



Diversified Brokerage Services, Inc.

# Post-Election Tax Planning Opportunities

By Terri Getman, JD, CLU, ChFC, RICP, AEP (Distinguished)

With Joe Biden the 46th President-Elect, the Democrats maintaining the majority in the House, and control of the Senate currently deadlocked awaiting a January 5th runoff for the two Senate seats in Georgia, it is wise to consider how potential changes will affect the planning you do with your clients this year. Below is a comparison of a few of the higher-profile tax proposals.

	Trump Current Law	President-Elect Biden Potential Changes
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.



5501 Excelsior Blvd | Minneapolis, MN 55416



800.869.1327 / 952.697.5000



www.dbs-lifemark.com

For the education of financial professionals only. Not for the general public.