

# Biden 2020 Tax Plan

The presumptive Democratic presidential nominee and former Vice President Joe Biden has outlined his 2020 tax plan in this 110-page economic policy document. His plan lays out what taxes could look like under his presidency for individuals and corporations, should he win the election and obtain congressional approval.

## KEY FINDINGS



The elimination of 1031 Exchanges for investors with annual incomes greater than \$400,000. This removal is part of Biden's plan to finance \$775 billion in government spending over the next ten years on child care and care for the elderly.



High-income individuals with income over \$400,000 would receive increased income taxes and payroll taxes to 39.6%.



Investors would be prevented from using real-estate losses to lower income tax bills.



The plan would collect about \$3.8 trillion over the next decade, \$3.2 trillion after accounting for the size reduction of the U.S. economy.



The plan would lead to 7.8% less after-tax income for the top 1% of taxpayers, 1.1% lower after-tax income for the top 5%, and around 0.6% less after-tax income for other income quintiles.

## RAISING TAXES ON WORK

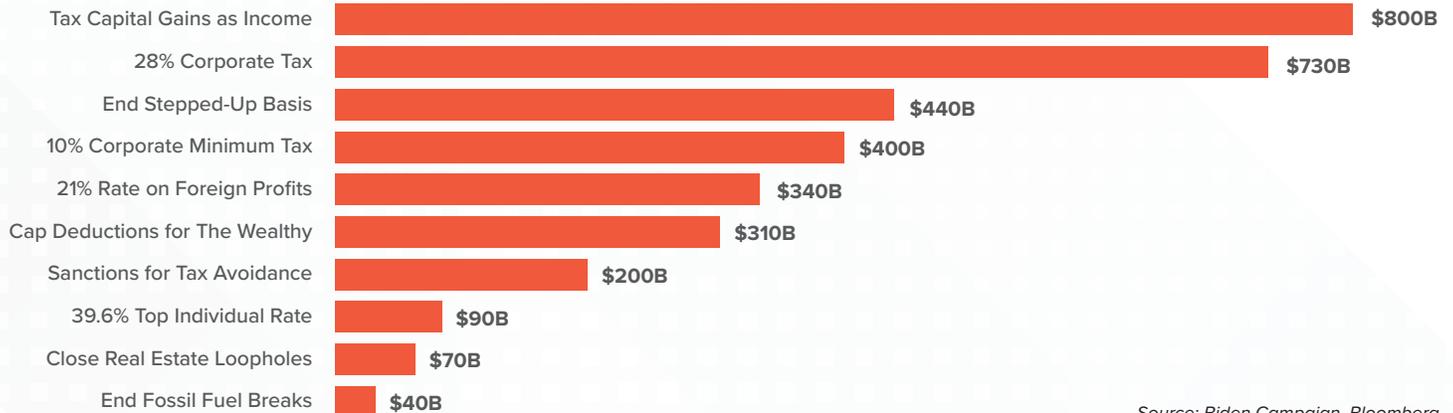
Federal top marginal tax rates on labor and investment income.

Investment Income	Current Law	Biden's Law	Labor Income	Current Law	Biden's Law
Top Capital Gains Rate	20%	39.6%	Top Individual Tax Rate	37%	39.6%
Net Investment Income Tax	3.8%	3.8%	OASDI Payroll Tax Rate	0%	12.4%
Payroll Tax on Investment Income	0%	0%	Medicare Tax	2.9%	2.9%
Corporate Tax Rate	21%	28%	Additional Medicare Tax	0.9%	0.9%
1031 Exchanges	No restrictions	Restricted for individuals with annual income greater than \$400,000	M4A Income- Based Premium	0%	0%
<b>Top Marginal Rate</b>	<b>23.8%</b>	<b>43.4%</b>	<b>Top Marginal Rate</b>	<b>40.2%</b>	<b>51.8%</b>

Source: Cornerstone Macro

## HOW BIDEN'S LAW STACKS UP

Biden is proposing more than \$3.4 trillion in tax increases to fund infrastructure, climate investments, education and health care.



Source: Biden Campaign, Bloomberg

## SUMMARY OF TAX PLAN

- 1031 Exchanges would be prohibited for individuals with annual income over \$400,000.
- The top individual income tax rate for taxable incomes above \$400,000 would revert from 37% under the current law to the pre-Tax Cuts and Jobs Act of 39.6%.
- Long-term capital gains would be taxed at the same rate as ordinary income for households earning more than \$1 million.
- Repeals the Tax Cuts and Jobs Act components for high-income filers.
- For wages above \$400,000, a 12.4% social security payroll tax would be imposed, split evenly between employers and employees. The current wage cap is \$137,700.
- Increases the corporate income tax rate to 28%, up from 21%.
- Doubles the tax rate on Global Intangible Low Tax Income (GILTI) earned by foreign subsidiaries of U.S. firms from 10.5% to 21%.
- Establishes a corporate minimum tax on corporations with book profits of \$100 million or higher. The minimum tax is structured as an alternative where corporations will pay the greater of their regular corporate income tax or the 15% minimum tax on profits reported to investors, while still allowing for net operating loss (NOL) and foreign tax credits. In effect, anything companies did to drive their tax rates below the 15% level would be taken back.
- Reduce global domestic product (GDP) by 1.51% over the long term.

**Biden's 2020 Tax proposal could encourage companies to manage financial-statement income differently, changing the information investors use to judge business prospects. For more information on Biden's 2020 Tax Plan, please contact a Matthews™ specialized agent.**

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