

Looking Ahead: Potential Legislative changes and your business

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With a single party controlling the House, Senate, and Oval Office, sweeping legislation change is an imminent possibility. By peeking into President Biden's proposed tax plan, we can determine some of the most likely changes that could be passed into law, enabling us to plan for the most impactful to individuals and businesses.

PROPOSED CHANGES

1. Increase corporate tax rate from 21% up to 28%.
2. Phase out QBID for those with income above \$400k. Currently non-specified service businesses may still be able to deduct.
3. Increase the top individual tax bracket from 37% to 39.6%.
4. Long-term capital gains and qualified dividends taxed at ordinary income rates for those with income above \$1M. Note: Washington State is also proposing a capital gains tax of 9%.
5. 12.4% Social Security payroll tax on earned income above \$400,000.
6. 26% retirement plan credit instead of the current tax deduction.
7. Revert Federal Gift and Estate Tax exemption to 2009 levels: \$3.5M and a 45% tax rate. Potentially eliminating the step up in basis at death.
8. Raise the Federal Minimum Wage from \$7.25 to \$9.50 this year, escalating to \$15 by 2025.

It is important to note these are still only concepts and have a long way to go before becoming law.

No Material Changes

There have been no material changes to our ADV forms or privacy practices in the past year. If you would ever like to receive a copy of these forms, please find them on our website at www.financialplaninc.com or contact our Chief Compliance Officer, David Dick at David.Dick@FinancialPlanInc.com.

Covid Relief Bill: Round 2



As you have likely read, the tax deadline for individuals for the 2020 tax year has been extended from April 15th, 2021 to May 17th, 2021. In addition, there has been much buzz about the newest Covid relief bill that took effect earlier this month. While much of what is included may not apply to your individual circumstance, we thought it worthwhile to include a few tidbits from the bill that you might find helpful.

\$1,400 Stimulus checks have already begun going out to eligible Americans. These benefits are specific to households with income below \$75K (single filers), \$112,500 (HOH), and \$150K (married, filing jointly). This is in addition to the first two stimulus checks that went out (\$1,200 and \$600). If your 2020 income dropped such that you are eligible for stimulus checks and did not receive one, you can claim the Recovery Rebate Credit on your 2020 tax return. Check line 30 on the 1040 for this.

Federal Unemployment Benefits were extended through Sept. 6, 2021 at the rate of \$300 per week. For tax purposes, it is important to note that the first \$10,200 in unemployment payments received in 2020 are not taxable.

The Child Tax Credit has been expanded to allow families to claim up to \$3,600 per year (for children under 6) or \$3,000 per year (children ages 6-17). The annual gross income requirements for this credit are \$75K (single filers), \$112,500 (HOH), and \$150K (married, filing jointly). Families who do not meet the requirements for the expanded credit can still claim the traditional child tax credit of up to \$2,000 per child, if qualified. Families should review their retirement savings as those who qualify may pay little to no tax this year. If this is the case, it may be advantageous to save to tax free (Roth) accounts.

Dependent Care has been temporarily increased to include a tax credit of up to 50% of the expense of childcare for children under age 13 with a limit of \$4,000 (single child) or \$8,000 (2+ children).

Healthcare Premium Tax Credits over the next year (for 2021 and 2022) have been increased with expanded eligibility to include individuals with household incomes over 400% of the federal poverty level. Those who received unemployment benefits in 2021 can qualify for larger premium tax credits.

As always, we are here to answer any questions pertaining to this or your 2021 tax season.