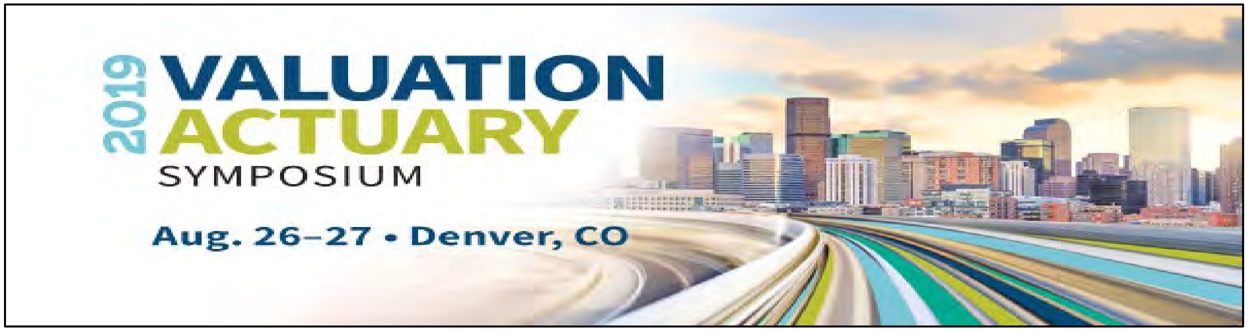

18 - Company Tax: International Implications of Tax Reform

SOA Antitrust Disclaimer
SOA Presentation Disclaimer

Session 18 - Company Tax: Domestic and International Implications of Tax Reform

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Agenda

- Domestic insurance company items
  - Reserves – changes under the Tax Cuts and Jobs Act (TCJA)
  - Other TCJA changes
- International Aspects of TCJA
  - Base Erosion Anti-Abuse Tax (BEAT) and impacts on offshore reinsurance
  - The Global Intangible Low-Taxed Income (GILTI) tax
  - Passive Foreign Investment Company ("PFIC") rules
  - Section 163(j)
  - Foreign tax credit considerations

Biographies

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Reserves

Life Insurance Reserves-Pre TCJA

- Section 807(d)
  - Defined a federally-prescribed reserve (FPR), subject to a statutory reserves cap and a net surrender value (NSV) floor
  - Comparison is made contract by contract
- Three prescribed aspects of FPR
  - Method – CRVM/CARVM prescribed by the NAIC in effect on the date of issuance
  - Interest rate – greater of applicable federal interest rate (AFR) or prevailing state assumed interest rate (PSAR) for year in which contract was issued
  - Mortality tables – prevailing commissioners' standard tables when the contract was issued

TCJA Changes to Reserves – Overview

- Provide closer conformity to statutory and actuarial reserving methodology
  - Eliminates FPR as point of comparison
  - Accommodates Principles-Based Reserving (PBR)
  - “Living, breathing” reserves methodology
- Simplification
  - Statutory reserves generally serve as basis for tax reserves
  - Date of valuation, rather than date contract is issued, is the operative date
- Potentially increased reporting requirements
- New rules apply to changes in basis for computing reserves

“New” Section 807(d)(effective 2018)

- The amount of life insurance reserves for a contract (other than a variable contract) is the greater of
  - Net surrender value (NSV) of the contract
  - 92.81% of the reserve computed using the tax reserve method “applicable to” the contract at the valuation date—generally the NAIC-prescribed method
- Statutory cap retained
- Deficiency reserves expressly not included in tax reserves
- Asset adequacy reserves required by Sections 3 and 6 of the Standard Valuation Law still not deductible
- Identifying the method applicable to the contract is a key task
  - CRVM, CARVM, other methods
  - Variations in permitted assumptions and/or methodologies within an actuarial method, e.g., interest rate, mortality, lapse assumptions
  - State-approved “permitted practices”

Life Reserves: Basic Computation

- Statutory reserves (confirm method conforms with NAIC method, or revise if statutory method varies from standard)

    Minus

- Deficiency reserves, deferred and uncollected premiums
- Apply 7.19% haircut
- Floor at NSV, cap at statutory reserves

Variable Contracts: Special Rule

- The amount of life insurance reserves for a contract is the sum of
  - The greater of (a) the NSV of the contract and (b) the separate account reserve for the contract under section 817, PLUS
  - 92.81 percent of the excess (if any) of the reserve determined under the tax reserve method applicable to such contract over the amount determined above.

Of Note

- 7.19% haircut is applied to entire NAIC-prescribed reserve if the contract has no net surrender value, e.g.,
  - term insurance,
  - immediate annuities
  - long-term care
  - disability income
- Specific rules for certain types of products

Reserve Rules for Selected Products

- Whole life, ULSG, Indexed UL, fixed products with cash values-general rule previously discussed
- Term life-7.19% haircut to CRVM reserve
- Term certain annuities (not life reserves)
  use discount rate equal to highest rate or rates permitted by the NAIC to be used to discount the obligations at the valuation date
- Long Term Care-7.19% haircut for active lives; 7.19% haircut to claims reserve, unless claims due and payable

Annuities

- Fixed deferred annuities – same general rule as ordinary life
- Modified guaranteed contracts – same general rule as ordinary life (with treatment of market value adjustment)
- Variable annuities – same as variable life except VM-21 rule for minimum allocation to general account
- Immediate annuities with life contingencies – 7.19% haircut of CARVM reserve
- Term certain annuities – statutory reserves with 26-state interest rate/no haircut
- Pension plan contracts/PRT-treated as group annuity, CRVM applies
- Pension plan contracts/other-same general rule as other annuities

Qualified Supplemental Benefits

- Benefits when there is a separately identified premium and NSV is not used to fund benefit, such as
  - Guaranteed insurability
  - Accidental death or disability benefits
  - Convertibility
  - Disability waiver benefit
  - Other benefits prescribed by regulations
- Tax reserve is computed as if benefits were provided by a separate contract, i.e., 92.81% of the reserve computed using NAIC- prescribed method applicable to the contract at the valuation date.

Transition to New Rules

- New tax reserves rule applies to taxable years beginning after December 31, 2017.
- Section 13517(c)(2) of the TCJA provides a transition rule:
  - For the first taxable year beginning after December 31, 2017 (i.e., 2018 for calendar year taxpayers), the reserve with respect to any contract under section 807(d) at the end of the preceding taxable year (2017) shall be determined as if the amendments to section 807 had applied in such preceding taxable year
  - If the revised 2017 year-end reserve is greater than the original 2017 year-end reserve, 1/8 of the excess is deducted in each year from and including 2018 through 2025 under section 805(a)(2) or 832(c)(4).
  - If the revised 2017 year-end reserve is less than the original 2017 year-end reserve, 1/8 of the excess is included in income in each year from and including 2018 through 2025 under section 803(a)(2) or 832(b)(1)(C).

Section 807(f) Changes in Basis

Pre-TCJA

- Changes in a taxpayer’s basis for computing life reserves were subject to a 10-year spread.

Post TCJA

- Under TCJA, the 10-year spread of the difference between reserves on the old versus new basis no longer applies.
- Changes in basis are subject to the same spread periods as regular accounting method changes.
    - Changes are treated as initiated by the taxpayer, with consent
    - Conference Report says 4-year spread applies-regular rule is one year/four years
    - Repeal of 10-year spread is effective for taxable years beginning after December 31, 2017.
    - Treatment of pre-2018 section 807(f) amounts

Rev. Proc. 2019-10

- Provides IRS guidance on revised section 807(f) change in basis amounts
- Reaffirms four year/one year spreading under 481(a).
- Change in basis is considered an automatic change in method of accounting.
  - Taxpayers must file shortened Form 3115 requesting automatic method change with their timely filed tax return.
  - Rev. Proc. 2019-10 specifies what information to include with Form 3115.
- Multiple changes in basis in a single year
  - Multiple changes for a single type of contract (life insurance, annuity, etc) are considered a single change in basis and 481(a) adjustment is calculated on a net basis.
  - Changes to different contract types are considered separate basis changes, each requiring their own 481(a) adjustments.
- Pre-TCJA 807(f) changes will continue to be amortized over the remainder of their respective 10 year spreads.

Rev. Proc. 2019-34

- Provides IRS guidance for transition to new life insurance rules under TCJA, effective for first year beginning after 12/31/2017, i.e., 2018 for calendar year taxpayers.
- All changes to comply with new 807 and DAC rules are automatic method changes.
- Taxpayers following the Rev. Proc. are not required to file a Form 3115 in any year.
- Transition rules
  - TCJA transition for reserves determined under 807(d) subject to 8-year spreading in accordance with 13517(c)(2) of TCJA.
  - 807(c)(3) reserves subject to 4/1 481(a) spreading rules.
  - Changes for DAC rules are made on a cut-off basis and no 481(a) adjustment is recorded.
- Limited audit protection
- Acceleration in the event a taxpayer ceases to engage in a trade or business or ceases to qualify as an insurance company.
  - Acceleration in certain M&A transactions unclear.

Non-life Loss Reserve Discounting

- Section 846 unpaid loss reserve discounting rules amended
  - Interest rate based on corporate bond yields rather than federal interest rates (generally increases discount)
  - Long tail/short tail lines changed (generally lengthens loss payment pattern, reduces reserves)
  - Section 846(e) election to use company loss payment pattern eliminated
  - Treatment of salvage and subrogation-same factor, separate transition
  - Reinsurance and international-long versus short tail treatment
- State of guidance is complicated (Rev. Proc. 2019-30 most recent IRS guidance)

Rev. Proc. 2019-30

- Provides guidance for transition to new TCJA rules for LRD
- Changes to comply with TCJA LRD rules are automatic method changes.
- Form 3115 not required for taxpayers adopting the guidance.
- Taxpayers may use Proposed Factors of Rev. Proc. 2019-06 (based on proposed regs) or Revised Factors of Rev. Proc. 2019-31 (based on final regs) on 2018 return.
- TCJA transition adjustment spreadable over 8 years in accordance with 13523(e) of TCJA.
- S&S transition subject to 481(a) 4/1 rule.
- Taxpayers using the Proposed Factors in 2018 must calculate Remainder Adjustment (spreadable over 7 years) and Supplemental Adjustment (includable in 1 year or spread over 7 at taxpayer's discretion) in 2019.
- Audit protection so long as the method was not under consideration on July 22, 2019.

Reserves Considerations

- Documenting reserves methodology
- Keeping up with actuarial guidelines changes as they can affect tax reserves
- Treatment of changes in methodology-IRS view regarding changes in method and “spreads”
- Practical considerations/implications for quarter and year-end

Reserves Guidance under TCJA

- Revenue Ruling 2018-13 (2017 interest rates)(4/26/2018)
- Revenue Procedure 2019-10 (change in basis)(12/13/2018)
- Revenue Procedure 2019-6 (section 846 LRD)(12/19/2018)
- Joint Committee on Taxation Explanation ("Blue Book")(12/20/2018)
- T.D. 9863 (6/13/2019)
- Rev. Proc. 2019-31 (LRD discount factors)(7/22/2019)
- Rev. Proc. 2019-30 (LRD and S&S)(7/30/2019)
- Rev. Proc. 2019-34 (sections 807, 807(c)(3), 848)(8/6/2019)

Other TCJA changes

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TCJA-High level Impacts

- Corporate tax rate lowered to 21%
- Revised DAC capitalization rates and amortization schedule
- Revision of company capital requirements
- Other considerations:
  - Adoption of PBR under VM-20
  - Move to 2017 CSO mortality
  - VM-22 valuation interest rates

Deferred Acquisition Costs ("DAC")

- Since 1990, section 848 has required that insurance companies capitalize their "specified policy acquisition expenses" based on proxy rates which vary by type of contract, with such capitalized costs then being amortized generally over a 120-month period.
- Act § 13519 amended section 848:
  - By increasing the general amortization period from 10 to 15 years, and
  - By increasing the proxy rates for capitalization of expenses:
    - From 1.75% to 2.09% of net premiums for annuity contracts,
    - From 2.05% to 2.45% of net premiums for group life insurance contracts, and
    - From 7.7% to 9.2% for other specified insurance contracts (including non-group life insurance and non-cancellable A&H insurance).
- Effective Date – The amendments apply to net premiums for taxable years beginning after December 31, 2017.
- Transition Rule – Specified policy acquisition expenses first required to be capitalized in a taxable year beginning before January 1, 2018, will continue to be allowed as a deduction ratably over the 120-month period beginning with the first month in the second half of such taxable year.
  - Cut-off methodology per Rev. Proc. 2019-34

I.R.C. § 7702's reasonable mortality rule

- Since 1988, the calculation of guideline premiums, net single premiums, and 7-pay premiums has been based on reasonable mortality charges which meet certain requirements:
  - Generally, mortality charges could not exceed "the mortality charges specified in the prevailing commissioners' standard tables (as defined in section 807(d)(5))."
  - The interim rule of § 5011(c)(2) of the Technical and Miscellaneous Revenue Act of 1988 provides an exception, e.g., for substandard and certain other contracts.
- The TCJA:
  - Amends section 7702(c)(3)(B)(i) so that the reasonable mortality charge rule largely applies as under prior law, but not in all respects.
  - Due to the Act's changes in the reserving rules, new section 7702(f)(10) has been added to retain a definition of the prevailing commissioners' standard mortality tables (including the three-year transition rule).
- Consequences for regulatory authority and treatment of lesser mortality guarantees
- Effective date – Taxable years after December 31, 2017

International Aspects of TCJA

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International Corporate Tax Changes

Key characteristics:

- Switches from a worldwide system to a modified territorial regime
- Income of a CFC currently taxed or not taxed at all – credits available
- Earnings of a CFC generally distributable tax-free either as previously taxed income (GILTI/subpart F income) or subject to a 100% dividend received deduction
- Pre-tax reform untaxed earnings deemed repatriated
- Introduces anti-base erosion measures such as BEAT, modified 163j, section 267A

Large number of new concepts: GILTI, BEAT, FDII, QIC etc.

Significant guidance provided through proposed regulations

More proposed and final regulations are expected to be released in the coming months

BEAT

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Base Erosion Anti-Abuse Tax - BEAT

Prevents erosion of the US tax base

A minimum tax equal to 10% of the taxpayer's income determined without the tax benefits arising from base erosion payments and base erosion percentage of any NOL – impacts applicable taxpayer if this amount is more than regular tax (adjusted for certain credits)

Imposed on applicable taxpayers:

- measured on an aggregate group basis
- average annual gross receipts of at least $500 million for the three tax-year period ending with the preceding tax year, and
- base erosion percentage of 3% or higher (2% for banks or registered securities dealers) for the tax year
  - base erosion percentage is the ratio of base erosion benefits (deductions on payments to foreign related parties) to aggregate deductions
  - de minimis activity exception for dealer activity

BEAT (continued)

BEAT Example

- Gross income: $1000
- Deductions/reductions to gross income:
  - Non-base eroding payments and other deductions: $500
  - Base erosion payments $400
- U. S. Taxable Income: **$100** ($1,000 - 500 - 400)
- U.S. Regular Tax Liability (before BEAT): **$21** (i.e., 21% × $100)
- ETR 21%
- Deduction for Base Erosion Payments: **$400**
- Total Allowable Deductions: **$900** (i.e., $500 + $400)
- Base Erosion Percentage: **44%** (i.e., $400 / $900)
- Modified Taxable Income : **$500** (i.e., $100 + $400)
- Base Erosion Tax Amount: **$29** (i.e., [10% × $500] - $21)
- Total U.S. Tax Liability (after BEAT): **$50** (i.e., $21 + $29)
- ETR 50%

BEAT – Reinsurance

- **Reinsurance premiums** - A base erosion payment includes any reduction under Section 803(a)(1)(B) in the gross amount of premiums and other consideration on insurance and annuity contracts for premiums and other consideration arising out of indemnity insurance, or any deduction under Section 832(b)(4)(A) from the amount of gross premiums written on insurance contracts during the taxable year for premiums paid for reinsurance (Technically, reinsurance premiums paid are not deductions)

- **Netting** - the Preamble notes that the Treasury Department and the IRS are aware that certain reinsurance agreements provide that amounts paid to and from a reinsurer are settled on a net basis or netted under the terms of the agreement, and also that other commercial agreements with reciprocal payments may be settled on a net basis or netted under the terms of those agreements

- **Claims and other payments on US reinsuring foreign related parties** - the Proposed Regulations do not provide any specific rules for payments by a domestic reinsurance company to a foreign related insurance company arising out of reinsurance

- **Derivative exception** - A derivative contract does not include any insurance, annuity, or endowment contract issued by an insurance company to which subchapter L applies (or issued by any foreign corporation to which the subchapter would apply if the foreign corporation were a domestic corporation). Therefore, it may not be a qualified derivative.

BEAT – Payments

Base erosion payments/deductions

- Generally payments made to a foreign related party, including CFCs (no exception, even if income is taxed to the US shareholder)
- Reinsurance premiums
- Services that do not qualify for the services cost method and mark-ups
- Amortization of an asset acquired from a foreign related party
- Payments subject to a withholding exemption
- Claims?

Non-base eroding payments and deductions

- Payments to an unrelated foreign party
- Generally payments to a foreign related party that is subject to US tax (e.g. a US branch) or a company with a section 953(d) election
- Payments for services that are subject to the services cost method
- Payments that are subject to withholding and no exemption under a treaty applies
- Payments that are denied a deduction e.g. interest deduction limited under section 163(j); interest and royalties subject to section 267A
- Qualified derivative payments

BEAT – Impact of New Rules

Modified taxable income and BEAT

- Taxable income can be negative with current losses
- Taxable income may not be negative with NOLs
- Base erosion percentage applied to NOLS
- Credits (barring exceptions, don't reduce BEAT)

BEAT – Open Issues

Considerations

- Branch versus Section 953(d) election
- Restructuring reinsurance arrangements
- SCM exception
- NOLs and taxable income
- Relationship with GILTI
- Good and bad credits
- Modeling

Anti-abuse rules

- Conduits, other

GILTI

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Taxation of US Shareholders of insurance CFCs/PFICs– Big Picture

- Is foreign company a CFC?
- Does US person own 10% of more of the CFC?
- US shareholder then may have –
  - ✓ subpart F income (offset by foreign tax credits, which can carryover),
  - ✓ GILTI income (offset by 50% deduction, and proportionately reduced credits with a further 20% haircut; unused credits do not carry over)
  - ✓ or tax free income (no credits)
- Is foreign company a PFIC (can be a CFC and a PFIC)?
  - ✓ Does US person own at least 10% if not a CFC or less than 10% if a CFC?
  - ✓ May elect for current inclusion to avoid interest charge and other negative consequences

GILTI – Insurance company considerations

Insurance CFCs that enjoy subpart F income deferral may find that their deferred income is considered GILTI

- Neither intangible income, nor low taxed
- No or limited QBAI (not enough tangible assets)
- No high tax exception
- Expense allocation
- FTC limitation

Despite the available 50 percent deduction, the restrictions on GILTI FTCs may make GILTI less tax-efficient than subpart F.

GILTI versus Subpart F

- GILTI versus subpart F income – which is better?

- Sub F and high tax exception – which is better?

- Can taxpayer control?
  - Reinsurance
  - Election

GILTI	Subpart F
Taxed at lower rate, but section 250 deduction may not be available if losses, rate changes from 2026 etc.	Taxed at full US tax rate
FTCs are haircut by 20%	No FTC haircut
No carryforward of FTC	Carryforward of FTC allowed
Expense allocation with special considerations under proposed regulations	Expense allocation
Shareholder level determination	CFC level determination
May impact BEAT (FTCs and 250 deduction)	May impact BEAT (FTCs)

GILTI Income – Insurance company

- Treasury and the IRS on June 14, 2019 released Final Regulations and Proposed Regulations
- The Final Regulations clarify that for a CFC, which is engaged in the business of reinsuring or issuing insurance or annuity contracts, and which, if it was a domestic corporation engaged in such business, would be taxable as an insurance company to which subchapter L applies, the rules of Sections 953 and 954(i), which would apply for subpart F purposes

Section 954(i) in the Wake of TCJA

Provides rules for measuring reserves for insurance CFCs

Applies for determining subpart F insurance income, and exemption from foreign personal holding company income

Does it apply to GILTI?

Private letter rulings approving foreign statement reserves

Do changes to section 807 reserves computations impact section 954(i)?

Does the 7.19% haircut, 92.81% rate apply?

GILTI Income – Insurance company

- Section 953 provides that reserves for any insurance or annuity contract are determined in the same manner as under Section 954(i) for purposes of computing insurance income.
- Some taxpayers have argued that the determination of the amount of the reserves under Section 954(i)(5) should be conformed to the changes in subchapter L under tax reform and that taxpayers should be allowed to use foreign statement reserves, similar to a domestic company's use of annual statement reserves.
- The Preamble to the Final Regulations provides that no inference is intended that a CFC may determine reserve amounts based on foreign statement reserves in the absence of a ruling request. Instead, the Preamble notes that Treasury and the IRS intend to address, in separate guidance, the use of foreign statement reserves for purposes of measuring qualified insurance income under Section 954(i).

GILTI Income – High Tax Exception

- In order for the proposed GILTI high-tax election to apply (1) the controlling domestic shareholder of a CFC must make an affirmative election and (2) the ‘tentative net tested income item’ with respect to the ‘tentative gross tested income item’ must be subject to an effective foreign tax rate that is greater than 90% of the 21% corporate tax rate (i.e., 18.9%).
- It is important to note that, as currently drafted, the rules in the Proposed Regulations apply prospectively as of the date the rules are finalized.

Other TCJA Changes

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Insurance passive foreign investment company (PFIC) exception

PFICs generally:

- U.S. shareholders of foreign companies that are not CFCs have to determine if the company is a PFIC
- PFIC if assets that generate passive income are more than 50% of all assets; or passive income is more than 75% of all gross income
- A foreign insurance company would be a PFIC but for an exception

TCJA change - Insurance exception:

- Generally, an insurance company is not a PFIC if three requirements are met: (1) the foreign corporation must be a qualifying insurance company ("QIC") as defined in section 1297(f); (2) the foreign corporation must be engaged in an "insurance business;" and (3) the income must be derived from the "active conduct" of that insurance business.
- QIC That would be subject to tax under subchapter L if it were a domestic corporation; and
  - The applicable insurance liabilities of which constitute more than 25 percent of its total assets as reported on the company's applicable financial statement for the year
- On July 10, 2019, Treasury and the IRS released Proposed PFIC Regulations

Insurance passive foreign investment company (PFIC) exception

- Applicable insurance liabilities generally include insurance reserves, but exclude deficiency, contingency and unearned premium reserves
- applicable insurance liabilities means--

(i) Occurred losses for which the foreign corporation has become liable but has not paid before the end of the last annual reporting period ending with or within the taxable year, including unpaid claims for death benefits, annuity contracts, and health insurance benefits;

(ii) Unpaid expenses (including reasonable estimates of anticipated expenses) of investigating and adjusted unpaid losses described in paragraph (f)(2)(i) of this section; and

(iii) The aggregate amount of reserves (excluding deficiency, contingency, or unearned premium reserves) held for future, unaccrued health insurance claims and claims with respect to contracts providing coverage for mortality or morbidity risks, including annuity benefits dependent upon the life expectancy of one or more individuals.

Insurance passive foreign investment company (PFIC) exception

- Applicable financial statements: U.S. generally accepted accounting principles (“US GAAP”) or international financial reporting standards (“IFRS”) or Regulatory
- Capping - specifically, the proposed regulations provide that the amount of applicable insurance liabilities may not exceed the lesser of (1) the amount shown on the most recent applicable financial statement; (2) the minimum amount required by applicable law or regulation of the jurisdiction of the applicable insurance regulatory body; and (3) the amount shown on the most recent financial statement made on the basis of GAAP or IFRS, if such financial statement was not prepared for financial reporting purposes.
- QIC (Prop. Reg. § 1.1297-4): An insurance company as defined in section 816(a) that satisfies the 25% test (i.e., applicable insurance liabilities exceed 25% of total assets on financial statements) or satisfies the alternative test that insurance liabilities are more than 10% of the total assets, the company is predominantly engaged in an insurance business, and 25% test failed due to run-off or rating-related issues.
- Qualified Domestic Insurance Companies

PFIC exception (continued)

- The Proposed Regulations apply to tax years of shareholders beginning on or after the date the final regulations are published. Prior to finalization, taxpayers may rely on the proposed rules, provided they consistently apply all of the proposed rules. The proposed rules on insurance can be relied on for tax years beginning after December 31, 2017, while the other proposed rules can be relied on for all open tax years of the taxpayer.
- Comments are due on September 9, 2019.
- The Proposed Regulations withdraw 2015 proposed regulations regarding the PFIC insurance exception but do not incorporate or repeal other proposed PFIC regulations.

PFIC exception (continued)

- The Proposed Regulations provided rules for the active conduct of an insurance business:
- Active conduct requirement (Prop. Reg. § 1.1297-5):
- For QIC insurance exception, whether the insurance business is actively conducted is based on all facts and circumstances and
- Officers and employees of the QIC itself must generally carry out substantial managerial and operational activities
- But can include employees of another corporation if control test and additional tests are satisfied
- Active Conduct percentage test

PFIC exception (continued)

- Look-thru rules for Insurance Companies
  Generally, if a look-through subsidiary or look-through partnership has passive income or assets, the income or assets are treated as passive income or passive assets of the TFC. However, if the TFC is a QIC, the income and assets are tested under Prop. Reg. § 1.1297-5(c) and (e) to determine if they qualify for the section 1297(b)(2)(B) insurance exception to passive income.

- Section 954(i)
  The proposed rules turn off the FPHCI insurance exception under section 954(i) and instead apply the PFIC insurance exception. Under section 954(i), income from an active insurance business is excluded from FPHCI for purposes of section 954(c)(1).

Section 163(j) – International Impact

- Disallowance applies to all interest
- “Interest” is broadly defined in proposed regulations
- Affiliated group approach
- Net interest income – impact on insurers
- CFC grouping election and financial services carve-out
- Narrow definitions of financial service companies
- Withholding tax
- BEAT

Foreign Tax Credits

Section 902 is repealed

Section 960 remains for taxes related to subpart F and GILTI inclusions

Instead of one basket (general), industry now has four baskets – general, GILTI, branch and passive

- Difficulty with cross-crediting, expiring credits
- GILTI is especially harsh – no carryforward or carryback; 20% haircut

Proposed regulations clarify basketing for financial services income

Pooling system eliminated, now consider taxes properly attributable to income

Proposed regulations change expense allocation and apportionment rules

245A – no credits

PTI from GILTI and subpart F

Closing Remarks

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