Presidential Candidate's Tax Policy Review

With the presidential election looming, we took a closer look at how the current and proposed tax laws from President Trump compare to Democratic presidential candidate Joe Biden's proposals, to better understand how they may impact tax planning strategies going forward. Additionally, we highlight certain benefits you may be able to take advantage of before any changes are enacted or expire. Please note, the following tax proposals are without executive order and are subject to change.

	Current Tax Laws (For 2020)	Joe Biden's Tax Proposals[1]	President Trump Tax Proposals[1]
Top Marginal Income Tax Rate	37% for • Individuals with income over $518,400 • Married couples filing jointly with income over $622,050 *Rates are scheduled to increase after 2025	39.6% for • Individuals with income over $400,000	• Enact a 10% middle-class tax cut, which reportedly could include lowering the 22% marginal tax rate to 15%. For 2020, the 22% marginal tax rate applies to income over $40,125 for individuals and $80,250 for married couples filing jointly. • Extend the individual rates enacted by the TCJA that are scheduled to expire after 2025
Top Capital Gain Tax Rate (Net Investment Income Tax Remains for Both)	20% for • Individuals with income over $441,450 • Married couples filing jointly with income over $496,600	Ordinary income tax rate for income over $1 million	• Index capital gains for inflation • Reduce the capital gains tax rate • Enact a capital gains tax holiday that eliminates capital gains taxes for a yet-to-be-identified period
Deductions	*Standard Deduction –* • Individuals: $12,400 • Married couples filing jointly: $24,800	*Itemized Deduction –* • Tax benefit is limited to a maximum of 28%	Extend the higher basic standard deduction and other deductions enacted by the TCJA

[1] Accounting Today

ROCKLAND TRUST
Investment Management Group

	Itemized Deduction – no limit on overall deduction *State and Local Income Tax Deduction* – limited to $10,000 for both individuals and married couples filing jointly *Personal Exemption & Miscellaneous Itemized Deduction (above 2% adjusted gross income)* – Suspended	• Overall deduction is also limited for income over $400,000	that are scheduled to expire after 2025
Tax Credits	*Child Tax Credit* – • $2,000 per child (reduced amount for families with income over $400,000) *$2,000 per child credit will expire after 2025	*Child Tax Credit* – • $8,000 for one child, $16,000 for two or more children (the credit gets phased out for income earned between $125K and $400K, the credit is not eligible for families with income over $400K) *Family Caregiver Tax Credit (new)* – • Up to $5,000 *Homebuyers and Renters Tax Credit (new)* – • $15,000 for first-time homebuyers • Limit rent and utilities payments to 30% of low income renters' monthly income	• Require a dependent to have a Social Security number to be eligible to be claimed for the $500 other dependent credit. Require a taxpayer to have a Social Security number to claim both the CTC and the $500 other child dependent credit • Extend the $2,000 CTC enacted by the TCJA that is scheduled to expire after 2025

Social Security Tax	Imposed on earned income up to the inflation adjusted cap amount ($137,700 – for 2020)	• Imposed on earned income up to the inflation adjusted cap amount • Earned income between this maximum amount up to $400,000 would be exempt from social security tax • Earned income over $400,000 will be subject to social security tax	No information available at this time
Estate and Gift Tax	• Lifetime/Generation skipping tax exclusion - $11.58 million • Inherited assets: step-up in basis to decedent's date of death market value • Sunset provisions will decrease the amount after 2025 back down to approximately $5.8MM	Inherited assets: step-up in basis will be eliminated ** There is speculation that Biden will support for a reduction of the lifetime/generation skipping tax exclusion.*	Extend the higher estate and gift tax exemption enacted by the TCJA that is scheduled to expire after 2025
Corporate Income Tax Rate	21%	28%	20%

While it is uncertain how the tax laws will unfold in the future, currently there are benefits that are set to expire in 2025 or upon a newly established tax-reform, which given your situation could be worth taking advantage of now. The following are a couple of tax planning strategies to consider:

- The estate and gift tax exemption is the amount of assets that a person can gift during his or her lifetime or pass onto his or her beneficiaries at death, which will be exempt from federal estate and gift tax. With the Tax Cuts and Jobs Act enactment, this exemption has been temporarily increased from $5 million to $10 million per person for 2018 through 2025, with both amounts subject to annual inflation. During this period of time, for taxpayers who made lifetime taxable gifts in excess of the $5 million, the IRS has confirmed that that they will not lose the tax benefit of the higher exclusion level once it decreases after 2025 or if there is a change in law

ROCKLAND TRUST
Investment Management Group

before then. In other words, this is a “use it or lose it” benefit. In hedging a drop with the exemption, it is crucial now more than ever for those who may face substantial estate tax liabilities to review their estate plans with their relationship managers and make use of the increased exemption amount while it is still available. By making tax-free transfers now, any future appreciation of the gifted assets will remain free of estate tax for the donor.

- Our current income tax brackets are in a historically low standpoint since the enactment of the new tax laws in 2017. Although we cannot foresee how they will change in the future, it may still be advantageous to make use of this benefit by converting your traditional IRA assets to a Roth IRA. Keep in mind that earnings on the Roth IRA assets will be tax-free upon distribution if you meet the 5-year holding period rule and the age requirement. Also, you may transfer assets in-kind instead of cash with the conversion. This may be beneficial to those who are not ready to sell their IRA holdings or who may be impacted by a downturn in the market.

Rockland Trust Investment Management Group has professionals who can guide you through the intricacies of your unique tax situation and ensure you are properly positioned for success. Contact us to discuss more.

ROCKLAND TRUST
Investment Management Group