



# Budget Model

## Projections of Global Intangible Low-Taxed Income: A Validation Exercise

**Summary:** Under current law, PWBM projects that U.S. multinationals will report a cumulative \$3.6 trillion in Global Intangible Low-Taxed Income (GILTI) between 2022 and 2031. Data released in July 2021 by the Internal Revenue Service for the 2018 tax year provides the first opportunity for a more extensive validation of PWBM's model of U.S. multinationals' tax returns. PWBM projects 2018 GILTI within 5.3 percent of the IRS value, suggesting a very good model fit.

### Introduction

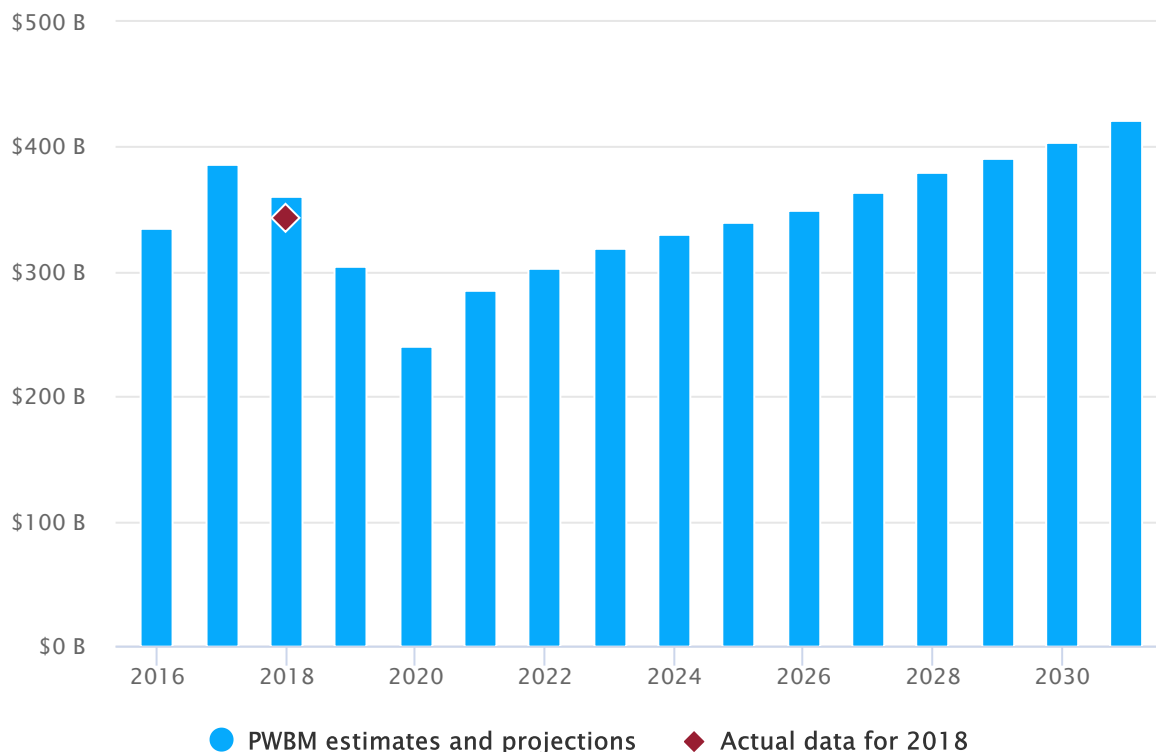
In its [budget proposal for fiscal year 2022](#), the Biden administration put forward major changes to the taxation of U.S. multinationals aimed at raising revenue and limiting incentives to shift profits to low-tax jurisdictions. In an [analysis of the administration's proposal](#), PWBM estimated that those provisions would raise about \$1 trillion over the next 10 years.<sup>1</sup> In response to public interest in PWBM's analysis of those provisions, PWBM is releasing additional information about the projections of U.S. multinationals' income underlying its revenue estimates.

### Validation Exercise

Figure 1 plots PWBM's historical estimates and projections of the amount of Global Intangible Low-Taxed Income (GILTI).<sup>2</sup> Figure 1 also includes initial data for 2018 from the IRS' *Statistics of Income* (SOI). This SOI data, released in July 2021, is the first comprehensive, publicly available information on the amount of GILTI that allows for an extensive validation of PWBM's estimates.

## Figure 1. Historical Estimates and Projections of GILTI

[DOWNLOAD DATA](#)



Sources: PWBM, *Statistics of Income*

Note: Projections are based on current law.

The concept of GILTI was introduced to the US tax system in 2018, so there is no actual data for years before then. According to the SOI data, U.S. multinationals reported a total of \$342 billion in GILTI in 2018. PWBM's model of U.S. multinationals' tax returns – which underlies its analysis of the administration's proposals – predicted \$360 billion in GILTI in 2018. The difference of \$18 billion is just 5 percent of the actual amount.

### Projections under Current Law

PWBM projects that the amount of GILTI declined between 2018 and 2020, largely due to a reduction in the amount of income reported in low-tax jurisdictions. Under current law, PWBM projects that the amount of GILTI will grow at an annual rate of around 4 percent between 2022 and 2031. In total, PWBM expects that U.S. multinationals will report \$3.6 trillion in GILTI over that period.

*This analysis was conducted by [Alexander Arnon](#). Prepared for the website by [Mariko Paulson](#).*

1. This total excludes revenue from the administration's proposal to replace the Base Erosion and Anti-Abuse Tax, which it expects would raise \$390 billion. The administration has not provided sufficient detail about the proposal for PWBM to independently estimate its revenue impact. ↩
2. Additional information and projections of GILTI as of February 2020 are available [here](#). ↩