2021 · AS A HIGH-INCOME TAXPAYER, HOW MIGHT PRESIDENT BIDEN'S TAX PLAN AFFECT ME?

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INCOME-RELATED ISSUES	YES	NO
Do you earn wages in excess of $400,000? If so, consider the following: ■ Under current law, wages up to the taxable maximum ($142,800 in 2021) are subject to Social Security payroll tax. This tax is 12.4% total, typically split evenly by you and your employer. ■ Under Biden's tax plan, the taxable maximum would remain in place; however, when wages exceed $400,000, they would again become subject to Social Security payroll tax. This creates a "donut hole" in the payroll tax scheme (wages between the taxable maximum and $400,000 would not be subject to Social Security payroll tax).	☐	☐
Does your household income exceed $400,000? If so, Biden's tax plan could affect you in the following ways: ■ You would be in a new tax bracket, with increased rates. The top rate would revert to the pre-TCJA rate of 39.6%. ■ You would no longer be eligible for a 1031 exchange. ■ If you itemize, your deductions would be capped at 28% of their value. Further, the Pease limitation (repealed by the TCJA) would be reinstated, capping certain itemized deductions (e.g., mortgage interest, state and local taxes, charitable contributions, etc.). ■ If you are a pass-through business owner, the QBI deduction would be phased out.	☐	☐
Does your household income exceed $1,000,000? If so, consider the following: ■ Under current law, long-term capital gains and qualified dividends are taxed at preferential capital gains rates. At your income level, this rate is 20%. ■ Under Biden's tax plan, long-term capital gains and qualified dividends would be taxed at ordinary income tax rates.	☐	☐

MISCELLANEOUS ISSUES	YES	NO
Are you an informal caregiver for an individual in need of long-term care services? If so, under Biden's tax plan, you could be eligible for a new caregiver credit of up to $5,000.	☐	☐
Do you make pre-tax contributions to traditional retirement accounts (e.g., a 401(k) or IRA)? If so, consider the following: ■ Under current law, your contributions are deductible, dollar for dollar, up to your annual limit. ■ Under Biden's tax plan, you would instead receive a flat credit for contributions, capped at a rate of 26%.	☐	☐
Do you hold appreciated assets with a low cost basis (excluding pre-tax assets such as IRAs, most annuities, and other items of income in respect of a decedent)? If so, consider the following: ■ Under current law, if you hold the assets until your death, they will receive a step-up in basis to the FMV on your date of death. This effectively eliminates the unrecognized capital gains. ■ Under Biden's tax plan, the step-up in basis would be eliminated. This could result in your heirs taking carryover basis, or a recognition event at death.	☐	☐
Does the value of your estate exceed $3.5 million (or $7 million, if you are married)? If so, consider the following: ■ Under current law, the federal estate and gift tax exemption amount is $11.7 million per person ($23.4 million for a married couple). This amount can pass federal estate tax-free at your death, reduced by any lifetime use of your exemption. ■ Under Biden's tax plan, this exemption amount would be reduced. The new exemption could be as low as $3.5 million per person, or revert to the pre-TCJA amount of $5 million per person (indexed for inflation). ■ In addition, Biden's tax plan would increase the federal estate and gift tax rate from 40% to 45%. (continue on next page)	☐	☐

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MISCELLANEOUS ISSUES (CONTINUED)	YES	NO
Are you a small business owner? If so, Biden's tax plan would offer credits for adopting workplace retirement savings plans.	☐	☐
Do you have significant corporate ownership interests? If so, Biden's tax plan could affect corporations in the following ways: ■ The federal corporate tax rate would increase from 21% to 28%. ■ A 15% minimum tax would apply to corporations with book income of $100 million or more. ■ If the corporation sends manufacturing and service jobs to foreign nations in order to market goods or services domestically, a 10% surtax would apply. ■ The global intangible low-taxed income rate would double, and it would apply on a country-by-country basis. ■ A new "Made in America" tax credit of 10% would be available for qualifying expenses.	☐	☐

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