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Congress of the United States

JOINT COMMITTEE ON TAXATION
502 FORD HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6453
(202) 225-3621
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August 4, 2022

Honorable Ron Wyden
Senate Committee on Finance
SD-221
Washington, D.C. 20510

Dear Chairman Wyden:

The corporate alternative minimum tax as contained in section 10101 of H.R. 5376, the “Inflation Reduction Act of 2022,” would impose an additional tax on certain corporations such that corporations with average reported net book income in excess of \$1 billion dollars would pay a total tax (regular corporate income tax plus the additional tax) at a rate of 15 percent of net book income. To have a sense of the scope of the provision, you asked six questions regarding the proposal had it applied in the recent past. To answer your questions we examined tax returns for 2019 corporate taxable years.

You asked that we divide corporate taxpayers with average reported net book income in excess of \$1 billion dollars into two groups: (1) all corporate taxpayers who reported a cash-tax liability divided by the corporation’s reported net book income of less than 15 percent and (2) a subset of those corporate taxpayers who reported a cash-tax liability divided by the corporation’s reported net book income of less five percent. For each group you asked three questions: (1) approximately how many corporations fall into the group; (2) what is the average net book income reported by corporations that fall into the group; and (3) what is the average of the ratio of cash tax paid to the reported net book income of corporations that fall into the group? For the purpose of this analysis, “cash tax paid” is the cash tax liability reported on the taxpayer’s filed return calculated before reduction by reason of foreign tax credits claimed and excluding any tax paid by reason of repatriations under Code section 965.

Corporations in 2019 with a ratio of cash tax to net book income less than 15 percent

Number of corporations = 175 – 200
Average net book income = \$8.2 billion
Average ratio of cash ta to net book income = 4.5 percent

Corporations in 2019 with a ratio of cash tax to net book income less than 5 percent

Number of corporations = 100 – 125
Average net book income = \$8.9 billion
Average ratio of cash ta to net book income = 1.1 percent

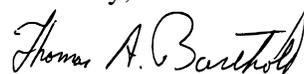
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Honorable Ron Wyden
United States Senate

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I hope this information is helpful. If you have further questions please contact me.

Sincerely,



Thomas A. Barthold

Cc: Tiffany Smith