

2nd Quarter 2021

New Tax Propositions To Watch

There has been a lot of conversation in the news regarding proposed tax law changes while we believe some changes are to come, nothing is certain yet.

We wanted to provide a brief overview of these proposals, as sometimes there may be incomplete or incorrect information in the media. Once we have clarity, we will share more information on how the tax changes will impact your personal situation in our next meeting.

Secure Act and Required Minimum Distribution

An item to watch is the progress of the SECURE Act 2.0. When the SECURE Act passed in December 2019, one of the key elements that impacted clients was the change in the Required Minimum Distribution start date from age 70 ½ to 72. The 2.0 version pushes back the required beginning date even further to age 73.

Other Tax Items

Some additional areas of the tax code that are being strongly considered include elimination of step up in basis that will severely impact families' ability to bequeath wealth and reduction of the estate tax exemption from \$11.7 million to as low as \$3.5 million.

Further, an increase in capital gains tax and increase in personal and business tax brackets are being deliberated.

As mentioned, nothing is official yet, but our team will keep you posted on any development that may affected your situation.

If you have questions about any of these topics or if your individual situation, please reach out to us. Please see the included chart of the current tax laws and the proposed changes.

continued on page 2

CURRENT TAX LAWS TAX CUT AND JOBS ACT (TCJA)


- Ordinary Income rates begin at 10% and climb to 37%.
- Long Term Capital Gains top rate is 20%.
- Payroll Taxes, 12.4% split between EE & ER up to \$137,000 with Medicare Tax 2.9%.
- Itemized Deductions are the greater of the standard deduction or sum of the itemized deductions.
- Qualified Business Income Deduction is available.
- Corporate Tax Rate is 21%, no Corporate at-the-market (ATM).
- Federal Estate Tax Exemption is \$11.70 MM per person. Sunset in 2026 back to \$5MM with inflation. Top tax rate of 40%.

PROPOSED TAX LAW CHANGES

- For income earners over \$400,000, ordinary income rates raised from 37% to 39%.
- Long Term Capital Gains top rate would be raised from 20% to 39.6% and eliminate step up of basis.
- Payroll Taxes lifting cap on the Social Security payroll tax for those that have wages over \$400,000.
- Reinstate the Pease limitation for those earning more than \$400,000 and cap itemized deductions.
- Qualified Business Income Deduction would be phased out.
- Corporate Tax Rate raised from 21% to 28% and introduce a new form of Corporate at-the-market (ATM) for companies over 100MM of financial statement income.
- Federal Estate Income Tax Exemption decreased to \$3.5MM and top tax rate of 45%. Limit lifetime exemption to 1MM and top tax rate of 45%.

Courtney, Dan. "ESTATE & WEALTH TRANSFER PLANNING." Producers Choice Network. 25 May 2021.

One Oak Square | 8280 YMCA Plaza Drive, #4 | Baton Rouge, LA 70810
225-763-7010 | 800-942-2777 | fax 225-763-7040

www.shobe.com  

The Shobe Financial Group and Shobe & Associates, Inc. are not registered broker/dealers and are independent of Raymond James Financial Services. Investment advisory services offered through Shobe & Associates, Inc. Securities are offered through Raymond James Financial Services, Inc. Member, FINRA/SIPC.