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**PRODUCT & SERVICE GUIDE**

# 2020 Democratic Presidential Candidates Pinpoint Their Tax Plans

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# PRESIDENTIAL ELECTION



As the race of the Democratic presidential nomination heads into Super Tuesday on March 3—when 15 states and territories will decide delegates—the candidates are debating vital issues like healthcare and climate change. What’s another issue that could separate one or more candidates from the pack? Taxes.

Although the philosophical differences among the top Democratic candidates aren’t as pronounced as they are from incumbent President Donald Trump, there’s still plenty of room for disagreement on the campaign trail. Following is a roundup of tax proposals pitched by the top Dem challengers, listed in alphabetical order. Candidates who have dropped their bid for the nomination have been moved to the bottom of the list.

## **Joe Biden**

Not surprisingly, the former vice president wants to preserve the healthcare law known as Obamacare. But he would bolster it by improving the premium credits available to qualified families, while imposing a tax penalty on pharmaceutical companies that increase drug costs above the inflation rate. His plan also seeks to enhance tax breaks for senior citizens who pay for long-term care insurance with retirement savings as well as instituting a wide variety of energy tax incentives.

Some of the other tax proposals from Biden's camp are:

- A repeal of the individual and corporate tax cuts in the 2017 tax reform law spearheaded by Trump—the Tax Cuts and Jobs Act (TCJA)—by restoring the top individual tax rate of 39.6% and raising the top corporate rate to 28%.
- Imposing a 15% minimum tax on large corporations.
- A cap on itemized deductions for the wealthiest taxpayers at 28%.
- Repealing the step-up in basis for inherited assets.
- Eliminating favorable tax rates on capital gains for anyone earning over \$1 million.
- Expansion of the maximum dependent care credit to \$8,000.
- Increasing the global intangible low tax income (GILTI) rate on foreign profits from 10.5% to 21%.

## **Bernie Sanders**

The senator from Vermont, the presumptive front-runner prior to Super Tuesday, has pushed an aggressive agenda spanning national health care, free college tuition and jobs for everyone. How does he propose to pay the tab? Higher taxes.

Notably, to help fund his “Medicare-for-all plan,” Sanders would increase the top tax rate to 70%, almost double the current top rate, on those earning more than \$10 million per year and limit tax deductions for anyone in the top tax bracket. He would also impose a 7.5% insurance premium tax on employers (exempting the first \$2 million for small businesses).

Furthermore, Sanders has proposed a version of a wealth tax with a progressive rate structure starting at 1% on a net worth above \$32 million and reaching up to 8% on wealth over \$10 billion. The IRS would also be required to audit 30% of wealth tax returns for those among the top 1% and 100% of all billionaires.

Other proposals by Sanders target the rich to help pay for the poor. This includes:

- Imposing higher tax rates for estates valued above \$3.5 million.
- Creation of a new financial-transactions tax on stock, bond and derivative trades.
- Restoring the corporate income tax rate to 35%,
- Repeal of the 20% QBI deduction for pass-through entities.
- Elimination of favorable tax rates for long-term capital gains.
- Increasing the above-the-line deduction for educator expenses
- Providing various environmental tax incentives.

Of course, we haven't heard the last word yet on taxes—not by a long shot. You can expect the candidates to jockey for position during the stretch run to the convention.

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These candidates were initially listed above in alphabetical order, but we have dropped them to the bottom as a result of their ending their campaigns for the Democratic nomination.

## **Michael Bloomberg**

*(Announced on Wednesday, March 4, 2020, that he will end his campaign.)*

Unlike some of the other contenders, the former mayor of New York City and billionaire business mogul doesn't favor a specific "wealth tax" on individuals. However, Bloomberg would still raise taxes on the upper crust by restoring the top tax rate of 39.6%, taxing capital gains at the same rate as ordinary income for taxpayers above \$1 million and imposing a 5% surtax on annual income above \$5 million.

Some other proposals floated by Bloomberg that would affect individuals are:

- Repeal of the tax deferral rules for like-kind exchanges of real estate.
- Ending the treatment of "carried interest" as a capital gain.
- Reducing the \$10 million federal estate tax exemption (indexed to \$11.58 million in 2020).
- Eliminating the step-up in basis for unrealized capital gains at death.
- Imposing a 0.1% financial transactions tax.

As far as big business goes, Bloomberg has advocated a jump in the corporate income tax rate from 21% to 28%, raising taxes on foreign income and tougher rules for reporting foreign taxes. For smaller operations, he would repeal the deduction for qualified business income (QBI) of pass-through entities that was authorized by the TCJA.

## **Pete Buttigieg**

*(Announced on Sunday, March 1, 2020, that he will end his campaign.)*

The former South Bend, Indiana mayor made news earlier this week by pledging to remove the \$10,000 cap on state and local tax (SALT) payments, which was established by the TCJA, for households earning under \$400,000. Similarly, he has

taken potshots at parts of the GOP-backed law, criticizing tax cuts for the wealthiest Americans and corporate giants.

Buttigieg has previously discussed other potential tax increases for individuals and businesses he would consider, including the following:

- Higher income tax rates for the top brackets and a wealth tax on the richest group.
- Imposing Social Security payroll taxes on wages above \$250,000 (\$500,000 for married couples).
- An increase in the corporate income tax rate from 21% to 35%.
- Higher taxes on pharmaceutical companies.
- Creation of a financial transactions tax.

Buttigieg is also requesting a rollback of unspecified corporate tax breaks and a “more equitable use” of the federal estate tax. Finally, he has called for “public option 401(k) plans” that would provide IRA-type tax benefits with a required employer match of contributions.

## **Amy Klobuchar**

*(Announced on Monday, March 2, 2020, that she will end her campaign.)*

The senator from Minnesota has tied some of her tax proposals to infrastructure improvement. She has said she would pay for upgrades and rebuilding of roads and bridges, in part, by hiking the corporate income tax rate from 21% to 25%, eliminating tax breaks that encourage U.S. businesses to move overseas and ramping up tax enforcement activities.

Klobuchar also wants to boost retirement savings for working-class families by requiring minimum employer contributions to retirement accounts for employees. To pay for this, she would increase the corporate tax rate to 23%—a smaller raise than her infrastructure proposal—and restore the top 39.6% individual tax rate.

Some other tax-related points raised by Klobuchar are:

- Using a payroll tax on income above \$250,000 to help pay for Social Security.
- Creating a new refundable tax credit to offset the costs of nursing homes and other long-term care expenses.
- Initiating a tax credit of up to \$6,000 per year for caring for aging or disabled relatives.
- Taxing technology companies that sell private information of customers.

- Establishing a new federal tax credit to encourage investment in family-owned homes in certain neighborhoods.

## **Elizabeth Warren**

*(Announced on Thursday, March 5, 2020, that she will end her campaign.)*

The last candidate alphabetically on our list, Senator Elizabeth Warren of Massachusetts, probably has had the most to say about taxes. For starters, she is a proponent of a wealth tax that would be equal to 2% on net worth above \$50 million and 6% above \$1 billion. This would also count assets held by minor children in the household.

Among other proposals, Warren would require minimum audit rates for taxpayers subject to the wealth tax, defer tax payments for up to five years for wealthy taxpayers with liquidity problems and impose a 40% “exit tax” on net worth above \$50 million for U.S. citizens who renounce their citizenship.

Businesses would not be spared, either. Under Warren’s plan, corporate profits above \$100 million would be hit with a 7% tax—no exceptions.

Finally, other items rounding out Warren’s wish list include the following:

- Restoring the corporate income to 35%.
- Slowing down depreciation deductions.
- Adding a new “employer Medicare contribution” equal to 98% of the amount large employers (50 or more employees) currently pay for employee health insurance.
- Taxing capital gains income (excluding retirement accounts) annually for the wealthiest 1% of households.
- Raising the capital gains rates to match tax rates on wages.
- Taxing amounts that employees currently pay for health insurance as wages.
- Imposing a 35% country-by-country minimum tax on foreign earnings.
- Taxing foreign firms based on their U.S. sales.
- Creating a 0.1% financial transactions tax on the sale of bonds, stocks or derivatives.

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