

# Advisory Commentary

## 2021 Evolving Tax Proposal – Overview, Observations, and Opportunities

***November 1, 2021***

Last week, the House Ways and Means Committee shared its updated tax proposal to pay for its scaled-down \$1.75 Trillion Build Back Better Act (the “Act”). This article will focus on a summary of key provisions removed from or added to its prior draft that will affect individuals and corporations.

The following provisions contained in the prior tax proposal *have been removed* from the current one, including:

- Reduction of estate and gift tax exemption amounts;
- Elimination of certain valuation discounts involving family business transfers;
- Limitations on the use of grantor trusts;
- Increased individual, capital gains and corporate tax rates; and
- Changes to rules governing individual and Roth retirement accounts.

The following provisions *have been added* to the current tax proposal in their place:

### Individual and Trust Surtaxes

- 5% surtax on individuals with modified adjusted gross income (MAGI) over \$10 Million
- 3% additional surtax on individuals with MAGI over \$25 Million
- 5% surtax on estates and trusts with MAGI over \$200,000; and
- 3% additional surtax on estates and trusts with MAGI over \$500,000

### Net Investment Income Taxes

Expanding the current 3.8% net investment income surtax to:

- Active business owners with MAGI over \$400,000;
- All spouses filing joint returns with MAGI over \$500,000; and
- All estates and trusts regardless of MAGI

### Other Individual Taxes

- Limitations on excess business losses
- Elimination of carryover for prior, disallowed losses; and
- Limitation of 50% exclusion for most qualified small business stock sales after 09/13/2021

### Corporate Taxes

- Minimum world-wide tax of 15% for U.S. Corporations
- Minimum 15% tax for U.S. Corporations with profits over \$1 Billion
- 1% surcharge on stock buybacks by public U.S. Corporations



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## REMAINING THOUGHTS

We recognize that tax proposals remain only proposals until they become law and negotiations will continue within Congress. We hope this additional overview provides you some color around remaining targets for change and an invitation to discuss with your advisor how these changes may affect you.

## Disclaimers

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