

THE AMERICAN FAMILIES PLAN: TAX CHANGES AFOOT

A look ahead at US tax policy and possible changes

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Today's speakers



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Principal, Washington National Tax

Today's moderator:



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Senior Director, National Tax



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Agenda

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|------------------------------------|---------|
| • Introductions | 5 min. |
| • Tax policy landscape | 10 min. |
| • The American Families Plan | 15 min. |
| • Enhanced IRS enforcement | 15 min. |
| • Timing and retroactivity chances | 15 min. |

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TAX POLICY LANDSCAPE

Tax Policy landscape: Congress - Political make up

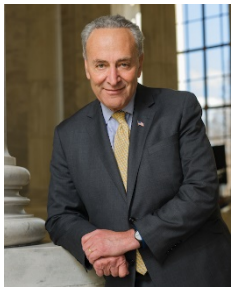
House of Representatives



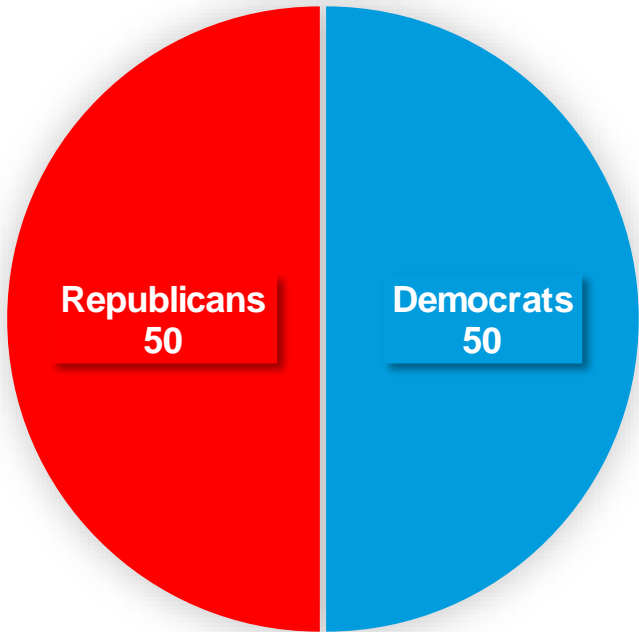
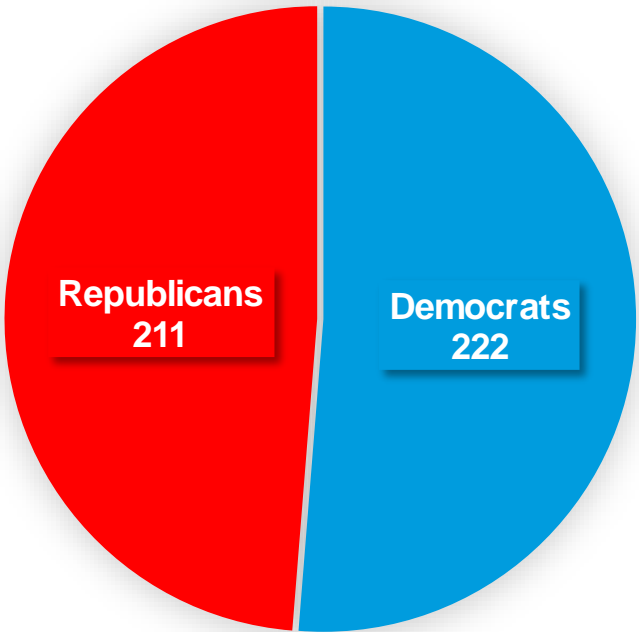
Nancy Pelosi,
Speaker of the
House



Senate

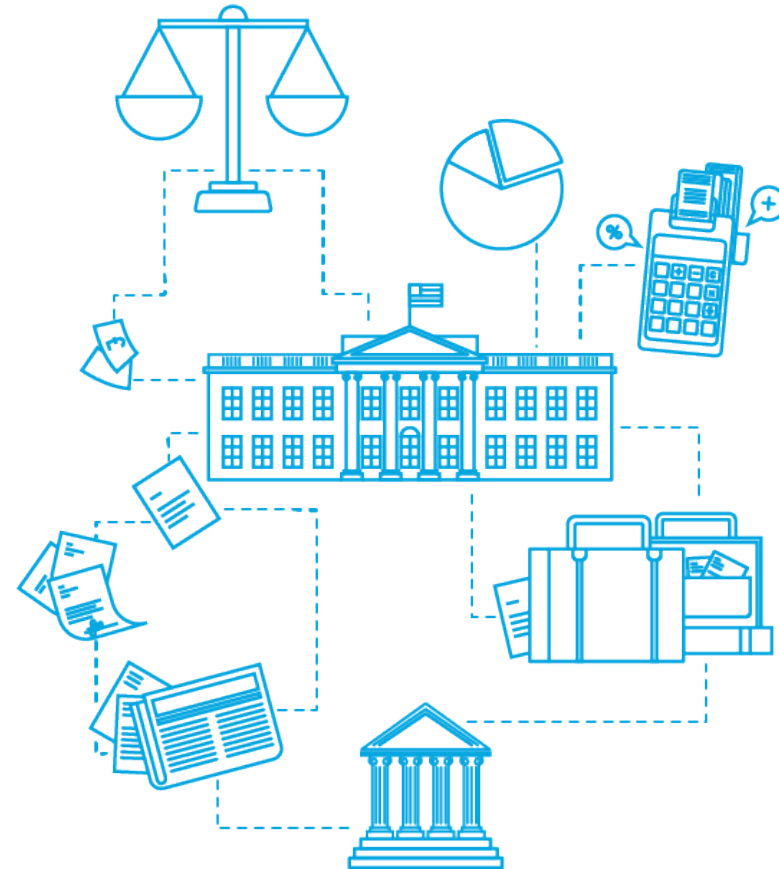


Chuck Schumer,
Majority Leader



Tax policy landscape: Biden administration tax proposals

- Made in America tax plan
 - Corporate tax rate
 - International tax
- American Families Plan
 - Focus on individual based taxes



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THE AMERICAN FAMILIES PLAN

Biden's American Families Plan

Addressed

- Increase the top individual income tax rate from 37% to 39.6%
- Increase the tax rate on capital gains and dividends to 39.6% for households making over \$1 million
- Eliminate the ability to step-up the basis in appreciated property transferred at death for gains in excess of \$1 million (\$2.5 million per couple)
 - Envisions “protections so that family-owned businesses and farms will not have to pay taxes when given to heirs who continue to run the business”
 - Ability to step-up basis for property that is donated to charity
- Apply the “3.8 percent Medicare tax” on the earnings of high income workers and investors (over \$400,000) in light of the inconsistent application across taxpayers “due to holes in the law”



Biden's American Families Plan

Addressed cont.

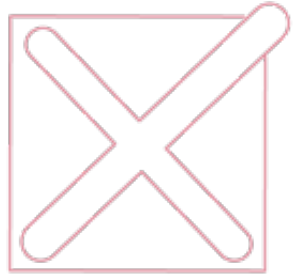
- Eliminate the ability to defer gains on the like-kind exchange of real estate for gains greater than \$500,000
- Permanently extend the limitation on excess business losses
- Require financial institutions to report information on account flows
- Require the taxation of income received pursuant to a carried interest as ordinary income



Biden's American Families Plan

Key items not addressed

- Increase in the estate tax rate and a reduction in the estate tax exemption amount
- Eliminating the Section 199A deduction for pass-through business income
- Remove or modify the \$10,000 cap on deduction for state and local taxes
- Limit the tax benefit of itemized deductions to 28%
- Amortization of R&E expenses under Section 174 (effective 1/1/22)



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ENHANCED IRS ENFORCEMENT

Investing in the IRS and improving tax compliance

IRS enforcement

- Treasury Inspector General Reports on IRS effectiveness
- Treasury News Release and President Biden's speech to Congress
 - Tax gap estimated to be about \$7 Trillion over the next decade under current operations approach
 - Tax evasion, lack of transparency and insufficient IRS resources
 - IRS needs 21st Century technology and employees trained in complex investigations
- IRS enforcement as an alternative to legislative tax increases
- IRS budget increase of \$80B over the next decade
 - \$30B to enhance technology
 - \$50B to hire, train and deploy IRS talent
- IRS Commissioner Rettig has an enforcement background

Investing in the IRS and improving tax compliance

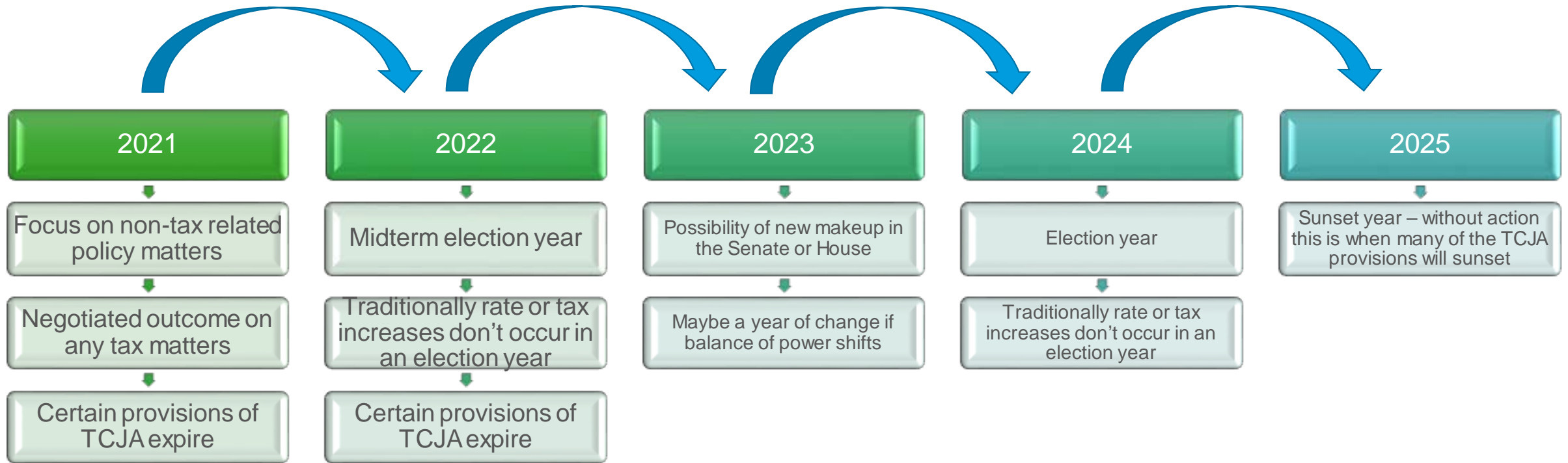
Enhanced focus on enforcement and service

- Enhanced information reporting
- Overhaul outdated technology to help IRS identify tax evasion
 - Identify potential tax evasion through data analytics
 - Enable revenue agents to unpack complex transactions (like partnerships)
- Improve taxpayer service
- Regulate paid tax preparers
 - Curtail erroneous returns that subject unsuspecting taxpayers to IRS audit
 - Stiffer penalties on unscrupulous “ghost” preparers

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TIMING AND CHANCES FOR RETROACTIVE TAXES

Future tax policy timing considerations



Resources

[Tax policy resource center](https://rsmus.com/taxpolicy): rsmus.com/taxpolicy



[Contact us for assistance](tel:800.274.3978)
800.274.3978



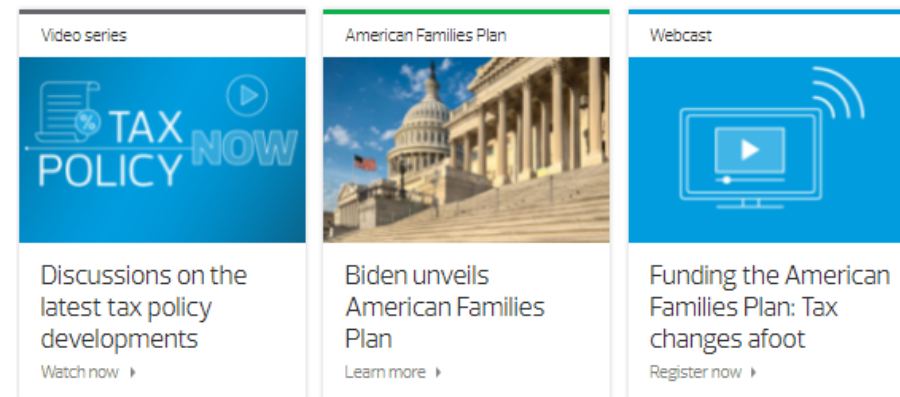
Tax policy and regulation: The voice of middle market businesses

Regardless of which political party happens to be in power, tax policy is always on the table in Washington. What's often missing, though, is the voice of middle market businesses that bear such a large brunt of the challenges caused by constantly changing tax rules and regulations.

RSM is working to fill this void by engaging directly with policymakers to share the perspectives of middle market businesses and provide deeper insight on how tax policy changes will affect this crucial segment of our economy.


Our tax professionals meet regularly with those responsible for crafting tax policy, including members of Congress from the influential House Ways and Means and Senate Finance committees, among others. We work closely with many of the top national business organizations as well, sharing our perspective about what's happening in the real economy to help ensure middle market concerns aren't lost in the D.C. shuffle.

For additional information contact [Dan Ginsburg](#), national policy leader.





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YOUR TIME AND
ATTENTION



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