

## 2021 Tax Outlook – The Biden Plan

*President Biden campaigned on a tax plan that would raise almost 4 trillion dollars – primarily by increasing taxes on individuals making more than \$400,000 a year and raising the corporate rate. While the entirety of the plan is unlikely to become law this Congress it does provide a menu of policy options that Democrats in Congress will consider, especially once they turn to the forecast infrastructure and climate change bill expected this summer.*

*Many of these ideas would have a material impact on Finseca members and their clients.*

*What is likely to move forward, and what is likely to slip off the agenda? Read on for Finseca's breakdown on the prospects of the Biden tax plan in 2021 and use the intel in your next client meeting.*

---

In the 2020 election, American voters sent Joe Biden to the White House as our 46th President and gave Democrats control of Congress (albeit with very slim majorities in both chambers). What is clear is that while Biden ran on some ambitious proposals, moderates in the House and Senate will constrain which proposals to become law.

So, what did the President campaign on, and what could ultimately become law?

Using Finseca's handy Magic Eight Ball (a joke, wanted to see if you were paying attention) and consulting with our professional team and stable of elite outside counsel including tax counsel's Jeff Ricchetti and Ken Kies, here is our guide to which policies may become law and which others may be left on the shelf.

**(Subject to change and details unclear, but when has the Magic Eight Ball ever been wrong?)**

### Outlook Not So Good

- Equalizing the tax benefits of traditional retirement accounts (such as 401(k)s and individual retirement accounts) by providing a refundable tax credit in place of traditional deductibility
- Capping the tax benefit of itemized deductions to 28 percent of value for those earning more than \$400,000, which means that taxpayers earning above that income threshold with tax rates higher than 28 percent would face limited itemized deductions

### Signs Point to Yes

- Increasing the corporate income tax rate from 21%
- Expanding the Earned Income Tax Credit (EITC) for childless workers aged 65+
- Phasing out the qualified business income deduction (Section 199A) for filers with taxable income above \$400,000
- Reverting the top individual income tax rate for taxable incomes above \$400,000 from 37% under current law to the pre-Tax Cuts and Jobs Act level of 39.6%
- Offering tax credits to small business for adopting workplace retirement savings plans
- Expanding the estate and gift tax by reducing the base exemption amount to \$3.5 million and increasing the top rate for the estate tax to 45 percent; reverting to a \$1 million gift tax exemption

### You May Rely on It

- For 2021 and as long as economic conditions require, increases the Child Tax Credit (CTC) from a maximum value of \$2,000 to \$3,000 for children 17 or younger, while providing a \$600 bonus credit for children under 6.
- Repeal cap on state and local tax deductions (SALT) – *not a feature of the Biden plan but will have strong support in Congress*

### Ask Again Later

- Tax long-term capital gains and qualified dividends at the ordinary income tax rate of 39.6% on income above \$1 million and eliminates step-up in basis for capital gains taxation
- Impose 12.4% Social Security payroll tax for wages above \$400k

Want to keep up to date reading what our expert counsel reads?

- Ken suggested the American Enterprise Institutes (AEI) primer – [click here](#)
- Jeff offered the Brookings/Urban Institutes – [click here](#).