



2020 Presidential Election

Where Do the Presidential Candidates Stand on Taxes?

Joe Velkos, CPA, Trust Tax Director

Tax policy is almost always an important topic in presidential elections, and 2020 is no exception.

In some cases, no details are currently available from the two campaign headquarters. However, it is clear that President Trump wants the temporary tax reductions under the Tax Cuts and Jobs Act (TCJA) to be permanent while former Vice President Biden's proposals are designed to increase taxes for higher-income individuals and corporations.

It's important to remember that policy ideas may change and that tax legislation must be proposed and approved by Congress. Still, it's never too early to examine what the candidates are saying now as the nation moves toward the election.

Individual tax proposals

Ordinary income tax rates

Current Law	Biden	Trump
The TCJA lowered the top rate to 37%, with an additional 0.9% Medicare tax levied on earned income greater than \$250,000 for joint filers.	The Democratic candidate wants to raise the highest individual rate to 39.6% (pre-TCJA level); no taxpayer making less than \$400,000 would have their taxes raised.	No specific second-term proposals have been released yet, but it is assumed that the administration will advocate the permanent extension of the current law.

Itemized deduction limitations

Current Law	Biden	Trump
The TCJA repealed the Pease limitation that reduced the benefit for certain deductions among high income earners.	The tax benefit would cap at 28% of value, which means that taxpayers with marginal tax rates higher than 28% would face limitations. The Pease limitation would be reinstated for taxpayers whose incomes are over \$400,000.	No specific second-term proposals have been released yet, but it is assumed that the administration will advocate the permanent extension of the current law.

Where Do the Presidential Candidates Stand on Taxes?

Capital gains and dividends

Current Law	Biden	Trump
Long-term capital gains (LTGC) and qualified dividends are taxed at 20%; an additional 3.8% net investment income tax applies to high earners.	LTCG and qualified dividends would be taxed at the ordinary income rate of 39.6% on incomes above \$1 million.	No specific second-term proposals have been released yet, but it is assumed that the administration will advocate the permanent extension of the current law.

Other tax proposals

Social Security payroll taxes

Current Law	Biden	Trump
Employers and employees each pay 6.2% on the first \$137,700 of an employee's earnings (2020 cap, indexed annually for inflation).	The Social Security payroll tax would be applied to earnings over \$400,000.	No specific second-term proposals for payroll taxes.

Estate tax

Current Law	Biden	Trump
The highest tax rate of 40% is applied to taxable estates over \$1 million, with a current exclusion of \$11.58 million, adjusted annually.	Would eliminate the step-up in basis at death. Biden has not specified whether capital gains would be carried over or taxed at death.	No specific second-term proposals have been released yet, but it is assumed that the administration will advocate for a permanent extension of the current law.

Qualified business income deduction

Current Law	Biden	Trump
Under section 199A, qualified business profits are subject to a 20% deduction through 2025.	The deduction phases out for filers with taxable income above \$400,000.	No specific second-term proposals have been released yet, but it is assumed that the administration will advocate a permanent extension of the current law.

Key Private Bank



Where Do the Presidential Candidates Stand on Taxes?

Child and dependent care tax credit

Current Law	Biden	Trump
Parents with children under the age of 13 and taxpayers who have a disabled dependent can claim a credit of up to 35% of maximum allowable expenses—\$3,000 for one dependent and \$6,000 for two or more.	The credit would increase to 50%, and the maximum allowable expense raised to \$8,000 (\$16,000 for multiple dependents); the credit would be refundable for those with no tax liability.	No specific second-term proposals for the credit have been proposed.

First-time homebuyer's tax credit

Current Law	Biden	Trump
The original temporary credit — enacted during the Great Recession to kickstart the housing market — has expired.	The credit would be \$15,000 and permanent (the original credit was up to \$8,000).	No specific second-term proposals for credit have been proposed.

Corporate income tax rate

Current Law	Biden	Trump
The TCJA reduced the rate to 21% from 35% in 2017.	The top corporate income tax rate would increase to 28%, and a 15% minimum tax imposed on certain companies' book income.	Since the rate reduction in the TCJA is permanent, no additional proposal has surfaced.

Keeping you informed

As we noted at the beginning of this article, expect that more information will be on the way, and proposals will be subject to change. We will continue to monitor any new updates or details to the proposals and keep you updated.

For more information, [please contact your Key Private Bank Advisor.](#)

Key Private Bank



Page 3 of 3

Information accurate as of July 30, 2020.

Any opinions, projections, or recommendations contained herein are subject to change without notice and are not intended as individual investment advice.

This material is presented for informational purposes only and should not be construed as individual tax or financial advice. KeyBank does not provide legal advice.

Investment products are:

NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL OR STATE GOVERNMENT AGENCY

©2020 KeyCorp. **KeyBank is Member FDIC.**

200825-863846