

# Legislative Updates and End-of-Year Planning Tips for Business-Owning Families

Wednesday, November 10, 2021 10–11 a.m. PST



## **Our Members**













**HYDRAFLOW** 

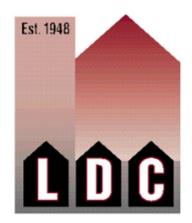
GLOBAL FAMILY BUSINESS INSTITUTE DRUCKER SCHOOL OF MANAGEMENT Claremont Graduate University

## **Our Members**





























## Advocating for Families in DC

# POLICY AND TAXATION GROUP

## **Family Enterprise USA**

FEUSA, was formed in 2007, it represents all family businesses on a national level in DC; it is not unique to any industry. Sole mission and purpose; to promote family businesses and their job growth in America

FEUSA is a 501(C)(3) www.familyenterpriseusa.com

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### By Families, For Families

Focused – exclusively promotes the reduction and ultimate repeal of estate, gift and generation-skipping taxes.

**Strategic** – tactically and credibly engages and educates legislators in a bipartisan manner and motivates and organizes allies in the fight.

**Innovative** – develops data, research and information, with polls, focus groups, researchers and academics, to substantiate the need for repeal.

**Organized** – supported exclusively by families and family businesses

PATG is a 501.(C)(4)

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83.3
32.4
million jobs

million family businesses

54% of private sector GDP

\$7.7

View the full report by following this link or scanning the code to the right!

<a href="https://familyenterpriseusa.com/polling-and-research/family-business-economic-research/">https://family-business-economic-research/</a>



2021 House Budget Reconciliation Tax Proposals and the Build Back Better Framework



## 2022 Individual Tax Rate Increases Proposed

- Reinstates the <u>39.6% top ordinary income tax</u>
   <u>rate</u> (up from 37%)
- Establishes <u>a 3% surtax on income >\$5M</u>
   (including capital gains) on individuals, trusts, and estates.
- Imposes a <u>25% long-term capital gains (and dividends) tax rate</u> applicable to income levels greater than \$400K (single) and \$450K (joint).



## 2021 Estate and Gift Tax Proposals

- Effective beginning 2022, accelerates the 2017 Tax Cuts and Jobs Act (TCJA) estate and gift tax exclusion 2026 sunset, cutting the current \$11.7M per person exclusion roughly in half to \$6.02 million, indexed for inflation.
- Effective on date of enactment, restrictions on the <u>application of</u> <u>valuation discounts to "non-business assets" for transfer tax</u> <u>purposes.</u>
- Effective on date of enactment, <u>new code provisions would require</u> grantor trusts to be included in grantor decedent's taxable estate and treat transactions between grantor and grantor trust as taxable transactions (applicable to future trusts, transfers, and transactions only).
- Prohibits any <u>IRA funds from being invested in a non-publicly traded</u> entity
- Caps the <u>allowable 199A deduction at \$400K</u> (single) and \$500K (joint)



# Build Back Better; Framework

#### Investments in Children, Families and Caregiving that Grow the Economy's Capacity

- •Universal Preschool for all 3- and 4-year Olds
- Affordable High Quality Child Care
- Affordable, High-Quality Care for Hundreds of Thousands of Older Americans and People with Disabilities in Their Homes and Communities
- Expanded Child Tax Credit

#### **Investments in Clean Energy and Combatting Climate Change**

- •Clean Energy Tax Credits (\$320 billion)
- •Resilience Investments (\$105 billion
- •Investments and Incentives for Clean Energy Technology, Manufacturing, and Supply Chains (\$110 billion)
- •Clean Energy procurement (\$20 billion)

#### **Affordable Care for Millions of Hardworking Americans**

- Affordable Care Act Premium Tax Credits
- •Allow Medicare to cover the cost of hearing

## Bringing Down Costs, Reducing Inflationary Pressures, and Strengthening the Middle Class

- Housing
- •Education Beyond High School and Workforce Development
- •Earned Income Tax Credit for 17 Million Low-Wage Workers
- •Equity and Other Investments

Improve Our Immigration System Consistent with the Senate's Reconciliation Rules

## Build Back Better; Framework; Expenditures

Child Care and Preschool; \$400
Home Care; 150
Child Tax & Earned Income Tax Credits; \$200
Clean Energy and Climate Investments; \$555
ACA Credits, Including in Uncovered States; \$130
Medicare Hearing; \$35
Housing; \$150
Higher Ed and Workforce; \$40
Equity & Other Investments; \$90
Total \$ 1750 trillion
Immigration 100

Investments in \$ billion

# BBB: The Framework, "Fully Paying for the Historic Investments

- 15% minimum tax on the corporate profits that large corporations with profits in excess of \$1 billion dollars.
- 1% surcharge on corporate stock buyback.
- 15% country-by-country minimum tax on foreign profits of U.S. corporations, so that they no longer receive massive tax benefits from shifting profits and jobs abroad.
- Surtax on the income of multi-millionaires and billionaires a 5 percent rate above income of \$10 million, \$200,000 for Trusts or Estate and an additional 3 percent surtax on income above \$25 million, \$500,000 for Trusts or Estate.
- Close the Medicare tax loophole with Net Investment Income Tax of 3.8% for taxpayers with \$400,000/\$500,000
- Business loss deductions for non-C Corp changed and \$500,000 cap made permanent
- Additional IRS enforcement resources will be focused on pursuing those with the highest incomes with more than \$400,000 in income.

## BBB Framework; WHAT WASN'T INCLUDED!

- Elimination of Grantor Trusts
- Elimination of Valuation Discounts for Nonbusiness assets
- Reduction of Estate Tax Lifetime Exemption
- IRA Limitation of Private Stock Ownership
- 199A Reduction
- Elimination of Step Up In Basis
- No Increase in Estate Tax Rate
- Increase in Income Tax Rates; still could happen
- Increase in Cap Gains Tax Rate; still could happen

## Build Back Better; Framework; Offsets

Offsets – Estimates,
Subject to Confirmation
\$ billion

15% Corporate
Minimum Tax on Large
Corporations; \$325

Stock Buybacks Tax; \$125

Corporate International
Reform to Stop
Rewarding Companies
That Ship Jobs and
Profits Overseas; \$350

AGI Surcharge on the Top 0.02%; \$230

Close Medicare Tax Loophole for Wealthy; \$250

Limit Business Losses for the Wealthy; \$170

IRS Investments to Close the Tax Gap; \$400

Prescription Drugs: Repeal Rebate Rule; \$145

Up to a Total of: \$1995 trillion