

Five Things to Know About the Proposed Tax Plans

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While the coronavirus pandemic has taken center stage in the 2020 presidential campaign, the tax platforms of each of President Donald Trump and former Vice President Joe Biden are sure to garner more attention as we near Election Day.

With this in mind, here are five things to know about some of the differences in the Trump and Biden tax plans based on analysis from [Bloomberg Tax and Accounting](#):

Individual Income Tax Rate

The current law provides seven tax brackets - 10%, 12%, 22%, 24%, 32%, 35% and 37%, applicable to tax years beginning after December 31, 2017, and before January 1, 2026.

Trump: Considering a 10% middle class tax cut. Otherwise, the 2021 budget would extend the 2017 Tax Cuts and Jobs Act past 2025 and make the rates permanent.

Biden: Would increase the top rate to 39.6%. Taxpayers making more than \$400,000 would see taxes increase.

Capital Gains Taxes

The current law provides a top capital gains tax rate of 20% with a net investment income tax of 3.8% to households earning over \$250,000 for joint filers and \$200,000 for other taxpayers. Taxpayers in the 10% and 12% tax brackets pay nothing and taxpayers between the 12% and 15% tax brackets pay a 15% capital gains tax rate.

Trump: Cut the maximum capital gains rate to 15%.

Biden: Tax at the top ordinary income rate (39.6%) for taxpayers with over \$1 million in income, but otherwise the top rate would remain at 20%.

Deductions

Currently, taxpayers are allowed to take eligible deductions and credits against their income tax liability. The itemized deduction for state and local taxes is capped at \$10,000.

Trump: Extend the current law past 2025.

Biden: Cap itemized deductions at 28% of income and terminate the \$10,000 cap on state and local tax deductions.

Tax Credits

The earned income tax credit is a refundable personal credit available for any eligible individual who has a qualifying child for the tax year, or any other eligible individual without children who satisfies certain conditions. A taxpayer may claim a \$2,000 credit with respect to each qualifying child and \$500 for non-qualifying children and other dependents. The credit is phased out at higher incomes. A portion of the

credit is refundable.

Trump: The fiscal year 2021 budget would extend the Tax Cuts and Jobs Act provisions past 2025 and would require a valid social security number for work to claim certain tax credits.

Biden: Proposes to expand the credit to older workers and expand dependent care to \$8,000. Families will get back, as a tax credit, as much as half of their spending on children for kids under 13, up to a total of \$8,000 for one child and \$16,000 for two or more children. The full 50% reimbursement will be available to families making less than \$125,000 per year with all families making between \$125,000 and \$400,000 receiving a partial credit.

Estate and Gift Tax

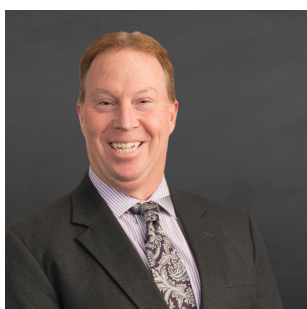
For 2020 the estate and gift tax exemption is \$11,580,000. The amount is scheduled to revert to the pre-Tax Cuts and Jobs Act-indexed amount of approximately \$5.8 million dollars after 2025.

Trump: Extend the higher estate and gift tax exemption enacted by the Tax Cuts and Jobs Act which is set to expire after 2025.

Biden: The proposed plan does not include any specific details and only states that it should go back to a "historical norm" with a reference to "2009 levels" which can mean \$3.5 million in estate tax exemption and \$1 million in gift tax exemption.

If you have questions on these or any of the proposed tax platforms, please [contact me](#) or any member of the [Barley Snyder Tax Practice Group](#).

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