



Biden's Tax Plan Roadmap



**Bloomberg
Tax & Accounting**



President-Elect Biden's Position on Taxes

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The following table shows how current law might change under the tax proposals of President-elect Joe Biden. Changes will be made as warranted. Last updated January 15, 2021. Michael Bloomberg also sought the Democratic presidential nomination. He endorsed Joe Biden on March 4, 2020. Bloomberg Industry Group is operated by entities controlled by Bloomberg.

U.S. Individual Taxes	
 Current Law	 Joe Biden
Individual Rates	
<p>Seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, and 37% applicable to tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026. For 2021, the top rate applies to incomes \$628,300 for joint filers (\$622,050 in 2020); \$523,600 for single taxpayers (\$518,400 in 2020)</p>	<p>Increase top rate to 39.6% for taxpayers making more than \$400,000.</p> <p><i>Comment:</i> Because the second highest tax bracket (35%) applies to incomes over \$400,000 for joint and individual tax filers, adjustments to the income for each bracket would need adjusting to maintain the promise that income taxes wouldn't rise for people earning \$400,000 or less.</p>

U.S. Individual Taxes



Current Law



Joe Biden

Capital Gain Rates and Investments

Top rate is 20%. Net investment income tax adds 3.8% rate to households earning over \$250,000 for joint filers and \$200,000 for other taxpayers. Taxpayers in the 10% and 12% tax brackets pay 0%. Taxpayers between 12% and top rate pay 15% rate.

Taxpayers may elect to defer recognition of, and avoid recognition of future appreciation related to, capital gain from certain sales or exchanges of property by investing the gain in a qualified opportunity fund (QOF).

Tax at top ordinary income rate (39.6%) for taxpayers with over \$1 million income.

Would reform opportunity zones by:

- Incentivizing Opportunity Funds to partner with non-profit or community-oriented organizations, and jointly produce a community-benefit plan for each investment, with a focus on creating jobs for low-income residents and otherwise providing a direct financial impact to households within the Opportunity Zones.
- Directing that Opportunity Zone benefits be reviewed by the Department of Treasury to ensure these tax benefits are only being allowed where there are clear economic, social, and environmental benefits to a community, and not just high returns – like those from luxury apartments or luxury hotels – to investors.
- Introducing transparency by requiring recipients of the Opportunity Zone tax break to provide detailed reporting and public disclosure on their Opportunity Zone investments and the impact on local residents, including poverty status, housing affordability, and job creation.

Wealth Tax

No taxation on accumulation of wealth; IRS is required to assess the net worth of the wealthiest Americans when they pass away, to calculate estate tax liability.

Generally does not support.

U.S. Individual Taxes



Current Law



Joe Biden

Child Incentives

The earned income tax credit (EITC) 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. Taxpayers 65 or older are not eligible for the EITC.

A taxpayer may claim a \$2,000 credit with respect to each qualifying child (under age 17) of the taxpayer and \$500 for nonqualifying children and other dependents. The credit is phased out at higher incomes. A portion of the credit is refundable.

A credit up to 35% of spending on childcare to work allows up to \$1,500 for one child, and \$3,000 for two or more children under age 13.

Earned Income Tax Credit: For one year, expand EITC to older workers; raise minimum credit to \$1,500; and raise income limit to close to \$21,000. Expand eligibility for younger workers.

Child Care Tax Credit: One-year expansion of the dependent care credit to provide up to a 50% credit on spending \$8,000 for one child, and \$16,000 for two or more children under age 13. The tax credit will be refundable and will explore ways to make it advanced. The full 50% reimbursement will be available to families making less than \$125,000 a year. All families making between \$125,000 and \$400,000 will receive a partial credit ensuring that in no case will they get less than they are eligible for today.

Child Tax Credit: For one year, raise the child tax credit to \$3,000 per child for children ages 6 to 17 and \$3,600 for children under 6. Make credit fully refundable.

Credits and Deductions

Taxpayers can take eligible deductions and credits against their income tax liability. The itemized deduction for state and local taxes (SALT) is capped at \$10,000.

Employers are eligible for a credit for hiring individuals from select disadvantaged groups for a portion of wages paid during the first year of work.

Cap itemized deductions at 28%. Restore PEASE for incomes above \$400,000. End SALT dollar limit.

Supports a \$3,000 tax credit allowing family caregivers to defray some of what they spend to assist their loved ones.



Expand the Work Opportunity Tax Credit to include military spouses.

Student Loans/Education



Loan forgiveness is generally included in income unless an exception applies. Student loan forgiveness is includible in income unless the individual worked for a certain period of time in certain professions for any of a broad class of employers.

Student loans will be cancelled, tax-free, after borrowers have been enrolled in the income-based repayment plan for 20 years.

Comment: There is political pressure for Biden to eliminate \$50,000 of federal student loans.

Financial Instruments and Transactions	
 Current Law	 Joe Biden
Carried Interest	
Income that flows to the general partner of a private investment fund, known as carried interest, is taxed at the lower capital gains rates. Three-year holding period requirement for long-term capital gain and loss for certain service-based partnership interests.	Eliminate carried interest.
Cryptocurrency	
Virtual currencies are treated as property for tax purposes. The IRS requires taxpayers to report on their Form 1040 if they own virtual currencies.	No specific plan announced.
Transaction Tax	
There is no tax on entering into a financial transaction such as buying or selling stocks, bonds and/or derivatives.	Supports.

Why the "transaction tax"?

Compensation and Benefits	
 Current Law	 Joe Biden
Employment/Social Security Taxes	
<p>Payroll tax applied on worker's wages up to \$137,700 for 2020, \$142,800 for 2021. FICA tax of 12.4% split between employer and employee.</p> <p>For 2020 and 2021, most workers can contribute and get preferential tax treatment on up to \$19,500 a year in a 401(k) account (extra \$6,500 if age 50 or higher). Highly paid executives can contribute an unlimited amount in certain tax advantaged plans.</p>	<p>End employers intentionally misclassifying their employees as independent contractors to avoid paying employment taxes.</p> <p>Lift social security taxable wage base cap on high earners (taxpayers making more than \$400,000). Thus, taxpayers earning between the wage base and \$400,000 would not pay additional Social Security taxes.</p>
Retirement Incentives	
<p>Eligible employees can contribute a portion of their salary to a qualified retirement plan (401(k), 403(b), 457, etc.). The deferred salary is not included in taxable income until withdrawn. Penalties apply for early withdrawal. No all employers offer qualified retirement plans. Minimum distributions required when taxpayer turns 72.</p>	<p>Create "automatic 401(k)" for workers without access to pension or 401(k) plans. Allow 401(k) plans to offer hardship withdrawals for survivors of domestic violence or sexual assault and allow penalty-free distributions for such persons.</p> <p>Equalize the tax benefits of defined contribution plans across the income scale. A tax credit instead of a deduction would cap the tax benefit for the deferred salary.</p> <p>Allow caregivers to make "catch-up" contributions to retirement accounts, even if they're not earning income in the formal labor market. Offer tax credits to small businesses to offset much of the cost of starting or maintaining retirement plans.</p>
Health Care and Long-term Care	
<p>Tax credits are available to lower income taxpayers to help pay premiums for purchasing health insurance in an Exchange under the Affordable Care Act. Long-term care insurance premiums are eligible medical care expenses for purposes of the medical deduction.</p>	<p>Eliminate the 400% income cap on tax credit eligibility for the premium tax credit to allow all families purchasing health care through an Exchange can claim the credit.</p> <p>Base tax credits on gold plan (not silver). Impose a tax penalty on drug manufacturers that increase the costs of their brand, biotech, or abusively priced generic over the general inflation rate.</p> <p>Terminate pharmaceutical corporations' tax deduction for advertisement spending.</p> <p>Create a \$5,000 tax credit for using informal caregivers, including family members. Increase tax benefits for older Americans who buy long-term care insurance and pay for it using their savings for retirement.</p>

	Expand access to refundable health premium tax credits so that no family spends more than 8.5% of their income on health insurance.
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U.S. Business Taxes



Corporate Tax Rates

21%

28% with 15% minimum book tax on companies reporting more than \$100 million in the U.S. but paid zero or negative federal income taxes. Credit for foreign taxes paid and carryovers allowed.

10% offshoring penalty surtax on the profits from any production by a U.S. company overseas for sale on American soil, making the overall tax rate on those profits 30.8%.

Carbon Tax

The United States does not place a tax on fuels that emit greenhouse gases into the atmosphere.

Supports, but may not push for carbon tax as part of climate change plan.

Community Development

A taxpayer who holds a qualified equity investment on a credit allowance date that occurs during the tax year can claim a new markets tax credit for the taxable year. The NMTC limitation is \$5 billion for 2021-2025. No amount may be carried over to a calendar year after 2030.

Expand the new markets tax credit program to provide \$5 billion in support every year and make the program permanent. Enact a manufacturing community tax credit.

Comment: The Consolidated Appropriations Act, 2021, extended the NMTC through 2025.

Credits and Incentives

Businesses enjoy a nonrefundable tax credit for a portion of wages paid to certain new employees who qualify as members of disadvantaged groups.

Expanding the work opportunity tax credit to include military spouses. Impose a tax penalty on drug manufacturers that increase the costs of their brand, biotech, or abusively priced generic over the general inflation rate. Terminate pharmaceutical corporations' tax deduction for advertisement spending. Create a new childcare construction tax credit to encourage businesses to build childcare facilities at places of work. Employers will receive 50% of the first \$1 million of construction costs per facility.

A 10% "Made in America" tax credit for companies that create jobs for American workers. Available for revitalizing closed or nearly closed facilities, retooling or expanding facilities, and bringing production or service jobs back to the U.S. and

U.S. Business Taxes



Current Law



Joe Biden

creating U.S. jobs. It will also apply when a company is increasing manufacturing wages above the pre-Covid baseline for jobs paying up to \$100,000.

U.S. Business Taxes



Current Law



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Depreciation

Taxpayers can take a depreciation deduction as a mechanism for recovering the capital invested in an asset. Eligible property can be expensed entirely in the first-year placed in service.

No specific plan announced.

Fossil Fuels

Several deductions and other incentives appear in the I.R.C. for businesses to invest in fossil fuels. The primary incentive is a deduction for intangible drilling costs paid or incurred by operators of oil and gas wells. The Code also allows for a deduction for the depletion of minerals and oil and gas extraction.

End fossil fuel subsidies (e.g., deductions for drilling wells, depletion of oil and gas deposits, domestic manufacturing).

Manufacturing

Repealed for tax years beginning after December 31, 2017, businesses were entitled to a 9% deduction for domestic production activities.

Enact a manufacturing communities tax credit. Impose a tax penalty on drug manufacturers that increase the costs of their brand, biotech, or abusively priced generic over the general inflation rate.

Create a 10% tax penalty on companies that move operations overseas and a 10% tax credit for companies that create jobs in the U.S. to incentivize manufacturing (see U.S. Business Taxes - Credits and Incentives, above).

Qualified Business Income Deduction

Taxpayers other than C corporations generally can deduct 20% of qualified business income (QBI) from a partnership, S corporation, or sole proprietorship, as well as 20% of qualified REIT dividends and qualified publicly traded partnership income.

End special qualifying rules, including those for real estate investors. Only allow deduction to taxpayers making \$400,000 and under.

Renewable Energy

U.S. Business Taxes



Current Law



Taxpayers are allowed an investment tax credit for certain investments in renewable energy, such as solar and wind. A tax credit exists for biodiesel and renewable diesel used as a fuel during the tax year.







Joe Biden



Restore the full electric-vehicle tax credit; reinstate tax credits for residential energy efficiency; expand tax deductions for energy retrofits, smart metering systems, and other emissions-reducing investments in commercial buildings; reinstate the solar Investment Tax Credit (ITC); tax benefits for carbon capture, use and storage.

Comment: The Consolidated Appropriation Act, 2021, extended the ITC for solar energy property for construction that begins before 2024.

Real Estate	
 Current Law	 Joe Biden
<p>Taxes on gains of real property are deferred if the property is exchanged for that of "like-kind." Owners of certain residential rental property occupied by low-income tenants may claim a tax credit of a percentage of the qualified basis of the property over a 10-year period.</p>	<p>Roll "back unproductive and unequal tax breaks for real estate investors with incomes over \$400,000."</p> <p>End qualified business income deduction for real estate investors. Would take aim at like-kind exchanges and prevent investors from using real-estate losses to lower their income tax bills.</p> <p>Create new refundable, advanceable tax credit of up to \$15,000 to assist buying first-home. Credit paid upon purchase, not when filing tax return.</p> <p>Tax credits to renovate distressed properties in distressed communities, called Neighborhood Home Credit as part of general business credit.</p> <p>Enact renter's tax credit.</p>

International Business Taxes	
 Current Law	 Joe Biden
BEAT/GILTI	
Effective minimum rate of 10.5% on "global intangible low-taxed income" (GILTI) of U.S. shareholders of CFCs, with a deduction of 37.5% (and 21.875% for tax year beginning after 2025) for foreign-derived intangible income (FDII) plus 50% (37.5% for tax years beginning after 2025) of the GILTI. Minimum base erosion anti-abuse tax (BEAT) for certain taxpayers of 10% and 12.5% for tax years beginning after 2025.	Raise minimum GILTI rate to 21% and apply to all income.
Expatriation	
A special "mark-to-market" tax regime may apply to U.S. citizens who renounce their citizenship and to certain long-term resident aliens who terminate their resident status.	No specific plan announced.
Inversions	
Inversion transactions usually involve the transfer of stock of a corporation by one or more shareholders to a wholly or partly owned subsidiary of that corporation in exchange for newly issued shares of the subsidiary's stock. Under §7874 generally, if the domestic corporation's shareholders own at least 80% of the new foreign parent corporation's stock after the inversion transaction (whether by stock or asset transfer, or any combination of the two), the new foreign parent corporation is treated as a domestic corporation for all federal tax purposes for a period of 10 years.	Would tighten anti-inversion rules.

International Business Taxes	
 Current Law	 Joe Biden
Repatriation	
American corporations can defer paying U.S. income tax on profits of their offshore subsidiaries until those profits are "repatriated." A one-time repatriation tax of past profits of U.S. corporations' foreign subsidiaries with a credit for foreign taxes paid on that income.	Would end incentives in the 2017 TCJA that allow multinationals to dramatically lower taxes on income earned overseas and allow the largest, most profitable companies to pay no tax at all. Establish a "claw-back" provision to force a company to return public investments and tax benefits when they close down jobs here and send them overseas.
Transfer Pricing	
The IRS is empowered under §482 to re-allocate income and other items among related parties to prevent evasion of tax or to clearly reflect income.	No specific plan announced.

Estate Taxes	
 Current Law	 Joe Biden
Exemption amount \$11.7 million for 2021 (\$11.58 million for 2020). Assets passed through at death get a basis step-up to fair market value for the recipient. Increased exemption amount reverts to \$5 million after 2025. Top rate is 40%.	Eliminate stepped-up basis rule that allows people to pass capital gains to heirs without tax after death. Reduce estate tax exemption amount to \$3.5 million. Increase top rate to 45%.

Tax Enforcement and Compliance



Current Law

Tax compliance runs on a voluntary system requiring taxpayers to file yearly tax returns. A tax gap, the difference between what is estimated to be owed and what the IRS collects, stands at approximately \$440 billion per year.



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No specific plan announced.

Sources:

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Child-Related Incentives	<ul style="list-style-type: none"> • https://buildbackbetter.gov/wp-content/uploads/2021/01/COVID_Relief-Package-Fact-Sheet.pdf
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