



ALERT – Tax Law Changes under the Biden’s Proposed Tax Plan

The results of the 2020 Presidential Election indicate that Joe Biden will be the next President. While much regarding President Biden’s tax plan remains uncertain, we wanted to notify you of some of the more imminent tax proposals that President Biden has presented. Regardless of your income and asset level, these proposed tax changes could have some serious implications on your estate plan. We strongly encourage you to contact our offices today for a **no obligation** review of your current situation and the new proposed tax legislation.

Current Tax Laws

- In 2020, the Estate Tax Exemption Amount is \$11.58 million per person (portability available for married couples. For 2021, the Amount is \$11.7 million. Anything over this amount is currently taxed at 40%.
- Individual income tax rates at the highest rate are taxed at 37%.
- Capital Gains and dividend tax rates at the highest rate are taxed at 20%.
- Like-kind exchanges are permissible for real estate.
- Corporations flat tax rate is at 21%.

President Biden’s Proposed Changes

- The Biden Tax Plan would reduce the Estate Tax Exemption Amount to \$3.5 million per person (\$7 million for married couples). Any excess would be taxed at 50%.
- Under the Biden Tax Plan, individual income tax rates at the highest rate would be raised to 39.6% with an Obama Care tax rate of 3.8% and a Social Security payroll tax rate of 6.2%. For the highest income earners, the applicable income tax rate would total at 49.6%.
- Capital Gains and dividend rates would remain at 20%. However, anything over \$1 million in capital gains would be taxed at 39.6% plus the Obama Care tax of 3.8%.
- The Biden tax plan would eliminate the “like-kind” exchange applicable for real estate. It would also repeal the 199A deductions available for real estate.
- Finally, the Biden Tax plan would increase the corporate tax rate to 28%.

Effective for 2021?

Although the process for making these tax changes could take some time to pass through the House and Senate, there is a realistic possibility that the changes would be implemented retroactively to start January 1, 2021. This means that the window for advanced tax planning could be short. If you have any questions or concerns, please contact us to schedule a review of your estate plan and these proposed changes.

Please contact our offices today to schedule a no-obligation review meeting at (303) 670-9855.

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