

MARKET COMMENTARY – October 1, 2024

Dear IRS, I am writing to you to cancel my subscription. Please remove my name from your mailing list. ~Snoopy

We doubt you require any reminding. But in case you have managed to remain blissfully ignorant, allow us to be among the first to inform you that Election Day 2024 is fast approaching. In fact, since most states have decided to extend voting over many weeks for few good reasons, we are already smack-dab in the middle of Election Season 2024. We hope you are having a Merry Time!

As always, many issues are at stake. Some are being rightfully discussed, e.g. immigration. Others are being wrongfully ignored, e.g. unsustainable federal spending. Today, we're going to shed light on an issue that will affect us all but currently receives insufficient press. Tax policy.

The tax cuts from President Trump's first term (TCJA) are set to automatically expire on 12/31/2025. He has said that, if re-elected, he will move to make the cuts permanent (with small modifications). If TCJA is made permanent, the amount of income taxed will be lower and the tax rates themselves will be lower. Small business owners will pay less in taxes. Estate taxes will be lower.

In addition to making the TCJA cuts permanent, President Trump has made the following new proposals:

- Lowering the corporate tax rate from 21% to 15-20%
- Exempting tips and SS income from income tax
- Eliminating the Biden green energy subsidies
- Increase tariffs on Chinese goods
- Create a universal tariff on all imported goods

Now let's turn to the challenger. Vice President Harris has not specified her plans to deal with the sunset of the TCJA, implying that it would, in fact, be permitted to end.

On the other hand, she has made detailed tax proposals since her abrupt appearance in the race. Most are continuations of the Biden 2025 budget proposals. Her initiatives on businesses include (but are not limited to) the following:

- Increase corporate tax rate from 21% to 28%
- Increase new minimum corporate tax begun by Biden from 15% to 21%

- Increase the new stock buyback tax begun by Biden from 1% to 4%
- Other items that increase the base of taxed income and increase the rates

The Vice President has also detailed tax proposals that alter individual, capital gain, and estate taxes. Here are a few of her suggestions:

- Apply the Obamacare tax to more than just investment income and increase the rate from 3.8% to 5%
- Increase the top income tax rate to 39.6%
- Increase capital gains rates for high earners from 20% to 28% (highest since 1978)
- Begin taxing unrealized capital gains at death
- Limit IRA contributions for high earners
- Limit 1031 like-kind exchanges
- Other items that broaden income taxed and increase rates

Under the Harris proposals taxpayers will pay close to \$2 trillion more in taxes to the IRS over 10 years. The Tax Foundation estimates that wages will be 1.2% lower and GDP will be 2% lower should her policies be enacted.

Conversely, under the former (and future?) president's proposals taxpayers will pay considerably less to the IRS. However, with increased tariffs, some consumer goods could become more expensive. The Tax Foundation estimates that his proposals will increase wages by 0.6% and reduce GDP by 0.2% in the long run.

There are certainly other issues to consider beyond tax policy when voting for President of the United States. We need not list them here. However, should the Harris-Walz ticket find itself in power come 2025, many of us will share in Snoopy's sentiment and wish to cancel our subscription to the IRS.

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Sincerely
Jason Born, CFA
President