

# Legislation Updates, PPP and Year-End Planning Session Two: Income Tax Law Changes, Biden vs. Trump

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# With you today

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# Agenda

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- Trump's Second Term Tax Plans
- Changes that could happen with Biden's Tax Laws
- Planning Ideas

# Trump's Proposed Tax Plan of Second Term

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# Trump Tax Plan – 2<sup>nd</sup> Term

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- Made in America Tax Credit
- 100% Expensing for “Essential Industries” that bring back manufacturing to United States
  - Essential Industry examples include pharmaceuticals and robotics
- Forgiveness for Employee-Side FICA deferred under Trump’s Executive Order
- Capital Gain rates from 20% to 15%
  - Unclears whether the 3.8% Net Investment Income Tax is included
- Expand Opportunity Zones
- TCJA provisions set to expire beginning in 2022 have not been addressed

# Biden's Proposed Tax Plan

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# Biden Tax Plan

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- Annual income > \$400,000 29.6% or 37% to 39.6%, unclear if both single or MFJ
- QBI §199A 20% deduction eliminated for income > \$400,000
- Itemized deductions capped at 28% bracket
- C-Corp income tax rate 21% to 28%
- Increase in child tax credit from \$2,000 to
  - \$3,600 for children under 6
  - \$3,000 for children under 17
- Child and dependent care credit
  - From \$3,000 to \$8,000 credit for 1 child
  - From \$6,000 to \$16,000 credit for 2 or more children

# Biden Tax Plan

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- First time homebuyer credit restructured refundable and advanceable up to \$15,000 credit
- Brand new caregiver credit would provide \$5,000 credit for informal long-term caregivers
- Long-term capital gain and qualified dividend rates would go from a maximum of 20% to 39.6% for incomes over \$1 million
- The 3.8% Medicare tax stays in place
- No §1031 exchange with annual income over \$400,000
- Step up basis goes away
- No cap on Social Security tax on earned income > \$400,000 (12.4%)



# Biden Tax Plan

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- Increased benefits for long-term care insurance (not explained)
- Eliminate 401(k) deductions and replace with a flat 26% credit for every dollar contributed

# Planning Ideas

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# Planning Ideas

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- Possibly accelerating income and itemized deductions in 2020
- Roth conversions
- Accelerate estate plan

# Planning Ideas

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- Accelerate §1031
- Methods of accounting
- Installment sales (watch interest charge > \$5,000,000)

# Planning Ideas

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- Growth stocks
- Tax free bonds
- Variable annuities
- Life insurance increase in use
- Harvest capital gains in late 2020



# Q&A

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## Webinar series

And don't miss the new two sessions in our tax webinar series, **Tax Webinar Series: Legislation Updates, PPP & Year-End Planning**

[Thursday, November 19: Post-Election, Immediate Tax Law Considerations](#)

[Monday, December 7: Year-End Tax Planning](#)

# Thank you!

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