

TCJA and SOI Releases

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Understanding TCJA's business provisions

- SOI products key to understanding the reach of the tax code
 - How many people pay the individual income tax?
 - How much do they pay and at what rate?
- Great uncertainty over the reach of new international provisions
 - Foreign Derived Intangible Income (FDII)
 - Global Intangible Low Tax Income (GILTI)
 - Base Erosion Anti-abuse Tax (BEAT)
- Final comment: Tax revenue consequences, netting out deemed repatriation

Form 1120 Schedule M-3

**SCHEDULE M-3
(Form 1120)**

Department of the Treasury
Internal Revenue Service

Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More

▶ Attach to Form 1120 or 1120-C.

▶ Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123

2017

Name of corporation (common parent, if consolidated return)

Employer identification number

Check applicable box(es): (1) Non-consolidated return (2) Consolidated return (Form 1120 only)

(3) Mixed 1120/L/PC group (4) Dormant subsidiaries schedule attached

Part I Financial Information and Net Income (Loss) Reconciliation (see instructions)

1a Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?

Yes. Skip lines 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.

No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.

b Did the corporation prepare a certified audited non-tax-basis income statement for that period?

Yes. Skip line 1c and complete lines 2a through 11 with respect to that income statement.

No. Go to line 1c.

c Did the corporation prepare a non-tax-basis income statement for that period?

Yes. Complete lines 2a through 11 with respect to that income statement.

No. Skip lines 2a through 3c and enter the corporation's net income (loss) per its books and records on line 4a.

2a Enter the income statement period: Beginning Ending

b Has the corporation's income statement been restated for the income statement period on line 2a?

SOI Tax Stats - Corporate Schedule M-3

**Table 1. Corporations Filing Schedule M-3 as part of a Corporate Tax Return [1]
Selected Items, by Size of Total Assets, Tax Year 2007**

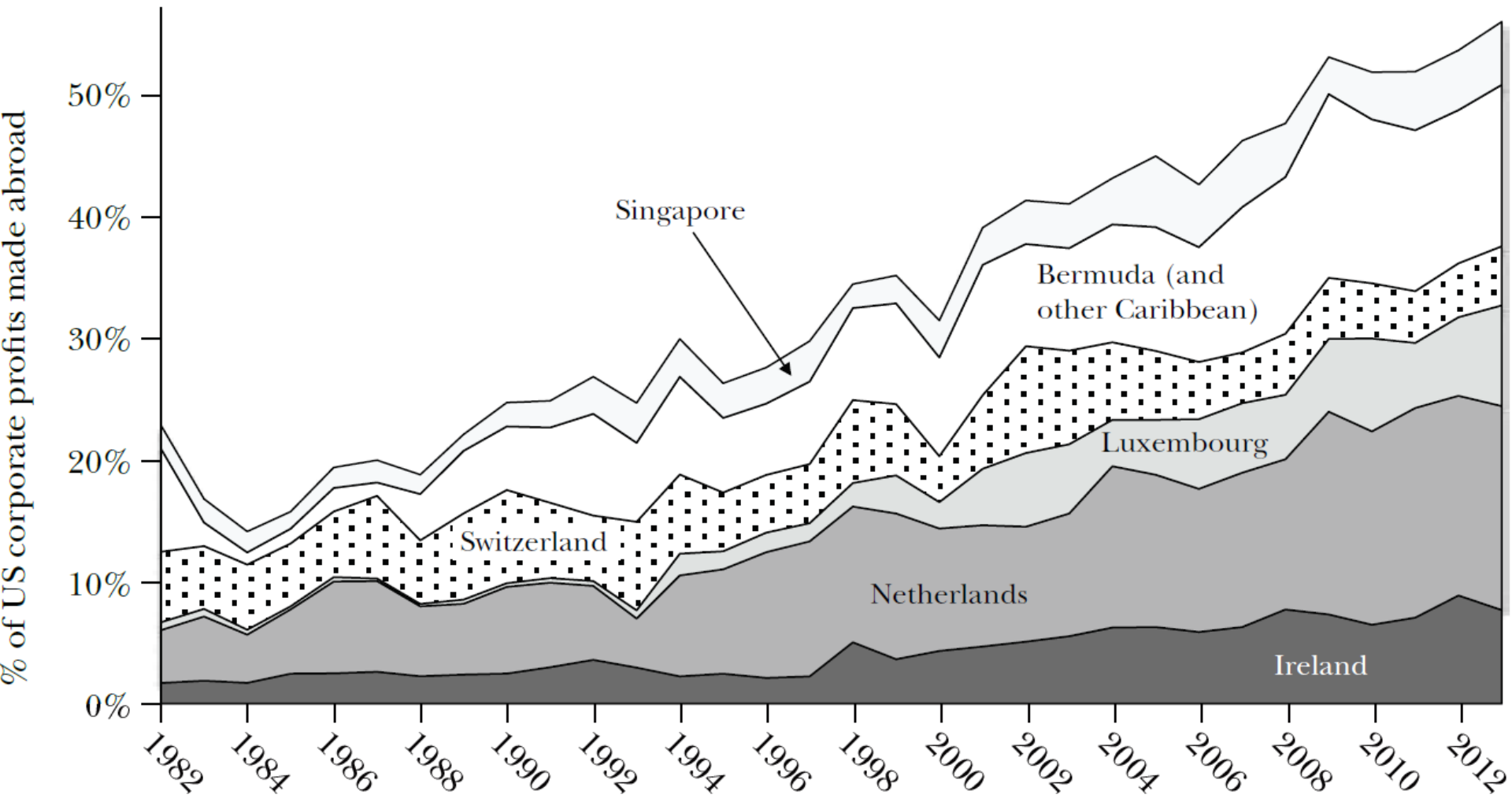
(All figures are estimates based on samples--money amounts and size of total assets are in thousands of dollars.)

Line Item	Size of Total Assets					
	All Asset Sizes	Zero assets	under \$10,000	\$10,000 under \$25,000	\$25,000 under \$50,000	\$50,000 under \$100,000
	(1)	(2)	(3)	(4)	(5)	(6)
Number of Returns	49,179	1,443	3,422	18,511	7,905	5,519
Part I						
4 Worldwide consolidated net income (loss)	804,702,184	-2,790,649	2,905	-5,075,373	-5,257,922	-2,522,982
5a Net income nonincludible foreign entities	759,014,717	2,775,445	47,376	743,495	1,841,785	2,097,430
5b Net loss nonincludible foreign entities	247,137,958	1,227,000	47,077	663,969	1,528,372	2,316,682
6a Net income nonincludible US entities	160,802,001	1,709,962	233,341	1,224,507	1,912,725	3,866,372
6b Net loss nonincludible US entities	40,916,070	1,623,093	* 167,949	195,960	1,160,068	2,854,134
7a Net income (lss) other disrgd entities	3,977,319	-873	0	* 5,080	4,088	16,946
7b Net income (lss) other includible entities	7,363,469	-318,043	4,225	58,176	57,804	-90,581
8 Adjustment to elim bet incl and nonincl	335,275,148	-14,072	28,560	276,250	248,851	429,213
9 Adjustment to reconcile income statement	4,831,165	-639,197	* 4,171	-27,987	15,957	-26,661
10a Intercompany div adjustments reconcile ln 11	46,299,270	21,490	0	* -15,623	20,334	26,873
10b Othr statutory acctng adjsmnts reconcile	13,207,778	-290	0	* 1,851	-6,324	-2,843
10c Other adjustments to reconcile line 11	38,887,991	-79,041	1,878,508	-103,183	-16,634	74,287
11 Net income (loss) per income statement	623,344,020	-5,521,198	1,822,325	-6,091,802	-6,185,065	-2,896,308
Part II						
1 Income (loss) from equity mthd fran corps (a)	4 174 291	58 396	* -4 635	-24 806	-45 858	160 541

One-third of corporate profits are made abroad



Half of those profits are taxed less than 13.125%



TCJA international carrots and sticks

- Carrot (i.e. special low tax rate): FDII
 - Effective 13.125% tax rate on export-related profits above 10% of tangible capital related to exports
 - Sticks (i.e. special high tax rate): GILTI and BEAT
 - Old repatriation tax eliminated
 - GILTI: effective 10.5%-13.125% rate on foreign income above 10% of foreign tangible capital and effectively taxed less than 13.125%
 - BEAT: 10% (5% in 2018) on taxable income + payments to related foreign corporations, to extent exceeds ordinary corporate income tax
- Should apply to many firms...

Key statistics worth publishing

- By broad firm size and, separately, by industrial sector:
 - Number of firms claiming the FDII deduction and subject to GILTI/BEAT
 - Amount of FDII deduction and GILTI/BEAT income
 - Tax on FDII/GILTI/BEAT income
- Addendum: Tax revenue consequences
 - Netting out deemed repatriation
 - Base vs. rate: How much higher would corporate income taxes have been in '18 if actual taxable income had been taxed under '17 code?