



# 2021 Tax Estimates

by Terri Getman, JD\*, CLU, ChFC, RICP AEP(Distinguished)

We are pleased to bring you recently released 2021 tax estimates based on tax cost of living adjustments. When the IRS publishes the official numbers, DBS will make the official 2021 Tax Guide available for your use.

## Election 2020 and Future Tax Impact

With the election just a few short weeks away, it's anyone's guess as to which candidate will prevail on November 3, 2020. Regardless, whoever wins, there are sure to be changes to the 2021 numbers that appear in the DBS 2021 tax guide because Congress will need to figure out ways to handle the increasing deficit. Consequently, whatever the outcome of the election, advisors should prepare their clients for the changes that are likely to occur in the future.

President Trump has not provided much detail about his second-term tax plan, but he is expected to at least maintain the policies legislated in the 2017 Tax Act. Former Vice President Biden has issued several detailed tax policy proposals during the primary and has added a few since. Below is a comparison of a few of the higher-profile tax proposals.

	Trump Current Law	Possible Biden Administration
Top Income Tax Rate	<b>37%</b> For tax year 2021 the 37% rate applies to joint taxpayers with income of \$628,300 and single filers at \$523,600 At \$400,000 of income the rate would be 32% joint and 35% for single filer	<b>39.6%</b> Taxpayers over \$400,000 of income Not clear if the \$400,000 threshold is joint or single filer
Capital Gains Tax	<b>Currently top rate 20%</b> (plus 3.8% net investment income) Trump has proposed reducing the top rate to 15% with the brackets indexed.	<b>39.6%</b> (plus 3.8% net investment income) for those with income greater than \$1M Capital gains taxed at ordinary income rate on excess over \$1M <b>Unlikely but possible:</b> taxation of unrealized gains annually
Qualified Retirement Plans	<b>Deduction at taxpayer's tax bracket</b>	<b>Credit 26%</b>
State & Local Itemized Deduction	<b>Capped at \$10,000</b>	<b>No cap</b>
Social Security	12.4% on first \$142,800 (for 2021) of salary and wages split equally between worker and employer	12.4% on first \$142,800 (for 2021), and 12.4% on all salary and wages over \$400,000 with no cap split equally between worker and employer
Top Corporate Tax Rate	<b>21%</b>	<b>28%</b>
Qualified Business Income Deduction (QBI) for Pass-Through Businesses	<b>20% deduction</b> For 2021 total phase out for specified businesses with household incomes over \$429,800 (joint)/\$214,925 (single) and no phase out for all other pass-through businesses	<b>20% deduction</b> Phase out for all pass-through businesses with household incomes over \$400,000
Top Estate, Gift & Generation Skipping Tax Rate	<b>40%</b>	<b>Uncertain but likely 45% or 50%</b> Unlikely but possible 77%
Estate, Gift & Generation Skipping Tax Exemption	<b>For 2021 \$11,700,000 indexed</b>	<b>Uncertain, but likely \$3.5M to \$5M indexed</b>
Basis Step-Up at Death	<b>Yes</b>	<b>In jeopardy</b> Not clear whether the gain would be triggered at death or at time the asset is sold by heirs

## How Can DBS Help?

If you have questions, call DBS's in-house advanced Case Design Resource, Terri Getman, JD\*, CLU, ChFC, RICP, AEP (Distinguished) at ext. 230.

For the Education of Financial Advisors & Financial Professionals. Not for use with the General Public.

This material has been prepared to assist our licensed financial professionals and clients' advisors. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that we are not rendering legal, accounting or tax advice. Such services must be provided by the client's own advisors. Accordingly, any information in this document cannot be used by any taxpayer for purposes of avoiding penalties under the Internal Revenue Code.

[www.dbs-lifemark.com](http://www.dbs-lifemark.com)

5501 Excelsior Boulevard | Minneapolis, MN 55416

\*Not in the practice of law.