



## Tax Reform

Tax reform in the near-term will be influenced by two major factors: (1) whether to extend or modify the provisions of the **Tax Cuts and Jobs Act of 2017** (many of which expire at the end of 2025), and (2) the need to raise substantial additional revenues to **offset the cost of new proposals** relating to health care, climate, infrastructure, and other areas. The Biden Administration has made a number of proposals that in the aggregate **would raise an estimated \$4 trillion** over the next 10 years. Senate Republicans will oppose most elements of the Biden plan, and will block legislation that results in an aggregate tax increase.

**Major Biden Tax Proposals.** Following is a checklist of some of the new proposals that would have the largest budget impact:

- Increase **corporate rate** to 28%
- Apply 12.4% **Social Security taxes to incomes above \$400,000**
- Tax **capital gains**, dividends at ordinary rates for individuals with incomes above \$1 million; tax unrealized capital gains at death
- Reduce **global intangible low-tax income** deductions from 50% to 25%
- **Limit itemized deductions** to 28% of value
- Eliminate **real estate tax preferences**, including like-kind exchange deferrals
- Phase out **qualified business income deduction** above \$400,000 of income
- 15% minimum tax on **global book income**
- **Restore pre-TJCA rates** on individuals and families with incomes **over \$400,000**
- Tax credit for **family caregivers** of individuals with physical and cognitive needs
- **No tax increases** for individuals and families with incomes **under \$400,000**
- Lower **estate tax** exemption to \$3.5 million and increase rate to 45 percent (\$7,000,000 per married couple)

**Senate Finance Committee Agenda.** Senator Mike Crapo (R-ID) is expected to take over as Chairman of the Senate Finance Committee if Republicans retain their majority. He can be expected to be an advocate for extending many of the expiring provisions of the 2017 TCJA. Top committee Democrat Ron Wyden (D-OR) is expected to be strongly supportive of the Biden tax proposals. He has advocated for significant changes affecting upper income taxpayers, such as **taxing capital gains** for those making above \$1 million on a “mark-to-market” basis.