

The SCOPE™ Report
March 2021

Why Biden’s Stimulus Checks and Proposed Tax Plan Urge the Wealthy to Prepare Their Assets

Biden’s Taxes on Wealthy Estates	
<i>(All dollar figures in millions)</i>	
Value of original asset	\$100.00
Capital gains taxed at ordinary rates 39.6% + 3.8% NIIT = 43.4%	43.4%
Capital gains tax owed	\$43.40
Value of remaining assets in the estate	\$56.60
Biden’s estate tax exemption (\$3.5 million)	\$3.50
Taxable estate	\$53.10
Biden’s estate tax rate (45%)	45%
Taxes owed on the estate	\$23.90
Total taxes paid on \$100 million asset =	\$67.30
Effective tax rate	67.3%

TAX FOUNDATION @TaxFoundation

Most people are oblivious to the challenges that the wealthy face. Everyone has their struggles. It takes the most disciplined and astute individual to maintain a big bank account, and that is no simple undertaking. President Joe Biden’s Tax Plan intends to increase taxes by \$2.8 trillion within the next decade and has been transparent about where he intends to source the pecuniary means. His proposed tax increase and imminent stimulus checks concern wealthy Americans earning \$400,000 plus a year, and corporations worth over \$1 million. At least half of the total number of Americans with [investible assets worth more than \\$1 million](#) are already displeased with the current high tax burden. (CNBC, 2020).

Prior to the tax plan's primary stages, it's important that wealthy Americans are privy to the main changes that would affect them, and what they can do about it. Listed below are the biggest changes which benefit the low to middle income earners below the target bracket;

- Increasing Federal income tax
- Applying Payroll tax
- Increasing capital gains
- Increasing corporate tax
- Estate tax

Increasing Federal Income Tax

The new tax plan talks about raising the maximum Federal income tax bracket from 37% to 39.6%. Considering that this amount was in effect during the pre-tax cuts and Jobs-Act, this is not much of a concern to high paid professionals, as it is a modicum adjustment.

Applying Payroll Tax

Presently, Social Security (which is the Old age, Survivors, and Disability Insurance) deducts 12.4% while Medicare deducts 2.9% totaling 15.3% in payroll tax. The self-employed pay the full amount of 15.3% while the employed pay half of 15.3% and the employer pays the other half on [the first \\$137,700](#) of earnings. (Tax Foundation, 2020).

The new tax plan proposes that income earners of above \$400K are subject to an additional 12.4% social security tax, affecting high paid salaried employees such as doctors, lawyers, tech professionals and more. That means that employees will pay a supplementary 6.2% and their employees will pay the other half of 6.2% in tax, excluding Medicare.

Increased Capital Gains

Today income earners of \$440,000 per year and over, pay 20% in capital gains tax and 3.8% surtax, totaling 23.8% no matter how much you make above the amount. President Biden's new plan proposes an increase to 43.4% capital gain tax for anyone earning \$1M a year. To avoid being taxed, [Graham Stephan](#) (2020) - a real estate mogul and millionaire - advises, "this tax is easily avoided...if you just don't sell. One of the biggest strategies out there is just to borrow against the assets you already have, and then you can spend that borrowed money that you already have without you having to actually sell your investments".

Increased Corporate Tax Rates

For corporate businesses, the proposed tax is raised from [21% to 28%](#) and corporations with at least \$100M in book profits will pay a minimum corporate tax of 15%, or the regular corporate tax - whichever is greater. A concern for respected businessmen who strongly advocate for taking care of their people - who take care of their customers - is that by raising these taxes, employees would suffer through reduced salaries. Another concern is that some of that cost might be incurred by the customer; by increasing the cost of products. (Forbes Advisor, 2020).

Estate Tax

For posterity, couples pass down up to \$23 million of their wealth. However, with the proposed tax plan, this has drastically fallen to \$7M, and the Gift and Estate tax is set to rise from [40% to 45%](#). (IRS, 2020).

To the contrary, wealthy people need not to become panicky in response to mitigating the imminent increasing taxes and stimulus checks. With government approval, legal strategies exist to prevent losing enormous amounts of their hard-earned coffers. It just takes careful estate and financial planning with trustworthy experts whose craft is to pragmatically serve people in maintaining their wealth.

Sources

Tax Foundation. (2020, October 28). *Biden's Taxes on Wealthy Estates* [Image]. <https://files.taxfoundation.org/20201028115929/Joe-Biden-Wealth-Tax-Bidens-67-percent-tax-on-wealth.-Biden-Estate-Tax-Calculations.png>

Frank, R. (2020, Dec 21). *Millionaires are bracing for tax hikes next year, CNBC survey finds*. CNBC. <https://www.cnbc.com/2020/12/21/cnbc-millionaire-survey-millionaires-are-bracing-for-2021-tax-hikes-.html>

Tax Foundation. (2020, October 22). *Details and Analysis of President Joe Biden's Tax Plan*. https://taxfoundation.org/joe-biden-tax-plan-2020/#_ftn1

Stephan, G. [Graham Stephan]. (2020, Nov 13). *My Thoughts On Paying Higher Taxes | Joe Biden Response* [Video]. YouTube. <https://www.youtube.com/watch?v=9TSsjZwvp1U>

Baillie, K., Washington, K. (2020, Nov 13). *Here's What Biden's Win Means For Your Taxes*. Forbes Advisor. <https://www.forbes.com/advisor/taxes/heres-what-bidens-win-means-for-your-taxes/>

IRS. (2020, Dec 17). *Estate Tax*. <https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax>

