

Proposed Tax Legislation – The American Families and Jobs Act

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PRACTICES Tax

On June 13, 2023, the House Ways and Means Committee approved a tax package consisting of three separate bills – the *Tax Cuts for Working Families Act*, the *Small Business Jobs Act* and the *Build it in America Act* – collectively referred to as the *American Families and Jobs Act*. After introducing the package on June 9, 2023, Ways and Means Committee Chairman Jason Smith issued a statement saying the policies included in the package would “provide relief for working families, strengthen small businesses, grow jobs, and protect American innovation and competitiveness.” A summary of the key provisions in each of the three bills follows.

Tax Cuts for Working Families Act.

- The bill would change the name of the standard deduction to the guaranteed deduction and add a new bonus deduction for tax years 2024 and 2025 (\$2,000, or \$4,000 for joint filers).
- The bonus deduction is adjusted for inflation and phased out for taxpayers whose modified adjusted gross income exceeds \$200,000 (\$400,000 for joint filers).

Small Business Jobs Act.

- The bill would increase the reporting threshold for subcontract labor from \$600 to \$5,000 (adjusted for inflation). This would reverse a 2021 change that lowered the threshold from \$20,000 to \$600.
- The bill would return the 1099-K reporting threshold for goods and services sold online through third-party network transactions from \$600 to \$20,000 and reinstate the additional threshold of 200 annual transactions.
- The bill would expand “qualified small business stock” incentives by adjusting holding period requirements and extending qualification to investors in S corporations.
- The bill would increase immediate expensing allowed under Code Section 179 from \$1 million to \$2.5 million (adjusted for inflation).
- The bill would add a new Rural Opportunity Zone program, expanding Opportunity Zone program benefits to rural communities.

Build it in America Act.

- The bill would restore certain tax incentives that expired at the end of 2021:
 - Expensing of research and development expenses (the bill delays the date when taxpayers must begin amortizing R&D costs until 2026);
 - Increased interest expense deductions under Code Section 163(j) through 2025; and,
 - 100% bonus depreciation for qualified property placed in service before 2026.
- The bill would terminate the superfund tax on petroleum.
- The bill would repeal certain energy tax credits allowed under the *Inflation Reduction Act*, including the clean energy production credit, the clean electricity investment credit and the credits for previously owned clean vehicles and qualified commercial clean vehicles. It would

also modify the current clean vehicle credit, returning the base credit amount to \$2,500 (increasing up to \$7,500 depending on battery capacity).

There was a push to bring the three-bill package to the House floor before the end of June, but the package is now expected to come before the House in the coming weeks after its return on July 10th from a two-week recess. The proposed tax package is expected to clear the Republican-controlled House, but Senate Democrats have already indicated that the proposed bills are unlikely to be passed by the Democrat-controlled Senate in their current state. In a statement critiquing the new tax package, Senate Finance Chair, Ron Wyden said “I’m hopeful there’s enough common ground for the two sides to reach an agreement this year, and I’m going to work with my colleagues in the Senate on our own priorities.”