

2021 President-Elect Biden's Tax Proposals

Topic	Current Law	Biden
Corporate Rate	21%	Increase to 28%
Corporate Minimum Tax	Repealed in TCJA of 2017.	15% minimum tax on <i>book</i> income of companies with \$100+ million that would otherwise pay zero (or negative) US income taxes.
Foreign-source Income of US multinationals	Global intangible low-taxed income (GILTI) subject to a 50% deduction (effective rate of 10.5%) and through 2025, and a 37.5% deduction (effective rate of 13.125%) thereafter.	Increase the GILTI effective rate to 21%.
Havens; Base Erosion	Base Erosion and Anti-Abuse Tax (BEAT) limits the ability of large multinationals to shift profits from the US by making deductible payments to their low-tax affiliates.	Reduce incentives for “tax havens, evasion, and outsourcing.”
Domestic Companies and Overseas Jobs	No direct current disincentives or carrot-and-stick approaches.	Eliminate incentives for pharma and other industries to move production overseas. Create a claw-back requirement the return of incentives and tax benefits if US jobs are sent overseas. Impose 10% offshoring surtax for US companies the offshore manufacturing.
Payroll Tax	6.2% Social Security tax on wages up to \$142,800. 1.45% Medicare tax on all wages. 0.9% Medicare tax on wages in excess of \$200,000, \$250,000 if married.	Eliminate Social Security tax exemption for wages above \$400,000 (exemption for wages between \$142,800 and \$400,000 would remain), imposed on employers and employees.
Pass-through Business Income	199A – 20% deduction on Qualified Business Income with a 2019 married filing jointly phase-out of \$421,400. Set to expire in 2025.	Reduce the phase-out amount to \$400,000, and remove the special qualifying rules for real estate.
Real Estate	Gain/loss recognition deferred on disposal of certain real property and acquisition of similar replacement property (like-kind exchange). Various credits and incentives (like Opportunity Zones) are available.	Repeal like-kind exchanges of real property (potentially only for taxpayers with income over \$400,000). Expand and make permanent the New Markets Tax Credit. Expand the Low-Income Housing Credit. Expand 179D deduction for energy efficient retrofits. More reporting and review of Opportunity Zone projects.
Manufacturing	Various accelerated depreciation mechanisms are available, bonus depreciation, 179 expensing, the tangible property regulations, etc. However, the domestic production activities deduction was repealed by the TCJA.	Establish new incentives to encourage US production, like a 10% advanceable “Made in America” credit. Create a manufacturing communities tax credit. Provide incentives for efficiency upgrades, process changes, and facility up-fits.

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Oil & Gas	Intangible drilling costs 100% deductible in first year for independent producers and 70% deductible for integrated firms. Tax exemption of set percentage of taxable income for independent fossil fuel producers and investors.	Repeal the incentives for fossil fuel producers.
Energy Efficient Property	Electric Vehicle tax credit available. 22-30% credit for residential energy efficient property. 179D deduction of up to \$1.80 per square foot for energy efficient commercial property.	Extend and restore the full electric vehicle tax credit. Provide credits for residential energy efficiency. Create new residential and commercial incentives to retrofit and reduce carbon footprints. Expand scope of 179D (or create new deductions).
Renewable Energy	26% investment tax credit (ITC) for businesses installing solar, geothermal, and wind systems, phasing down to 10% in 2022. 5-year depreciation period for renewable energy property.	Restore ITC to initial rate and make permanent. Increase incentives for carbon capture, use, and storage. Increased credits for renewable energy projects.
Income Tax Rates	10% up to 37%	Increase max rate to 39.6% for income over \$400,000.
Capital Gains Rates	0% to 20%	Tax long-term capital gains and dividends at ordinary income rates for those with taxable income over \$1 million.
Carried Interests	Treated as long-term capital gain if held for more than three years.	Tax at ordinary income rates.
Retirement	Various tax savings structures – advantaged or deferred.	Enhance retirement tax breaks for low to middle-income workers. Balance the existing forms of retirement saving tax breaks regardless of income.
Self-Employment Tax	12.4% Social Security tax on self-employment earnings up to \$142,800. 2.9% Medicare tax on all self-employment earnings. 0.9% Medicare tax on self-employment earnings in excess of \$200,000, \$250,000 if married.	Eliminate Social Security tax exemption for earnings above \$400,000 (exemption for earnings between \$142,800 and \$400,000 would remain).
Itemized Deductions	Greater of (1) the standard deduction, or (2) the sum of the itemized deductions, with no cap on the latter through 2025. State and local tax payments deductible up to \$10,000 (cap set to expire after 2025).	Restore limitation on itemized deductions if income is over \$400,000. Cap value of itemized deductions at 28%.
Estate Tax	40% estate, gift, and generation-skipping tax; base exclusion of \$10 million per taxpayer, adjusted for inflation (\$11.58 million in 2020); increased exemption sunsets 12/31/2025. Stepped-up basis applies to inherited assets.	Return rate to 45%, base exclusion of \$3.5 million per taxpayer, indexed for inflation. Repeal of stepped-up basis at death.