

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

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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 116 <sup>th</sup> 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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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

## Post-election: Federal tax policy?

Domestic federal tax policy example scenarios	
 <b>Republican tax plan</b> <ul style="list-style-type: none"><li>• Make TCJA tax rates permanent<ul style="list-style-type: none"><li>- Individual</li><li>- Capital gains</li></ul></li><li>• Potential further middle-class tax cut</li></ul>	 <b>Democratic tax plan</b> <ul style="list-style-type: none"><li>• Corporate/Business<ul style="list-style-type: none"><li>- Increase the corporate income tax to 28%</li><li>- Establish a corporate minimum tax on book income</li><li>- Pass-throughs</li></ul></li><li>• Individual/Rates<ul style="list-style-type: none"><li>- Repeal the TCJA components for high-income earners</li><li>- Long term capital gains</li><li>- Impose 12.4% Social Security payroll tax for wages above \$400K</li><li>- Estate/Gift tax changes</li></ul></li></ul>

- 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<sup>1</sup>

## 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 (QEFD) 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

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 legerdemain, 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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