

2020

Election Results Tax Implications

Taxpayers should always begin planning for year-end events from a tax perspective. This year is no different. More importantly, you are probably wondering how the election results might impact tax policy and how they impact you personally.

Should President Trump be re-elected and maintain majority in Senate, there will still be some gridlock but more than likely the 2017 Tax Cuts will remain in place.

It would also be fair to assume that if there is a Democratic sweep in November that increases in taxes are more than likely going to happen for some individuals. It is just a question as to when.

KEY POINTS TO CONSIDER BEFORE YEAR END

- Have I used up my lifetime exemption for estate planning purposes?
- Do I have enough liquidity in my portfolio as I prepare for my retirement?
- Are my investments aligned with my income and capital gains tax strategies?

We have put together a comparison on the next page that reflects at a very high level some of the tax proposals for both Republican President Donald Trump and Democrat Joe Biden. One must always remember, the executive branch may lay out their desires, but it is through the acts of Congress who actually set the tax policy.

While the election is too close to call at this time, one thing is for sure as you are thinking about your tax strategies: you need to have a financial plan that will act as the benchmark for your planning decisions.



TAX PLAN COMPARISON

DONALD TRUMP

JOE BIDEN

Ordinary Income	Top ordinary tax rate is 37%. Desire is to make this permanent.	Generally set top ordinary income tax at 39.6% for taxpayers with income over \$400,000. Not clear if this threshold is for individuals or joint tax return filers.
Social Security	No payroll tax imposed on earned income in excess of \$137,000.	Apply a Social Security payroll tax of 12.4% to earnings above \$400,000.
Income Deductions	Limitation on deductions (so-called Pease limitation), which limits deductions to greater of 3% of adjusted gross income or 80% of total deductions, suspended until 12/31/2025.	Re-Activate Pease limitation for taxpayers with income above \$400,000.
Itemized Deductions	Value of taxpayer's itemized deductions equals taxpayer's effective tax rate, whatever it happens to be and maintain current law.	Limit tax benefit of itemized deductions to 28% of their value.
Capital Gains & Dividends	Long-term gains and qualified dividend income (QDI) taxed at maximum 20% rate. Desire is to make this permanent.	Eliminate QDI benefit and tax long-term gains and qualified dividends at 39.6% on taxpayers with income in excess of \$1 Million.
Basis Upon Transfer	Generally, assets in a decedent's gross estate are stepped up to date of death value. Desire is to make this permanent.	Repeal step-up in basis rule. May affect both higher and lower income earners if they are receiving inherited assets.
Gift & Estate Tax Exclusions	Estate & gift tax exclusion amount is \$11.58 million, indexed for inflation, scheduled to decrease to \$5 million (inflation-adjusted) after 2025.	Reduce gift and estate tax exclusion amounts to pre-Trump tax cuts from \$11.58 million to \$5.79 million for individuals.
Qualified Business Income (QBI)	20% of a taxpayer's qualified business income (including REIT dividends and MIP distributions) may be deductible, making the effective tax rate on that income as low as 29.6%.	Phase out qualified business income deduction for taxpayers with income above \$400,000.
Retirement Savings Incentives	Create a universal tax-free savings account.	Increase incentives to save in a retirement plan.
Corporate Income Tax	Corporate income tax rate is 21%.	Increase the corporate income tax rate to 28% and create a minimum corporate tax of 15% of companies' book income if they don't report any taxable income.

