

Many Provisions Dropped from Build Back Better Act Proposal

DBS

1

Increase in the top marginal individual income tax rate from 37% to 39.6%.

2

Increase in the capital gains rate for top bracket taxpayers from 20% to 25%.

3

Limitation on the deduction of qualified business income for certain high-income taxpayers.

4

Acceleration of the reduction of the estate tax exemption to \$5 million.

5

Valuation rules that would have eliminated valuation discounts for transfers of nonbusiness assets.

6

Inclusion of assets held in a grantor trust (such as most ILITs) in the gross estate of the grantor.

7

Taxation of sales between a grantor and the grantor's trust.

8

Modifications of rules relating to retirement plans including:

The recently released House version of the Build Back Better Act dated October 28, 2021 eliminates several of the previously proposed tax increases impacting high net income individuals. The tax proposals dropped in the rewrite include:

- Provisions that would have prohibited Roth conversions for high-income taxpayers
- Provisions that would prohibit "back-door" and "mega back-door" Roth IRAs
- Increase in minimum required distributions for taxpayers with large retirement account balances
- Imposition of contribution limits for retirement plans of taxpayers with large account balances

It's important to stress that these revisions are proposed and will inevitably undergo further revisions before they're passed by the House and taken up by the Senate.

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