

Potential Tax Changes Cheat Sheet

The President's infrastructure proposals are likely to require trillions of dollars in new tax revenue. There are numerous proposals on the table to massively increase taxes.

Engage these clients and prospects and arm them with information that compels them to take action!

Individuals



Increased Individual Tax Rate

Biden proposes to increase the top marginal income tax rate for individual taxpayers with income above \$400,000 from 37% to 39.6% (the top marginal income tax rate in effect prior to the enactment of the Tax Cuts and Jobs Act (the "TCJA")). For income subject to the additional 3.8% tax on net investment income, the rate would be 43.4%. Other democratic proposals would increase the top marginal individual income tax rate to 59%.

Increased Capital Gains Tax Rate

Proposals would increase the long-term capital gains and qualified dividend rate for individual taxpayers with income greater than \$1 million from 20% to the proposed ordinary income tax rate of 39.6%. If this does not include the additional 3.8% tax on net investment income, the marginal rate for capital gains could be as high as 43.4%. Other democratic proposals would increase the top marginal capital gains tax rate to 59%.

Repeal the \$10,000 Cap on the State and Local Tax Deduction

Proposals could repeal the \$10,000 cap on the state and local tax deduction. However, for taxpayers with income of more than \$400,000, the 28% cap on the benefit of deductions and the restoration of the Pease limitation (both described below) would reduce the benefit of the repeal.

Phase Out of Passthrough Deduction

Proposals would phase out Section 199A 20% QBI deduction for taxpayers with taxable income above \$400,000.

Death as Realization Event

Proposals would treat death as a realization event. As a result, the decedent would be treated as if he or she sold all of his or her assets for fair market value at the time of death. Assets would be taxed on any unrealized appreciation at the rate applicable to long-term capital gains, in the case of taxpayers with income above \$1 million, it would be the ordinary income tax rate of 39.6% or more depending upon proposal.

Limitations on Itemized Deductions

Proposals would cap the tax benefit of itemized deductions at 28% of value for taxpayers with income above \$400,000. Proposals would also restore the "Pease" limitation on itemized deductions, reducing the value of certain itemized deductions by 3% for every dollar of a taxpayer's taxable income above \$400,000, with a maximum reduction equal to 80% of the total value of the taxpayer's itemized deductions. The Pease limitation could reduce the value of a taxpayer's deductions—and increase his or her taxes—by 12.44% of the amount of the deductions.

Payroll Tax

Proposals would impose the 12.4% Social Security payroll tax on taxpayers with earnings above \$400,000. For an employee, the payroll tax is split evenly between the employer and the employee. Self-employed taxpayers with earnings above \$400,000 would be required to pay the full 12.4% Social Security payroll tax.



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Businesses



Increased Corporate Tax Rate

The Biden administration has proposed to increase the corporate income tax rate from 21% to 28%. Other proposals would increase it to 35%.

Corporate Minimum Tax

The Biden administration would introduce a new 15% minimum tax on book income of companies that report net income of more than \$100 million. Corporations would pay the higher of the regular corporate income tax or the 15% minimum tax.

Changes to GILTI

Biden proposes to double the current effective tax rate on “global intangible low-taxed income” (GILTI) from 10.5% to 21% (and from 13.125% to 26.250%, starting in 2026).

Offshoring Tax Penalty and Made in America Tax Credit

The Biden administration proposes a 10% penalty surtax on companies that offshore manufacturing and service jobs to foreign countries to sell goods or provide services back to the U.S. market. Biden proposes a “Made in America” tax credit, which would be a 10% advanceable tax credit for companies making investments that create jobs for U.S. workers and accelerate economic recovery by revitalizing existing closed or closing facilities, retooling, or expanding facilities to advance manufacturing employment, or expand manufacturing payroll.

Repeal of Like-Kind Exchanges

Biden proposes a repeal of section 1031, which allows taxpayers to exchange “like-kind” real estate tax-free.

Estate and Gift Tax



Biden proposes to reduce exemptions to \$3.5 million for the estate tax exemption and \$1 million for the lifetime gift tax exemption and increase the maximum estate and gift tax rates to 45%. Other democrats are proposing top estate tax rates as high as 65%.

Other Impactful Proposals



Mark-to-Market Proposal

One proposal includes a “mark-to-market” tax on wealthy and high-income individuals that would tax unrealized gains in publicly traded properties and would impose an additional tax in the nature of an interest charge upon the sale of non-traded property.

Financial Transaction Taxes

Several proposals could create a financial transactions tax on trades of stocks, bonds, and derivatives. The proposals would impose a tax ranging from 0.005% to 0.5% on various securities transactions.

Wealth Taxes

Proposals include a 2% annual tax on wealth over \$50 million, rising to 3% for wealth over \$1 billion.

Talk to your CreativeOne team for guidance on how to grow market opportunities with tax conversations.

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