

WHITE KNIGHT CONSULTING LLC



POSSIBLE **TAX REFORM** ON THE HORIZON & **WHAT** **THAT MEANS FOR YOU**

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Now that the anticipation of the first debate is behind us, we should start to focus on January 21st 2021: the day after the inauguration. Currently we don't have insight to tax changes from the Trump camp to analyse, however one should expect taxes to rise, as there will be a need to pay for the COVID stimuli. That said, the Biden campaign has been clear on their

platform and has an extensive list of tax changes that they would like to make, should they win the election.

So let's take a look at a few of proposed changes from the Biden platform, focusing on changes that are more likely to impact the American taxpayer:

CORPORATE TAX. President Trump pushed to reduce corporate tax from 39% to the current 21%. Biden is looking to re-increase corporate tax to 28%. Although he is not reverting this tax change completely, this is nonetheless an increase which will hurt corporate profits and will have a knock on impact on the stock market.

CAPITAL GAINS TAX. The proposed change will only impact those with income above \$1 million. This would be an increase in the capital gains tax from the current 20% to 40% i.e. doubling the tax. If this is the case, people may want to look at taking some capital gains now and discuss further with their accountant and financial advisor.

ESTATE TAXES. VP Biden has been vocal on reversing changes made under President Trump by reducing the current lifetime gifting allowance from \$11.58 million to as low as \$3.5 million. Many people have not yet taken advantage of the additional allowance given under the tax reforms of 2018. We would suggest engaging your trust and estate advisor immediately before they are too busy to assist. Making such a gift needs to be done correctly to reap the full benefit.

ESTATE TAXES. Currently, when people inherit assets regardless of their wealth, there is a step up in basis on the values. For example, if I were to inherit 100 shares of Apple which were purchased at \$30 but have increased to \$116, at death, the value would be given at \$116. Under the Biden proposal, the step-up in basis will be eliminated when inheriting assets, meaning in our example that capital gains would be paid from \$30 rather than \$116.

REAL ESTATE. Currently, real estate investors can benefit from rolling their capital gains from investments using something called a 1031 exchange. This gives the investor a small window between selling a property and purchasing another to defer the capital gains. The Biden camp is discussing cancelling the 1031 exchanges, which will have a direct impact on the real estate market.



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Regardless of which way you are going to vote, you need to start focusing on these key elements and how they may impact your family's wealth. Ensure that you are having meaningful discussions and you are taking the right steps.

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