

**AUGUST 6, 2021**

# Estate and tax planning changes on the horizon

**Earlier this year, the Biden Administration released their budget proposal for the 2021-2022 fiscal year accompanied by a customary detailed guide commonly referred to as the Green Book. The Green Book outlines a series of tax increases designed to fund the Administration's infrastructure and social support plans. What could these changes mean for you?**

Right now, it's too soon to tell – ultimately it will be up to Congress to accept or reject the proposals. It's not too early though to consider how the proposals may affect you, particularly if you have estate or tax planning needs.

## **Changes to estate and gift taxes**

The Green Book proposes changes to the way estate and gift taxes are taxed. Any transfer of property, including gift or upon death, would trigger capital gains taxes as a realization event. There are suggested exclusions for this proposal, including a \$1,000,000 per person exclusion and for transfers to spouses and certain charitable bequests.<sup>1</sup>

## **Higher capital gains taxes**

The Administration's proposal would also increase the tax rate on long-term capital gains to match ordinary tax rates for those with adjusted gross income over \$1,000,000. The increase would only apply to the extent of the taxpayer's income that is over the \$1,000,000 level. It's interesting to note that the proposal suggests making the potential consequence effective on the "date of announcement" rather than on a future specified date. Tax increases are typically made effective on a future date rather than on a past date.<sup>1</sup>

## **Dynasty trust changes**

Another proposal would make taxable any gain on unrealized appreciation held within a trust for the previous 90 years, with the period beginning January 1, 1940. This would mark a significant change to estate planning rules, which may lead the need for individuals to consider alternatives to their current estate plans.<sup>1</sup>

## **Income tax increases for high earners and corporations**

Biden's plan would roll back a Trump Administration tax cut and raise the marginal tax rate from 37 percent (the current level) to 39.6 percent (the pre-Tax Cuts and Jobs Act level). The top individual income tax bracket would begin at \$452,700, down from the current \$523,601.<sup>2</sup>

The green book also includes a proposed increase in the corporate tax rate to 28%, a noteworthy raise from the current 21%. Senate Democrats seem to be coalescing around 25% for the new rate, leading some experts to believe the proposed rate of 28% is a marker.<sup>2</sup>

Ultimately, there's a lot to consider in the Green Book proposals – all of which will depend on Congress. Consult your tax professional for advice and consider working with a financial professional to learn about estate and tax planning strategies for your situation.

Sources:

1. Tax provisions in Biden Administration's FY 2022 Budget Proposals, Asset management section, KPMG.com, June 28, 2021
2. Biden releases budget and Green Book, advocates for increased taxes, Finseca.org, June 1, 2021

Financial Professionals do not provide specific tax/legal advice and this information should not be considered as such. You should always consult your tax/legal advisor regarding your own specific tax/legal situation.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the purpose of voiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

This is a general communication for informational and educational purposes. The materials and the information are not designed, or intended, to be applicable to any person's individual circumstances. It should not be considered investment advice, nor does it constitute a recommendation that anyone engage in (or refrain from) a particular course of action. If you are seeking investment advice or recommendations, please contact your financial professional.

Securian Financial is the marketing name for Securian Financial Group, Inc., and its subsidiaries.

**Securian Financial Group, Inc.**  
[securian.com](https://www.securian.com)

400 Robert Street North, St. Paul, MN 55101-2098  
©2021 Securian Financial Group, Inc. All rights reserved.

DOFU 8-2021  
1754766