

March 20, 2023 – Wealth Planning Commentary

Biden's Budget Proposal

Recently the Treasury Department published its Green Book for the fiscal year 2024. The purpose of the 'Green Book' is to explain the administration's revenue-raising proposals. Biden's administration is aiming to reduce the federal deficit by \$3 trillion, or 3%, over the next decade. Like last year, the new proposals aim to raise revenue by taxing the wealthy and corporations.

This year's White House wish list might look familiar to those of you who followed the development of the Build Back Better Act, which failed to pass in 2021. Last year's Treasury proposals for personal income tax increases were also unsuccessful. However, in 2022 several tax measures were implemented in the Inflation Reduction Act – mostly on the corporate side, including:

- 15% minimum corporate tax
- 1% excise tax on stock buybacks from large corporations
- \$80 billion in funding for the IRS

Here are some of the most eye-catching proposals from 2024's Green Book:

- 25% wealth tax on households with a net worth of \$100 million or more, 0.01% of taxpayers
- Capital-gains rate increase from 20% to 39.6% for people earning at least \$1 million
- Personal income tax increase from 37% to 39.6% for those earning at least \$400,000
- Net investment income tax increases from 3.8% to 5% for those earning at least \$400,000
- Restore full child tax credit from \$2,000 per child to \$3,000
- Corporate tax rate increases from 21% to 28%, Stock buyback tax increase from 1% to 4%
- Carried interest tax increases from capital gains treatment to ordinary income treatment
- Elimination of 1031 Exchanges
- Limiting tax breaks for fossil fuels – oil and gas companies
- Ban crypto wash sales

With even fewer Democrats in Congress this year, most of the proposed tax changes are highly unlikely to pass. Republicans in Congress are creating another version of the budget, which should be ready in mid-May. We will keep you abreast of any bipartisan changes that do move through Congress, at the small chance that any do.

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