

# ANALYZING BIDEN'S LATEST "BUILD BACK BETTER" TAX PROPOSAL

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## What's NOT in the bill?

- Increasing the top marginal rate from 37% to 39.6%
- Increasing the top capital gains tax rate from 20% to 25%
- Reduced Estate tax exemption
  - Also omitted = changes to grantor trusts and FLPs
- QBI Limitation
- Billionaire's tax

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## What's IN the bill?

- Cap on SALT Deductions
  - \$80,000 cap for next 9 years (up from \$10,000)
- New Surtax on (ultra) HNW
- Certain S-Corp profits would be considered investment income
- Excess business loss limitation made permanent
- Reduced limitation on Qualified Small Business Stock
- Wash sale rule applied to cryptocurrency, foreign currency transactions and commodities
- Increased Child Tax Credit extended to 2022
- Expanded ACA premium tax credit

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## Proposed Retirement Plan Provisions

- RMDs on large retirement account balances:
  - Taxable income > \$400k (S) / \$450k (MFJ); AND
  - Combined value of IRA and defined contribution plans > \$10M
    - If combined retirement account balances are between \$10M–\$20M, owner must distribute 50% of excess
- Eliminates Backdoor Roth as a planning strategy
- Prohibits Traditional & Roth IRA contributions if:
  - Taxable income > \$400k (S) / \$450k (MFJ); AND
  - Total value of IRA and defined contribution plans > \$10M
- Expands statute of limitations for IRA noncompliance related to valuation-related misreporting and prohibited transactions from 3 to 6 years
- Clarifies that IRA owners are 'disqualified persons' with respect to prohibited transactions
- Prohibits IRA owners from investing in a DISC or FSC which receives commissions or payments from another entity owned by the IRA owner

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