

Income and Estate Tax Planning: What to expect from the Biden Administration

Presenters



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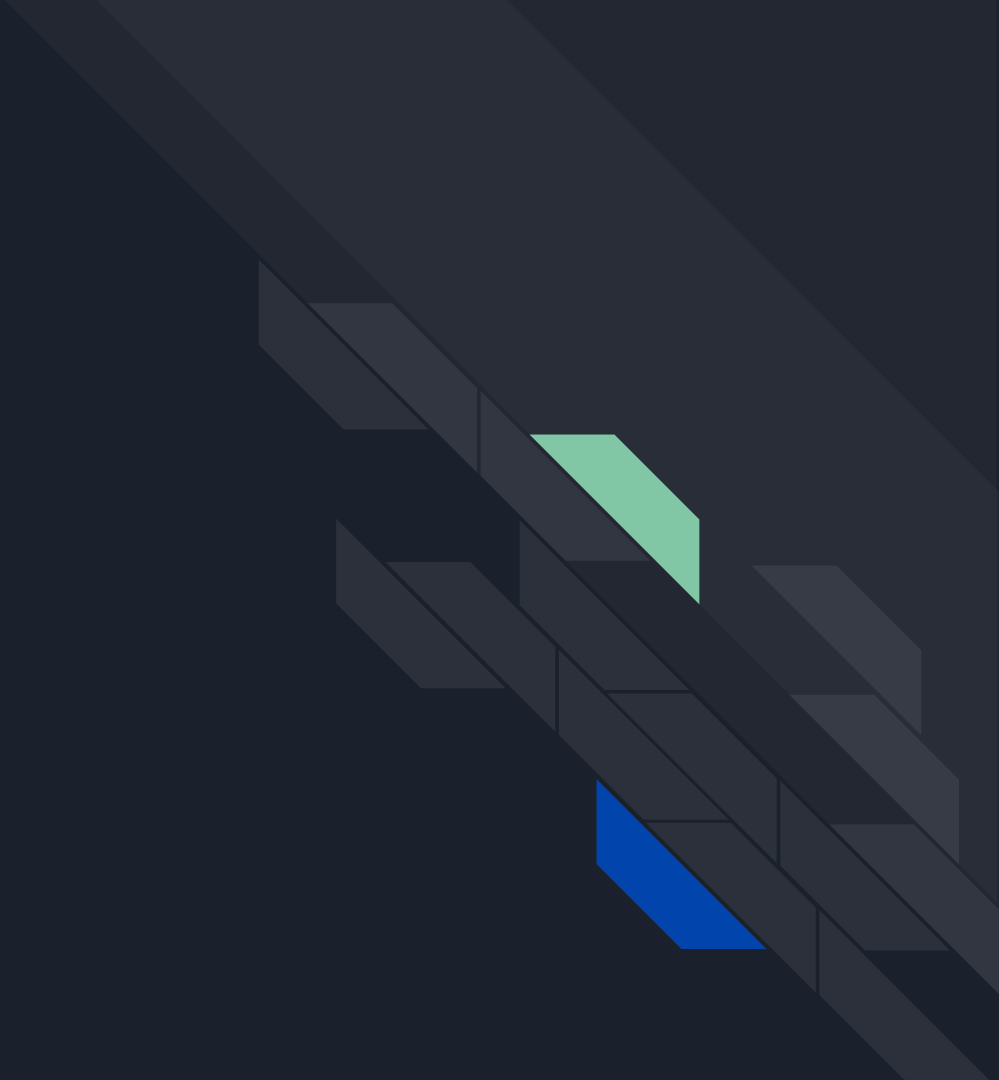


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Income Tax





The Biden Administration:
Individual & Business Tax
Implications



Increases in Rate

INDIVIDUAL INCOME TAX CHANGES

- Maximum income bracket to 39.6%
- Elimination of preferential long-term capital gains rates for incomes over \$1 million



Changes to Itemized Deductions

INDIVIDUAL INCOME TAX CHANGES

- Elimination of \$10,000 SALT cap
- Reinstatement of Pease Amendment on incomes over \$400,000
- 28% total itemized deduction limitation for incomes over \$400,000



Changes to Credits

INDIVIDUAL INCOME TAX CHANGES

- Qualified plan (401(k)/IRA) contribution credit in lieu of deduction
 - Contribution limits remains the same
 - 26% credit for contributions

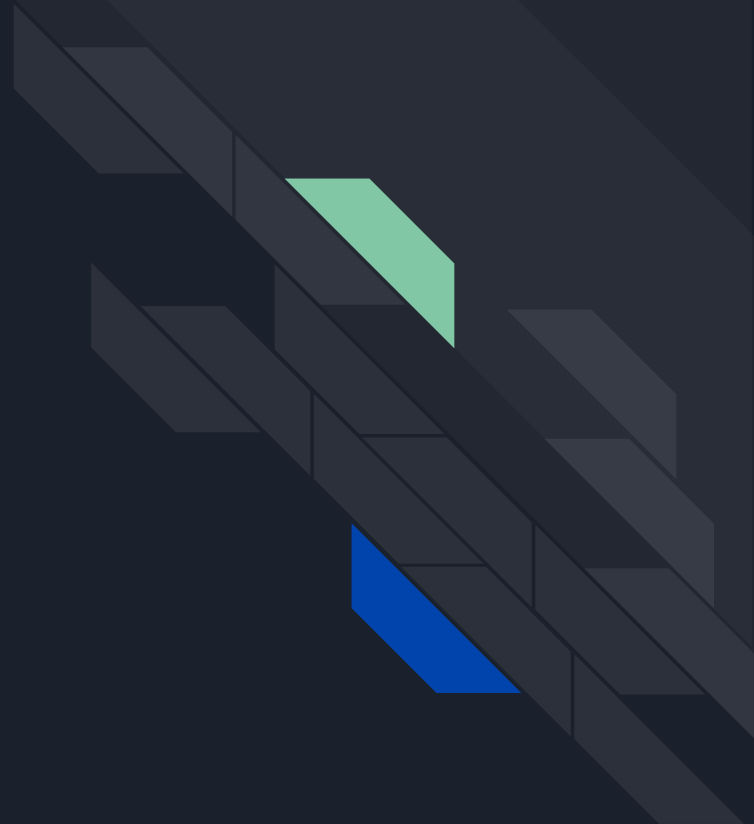


Expanded and Additional Credits

INDIVIDUAL INCOME TAX CHANGES

- Child and Dependent Care doubles to \$16,000 with credit amount increasing to 50%
- Child Tax Credit (CTC)
 - 0-6 = \$3,600,
 - 7-16 = \$3,000,
 - 17 and up = \$ 2,000
- Earned Income Tax Credit (EITC)
- First -time homebuyer credit
- Renter credit*

Estate and Gift Tax





Estate, Gift, and GST Tax

1. Eliminate basis step -up at death
2. Reduce exemption amount and increase tax rate
3. Effective date issues
4. Valuation Discount Restrictions
5. Effect on grantor trust planning
6. Other proposed changes



1. Eliminate Basis Step-Up

- Carryover basis regime
- Recognition event at death

| Capital Gains Tax Rate | Taxable Income (Single) | Taxable Income (Married Filing Separate) | Taxable Income (Head of Household) | Taxable Income (Married Filing Jointly) |
|------------------------|-------------------------|--|------------------------------------|---|
| 0% | Up to \$40,000 | Up to \$40,000 | Up to \$53,600 | Up to \$80,000 |
| 15% | \$40,001 to \$441,450 | \$40,001 to \$248,300 | \$53,601 to \$469,050 | \$80,001 to \$469,600 |
| 20% | Over \$441,450 | Over \$248,300 | Over \$469,050 | Over \$469,600 |

2. Reduce exemption amounts and increase rate

2018

| Tax status and size of gross estate | Gross estate for tax purposes | |
|-------------------------------------|-------------------------------|--------------------|
| | Number | Amount |
| | (1) | (2) |
| All returns | 13,526 | 207,199,978 |
| Under \$5 million | 960 | 3,288,610 |
| \$5 million < \$10 million | 7,614 | 54,149,326 |
| \$10 million < \$20 million | 3,136 | 42,539,546 |
| \$20 million < \$50 million | 1,316 | 39,349,007 |
| \$50 million or more | 500 | 67,873,490 |
| All taxable returns | 5,484 | 106,021,092 |
| Under \$5 million | 483 | 1,592,740 |
| \$5 million < \$10 million | 2,554 | 18,557,928 |
| \$10 million < \$20 million | 1,413 | 19,496,575 |
| \$20 million < \$50 million | 722 | 21,665,255 |
| \$50 million or more | 313 | 44,708,593 |
| All nontaxable returns | 8,042 | 101,178,886 |
| Under \$5 million | 477 | 1,695,869 |
| \$5 million < \$10 million | 5,060 | 35,591,397 |
| \$10 million < \$20 million | 1,722 | 23,042,972 |
| \$20 million < \$50 million | 595 | 17,683,752 |
| \$50 million or more | 188 | 23,164,897 |

2019

| Tax status and size of gross estate | Gross estate for tax purposes | |
|-------------------------------------|-------------------------------|--------------------|
| | Number | Amount |
| | 2019 | 2019 |
| All returns | 6,409 | 159,698,178 |
| Under \$10 million | 1,975 | 13,790,422 |
| \$10 million < \$20 million | 2,698 | 38,101,066 |
| \$20 million < \$50 million | 1,265 | 37,369,180 |
| \$50 million or more | 471 | 70,437,509 |
| All taxable returns | 2,570 | 77,237,685 |
| Under \$10 million | 648 | 4,527,552 |
| \$10 million < \$20 million | 1,020 | 14,854,607 |
| \$20 million < \$50 million | 636 | 19,170,296 |
| \$50 million or more | 265 | 38,685,229 |
| All nontaxable returns | 3,838 | 82,460,493 |
| Under \$10 million | 1,326 | 9,262,869 |
| \$10 million < \$20 million | 1,678 | 23,246,459 |
| \$20 million < \$50 million | 629 | 18,198,885 |
| \$50 million or more | 205 | 31,752,280 |

Source: <https://www.irs.gov/statistics/soi-tax-stats-estate-tax-statistics-filing-year-table-1>



3. Effective Date Issues

- Retroactivity
- Historical Passage/Effective Date

4. Valuation Discount Restrictions

- Reviving Obama -era § 2704 regulations



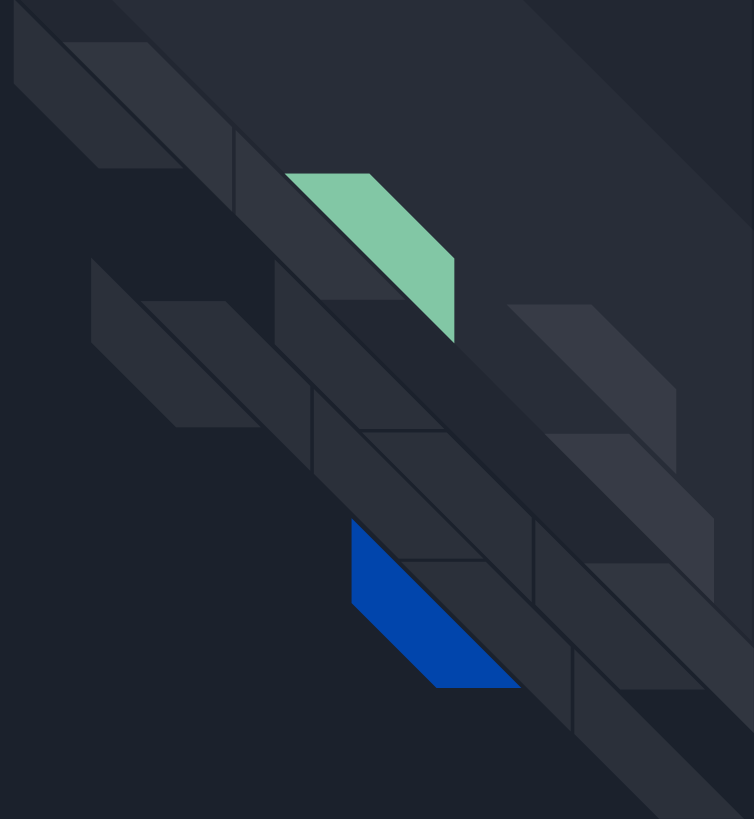
5. Effect on Grantor Trust Planning

- Grantor Trust Repercussions

6. Other proposed changes

- GRATs, GST, and Repeal of TCJA

Business Tax






Increases

BUSINESS TAX CHANGES

- Corporate Tax increase to 28%
- Limitation on 199A Qualified Business Income (QBI) deduction



Increases (continued)

BUSINESS TAX CHANGES

- Payroll Taxes
 - Reimpose Social Security taxes on wages and compensation over \$400,000
 - 2021 Social Security Wage Cap \$142,800
Medicare Tax 1.45%
 - 0.9% additional Medicare Tax on wages over \$200,00 for single filers or \$250,000 for married filing jointly



Changes to Exemptions and Credits

BUSINESS TAX CHANGES

- Eliminate 1031 exchanges for incomes over \$400,000
- Eliminate Carried Interests
- Reform Opportunity Zones



Additional and Expanded Credits

BUSINESS TAX CHANGES

- New Market
- Manufacturing
- Solar
- Energy efficient homes
- Made In America Credit *
- Manufacturing Communities Tax Credit *



Questions?

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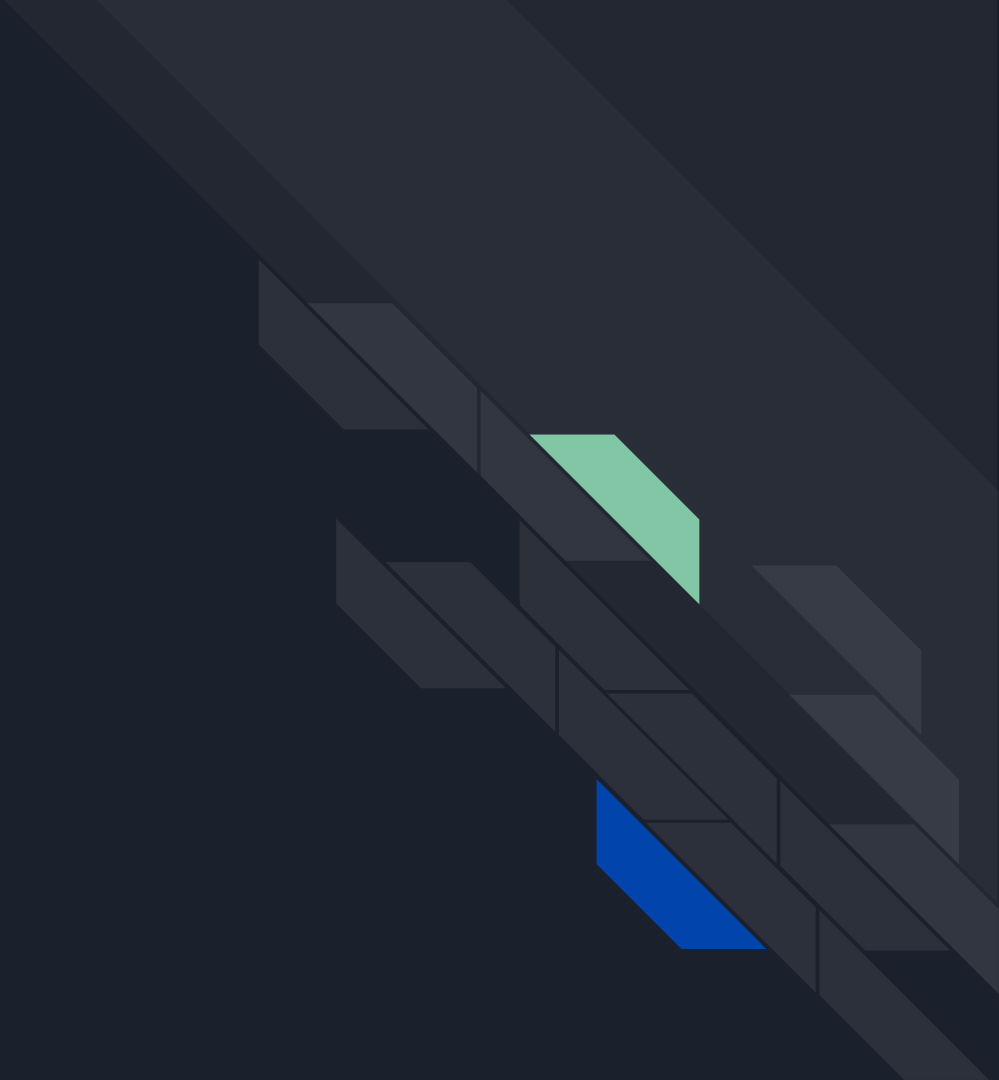
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Planning



Planning for Potential Changes

1. Income Tax
2. Estate/Gift/GST Tax

Ch-ch -ch -ch -changes
Turn and face the strange
Ch-ch -changes
Don't want to be a richer man
Ch-ch -ch -ch -changes
Turn and face the strange
Ch-ch -changes
There's gonna have to be a different man
Time may change me
But I can't trace time





1. Income Tax Planning

- Harvesting gains
- Charitable contributions
- §1031 exchanges



2. Estate/Gift/GST Planning

- Keep up with inflation adjustment
- Intra -Family Loans
- Grantor Swap Power
- Take advantage of depressed values
- Techniques:
 - SLATs
 - QTIP-able SLAT
 - Disclaimer Trusts
 - Defined Value Clause Gifts



Questions?

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