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Trump Administration budget proposals for FY 2021

The Trump Administration today released its fiscal year (FY) 2021 budget proposal, entitled “A Budget for America’s Future.” The budget contains the administration’s recommendations to Congress for spending and taxation for the fiscal year that begins on October 1, 2020.

Read the [FY 2021 budget proposals](#) including the Office of Management and Budget (OMB) Analytical Perspectives, as available on the White House website. It is possible that additional information on the administration’s proposals might be released in the future.

As in the case of most presidential budgets, the current proposals can be viewed as setting forth the administration’s priorities. To become law, legislation must pass both the House and the Senate, which may be expected to have different priorities.

Tax-related proposals

The administration proposes \$12 billion in base funding for the IRS “to modernize the taxpayer experience and ensure that the IRS can fulfill its core tax filing season responsibilities.”

The administration also proposes \$353 million for enforcement in FY2021, with additional funding over 10 years for “new and continuing investments to expand and strengthen tax enforcement,” estimated to generate approximately \$79 billion in additional revenue at a cost of \$15 billion.

The budget’s long-run baseline assumptions assume permanent extension beyond 2025 of the individual and estate tax provisions of the 2017 tax law that is commonly called the “Tax Cuts and Jobs Act” (TCJA).

The budget also proposes revenue changes, including the following:

- Eliminating the qualified plug-in electric drive motor vehicle credit
- Repealing the exclusion of utility conservation subsidies to non-business customers who invest in energy conservation measures
- Repealing accelerated depreciation for renewable energy property
- Repealing the energy investment credit
- Repealing the credit for residential energy efficient property

- Making available annually up to \$5 billion of income tax credits for individual and corporate donations to state-identified nonprofit education scholarship granting organizations
- Giving Medicare beneficiaries with high deductible plans an option to make tax deductible contributions to health savings accounts or medical savings accounts
- Providing certain income exclusions relating to Indian Health Service Professions, NURSE Corps, and Native Hawaiian scholarship and loan repayment programs
- Increasing oversight of paid tax return preparers
- Providing the IRS with greater flexibility to address correctable errors on taxpayer returns
- Establishing a “fee” to increase the amount paid by commercial navigation users of the inland waterways.
- Improving clarity in worker classification and information reporting requirements
- Implementing a defined contribution system for term employees
- Requiring social security number for certain credits

The budget assumes extension of the individual and estate tax cuts of the Tax Cuts and Jobs Act at a revenue cost of \$1.4 trillion over 10 years—i.e., so-called “tax reform 2.0.”

KPMG observation

In some recent fiscal years, the Treasury Department has released an explanation of the tax proposals in the budget (known as the “Green Book”) the same day as an administration transmitted its budget to Congress. The Treasury Department has not released a Green Book with respect to the Trump Administration’s FY 2021 budget proposals. Last year, the Trump Administration did not release a Green Book.

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