President Biden's Tax Plans For The American People, Reports Bambridge Accountants New York

Saturday 7 November, 2020

Newly elected President Joe Biden's planned tax changes will affect millions of Americans, reports Bambridge Accountants New York.

President Biden will be reverting from President Donald Trump's 2017 tax cuts signed to raise $2 trillion and $3 trillion in tax revenue, according to estimates from the Tax Policy Centre and the American Enterprise Institute, over the period of a decade.

The increase in tax revenue is designed to fund President Biden's spending scheme on education, federal healthcare plan which would cost $750 billion over a decade, and climate change action. This is projected to reduce GDP by 1.62% in the long term.

With all the proposed changes, President Biden's plan is reliant on the Senate to pass those changes.

Business Tax Changes

For corporations, Democrat President Biden announced his plan would be to raise the rate from 21% to 28%, as well as levying a new minimum tax on corporations with book profits at or exceeding $100 million.

According to President Biden's campaign, this is aimed at those companies who report net income of $100 million or more in the U.S. but pay little federal income taxes. Using book income rather than taxable income as a basis for income tax raises the tax rate on firms. The minimum tax is assembled as an alternative minimum tax. This means that businesses will either pay their regular income tax or the 15% minimum tax, whilst allowing for their not operating loss and foreign tax credits.

These proposed corporation taxes are predicted to account for relatively 51% of the revenue gains from the overall tax plans.

Capital Gains Tax Changes

President Biden plans to change the taxation of capital gains, replacing the tax rate of 23.8% to 39.6% to match the income tax rates, on long term capital gains for those with incomes exceeding $1 million.

Now, if a person dies and someone inherits their assets, the basis (price at which an asset is purchased) is raised to its market value. This is a step-up basis and means any capital gains occurred under the heir will not be taxed and the basis will be revalued if there is a point of sale. This 'step-up basis' eases the tax burden to those inheriting appreciated assets, including art, securities and property.

However, President Biden suggests abolishing the step-up basis of capital gains, as not paying tax on capital gains after the death of an ancestor leads to a loss of around $40 billion per annum.

The aim of both propositions is to further raise taxes for those on high incomes.

Individuals And Households

According to President Biden's campaign, he is promising that households making less than $400,000 will not be made to pay higher taxes.

President Biden has said that he would make changes to those on incomes above $400,000. These potential changes include imposing the 12.4% Social Security payroll tax – split between employees and employers, not to mention the highest federal income tax band would be raised from the current 37% to 39.6%.

Tax Cuts

As an alternative to implementing tax deductions, President Biden is willing to use the policy of tax credits.

Media:



Related Sectors:

Business & Finance :: Government :: Lifestyle & Relationships :: Personal Finance ::

Related Keywords:

Biden :: President :: Trump :: Tax :: Taxes :: Capital Gains :: Finance ::

Scan Me:

President Biden has stated that he will temporarily increase the child tax credit by $1,000, from $2,000 to $3,000. Also, he would extend another $600 for children under the age of six.

This use of tax credits would also apply to retirement contributions. He proposes to initiate matching tax credits for retirement accounts such as 401(k)s and IRAs. This tax credit would be deposited into the taxpayer's retirement account.

Placing President Biden's Tax Plans Under Historical Context

President Joe Biden's projected tax plans would not be the largest tax increase on record but will be large by historical standards over a longer period. President Biden's tax plan would raise federal tax revenue by approximately 1.41% of GDP from 2021 to 2024, meaning it would be the fifth-largest tax increase since the 1940s. Despite not being the largest tax increase on record, will raise revenue significantly to revive the U.S. economy from the coronavirus pandemic induced recession. It will be the biggest tax increase since the late 1960s.

President Joe Biden's campaign plans are a proposal. The Democrats will have to repossess their control over the Senate for the plans to be considered.

Contact Alistair Bambridge, alistair@bambridgeaccountants.com.

Bambridge Accountants has offices in London and New York, specializing in creatives and U.S. expats around the world.

www.bambridgeaccountants.com

Company Contact:

Bambridge Accountants

T. +1 646 956 5566
E. alistair@bambridgeaccountants.com
W. https://bambridgeaccountants.com

View Online

Additional Assets:

https://joebiden.com/two-tax-policies/

Newsroom: Visit our Newsroom for all the latest stories:
https://www.bambridgeaccountants.pressat.co.uk