

2020 Presidential Candidates' Tax Proposals

BUSINESS TAX PROPOSALS			
Topic	Current Law	Trump	Biden
Corporate Rate	21%	Decrease to 20%	Increase to 28%
Corporate Minimum Tax	Repealed in TCJA of 2017.	Retain current law.	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.	Retain current law.	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.	Retain current law.	Reduce incentives for “tax havens, evasion, and outsourcing.”
Domestic Companies and Overseas Jobs	No direct current disincentives or carrot-and-stick approaches.	Tax credits for companies that bring jobs from China back to the US. Tariffs on companies that send jobs overseas. 100% expensing for essential industries that bring manufacturing jobs back, like PPE.	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 \$137,700. 1.45% Medicare tax on all wages. 0.9% Medicare tax on wages in excess of \$200,000, \$250,000 if married.	Retain current law.	Eliminate Social Security tax exemption for wages above \$400,000 (exemption for wages between \$137,700 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.	Retain current law and make permanent.	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.	Retain current law.	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.	Retain current law.	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.
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.	Retain current law.	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.	Repeal the electric vehicle tax credit. Repeal the credit for residential energy efficient property. Retain 179D deduction.	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.	Repeal the ITC for solar, geothermal, and wind system installs. Repeal the 5-year depreciation period.	Restore ITC to initial rate and make permanent. Increase incentives for carbon capture, use, and storage. Increased credits for renewable energy projects.

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INDIVIDUAL & ESTATE TAX PROPOSALS			
Topic	Current Law	Trump	Biden
Income Tax Rates	10% up to 37%	Retain current law and make permanent. Mentioned a rate cut for middle-income families, but no specifics.	Increase max rate to 39.6% for income over \$400,000.
Capital Gains Rates	0% to 20%	Expressed interest in a rate cut, or indexing gains for inflation, but no specifics.	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.	Indicated desire to end favorable tax treatment, but no specifics.	Tax at ordinary income rates.
Retirement	Various tax savings structures – advantaged or deferred.	Retain current law.	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 \$137,700. 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.	Retain current law.	Eliminate Social Security tax exemption for earnings above \$400,000 (exemption for earnings between \$137,700 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).	Retain current law and make permanent.	Restore limitation on itemized deductions if income is over \$400,000. Cap value of itemized deductions at 28%.

<p>Estate Tax</p>	<p>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.</p>	<p>Retain current law and make permanent.</p>	<p>Return rate to 45%, base exclusion of \$3.5 million per taxpayer, indexed for inflation. Repeal of stepped-up basis at death.</p>
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