Election Impact

What can we possibly expect?

The short answer ~ most likely tax increases, particularly for taxpayers with more than $400,000 of income. Although it's likely nothing will happen before the end of 2020, tax rates and estate tax exemptions will NOT be lower next year in comparison to 2020. Even if changes don't occur until 2022, we do know tax rates will not go down. As a result, tax planning for 2020 is critical. We believe it would be prudent to at least consider the following:

- For taxpayers with over $1M of income, dispose of highly appreciated assets before the end of 2020 to avoid the potential repeal of the capital gains tax.
- Accelerate income into 2020 and defer deductions until 2021 (opposite of what we normally advise!), especially if Biden repeals the 20% Section 199a deduction for qualifying business income.
- Wait to purchase a first home until 2021 to take advantage of the potential first-time homebuyer's credit.

Here are some of the numerous changes Biden has advocated:

- Repeal the reduced capital gains rate and qualified dividends tax rate for taxpayers making over $1M per year (could increase from 23.8% to 43.4%).
- Increase taxes on those earning more than $400,000 by reinstating the previous tax brackets, phasing out the 20% Section 199a deduction and imposing Social Security payroll taxes on earnings of $400,000 or more.
- Further limit itemized deductions that can be received to 28% and reinstate the overall itemized deduction limit that was in effect pre-TCJA.
- Repeal the step-up in tax basis for inherited properties.
- Increase corporate income tax rates from 21% to 28%.
- Restore and make permanent various energy and electric vehicle credits.
- Establish first-time homebuyer and renter tax credits.