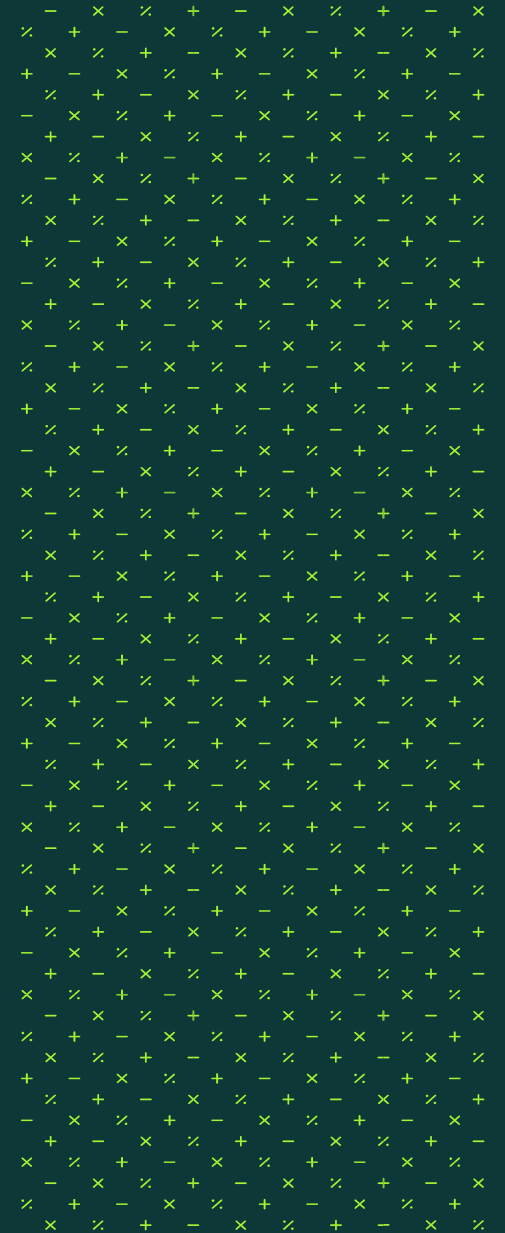




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President Biden's Proposed Tax Plan and Impact on Venture Capital

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Presenters



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Proposed Tax Rate Changes (individuals)

	CURRENT LAW	JOE BIDEN
☆ Individual Tax Rate	Top rate is 37%, expiring after 2025.	Raise top marginal tax rate to pre-TCJA rate of 39.6% for income over \$400,000.
☆ Capital Gain Rate	Top rate is 20%. Additionally, 3.8% net investment income tax (NIIT) for income over \$200,000 (single) and \$250,000 (married filing jointly).	Increase in the maximum long-term capital gains rate to match the ordinary income rate, for taxpayers with over \$1 million of income.
☆ NIIT (Net Investment Income Tax)		Proposal would place NIIT on all flow-through business income taxpayers with total income exceeding \$400,000



Individuals *(continued)*



	CURRENT LAW	JOE BIDEN
QUALIFIED OPPORTUNITY FUND (QOF)	Taxpayers may elect to defer recognition of, and avoid recognition of future appreciation related to, capital gain from certain sales or exchanges of property by investing the gain in a QOF.	Reform QOF rules to focus on creating jobs and development in low-income communities, partnering with not-for-profit and community organizations, and provide transparency on investments.
CHILDCARE AND DEPENDENT CARE TAX CREDIT	<ul style="list-style-type: none"> • Nonrefundable credit to partially offset expenses related to caring for children under age 13 or a disabled dependent living in a household. • Credit is worth up to 35% of up to \$3,000 of expenses or \$6,000 for multiple dependents. Phased down to 20% for higher incomes. 	<ul style="list-style-type: none"> • Increase dependent care credit to \$8,000. Increase refundable credit to 50% for childcare expenses up to \$8,000 per child or \$16,000 for more than one child for families making less than \$125,000 a year. • Phase out credit for families making \$125,000–\$400,000 a year. Investigate ways to make credit advanced.



Business



	CURRENT LAW	JOE BIDEN
CORPORATE TAX RATE	21%	<ul style="list-style-type: none"> • 28% corporate tax rate. • For corporations reporting more than \$100 million of annual book income, enact a 15% “minimum tax” on book profits, reduced by any foreign taxes paid or loss carryovers allowed.
QUALIFIED BUSINESS INCOME (QBI) DEDUCTION	Taxpayers other than C corporations are allowed a 20% deduction of QBI from pass-through entities or qualified real estate investment trust (REIT) income, with some limitations. Set to expire December 31, 2025.	Phase out the deduction for taxpayers earning more than \$400,000.
ACCELERATED BONUS DEPRECIATION	100% bonus for eligible property through 2022 with phase out starting in 2023.	No specific plan announced, but generally supports reversing 2017 TCJA provisions that benefit corporations.



Business *(continued)*



	CURRENT LAW	JOE BIDEN
CREDIT JOBS IN THE UNITED STATES	NA	10% Made in America tax credit for companies that create jobs for American workers or that increase manufacturing wages above the pre-COVID-19 baseline.
MANUFACTURING CREDIT	NA	Enact a Manufacturing Communities Credit that promotes revitalizing, renovating, and modernizing existing (or recently closed) facilities, requiring strong labor standards and a prevailing wage for workers.
WORK OPPORTUNITY TAX CREDIT (WOTC)	Businesses can have a nonrefundable tax credit for a portion of wages paid to certain new employees who qualify as members of disadvantaged groups.	Expand the WOTC to include military spouses.



Business *(continued)*

	CURRENT LAW	JOE BIDEN
COMMUNITY DEVELOPMENT	New markets tax credit (NMTC) is available for taxpayers who hold a qualified equity investment in low-income communities. The NMTC limitation for 2020 is \$5 billion. No allocation for after 2020.	Expand and make the NMTC program permanent.
FOSSIL FUELS AND RENEWABLE ENERGY	Several deductions exist for businesses that invest in fossil fuels, including a deduction for intangible drilling costs paid or incurred by operators of oil and gas wells and a deduction for the depletion of minerals and oil and gas extraction.	<ul style="list-style-type: none"> • End fossil fuel subsidies. • Reinstate or expand various tax credits designed to reduce carbon emissions, such as deductions for emissions-reducing investments in residential and commercial buildings, the solar investment tax credit, and credits for the purchase of electric vehicles.
★ REAL ESTATE	<ul style="list-style-type: none"> • Taxes on gains of real property are deferred if the property exchanged is “like-kind.” • Owners of certain residential property occupied by low-income tenants may claim a tax credit that’s a percentage of the qualified basis of the property over a 10-year period. 	<ul style="list-style-type: none"> • Remove like-kind exchange deferral. • Expand the low-income housing tax credit. • Create \$15,000 tax credit for first-time home buyers. • Create renter’s tax credit to help low-income families.



Estates, Gifts, & Trusts - Summary

	CURRENT LAW	PROPOSED LAW – BIDEN &/OR SENATE BILLS
ESTATE TAX RATE	40%	Graduated ranging from 45-65%, one starting at 35%; Additional surtax on large estates
ESTATE & GST EXEMPTION	\$11,700,000	\$3,500,000
GIFT EXEMPTIONS	Annual \$15,000 Lifetime \$11,700,000	Annual \$15,000-\$50,000 Lifetime \$1,000,000 - \$3,500,000
STEP-UP IN BASIS	FMV at date of passing	Eliminate step-up
GST TRUST	Perpetuity based on state law	Limit to 50 years
GRAT TERMS	2 year minimum & zero remainder allowed	10 year minimum & 10-25% remainder value
IDGT / GRANTOR TRUST	Transfer excluded from taxable estate	All assets contributed after new law includible in the taxable estate &/or distributions to beneficiaries taxable
VALUATION DISCOUNTS	Lack of marketability & minority interest discounts	Possible limitations and/or elimination for non-active trade or business assets or family transfers



Other Key Financial and Wealth Strategies

- Increase IRS funding
- Carried Interest for Private Equity
- Sale of Appreciated Assets
- Planning Your Business Exit
- Gift Tax



Questions?



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