



House Releases Draft Spending Bill

The House tax writing committee yesterday released legislative text for the Biden administration's \$3.5 trillion spending plan, with committee votes expected to begin as soon as today. The draft legislation includes a number of tax provisions that will affect banks, including ABA-opposed provisions those that would: increase the corporate tax rate from 21% to 26.5% and limit the 20% 199A deduction for Subchapter S banks to \$500,000.

Additional banking-related provisions would expand the net investment income tax to earnings for active participants in pass-through businesses; accelerate limitations on deductibility of compensation; and make significant international changes affecting both U.S. branches of overseas-based banks and U.S.-based banks with global activities.

The bill would also increase the top individual tax rate from 37% to 39.6%, add a surtax on modified income for taxpayers with income over \$5 million and raise the capital gains tax from 20% to 25%. It also includes several ABA-supported provisions related to affordable housing and community development, including expanding and making permanent the New Markets Tax Credit and expanding housing and energy tax credits.

Importantly, ***the draft legislation does not include the ABA-opposed requirements for financial institutions to report information to the IRS on all customers with gross inflows and outflows above the minimum level of \$600.***

However, in a message to bank CEOs yesterday, ABA President and CEO Rob Nichols emphasized that banks and their customers must continue their grassroots efforts to ensure that this provision stays out of any future versions of the bill. To help engage bank customers on this issue, ABA has created sample language for customer communications and social media posts banks can use. The association continues to closely monitor developments related to the bill, and will provide additional updates to members as needed.

Below is a link with a letter for you to contact your members of Congress.

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