



Year-End Tax Planning

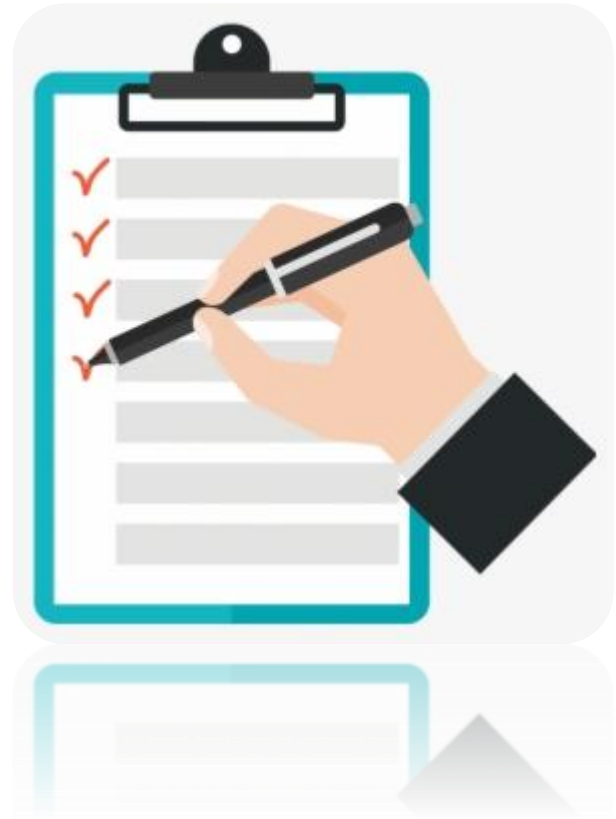
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Agenda

- Election Overview
- Biden Tax Reform
- Tax Planning Considerations
- Income Acceleration Strategies



Election

- Democrats will control the Executive Branch & House of Representatives
- Control of the Senate will not be decided until January
- Likely to see changes in tax law as result of change in administration; however, extent of change & timing of any changes will depend largely on which party controls the Senate.



Biden Tax Platform

- Top Rate increased from 37% to 39.6%
- Tax increases for taxpayers making more than \$400,000
- Capital gain rate increased from 20% to 39.6% for taxpayers with income over \$1 million
- End SALT cap



Biden Tax Platform *(cont'd)*



- Restore Pease limitation for income above \$400,000
- Expand Social Security Tax for income in excess of \$400,000
- Phase out QBI deduction for income in excess of \$400,000 increasing tax rate on business income from 29.6% to 39.6%

Biden Tax Platform *(cont'd)*


- Increase corporate tax rate from 21% to 28% & would institute a new corporate minimum tax of 15% of worldwide book income.
- Reduce life-time exemption for \$11,580,000 per taxpayer to \$3,500,000.
- Increase top estate tax rate from 40% to 45%
- Eliminate step-up in tax basis of assets



Biden Tax Platform *(cont'd)*

- Expand earned income tax credit to older workers
- Expand dependent care credit to \$8,000
- Eliminate carried interest
- Create an “automatic 401(k)” for workers that do not have access to a plan
- Allow penalty-free hardship withdrawals for survivors of domestic violence or sexual assault
- Tax credits to small business to help offset the cost of starting or maintaining retirement plans

Tax Planning Considerations - 2020

- Is normal planning (income deferral & deduction acceleration) for 2020 the right strategy?
- Is the window to take advantage of certain strategies available now but may not be in the future?
 - CARES Act allows NOL carryback for 5 years only for 2018, 2019 & 2020
 - Certain Charitable contributions are deductible up to 100% of AGI
 - Waiver of qualified plan 10% early distribution penalty for COVID-19 purposes
 - Utilize some or all of life-time exemption.

Tax Planning Considerations – 2020

(cont'd)

- Don't be caught off-guard by impact of PPP loan forgiveness
- Make sure to consider state taxes – not always the same as federal
- Revisit estate planning



Tax Planning Considerations – 2020

(cont'd)

- Plan to maximize benefit of QBI deduction
- Consider NJ Business Alternative Income Tax (BAIT)
- Review tax basis in partnerships, LLCs and S Corporations to ensure deductibility of losses & to avoid unexpected income on distribution in excess of basis



Income Acceleration Strategies

- Convert traditional IRA to Roth IRA
- Accelerate RMDs
- Elect out of installment sales
- Harvest Capital Gains
- Forgo like-kind exchanges
- Exercise stock options
- Trigger wash sale rules by repurchasing stocks sold at loss within 60 days
- Look at accounting method changes



Questions?



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