

# Tax Plans of The Major Presidential Candidates

The following is an overview of the two front-running presidential candidates' tax plans and positions, at least what is known as of 8/31/2020. The political and economic landscapes can change, and there is no assurance these plans won't be revised or that they will have eventual Congressional backing to become law.

Issue	Current Law	Trump	Biden
Individual Tax Rates	Range from 10% to 37%. The top rate is scheduled to return to 39.6% in 2026.	Generally, would continue with current rates by extending the Tax Cuts and Jobs Act past 2025. However, would lower the rate for middle class taxpayers, possibly by bringing the 22% rate down to 15%.	Would return the top rate to the pre-tax reform 39.6% immediately (if approved by Congress).
Capital Gains Tax Rates	Range from 0% to 20%; Collectibles top rate is 28%.	Would continue with current rates by extending the Tax Cuts and Jobs Act beyond 2025.	Increase top rate to 39.6% for taxpayers with over \$1million of income.
Sec 199A Pass-Through Deduction	Provides individuals with a deduction equal to 20% of income from their businesses other than C-corporations and certain service businesses. Most rental activities are eligible for the deduction.	Would continue current program as is.	Would phase the deduction out for higher income taxpayers. Would remove rental income as qualified income for the deduction.
Pease Limitation	Suspended through 2025. When in effect, itemized deductions are limited for higher-income taxpayers.	Would continue the suspension by extending the Tax Cuts and Jobs Act.	Would reinstate the Pease Limitation for those with income over \$400,000.
Itemized Deductions	No overall limitation currently	No such proposal.	Would limit the tax benefit of the deductions to 28% of income.
SALT Tax Limitation	Limits the itemized deduction for state and local taxes to \$10,000.	Continue current limitation.	Would eliminate the SALT limitation.
Renter's Credit	No current law.	No such proposal.	Would establish a low-income renter's credit that would be designed to limit the cost of rent and utilities to 30% of income.
First Time Homebuyer's Credit	The last time there was a home-buyer's credit was in 2008 and it was in the form of a 15-year loan with certain forgiveness provisions.	No such proposal.	Would reinstate the credit in the amount of \$15,000 (which is double the 2008 credit amount) and make it permanent.
Social Security Taxes	Earned incomes are subject a tax rate of 12.4% on the first \$137,700 (2020). For employees, half is paid by the employer.	No proposed change	Would have the tax resume when earned income exceeds \$400,000.

Issue	Current Law	Trump	Biden
Earned Income Tax Credit	Provides a tax credit for lower-income workers based upon the amount of their income from working. No credit allowed to individuals without a qualifying child who are age 65 and above.	No proposed change	Would make credit available to older workers.
Child and Dependent Care Tax Credit	A non-refundable credit of 20% to 35% (based on income) of the expenses to care for a child or disabled dependent so the taxpayer can work. Expenses limited to \$3,000 for one and \$6,000 for 2 or more.	No proposed change	Would make the credit refundable and increase the expense limit to \$8,000 for one child or disabled dependent and \$16,000 for two or more. Also would increase the top credit percentage to 50%.
Corporate Tax Rate	21%	Would continue the 21% by extending the Tax Cuts and Jobs Act.	Would increase it to 28%
Premium Tax Credit for Health Care	Affordable Care Act provides individuals whose household income is up to 400% of the federal poverty level premium assistance in the form of a tax credit when purchasing health insurance through a government marketplace	Would like ACA repealed.	Would remove the 400% cap on income and use the gold, rather than silver level, plan in the computation.
Depreciation of Business Assets	Businesses are allowed to recover the cost of purchasing business assets over time or may elect to write off 100% of the cost of certain types of property in the year of purchase. The 100% expensing rate is phasing down starting in 2023 and fully phased out by 2027.	Would continue the expensing rates as scheduled by the Tax Cuts and Jobs Act.	Would eliminate the expensing option and revert to pre-TCJA methods.
Section 1031 Exchanges	In a 1031 exchange, the capital gain from sale of a business or investment asset is deferred when the property is exchanged for one of "like-kind." The Tax Cuts and Jobs Act limited tax-deferred exchanges to real property.	No proposed change	Would eliminate the tax deferral.
Passive Activity Losses	Losses from passive activities are allowed only to the extent the taxpayer has passive activity income. There's an exception for rental real estate owners that allows up to \$25,000 of loss to be claimed per year. The \$25,000 is phased out starting at income of \$100,000.	No proposed change	Would eliminate the \$25,000 exception.