have destroyed US jobs, forfeited an estimated $120 billion in tax revenues, and enhanced China's competitive advantage."

Smith focused on American workers and businesses and emphasized that the bill will ensure that "President Trump has every tool at his disposal to pushback against any foreign country that seeks to undermine America's economic vitality or unfairly target our workers or businesses."

Next steps?

Chairman Smith's tax bill has been referred to the Committees on Ways and Mean as well as Oversight and Government Reform for consideration, and with unified control of the House, Senate, and White House, if the GOP decides to move the bill forward (likely as part of a reconciliation bill containing other tax items that would be expected to advance on a mostly party-line base), it will have a better opportunity of becoming law in this Congress than it would have had in the 118th Congress when Democrats controlled the Senate and the White House.

President Trump freezes IRA funding, halts permits for wind projects

Upon taking office, President Trump issued an executive order – Unleashing American Energy – to "immediately pause" the disbursement of funds appropriated through the Inflation Reduction Act of 2022 (P.L 117-169) and the Infrastructure Investment and Jobs Act (P.L. 117-58), including funds for electric vehicle charging stations, and shall review agency processes, policies, and programs for issuing grants, loans, contracts, or any other financial disbursements of such appropriated funds. As part of the order, Trump also revoked a Biden administration order which implemented the Energy and Infrastructure Provisions of the Inflation Reduction Act of 2022. (For prior coverage of the Inflation Reduction Act, see *Tax News & Views*, Vol. 23, No. 29 Aug. 12, 2022.)
URL: https://www.whitehouse.gov/presidential-actions/2025/01/unleashing-american-energy/
URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf
URL: https://www.congress.gov/117/plaws/publ58/PLAW-117publ58.pdf
URL: https://www.federalregister.gov/documents/2022/09/16/2022-20210/implementation-of-the-energy-and-infrastructure-provisions-of-the-inflation-reduction-act-of-2022
URL: https://dhub.deloitte.com/Newsletters/Tax/2022/TNV/220812_1.html

Further, the funding pause – of the Inflation Reduction Act and Infrastructure Investment and Jobs Act – which was part of the larger energy order, explicitly identified the National Electric Vehicle Infrastructure Formula Program and the Charging and Fueling Infrastructure Discretionary Grant Program for review of their processes for issuing grants, loans, and contracts. Though these executive orders and others may impact certain clean energy investments incentivized by the Inflation Reduction Act, congressional action would be needed to modify the energy tax credits created (or expanded) by the Inflation Reduction Act.

Trump also issued on January 20 a separate memorandum which halted federal leasing and permitting practices for wind projects. The memo provided that government agencies shall not issue or renew approvals, rights of way, permits, leases, or loans for onshore or offshore wind projects, pending the completion of a comprehensive assessment and review of federal wind leasing and permitting practices. Though the memorandum does not stipulate a completion date for the review, the assessment shall consider the environmental impact of onshore and offshore wind projects on wildlife and also consider the economic costs associated with the intermittent generation of electricity and the effect of subsidies on the viability of the wind industry. It is too early to understand the consequences of halting, even temporarily, federal leasing and permitting for wind projects, yet the actions by President Trump suggested a change in policy regarding wind projects from the prior administration.
URL: https://www.whitehouse.gov/presidential-actions/2025/01/temporary-withdrawal-of-all-areas-on-the-outer-continental-shelf-from-offshore-wind-leasing-and-review-of-the-federal-governments-leasing-and-permitting-practices-for-wind-projects/

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