



2020 US Elections and Personal Tax Considerations

October 16, 2020

by Stephen Dover, Craig Richards
of Franklin Templeton Investments

Our Head of Equities, Stephen Dover, and Fiduciary Trust International Managing Director, Craig Richards, consider the US elections' possible impacts to personal taxes. Both a "blue wave" or another Republican administration may encourage taxpayers and investors to start their 2021 tax planning now.

As we draw closer to 2021, it is worth considering how your personal income and estate taxes may be potentially impacted by a Democratic Party "blue wave" win of both the US presidency and Congress.

I recently spoke with Craig Richards, Managing Director of Tax Services at Fiduciary Trust, who shared his thoughts about possible personal income tax changes and implications related to the 2020 US elections. We discussed many areas affecting investors, including:

- **Democratic proposals could reverse parts of the 2018 US Tax Cuts and Jobs Act (TCJA), which would likely change top ordinary income tax rates** from the current 37% to 39.6% for taxpayers with incomes over \$622,050 if married and \$518,400 if single. The proposal includes the elimination of the income cap on Social Security taxes on earned income above \$400,000. This would increase the marginal tax rate to 45.8% on high income individuals.
- **We think that under a Democratic regime, the SALT limitation could be repealed.** "SALT" taxes (e.g., state, local, foreign, and real estate taxes) are deductible up to \$10,000 per tax return as part of the TCJA. A repeal would make all SALT taxes deductible.
- **It may make sense to convert traditional IRAs to Roth IRAs** considering the current tax laws and the potential to have higher tax rates in the future.
- **We do not believe that we'd see very many income tax changes under a Republican administration. However, one proposal by President Trump is to further reduce long-term capital gain rates to 15%.** We also believe he is interested in making permanent the various changes brought about by the TCJA that are scheduled to expire after 2025.

In addition to the 2020 US elections, there are also proposed changes to capital gains and estate taxes that would affect investors. And of course, the pandemic remains of great concern as it is affecting some taxpayers in unexpected ways. For more, listen to "Quick Talks: 2020 US Elections and Personal Tax Considerations" with Craig Richards.

Important Legal Information

This material is intended to be of general interest only and should not be construed as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy. It does not constitute legal or tax advice.

The views expressed are those of the investment manager and the comments, opinions and analyses are rendered as of publication date and may change without notice. The information provided in this material is not intended as a complete analysis of every material fact regarding any country, region or market.

Data from third party sources may have been used in the preparation of this material and Franklin Templeton ("FT") has not independently verified, validated or audited such data. FT accepts no liability whatsoever for any loss arising from use of this information and reliance upon the comments, opinions and analyses in the material is at the sole discretion of the user.

Products, services and information may not be available in all jurisdictions and are offered outside the U.S. by other FT affiliates and/or their distributors as local laws and regulation permits. Please consult your own investment professional or Franklin Templeton institutional contact for further information on availability of products and services in your jurisdiction.

Issued in the U.S. by Franklin Templeton Distributors, Inc., One Franklin Parkway, San Mateo, California 94403-1906, (800) DIAL BEN/342-5236, franklintempleton.com—Franklin Templeton Distributors, Inc. is the principal distributor of Franklin Templeton's U.S. registered products, which are not FDIC insured; may lose value; and are not bank guaranteed

and are available only in jurisdictions where an offer or solicitation of such products is permitted under applicable laws and regulation.

This information is intended for US residents only.

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

© Franklin Templeton Investments