

SobelCo Article
 “Biden Plan”

Individuals	Current Law	Biden Proposal
Income Tax Rates	There are seven tax brackets ranging from 10% to 37%. 2020 top rate begins at \$622,050 for taxpayers filing jointly.	Increase the top bracket to 39.6% for individuals with income exceeding \$400,000.
Tax Rates on Qualified Dividends and Long Term Capital Gains (LTCG)	Top rate for qualified dividend and LTCG is 20% for joint filers with taxable income over \$496,600 and single filers over \$441,450.	Increase the top rate on LTCG and Qualified Dividends to 39.6% for taxpayers earning more than \$1 million annually. Eliminate the automatic step up basis for heirs.
20% Qualified Business Income (QBI) Deduction	Generally, taxpayers who operate businesses as an S corporation, partnership, or sole proprietorship can claim a deduction equal to 20% of the qualified income earned in the business subject to phase out starting at \$326,600 (married filing jointly).	Phase-out the QBI deduction for those taxpayers with taxable income in excess of \$400,000.
Qualified Opportunity Zone (QOZ)	Taxpayers may elect to defer recognition of gain, and avoid recognition of future appreciation related to capital gains by investing in a QOZ.	Would require Dept. of Treasury review of plans to ensure tax benefits are focused on creating jobs for low-income residents, provide community and environmental benefits, transparency, etc.
Payroll Tax	Currently, social security tax rate is 12.4% split between employer and employee with a wage base cap in 2021 of \$142,800. Taxpayers who earn more than \$250,000 (if married, \$200,000 if single), are subject to an additional 0.9% payroll tax.	Elimination of the wage base cap on taxpayers with wages above \$400,000. There would be no Social Security tax on wages from \$142,800 (in 2021) to \$400,000, and then another 12.4% tax on the wages above \$400,000.
Child Tax Credits	\$2,000 per each qualifying child younger than 17, and \$500 per non-qualifying child. Phased out for higher income taxpayers. A portion of the credit is refundable.	Increase the child tax credit to \$3,000 for child ages 6 to 17 and \$3,600 for age under 6. Partial credit for families with taxable income of between \$125,000 and \$400,000. Make credit fully refundable.



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<p>Individuals (cont.)</p>	<p>Current Law (cont.)</p>	<p>Biden Proposal (cont.)</p>
<p>Child and Dependent Care Tax Credits</p>	<p>Qualified expenses for one child up to \$3,000, \$6,000 for 2 or more children. The percentage of credit phases out based on income from 35% to 20%. Maximum credit for 2 children is \$2,100.</p>	<p>Families will get a credit for as much as 50% of expenses. Maximum of tax credit is \$8,000 for one child and \$16,000 for two or more children The credit is refundable.</p>
<p>Family Caregiving Incentives</p>	<p>No provision.</p>	<p>Create credit of up to \$5,000 to help informal caregivers cover expenses incurred while caring for other family members (i.e., elderly, those with disabilities or chronic health conditions, and military service members or veterans dealing with service-related illnesses or injuries).</p>
<p>Wealth Tax</p>	<p>Does not apply</p>	<p>No proposal</p>
<p>Itemized Deductions</p>	<p>State and local tax (SALT) deduction limited to \$10,000 per year No overall limitation on a taxpayer's itemized deductions (Pease limitation).</p>	<p>Cap value of itemized deductions at 28%. Remove SALT cap. Reduces a taxpayer's total itemized by 3% for every dollar that adjusted taxable income exceeds \$400,000.</p>
<p>First Time Homebuyer Credit</p>	<p>Does not apply.</p>	<p>\$15,000 for first time homebuyers; A renter's tax credit would also be available.</p>
<p>Child and Dependent Care Tax Credits</p>	<p>Qualified expenses for one child up to \$3,000, \$6,000 for 2 or more children. The percentage of credit phases out based on income from 35% to 20%. Maximum credit for 2 children is \$2,100.</p>	<p>Families will get a credit for as much as 50% of expenses. Maximum of tax credit is \$8,000 for one child and \$16,000 for two or more children The credit is refundable.</p>
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Business	Current Law	Biden Proposal
Corporate Income Tax Rates	The current corporate income tax rate is 21%.	The corporate tax rate would be increased to 28%. 10% offshoring penalty surtax would be imposed on the profits from any production by a U.S. company overseas for sale in the U.S. 10% “Made in America” tax credit would be created for companies that create U.S. jobs.
Corporate Alternative Minimum Tax	The Alternative Minimum Tax was repealed by the Tax Cuts and Jobs Act.	Impose 15% minimum tax for corporations that have \$100,000,000 or more for financial statement purposes but owe no US Income tax.
Qualified Business Income (QBI) Deduction	Generally, taxpayers who operate businesses as an S corporation, partnership, or sole proprietorship can claim a deduction equal to 20% of the qualified income earned in the business subject to phase out starting at \$326,600 (married filing jointly).	Phase out of QBI deduction for income above \$400,000, end special qualifying rules, including those for real estate investors
Like Kind Exchanges	Gains from sale of real property can be deferred if exchanged for property of a “like kind.”	Pare back advantage for ALL types of property for taxpayers with Adjusted Gross Income over \$400,000.
Depreciation	Generally, 100% expensing for certain qualified property placed in service through 2022, then phased down each year through 2026 to 20% (expires after 2026).	No proposal.
Low-income Housing Tax Credit	Available to incentivize development and improvement of affordable rental housing; an increased ceiling expires Dec. 31, 2021.	Expand through additional federal investment of \$10 billion; ensure that urban, suburban, and rural areas all benefit from the credit.



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Business (cont.)	Current Law (cont.)	Biden Proposal (cont.)
Incentives for Domestic Manufacturing	No provision.	Establish a manufacturing communities tax credit for five years to incentivize qualified investment in communities affected by mass job losses.
Work Opportunity Tax Credit (WOTC)	Available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment (scheduled to expire after 2020).	Expand WOTC target hiring groups to include military spouses

Other	Current Law	Biden Proposal
Estate Tax	Exemption amount is \$11.58 million (single) for 2020. Basis of assets is stepped up to Fair Market Value at the time of death. Maximum tax rate is 40%. Exemption amount goes to \$5 million after 2025.	Stepped-up basis of appreciated property at death would be eliminated. Lower the exemption to \$3.5 million (single). Raise rate to 45%.
Securities Transaction Tax	None	Generally, supports

If you have any questions or require clarity on an issue, please reach out to your SobelCo professional by email or phone for assistance.

