Election Year Tax Planning: How Do the Candidates’ Plans Compare?

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The victor in this year’s presidential election can shape tax policy for at least the next four years. The next president’s policies could have major impacts on the bottom line for organizations and individuals alike.

While Democratic presidential candidate Joe Biden has not released an official tax plan that includes all his tax proposals in a single place, he has spoken to—and his campaign has released—numerous plans with tax ramifications imbedded in them.

Most of President Trump’s tax platform has largely focused on promoting and preserving the Tax Cuts and Jobs Act (TCJA) that is currently enacted. Trump has proposed additional changes as well. In both cases, the new proposals are high level with little technical detail, but they do provide a roadmap for possible legislative change.

See the table below for how the candidates’ plans compare:

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<th>Trump</th>
<th>Biden</th>
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<td><strong>Individual Rates</strong></td>
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<tr>
<td>Make TCJA rate cuts permanent</td>
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<td>10% middle class tax cut</td>
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<td>Reduce 22% tax bracket to 15%</td>
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<td>Raise top rate to 39.6%</td>
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<td>Cap value of tax deductions at 28%</td>
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<td>Impose 12.4% payroll tax on wages over $400,000</td>
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Corporate Rate

- Retain 21%
- Raise rate to 28%
- 15% minimum tax on global book income over $100M

Capital Gains

- Tax capital gains as ordinary income at top rate of 39.6% on income above $1M

Tax Cuts for Businesses

- Make 100% bonus depreciation permanent
- Make 20% pass through deduction permanent
- “Made in America” Tax Credits
- Expand opportunity zones
- New tax credits “for companies that bring back jobs for China”
- 10% advanceable credit to reopen closed plants, retooling facilities, and expanding U.S. production
- Incentive for manufacturing drugs and other critical products in U.S.
- Expand new markets credits
- Expand low-income housing credit
- Tax credit for building onsite childcare facilities
- Tax break for small business that start a retirement plan

Tax Increases for Businesses

- Revise GILTI to 21% minimum tax
- Impose tax penalty on corporations moving jobs offshore
- Tax penalty on drug manufactures increasing prices more than inflation
- Tighten rules on classification of workers
- Has endorsed financial transaction tax
- Tighten Opportunity Zone rules
Tax Cuts for Individuals

- Make TCJA individual provisions permanent
- $5B in tax credits for contributions under the Education Freedom Scholarship program to help families pay for transportation, remedial programs, homeschooling materials, or private school tuition.
- Universal savings accounts providing tax-free investment
- Increase child and dependent care credit to $8,000
- New refundable $15,000 tax credit for first-time homebuyers
- Renter’s credit to reduce rent and utilities to 30% of income
- Expand Earned Income Tax Credit for those over 65

Estate Tax

- Make TCJA estate tax provisions permanent
- Eliminate stepped-up basis for inherited capital assets
- Restore estate tax rates to historic norms

Business - Energy

- Eliminate credits for electric vehicles
- Repeal residential energy efficient property credit
- Repeal renewable energy investment credit
- Eliminate accelerated depreciation for renewable energy property
- Restore full electric vehicle credit
- Reform and extend tax incentives that generate energy efficiency and clean energy jobs
- Reinstates tax credits for residential energy efficiency
- Incentives for carbon capture technology
- Incentives for manufacturing facilities making energy efficient upgrades

Click here to download a PDF version of the table.
No matter your political views and opinions, it is important to be pragmatic and proactive in responding to political and legislative uncertainty and change. As a part of being pragmatic, one must also consider hurdles to enacting any new tax proposals. Factors include the state of the economy, upcoming congressional elections, and balance of power in the House and Senate.

While it is difficult to predict all the variables to consider, an organization can be proactive and plan with maximum flexibility as the tax rules and authority continue to change and evolve.

To discuss these proposals or any other tax questions, contact your Brown Smith Wallace Tax Advisor, or John Schwartze, Tax Principal, at 314.824.5237 or jschwartze@bswlcc.com.