

Section 899 “Revenge Tax” Cut from One Big Beautiful Bill Act

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On June 26, 2025, the Treasury Department announced on X that it had reached a deal with the G7 that includes the removal of the proposed Section 899 “revenge tax” from the One Big Beautiful Bill Act of 2025 (the Act) in exchange for an agreement to exempt U.S. companies from certain taxes under OECD Pillar 2. In a series of posts, Treasury Secretary Scott Bessent stated, “Based on this progress and understanding, I have asked the Senate and House to remove the Section 899 protective measure from consideration in the One, Big, Beautiful Bill.”

Senator Mike Crapo, chairman of the Senate Finance Committee, also posting on X, acknowledged that the Senate would agree to this request: “At the request of @SecScottBessent and in light of this joint understanding to preserve U.S. tax sovereignty and allow U.S. tax laws to co-exist with the Pillar 2 regime, we will remove proposed tax code Section 899 from the One Big Beautiful Bill Act.”

Proposed Section 899, as included in the version of the Act that passed the House of Representatives, would have permitted increases to statutory rates for certain income, withholding (including FDAP withholding on interest and dividends and FIRPTA withholding), and excise taxes applicable to residents of “discriminatory foreign countries” that were deemed to have imposed “unfair foreign taxes” on U.S. persons or non-U.S. entities owned thereby. The term “unfair foreign tax” would have included an undertaxed-profits rule (such as that imposed by the OECD’s Pillar 2), digital-services tax, diverted-profits tax, and, to the extent provided by the Secretary, an “extraterritorial” or “discriminatory” tax, or any other tax enacted with a purpose indicating that it will be economically borne disproportionately by U.S. persons.^[1]

Non-U.S. persons who had been considering a wide variety of inbound investments (from investing in U.S.-focused private equity funds to extending credit to U.S. borrowers) will be very relieved by the removal of proposed Section 899 from the Act, as will their U.S. counterparties.

[1] For more information on Proposed Section 899 and other provisions of the version of the One Big Beautiful Bill Act that passed the House of Representatives, see our prior [Client Alert](#).

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