



# Welcome

Presidential Election Tax Planning Webinar  
Thursday, October 8, 2020  
10-11 am



Presenter:  
Charlie Heid, CPA

Charlie is a tax partner with GJM who has spent the last three decades advising businesses across many industries in regard to tax planning and strategy

**GJM** GILMORE JASON MAHLER, LTD.

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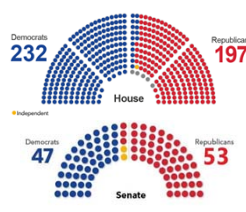
Two major storm clouds may effect taxes and tax planning

**Federal elections (November 2020)**

- Presidential
- Congressional
  - All of the House of Reps.
  - One-third of the Senate

**Fiscal response to COVID-19**

- Federal (domestic)
- International
- State and local



Source: Bloomberg Government

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The 2020 election and Congress: What does the future hold?

Current makeup of Congress

|                       | Current state 116th Congress |        | Seats at risk on Nov. 3, 2020 |        | Needed to shift control |            |
|-----------------------|------------------------------|--------|-------------------------------|--------|-------------------------|------------|
|                       | House                        | Senate | House                         | Senate | House                   | Senate     |
| Republican            | 197                          | 53     | 33                            | 23     | + 19                    | < 3 or 4 > |
| Democrats             | 232                          | 45     | 42                            | 12     | <19>                    | + 3 or 4   |
| Independents & others | 1                            | 2      |                               | 0      |                         |            |
| Vacancies             | 5                            |        |                               |        |                         |            |

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### Background: Federal tax policy process



**Policy makers**

- Congress, House and Senate
- Administration
  - President
  - Treasury Secretary
  - Assistant Secretary for Tax Policy
  - IRS / Chief Counsel

**Tax policy via legislation**

- Regular order / senate super majority
- Reconciliation process

**Tax policy via treasury regulations**

- Comply with Congressional intent/law
- Developed by IRS Chief Counsel and U.S. Treasury Office of Tax Policy
- Approved by the Treasury Secretary and the Office of Management and Budget

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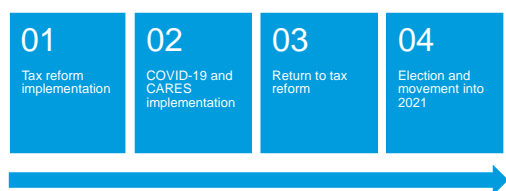
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### Federal tax policy: 2020 four phases



**01**  
Tax reform implementation

**02**  
COVID-19 and CARES implementation

**03**  
Return to tax reform

**04**  
Election and movement into 2021

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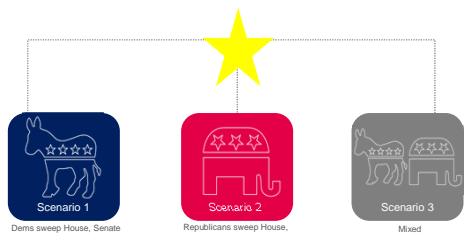
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### Post-election: Federal tax policy?

Regardless of which scenario plays out, it is likely corporate and individual tax rates will increase.



**Scenario 1**  
Dems sweep House, Senate and White House

**Scenario 2**  
Republicans sweep House, Senate and White House

**Scenario 3**  
Mixed

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### Domestic federal tax policy example scenarios




**Republican tax plan**

- Make TCJA tax rates permanent
  - Individual
  - Capital gains
- Potential further middle-class tax cut



**Democratic tax plan**

- Corporate/Business
  - Increase the corporate income tax to 28%
  - Establish a corporate minimum tax on book income
  - Pass-throughs
- Individual/Rates
  - Repeal the TCJA components for high-income earners
  - Long term capital gains
  - Impose 12.4% Social Security payroll tax for wages above \$400K
  - Estate/Gift tax changes



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**Accelerate income / delay expenses**

- Terminate installment plans – accelerate income into 2020

**Transaction related**

- Pull forward possible taxable transaction(s)

**Account methods**


- Method changes with a section 481(a) adjustment to accelerate income / delay expenses

**Capital expense plans**

- Depreciation: elect out of bonus on a class-by-class basis (can only elect out of 5 year property, etc.)

**Investment holdings**

- Plan exit for LTCG before tax rate increase. Unique sector implications such as, carried interest if LTCG rates rise to STCG equivalent, time value of money considerations over the 3 year period



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### International Tax possible changes and planning opportunities



**Change**

Eliminate preference for dividends and capital gains: applicable to distributions from foreign corporations and section 1248 dividends.

**Planning**


- Distribute earnings in 2020, method changes that accelerate income and delay deductions
- Retroactive Qualified Electing Fund (QEF) for PFICs to be taxed at capital gains rates in prior years

**Change**

Increase GILTI rate from 10.5% to 21%

**Planning**

- Review blocker structures – to determine if change to flow through structure is beneficial over corporate blocker
- Accelerate income and defer deductions to maximize benefit of current lower GILTI rate



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**State and local: Significant increases ahead**

- **State and local level fiscal cliff**
  - \$600B+ revenue shortfall over the next two years if recovery starts now
  - It's a big tent: All states, and many localities, are deep in the red
  - 48/50 states have a balanced budget requirement
  - Spending cuts, fiscal legedemain, and rainy-day fund raids can't close the gap
- **Governments have limited high-impact revenue-raising options**
  - Individual income
  - Sales and use
  - Property
  - Gross receipts
- **More bark than bite: Corporate income and franchise taxes**



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## Thank you!

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Follow up questions?  
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