

Tax Legislation Update

Evergreen Gavekal, along with our partners at Evergreen Sterling Kuder (our firm's tax division), strives to provide comprehensive financial guidance. In light of the rapidly changing tax proposals coming out of Washington DC, we are closely monitoring the impact that new legislation could have on our clients. [Last fall](#), we published an interview with the Managing Director of our tax team, Kelly Sterling, then hosted another live virtual conversation as new information became available [this summer](#). Now after months of speculation, we are seeing more concrete information being put out, which we will continue to provide updates on as meaningful developments occur.

Today, ???the Democrat-controlled House of Representatives released their proposed tax increases that are estimated to generate an additional \$2 trillion in taxes over the next decade.

Those most significantly affected will be individuals making over \$400,000 (\$450,000 if married), estates over \$5.5 million, and profitable corporations. It is important to note that none of this has passed the House or the Senate and is still subject to change.

The following are some of the key proposals:

- Maximum personal tax rate, for individuals making over \$400,000 and married over \$450,000, increases from 37% to 39.6%.
- Capital gains tax rate increases from 20% to 25%, effective for gains incurred after today (9/13/21). Combined with the investment income tax would bring the maximum capital gains rate to close to 29%.
- Corporate tax rate increases from 21% to 26.5%, though tax brackets will be reinstated for smaller corporations.
- The exempt estate threshold decreases from \$11.7 million to \$5.5 million.
- The Qualified Business Income deduction is capped at \$400,000 for individuals and \$500,000 for married taxpayers.
- Pass-through entities will be subject to the 3.8% investment income tax.
- A 3% surtax on those making over \$5 million, resulting in a maximum tax rate of 42.6% on ordinary income, and 31.8% on capital gains.
- There are also tax effects on foreign income and carried interest.

What is not included:

- Repeal of section 1031 like-kind exchanges
- The repeal of the step-up in basis upon death
- Taxation of unrealized gains upon death

We will keep our clients updated as legislation progresses.