

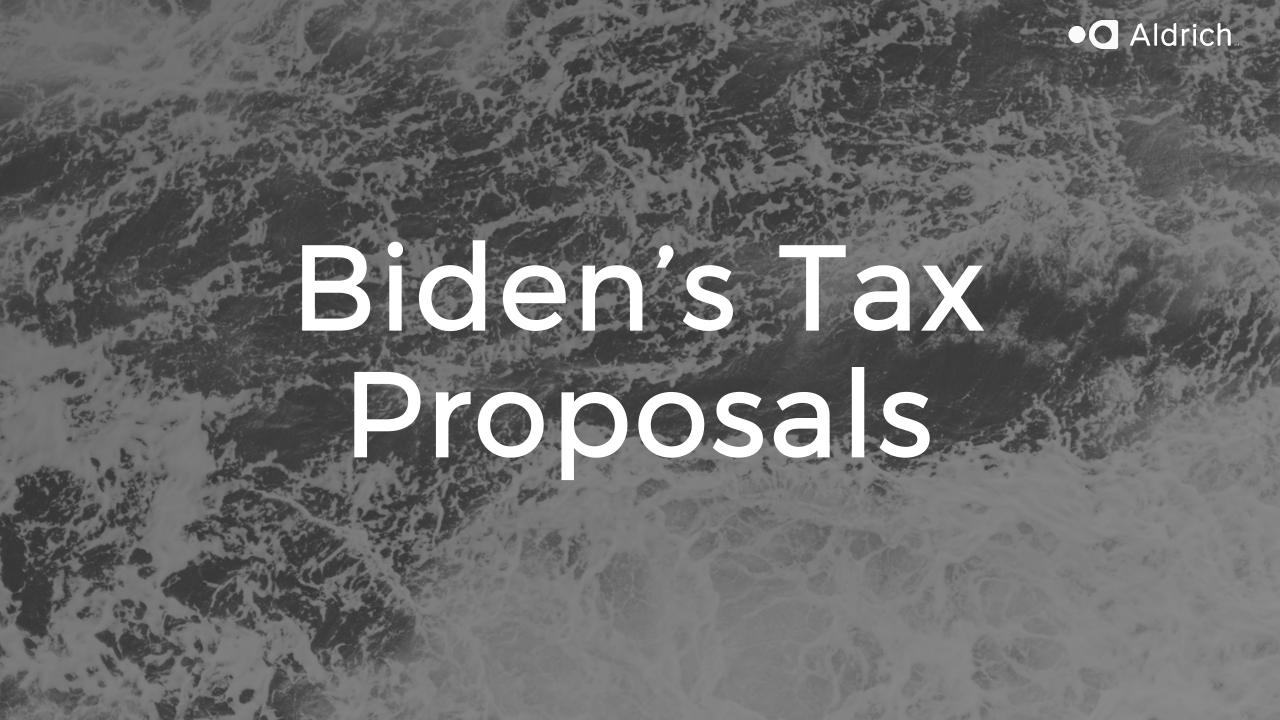
What We Know About Biden's Tax Plan

Aldrich CPAs + Advisors



Tax Cuts and Jobs Act Changing Provisions

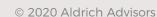
- 20% Qualified Business Income Deduction (199A)
- Individual rates revert to pre 2018 levels
- SALT limitation expires
- Increased estate tax exemption expires
- Capitalized research and development costs (2022)
- GILTI and FDII reductions





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%





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









Carrie Sowders, CPA

PARTNER, ALDRICH CPAS + ADVISORS

Aldrich

Email: csowders@aldrichadvisors.com



Bobby LaCour, CPA

PARTNER. ALDRICH CPAS + ADVISORS

Aldrich

Email: rlacour@aldrichadvisors.com

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