

ELECTION 2020

# *Tax Policies of the Major Presidential Candidates*

This is a comparison of the tax policies and proposals of the two major parties' nominees for President of the United States in 2020: current President Donald Trump and former Vice President Joe Biden. The proposals reflect the information known at the time of publication and are subject to change prior to election day on November 3, 2020.

Note that the Tax Cuts and Jobs Act (TCJA) largely reflects much of President Trump's long-established policy goals. Many of the TCJA provisions expire after 2025, and President Trump generally supports making those provisions permanent. The table only provides a "Trump Proposal" where there is a change from current law or policy, and not where a permanent extension of the TCJA is proposed.



## INDIVIDUAL TAXATION

Current Law	Trump Proposal	Biden Proposal
<b>Income Tax Rates</b>		
There are seven tax brackets: 10, 12, 22, 24, 32, 35, and 37 percent, which are applicable from 2018 through 2025 under the TCJA.	No current proposals or changes.	Increase the top rate back to 39.6 percent, where it sat prior to the TCJA. Has discussed that only individuals with income in excess of \$400,000 would see a tax increase.
<b>Tax on Dividends/Capital Gains</b>		
A capital gains rate of 0 percent, 15 percent, or 20 percent applies to capital gains and qualified dividends received by individuals, depending upon the amount of the individuals taxable income. For 2020, the 20 percent rate applies to joint filers with taxable incomes over \$496,600 (\$469,050 for heads of households, \$441,450 for single filers, and \$248,300 for married taxpayers filing separately).	No current proposals, however, both Trump and members of his administration have floated the possibility of allowing, through executive or regulatory authority, for basis to be adjusted in calculating capital gains.	Increase the top marginal income tax rate on long-term capital gains to 39.6 percent for taxpayers earning more than \$1 million annually and eliminate the step-up basis tax expenditure that allows decedents to pass capital gains to heirs without tax. The top rate on long-term gains would nearly double from 23.8 percent to 43.4 percent, according to the Tax Foundation.

## TAX ON COMPENSATION

Current Law	Trump Proposal	Biden Proposal
<b>Payroll Tax</b>		
FICA tax of 12.4 percent is split between employer and employee.	Consistently lobbied for payroll taxes to be cut or outright eliminated. Under a recent executive action, employers are allowed to defer the collection and payment of the employee's share of the FICA tax during the September to December 2020 period to January of 2021, with a promise to eliminate the deferred taxes if re-elected.	Biden has proposed eliminating the wage base cap on taxpayers with income above \$400,000.
<b>Carried Interest</b>		
Generally, income that flows to a partner from a private investment fund is taxed at the lower capital gains rates with a three-year holding period requirement for certain long-term capital gain and loss.	Elimination of carried interest.	Elimination of carried interest.

## CREDITS AND DEDUCTIONS

Current Law	Trump Proposal	Biden Proposal
<b>Child Tax Incentives</b>		
Currently, the maximum Child Tax Credit is \$2,000 through 2025 under the TCJA. Additionally, an earned income tax credit (EITC) up to \$6,557 may be available in 2020, depending on income and family size, as well as a dependent care credit up to \$2,100.	No currently proposed expansions to child tax incentives.	Expand the EITC and dependent care credit; a new refundable \$8,000 child care tax credit for a qualifying child or up to \$16,000 for two or more children; and a new \$5,000 tax credit for caregivers of individuals with certain physical and cognitive needs.
<b>Itemized Deduction Limitations</b>		
Prior to the TCJA, a limitation on the itemized deduction took effect at higher income levels (in 2017, \$318,700 for joint filers, \$287,650 for heads of households, \$261,500 for single filers, \$156,900 for married taxpayers filing separately). The TCJA eliminated the limitation through the 2025 tax year.	No current proposals or changes.	Restore the limitation on itemized deductions for taxable incomes above \$400,000.

## BUSINESS TAXATION

Current Law	Trump Proposal	Biden Proposal
<b>Corporate Tax Rates</b>		
The corporate tax rate is 21 percent.	No current proposals or changes.	Increase the corporate tax rate to 28 percent and add a minimum tax on corporations with book profits of \$100 million or more.
<b>Qualified Business Income Deduction</b>		
The Section 199A deduction allows eligible taxpayers to deduct up to 20 percent of their qualified business income (QBI), plus 20 percent of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income through. The deduction is scheduled to expire after 2025 under the TCJA.	No current proposals or changes.	Phase out the qualified business income deduction for income above \$400,000.

## BUSINESS TAX INCENTIVES

Current Law	Trump Proposal	Biden Proposal
<b>Energy</b>		
Various credits are available for oil production, electric vehicles, as well as for the production of solar, wind and other “green” energy.	No current proposals or changes.	End subsidies for fossil fuels, restoring the full electric vehicle tax credit and various credits and deductions to incentivize both residential and commercial energy efficiency.

## INTERNATIONAL TAXATION

Current Law	Trump Proposal	Biden Proposal
<b>Repatriation</b>		
U.S. corporations can defer payment of U.S. income tax on profits from offshore subsidiaries until those are repatriated.	No current proposals or changes.	End TCJA incentives for multinationals; establish a “claw-back” provision to “force” a return of public investments and tax benefits when it closes employment locations in the U.S. to send jobs overseas; and “tighten” anti-inversion laws.
<b>GILTI</b>		
Generally, Global Intangible Low Tax Income (GILTI) was enacted under the TCJA as an anti-base erosion provision. GILTI is a tax on earnings that exceed a 10 percent return on a company’s invested foreign assets.	No current proposals or changes.	Double the tax rate on GILTI earned by foreign subsidiaries of U.S. firms from 10.5 percent to 21 percent.

## HEALTH CARE

Current Law	Trump Proposal	Biden Proposal
<b>Affordable Care Act</b>		
Since passage of the ACA, taxes and health care have become more intertwined than in previous years. The ACA created a number of new taxes and fees. However, the ACA’s individual mandate was effectively repealed by the TCJA.	Supports repealing the Affordable Care Act.	Strengthen the Affordable Care Act (ACA) by eliminating the 400 percent income cap on tax credit eligibility and lower the limit on the cost of overage from 9.86 percent of income to 8.5. Expand a variety of family tax credits to increase coverage and lower premiums.