

Tax Notes

Bank Reporting In, Stepped-Up Out of Tax Bill Options, Neal Says

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A menu of options — dubbed a framework by Democrats — to pay for the \$3.5 trillion reconciliation bill doesn't include a proposed repeal of stepped-up basis but will include new bank reporting requirements to the IRS, according to House Ways and Means Committee Chair Richard E. Neal, D-Mass.

The menu of options from which Democrats can choose to pay for their reconciliation bill was the crux of an agreement announced September 23 by Senate Majority Leader Charles E. Schumer, D-N.Y., House Speaker Nancy Pelosi, D-Calif., and Treasury Secretary Janet Yellen. Both Neal and Senate Finance Committee Chair Ron Wyden, D-Ore., said they were in on the talks and agreed to the framework, which doesn't address Democrats' internal dispute over how big the package should be.

"I think it's a big deal," Neal told *Tax Notes*. "Much of the base of the agreement is the work of the Ways and Means Committee, and I'm thrilled with that." His committee [completed a four-day markup](#) September 15 that included \$2.3 trillion in revenue raisers and more than \$1 trillion in tax cuts.

Neal said that although the requirement for banks to report account inflows and outflows to the IRS wasn't in the framework, a tentative agreement has been reached to include it.

Neal said the House and Senate continue to talk about including drug pricing and state and local tax deductibility provisions in the mix.

The idea of a menu of options isn't new. Ways and Means Democrats [met for two and a half hours August 2](#), when they discussed options for getting to \$3.5 trillion through a mix of rate increases on corporations, individuals, and capital gains, along with other tax revenue measures. And Senate Finance members have been working off [a four-page list](#) of revenue options for weeks.

"I mean, this has been around for a while," Senate Budget Committee Chair Bernie Sanders, I-Vt., said of the options Democrats have been looking at "to raise at least \$3.5 trillion" by "taxing the wealthiest people in this country."

But Senate Finance member Robert P. Casey Jr., D-Pa., was happy to call the agreement a win in what has been a fractious Senate Democratic caucus.

"That's a big step, and we haven't had many of those lately," Casey said.

Neal Talks

For much of this summer of reconciliation, it has been Wyden who has been talking, issuing proposals, and releasing legislative text on a [new international tax framework](#), a repeal of [carried interest, and the taxation of derivatives](#), to name a few.

Meanwhile, Neal was mainly brief in his comments, until the week of September 6, when [he announced](#) Ways and Means would mark up reconciliation text. What followed was a week of text releases eventually totaling 1,872 pages, including more than 140 proposals scored by the Joint Committee on Taxation, led by the biggest revenue raiser — \$540 billion from raising the corporate income tax rate to 26.5 percent — and the biggest expense, a \$556 billion, four-year extension of an expanded child tax credit.

Neal said everything that was included in Ways and Means' four-day markup is included in the framework announced September 23.

Just because there's a menu of options, though, doesn't mean there's agreement on specifics of provisions like rates and thresholds. For instance, raising the corporate income tax rate to 26.5 percent is something that moderate Sen. Joe Manchin III, D-W.Va., has balked at.

While Neal said repealing stepped-up basis isn't on the menu "at the moment," he confirmed that "staffs are talking about" including a Wyden proposal to mark to market the holdings of billionaires.

Also being discussed as part of the menu of options are proposals to lower prescription drug costs, ranging from the sweeping Elijah E. Cummings Lower Drug Costs Now Act (H.R. 3) to more modest proposals, Neal said.

"That's a little more difficult at the moment but we're still talking about it," Neal said.

Savings from prescription drugs will be key to Democrats' paying for the bill. Revenue raised from the Ways and Means bill totals \$2.3 trillion, but that figure climbs to around \$2.8 trillion depending on the drug plan adopted and other factors.

Also on the menu is a polluter tax, and "we're going to have to address SALT," Neal said, referring to a push by Democrats to increase the \$10,000 cap on state and local tax deductions.

Rock Up a Hill

Wyden said he signed off on the framework, describing it as being built "on the principle that we've been laying out our proposals around: You have to have tax fairness. Everybody's got to pay their fair share."

But Wyden declined to talk about any specific provisions.

“I’m not going to get into the specifics because that’s what we’re all working on. We’re going to be working pretty much nonstop,” Wyden said.

While Schumer called the agreement an important step, he also described it as a beginning. “This is kind of how the Senate begins to further push this rock up the hill,” he told reporters.