



Summary of Several Key President-Elect Biden Tax Proposals

President-Elect Biden, according to the tax plan he released before the election, would enact a number of policies that would raise taxes on individuals with income above \$400,000, including raising individual income, capital gains, and payroll taxes. Biden would also raise taxes on corporations by raising the corporate income tax rate and imposing a corporate minimum book tax. A number of proposals are designed to reverse the 2017 Tax Cuts and Jobs Act and are summarized below.

INDIVIDUAL TAX IMPACT	BIDEN'S PROPOSAL	CURRENT LAW	COMMENTS
Individual Tax Rates	Reverts top individual income tax rate for taxable incomes above \$400,000 to pre-2018 level of 39.6%.	Current highest marginal tax rate is 37%. Rates sunset and revert to pre-2018 rates after 2025.	Planning strategy would be to potentially accelerate taxable income into 2020 where possible.
Long-Term Capital Gain Tax Rates	Taxes long-term capital gains and qualified dividends at the ordinary income tax rate of 39.6% on income above \$1 million.	Current highest long-term capital gain rate is 20%.	Planning strategy to trigger offsetting losses or implement hold strategy on securities to keep income below \$1 million threshold.
Social Security Taxes	Imposes a 12.4% Social Security payroll Tax (6.2% employer and 6.2% employee) on income earned above \$400,000.	12.4% Social Security payroll tax applies to annual adjusted wage base (\$137,700 for 2020).	Creates a donut hole between \$137,700 and \$400,000 where lower cap appears to still apply. Planning strategy may be around accelerating wages into 2020 or keeping income below the \$400k threshold.
Schedule A Itemized Deductions	Caps the tax benefit from itemized deductions to 28% for those earning more than \$400,000. Eliminate the SALT \$10,000 cap. Restores the Pease limits (3% of AGI reduction above income thresholds).	No limits to itemized deductions, except for \$10,000 cap on SALT. Taxpayers are able to take eligible deductions against taxable income.	Designed attempt to equalize the tax benefit of itemized deductions for taxpayers in higher and lower tax brackets.
Qualified Business Income Deduction (199A)	Phase out 20% QBI deduction for taxable income above \$400,000.	Generally permitted to deduct 20% of qualified business income and 20% of qualified REIT dividends and qualified PTP income.	Accelerate QBI into 2020.
Carried Interest	Eliminate carried interest.	Income that flows to the partner of a private investment fund (carried interest) is taxed at capital gain tax rates. Three year holding period for long-term capital gain treatment for service based partnership interests.	Results in ordinary income taxation on carried interests.
Child Incentives - EITC	Expand Earned Income Tax Credits and dependent care credit to \$8,000 (\$16,000 for two or more children).	EITC is refundable credit to taxpayer with qualifying child. Dependent child credit (\$2,000 for each qualifying child and \$500 for each nonqualifying child) which is phased out at higher income levels and partially refundable.	
Transaction Tax	Biden supports a transaction tax on entering into a financial transaction such as buying or selling stocks, bonds and/or derivatives.	There is no transaction tax.	Potentially big impact on buying/selling investments.

INDIVIDUAL TAX IMPACT	BIDEN'S PROPOSAL	CURRENT LAW	COMMENTS
Health Care	Eliminate the 400% income cap on tax credit eligibility for the premium tax credit. Base tax credits on gold plan (not silver). Impose a tax penalty on drug manufacturers that increase costs of their brand, biotech, or abusively priced generic. \$5,000 tax credit for using informal caregivers (including family members); increase tax benefits for long-term care insurance paid with retirement savings. Expand refundable health premium tax credits so that no family spends more than 8.5% of income on health insurance.	Tax credits available to lower income taxpayers to help pay for health insurance in an Exchange under the Affordable Care Act. Long-term care insurance premiums are deductible as medical expenses.	
401(k) Deductions	Replace 401(k) contribution deductions from taxable income with a tax credit that is designed to equalize tax benefits from such deductions.	401(k) contributions are a reduction of taxable wages up to certain limits (2020 limit is \$19,500 with an added \$6,500 for over age 50).	Maximize your 401(k) contributions in 2020.

ESTATE TAX IMPACT	BIDEN'S PROPOSAL	CURRENT LAW	COMMENTS
Stepped up Tax Basis at Death	Eliminate the stepped-up tax basis at death causing estate asset gains to be fully taxed at death.	Assets owned at death receive a stepped up tax basis at death to the extent that FMV at date of death exceeds decedent's tax basis.	This will be a dramatic impact on estates, especially to closely held businesses where the tax on the appreciated value may be challenging to raise without selling the shares of the business.
Estate Exemption Amounts	Expands the estate and gift tax by restoring the rate and exemption to 2009 levels - maximum 45% tax rate and \$3.5 million exemption.	Maximum tax rate of 40%, \$11.58 million exemption for 2020.	Review estate plans to determine if any material assets can be moved out of your estate.

CORPORATE TAX IMPACT	BIDEN'S PROPOSAL	CURRENT LAW	COMMENTS
Tax Rate	Increase corporate tax rate to 28%.	Tax rate of 21%.	
Minimum Corporate Tax Rate	15% Minimum tax on corporations with book profits of \$100 million or higher.		
Tax Credits and incentives	Expand work opportunity credit and create a new childcare construction tax credit to encourage employers to build childcare facilities at work. Create a 10% made in America tax credit for jobs created for American workers.	Work opportunity tax credits available.	
Fossil Fuels	End fossil fuel subsidies (e.g., deductions for drilling wells, depletion of oil and gas deposits, domestic manufacturing).	Deductions and other incentives available for businesses to invest in fossil fuels, including intangible drilling costs paid or incurred by operators and depletion deductions.	

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