TPF TIPS – OCTOBER, 2024
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Welcome to TPF TIPS our monthly newsletter where we apply our over 30 years of experience to cut through the noise, select what is relevant, unpack the jargon and offer clear, digestible insights to topics important to our clients.

We know your time is precious and your inbox sacred so, we strive to make these emails an easy read (5-7minutes) and plan to deliver TPF TIPS on or around the 15th of each month (subliminal plug for tax preparation).

If, for some reason; you do not wish to receive the monthly newsletter, please do not unsubscribe. Rather, please reply to the email with the word UNSUBSCRIBE in the subject line. We will make sure to remove you from the newsletter list but, keep you subscribed to our other emails regarding important financial deadlines, events and other critical updates you will want to know about.

After all, it's your money and we want you to keep as much of it as possible!
So…..buckle up and let's get savvy!!!

The theme for this month is:
"Tax Policies – What Will November Bring for Your Future?"

As we approach the 2024 presidential election, the tax policy proposals of the major candidates are coming into focus. While specific details may still evolve, clear differences are emerging between the Republican and Democratic tax platforms that could significantly impact individuals and businesses.

The Pierson Firm is committed to keeping you informed about potential changes that may affect your tax planning strategies. Here's a breakdown of where the parties stand on some of the more noteworthy tax issues.

Individual Income Tax Rates
Near and dear to everyone is the treatment of individual income taxes.

Republicans seek to make the TCJA's (Tax Cut & Jobs Act) individual tax cuts permanent. This includes maintaining lower rates across all brackets and preserving the expanded standard deduction. They argue this approach puts more money in taxpayers' pockets and stimulates consumer spending.

Democrats: While promising to maintain current rates for those earning under $400,000, the party propose raising rates on high earners. This could include restoring the top marginal rate to 39.6% (from the current 37%) for individuals earning over $400,000. Also being proposed is the implementation of a "millionaire surtax" of 5% on incomes above $5 million.

Corporate Tax Rates
One of the starkest contrasts between the parties is the stance on corporate tax rates:

Republicans aim to maintain or reduce the current 21% corporate tax rate established by the 2017 Tax Cuts and Jobs Act. There has also been a proposal to further reduce tax rates to 15-20%. The assumption being, lower corporate rates stimulates economic growth, job creation and global competitiveness.

Democrats support raising the corporate tax rate to 28%. This aligns with the current administration's previous proposals and is framed as a way to ensure corporations "pay their fair share" while funding social programs and infrastructure investments.

Capital Gains Taxation
Treatment of investment income is another area of contrast:

Republicans: No major changes have been proposed to the current long-term capital gains rates (0%, 15%, or 20% depending on income level). The party generally favors maintaining or expanding preferential treatment for investment income.

Democrats have proposed raising the top capital gains rate to 28% for those earning over $1 million. Some progressive Democrats have suggested taxing capital gains at ordinary income rates for high earners.

Estate Taxes
Estate tax policy remains a point of contention:

Republicans support making the TCJA's increased estate tax exemption permanent. Currently set at $13.61 million per individual for 2024 (adjusted annually for inflation), this exemption is scheduled to revert to approximately half that amount in 2026 without legislative action.

Democrats have varying specific proposals, however; they are likely to propose lowering exemption amounts, potentially to pre-TCJA levels (around $5.5 million per individual, adjusted for inflation). Some have also suggested increasing the top estate tax rate from the current 40% to 45% or higher for the largest estates.

Retirement Accounts
Both parties have expressed interest in enhancing retirement savings opportunities:

Republicans propose expanding access to retirement accounts for small business employees and gig-economy workers. Some have suggested raising contribution limits for IRAs and 401(k)s.

Democrats are focused on expanding access to retirement savings for lower-income workers, potentially through government-matching contributions or mandatory employer-sponsored plans for businesses above a certain size.

International Taxation
Approaches to international corporate taxation differ significantly:

Republicans are generally in favor of a territorial tax system and maintaining or expanding the foreign-derived intangible income (FDII) deduction to incentivize keeping intellectual property in the U.S.

Democrats support a global minimum tax on multinational corporations and propose strengthening the global intangible low-taxed income (GILTI) provisions to reduce profit shifting to low-tax jurisdictions.

Other Notable Proposals
Several unique proposals have emerged from both sides:

- Both candidates have expressed support for eliminating taxes on gratuities/tips, framing it as a way to support service industry workers.

- Democrats have proposed a $10,000 tax credit for first-time homebuyers, aimed at making homeownership more accessible.

- Republicans have suggested a universal baseline tariff on all US imports (potentially around 10%) and a 60% tariff on Chinese imports, which would have significant implications for international trade and potentially domestic consumer prices.

- Democrats have proposed various tax credits related to clean energy and electric vehicles as part of their climate agenda.

- Republicans have suggested simplifying the tax code by reducing the number of tax brackets and eliminating certain deductions and credits.

Potential Impact on Tax Planning
The divergent tax proposals could have significant implications for both individual and business tax planning:

- High-income earners may need to consider accelerating income or deferring deductions depending on the election outcome.

- Businesses might reassess their entity structure, international operations, and investment strategies based on potential corporate tax changes.

- Estate planning could require significant adjustments if exemption amounts change dramatically.

- Retirement savers may have new opportunities or incentives to increase contributions.

Outlook and Considerations
It's important to remember that *campaign proposals often differ from enacted legislation*. The ultimate impact of these proposals will depend heavily on the composition of Congress after the election. Many significant changes would require legislative approval, which can be challenging depending on the resulting balance of power in the House and Senate.

Other major influences on the feasibility and timing of tax policy changes include: economic conditions, budget considerations, and global events.

Remember:
The Pierson Firm is committed to helping you navigate any shifts in the tax landscape and optimize your financial strategies accordingly.

Please don't hesitate to reach out with any questions about how these proposals could impact your specific situation. We're here to help clients make informed decisions, alleviate concerns and prepare for various potential outcomes….*but most important; help you keep as much of your money as possible.*

About The Pierson Firm
Conroe-based *The Pierson Firm* offers a comprehensive range of tax-related services to individuals and businesses alike; and have been doing so for over 30 years. From Tax Planning, Preparation & Representation to Business Operations, Advisory and Compliance, the firm provides personalized solutions to those around the block or around the globe. Additional company information can be found by visiting www.thepiersonfirm.com.

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