

What We Know About Biden's Tax Plan

Aldrich CPAs + Advisors



Tax Cuts and Jobs Act Changing Provisions

- 20% Qualified Business Income Deduction (199A)
- Individual rates revert to pre 2018 levels
- SALT limitation expires
- Increased estate tax exemption expires
- Capitalized research and development costs (2022)
- GILTI and FDII reductions

Biden's Tax Proposals

Individual Tax Rates

- **Current Law:** Seven tax brackets (10%, 12%, 22%, 24%, 32%, 35%, 37%)
- **Proposed Change:** Increase the top rate to 39.6% for taxpayers earning more than \$400,000

Capital Gain Rates and Investments

- **Current Law:**
 - 0%, 15%, 20% capital gains rates
 - 3.8% net investment tax for joint taxpayers earning >\$250,000
 - Gain deferral with qualified opportunity funds
- **Proposed Change:**
 - Ordinary tax rate for taxpayer's with over \$1 million income
 - More qualifications for opportunity funds

Considerations For Individuals In High Tax Bracket

- **ROTH Conversions**
 - 401ks or IRAs
 - If you thought tax rates would be same or higher in retirement
 - If you cared more of preserving wealth for future generations
- **Recognizing Capital Gains Now**
 - May work in the short-term but tax rates could change in 4 years+

Other Changes

- **Child Tax Credit:** Increase from \$2,000 to \$3,000 (\$3,600 children<6) and make it fully refundable.
- **Itemized Deductions:** Cap at 28%. End SALT limits
- **Student Loan Forgiveness:** Forgiven and tax free after borrowers have been enrolled in a repayment plan for 20 yrs.
- **Adjust Social Security wage base cap:** Donut proposal
- **Offer 401(k) to workers without access to pension or 401(k) plans**

Corporate Tax Rates

- Current Law: 21%
- Proposed Change: 28%
- 15% Minimum Tax on companies with >\$100 million book net income but no federal tax

Other Considerations

- Phase out Section 199A passthrough deduction for taxpayers making over \$400k
- 10% Made in America credit
- 10% offshoring tax penalty
- GILTI
 - Rate to 21%
 - Country by country calculation
 - Eliminate the 10% exemption

Estate Considerations

- Reduce exemption from \$11.7 million to \$3.5 million
- Increase top rate to 45%



Filibuster Buster

- Budget Reconciliation
- Byrd Rule
- 3 Reconciliation Maximum Per Year
- Inherently Partisan and Vulnerable to Change if Balance Shifts



Q&A



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