

# 2020 PRESIDENTIAL POSITIONS

## Tax Laws | What Are the Presidential Candidates' Tax Positions?

### Individual Tax Provisions

#### BIDEN'S POSITION

- Raise top individual tax rate from 37% to 39.6%, generally for those making over \$400,000.
- Increase top long-term capital gains and qualified dividend tax rate to 43.4% (ordinary income tax rate plus Obamacare surtax) for income above \$1 million.
- Cap the tax benefit of itemized deductions at 28% for taxpayers with rates higher than 28%. Restore PEASE limitation on itemized deductions (which phases out itemized deductions) for taxpayers with income over \$400,000.
- Phase out qualified business income deduction for taxpayers with income over \$400,000.
- Expand earned income tax credit.
- Create an \$8,000 tax credit for one child and \$16,000 for two or more for those with income of up to \$125,000 with a phaseout between \$125,000 and \$400,000.
- Equalize tax benefits for defined contribution retirement plans.
- A first-time home buyer credit of up to \$15,000.
- A renter credit to assist low-income individuals who make too much to qualify for Section 8 housing.
- The elimination of the benefit of Section 1031 like-kind exchanges for those with incomes over \$400,000.

#### TRUMP'S POSITION

- Make permanent the Tax Cut and Jobs Act provisions set to expire 12/31/2025, including the reduced tax rates, increased standard deduction, state and local tax cap, and many others.
- Trump has also spoken about a middle-class tax cut, which would reduce rates by 10% and even reduce the 22% to 15%.

#### WILDCARD

Whether in a stimulus package or a post-election tax act, the Democratic Caucus is looking to remove the SALT limitation in the Tax Cut and Jobs Act. As certain states are desperately looking for revenue to offset the Covid-19 pandemic, the possibility of states raising tax rates is much more likely. To make the increase more palatable, those states are pushing to remove the cap.

The Republican Caucus is vehemently opposed to removing the cap; however, they may be open to increasing it.

### Capital Gains Rates and Deferral

#### BIDEN'S POSITION

- Increase top long-term capital gains and qualified dividend tax rate to 43.4% (ordinary income tax rate plus Obamacare surtax) for income above \$1 million.

#### TRUMP'S POSITION

- Cut the maximum capital gains rate to 15%.
- Would like to consider indexing capital gains to inflation.
- Favors a capital gains tax holiday for an undesignated period, which would carry a zero tax rate.

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### Opportunity Zone Reform

#### BIDEN'S POSITION

- Would like to reform Opportunity Zones (OZ) funds to partner with nonprofit and community-oriented organizations to create jobs for low-income residents or other financial impact to residents in the OZs.
- Wants to have the Department of Treasury review the benefits to ensure economic, social, and environmental benefits accrue to the community, not to augment rates of returns for investors.
- Increase reporting requirements by the OZ funds to report and disclose publicly the impact on local residents, relating to poverty, affordability of housing, and job creation.

#### TRUMP'S POSITION

- President Trump recently issued an order that directs federal agencies to give priority to opportunity zones when considering where to locate offices and other facilities.

### Individual / Estate Tax Provisions

#### BIDEN'S POSITION

- Eliminate tax free step-up in basis on estate assets. It is unclear if the elimination will come via a capital gains income tax paid upon death, or the inherited assets will still carry the decedent's basis.
- Reduction in the estate tax exemptions back to pre-TCJA levels (as adjusted for inflation).

#### TRUMP'S POSITION

- Continue with the current law of \$11,580,000 exemption; looking to make the exemption permanent, as the exemption reduces to \$5 million adjusted for inflation in 2026.

#### WILDCARD

Biden does not actually have to raise taxes on estates but simply let the current law sunset. Many wealth advisors are preparing for the estate tax to be the target for raising revenue to pay for the cost of the economic stimulus packages due to the COVID-19 pandemic.

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## Tax LAWS | What Are the Presidential Candidates' Tax Positions?

### Payroll and Benefits

#### BIDEN'S POSITION

- 12.4% Social Security payroll tax on wage income over \$400,000 (currently capped at \$137,700). Tax would be split between employer and employee. Would result in no Social Security payroll taxes on income between \$137,700 and \$400,000. No proposed changes to Medicare taxes.
- "Automatic 401(k)" for workers without access to plans.
- Offer tax credits to offset the cost of starting or maintaining retirement plans.

#### TRUMP'S POSITION

- No change to existing law: 6.2% (employee's share) up to maximum wage base (\$137,700); employer pays a similar share. 1.45% Medicare tax full-wage base (no cap) and a surtax of 0.9% on wages above \$200,000 (couples \$250,000).
- Signed an executive order to defer payroll taxes from September 1 to December 31 for workers earning up to \$104,000.
- Proposing to terminate payroll tax.

### Corporate Taxes

#### BIDEN'S POSITION

- Repeal 2017 corporate tax rate of 21% and raise corporate tax rate to 28%. Impose 15% minimum corporate tax (a so-called "minimum book tax") for companies reporting book net income over \$100 million.

#### TRUMP'S POSITION

- No change to 21% rate.

#### WILDCARD

Republicans may concede to raising the corporate tax rate to one that is somewhat higher in exchange for passing some of the other tax cuts Trump proposes.

### International Taxes

#### BIDEN'S POSITION

- Impose a 21% global intangible low-tax income (GILTI) rate on foreign profits (up from current 10.5% rate).

#### TRUMP'S POSITION

- No change in 10.5% GILTI rate on foreign profits.

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