2020 Presidential election: Tax proposal comparison

The following side-by-side chart compares key current-law **business**, **international**, and **individual** tax provisions with proposals from President Trump and presumptive Democratic presidential nominee Joe Biden.

President Trump has proposed in his budget submissions to Congress to make permanent 2017 individual tax reform provisions that are set to expire in 2025 under current law. In 2019, President Trump signaled his intent to propose additional tax cuts for middle-income individuals and business. Administration officials have indicated that additional tax relief proposals under consideration could include lowering the current 21% US corporate tax rate.

Joe Biden has proposed a broad range of tax changes that would increase taxes for higher-income individuals and certain businesses. Biden has proposed to use the revenues from tax increases to provide targeted tax relief for lower and moderate-income individuals and to fund various policies, including incentives for domestic manufacturing and increased infrastructure spending.

It likely will remain the case that enactment of major modifications to current tax law generally will require unified control of Congress and the White House, unless the changes reflect the priorities of both Democrats and Republicans. Change of White House control, by contrast, could have important consequences for the durability of the regulatory and administrative actions taken by President Trump.

Sources include President Trump's FY 2021 budget proposal and former Vice President Biden's campaign site (joebiden.com), as of July 27, 2020.

Business tax proposals

Proposal	Current law	Trump proposals	Biden proposals
Corporate tax rate	21% rate for tax years beginning after 12/31/2017.	No change. ***Note***: White House officials have said that President Trump may announce a proposal to lower the current 21% corporate tax rate.	Increase corporate income tax rate to 28%.
Book/tax conformity	N/A	No change.	Impose 15% minimum tax on large companies' book income, with credit for taxes paid to other countries; allow loss carryover from nonprofitable years.
Industry-specific proposals	Businesses generally may deduct ordinary and necessary expenses of carrying on a trade or business. The Federal Deposit Insurance Corporation (FDIC) is funded by premiums that banks and savings associations pay for deposit insurance coverage.	No change.	Eliminate tax preferences for fossil fuels. Eliminate deduction for prescription drug advertising. Eliminate certain tax preferences for real estate industry (like-kind exchange, accelerated depreciation for rental housing, and the exemption from passive loss rules for $25,000 of rental loss). Institute a financial fee on certain liabilities of large financial institutions with over $50 billion in assets.

Business tax proposals

Proposal	Current law	Trump proposals	Biden proposals
Energy tax incentives	Available incentives include the investment credit, renewable energy credit, and renewable fuels credit.	Repeal the energy investment credit.	Enhance tax incentives for carbon capture, use, and storage. Expand tax deductions for energy technology upgrades, smart metering systems, and other emissions-reducing investments in commercial buildings.
Pass-through entities	20% deduction for non-wage portion of pass-through income. Deduction limited to the greater of 50% of W-2 wages or 25% of W-2 wages plus 2.5% of the unadjusted basis, immediately after acquisition, of all qualified property held in the qualified business for taxpayers with income **over** $315,000 (married) or $157,500 (individuals). The limitation is phased in. The deduction for specified services business income is subject to income limitations.	Make permanent TCJA pass-through business provisions set to expire after 2025.	Phase out 20% deduction for income above $400,000.
Worker classification	Determined using all relevant facts based on control and relationship factors.	No change.	Tighten the rules for classifying independent contractors by increasing penalties for misclassification.

Business tax proposals

Proposal	Current law	Trump proposals	Biden proposals
Onshoring	N/A	No change.	Establish new incentives for companies to make critical products in the United States. Establish new manufacturing communities tax credit. Pursue tax code changes that will encourage pharmaceutical production in the United States. Eliminate incentives for pharmaceutical and other companies to move production overseas. Establish 'claw-back' provision to require a company to return public investments and tax benefits if it moves production overseas.
Anti-base erosion regime (Subpart F)	US shareholders of CFCs subject to current US tax on GILTI with a 50% deduction. An 80% foreign tax credit is permitted. The deduction is reduced to 37.5% for tax years beginning after 12/31/2025.	No change.	Double the minimum tax on profits earned by foreign subsidiaries of US firms from 10.5% to 21%.

Individual tax reform proposals

Proposal	Current law	Trump proposals	Biden proposals
Individual rates	Seven rate brackets (10%, 12%, 22%, 24%, 32%, 35%, and 37%).	Make permanent TCJA individual tax rate cuts set to expire after 2025.	Restore pre-TCJA tax rates for income above $400,000 (including an increase in the highest rate to 39.6%).
Capital gain/ Qualified dividend rates (individuals)	Maximum 20% rate for long-term capital gains and qualified dividends.	No change.	Tax capital gains and dividends as ordinary income for individuals with income above $1 million. Tax unrealized capital gains at death.
Individual – standard deduction	For 2020: $12,400 single/ $24,800 joint (adjusted for inflation based on chained CPI). Chained CPI does not expire after 12/31/2025.	Make permanent TCJA changes set to expire after 2025.	No change.
Individual – itemized deductions	No overall limitation on itemized deductions. Deduction for state and local sales, income, and property taxes is capped at $10,000.	Make permanent TCJA changes set to expire after 2025.	Restore limitation on itemized deductions for individuals with income above $400,000. Limit tax benefit of itemized deductions to 28%.
Energy tax credits	Available credits may include nonbusiness energy credits and alternative motor vehicle credits.	Eliminate the plug-in electric drive motor vehicle credit and the credit for residential energy efficient property.	Restore full electric vehicle tax credit. Reinstate solar investment tax credit and tax credits for residential energy efficiency.

Individual tax reform proposals

Proposal	Current law	Trump proposals	Biden proposals
Other credits	Available credits may include child and dependent care credit, education credits, child tax credit, and earned income tax credit (EITC).	Create tax credit for individuals and businesses who donate to organizations that provide 'Education Freedom Scholarships' for non-public education.	Create family caregiver tax credit. Extend EITC to workers age 65 and older without qualifying children. Exclude student loan forgiveness from taxable income.
Estate tax	Maximum 40% tax rate ($11,580,000 exemption for 2020). Value of property included in gross estate is FMV on the decedent's date of death. Step-up in basis to FMV.	Make permanent TCJA changes set to expire after 2025.	Tax unrealized capital gains at death.
Payroll tax	12.4% Social Security tax applies to annually adjusted wage base limit ($137,700 for 2020).	No change. ***Note***: President Trump has supported a temporary payroll tax cut as part of pandemic-related relief legislation.	Apply Social Security payroll tax to income above $400,000.
Retirement plans	Elective deferral to 401(k) plans ($19,500 limit for 2020). IRA contributions ($6,000 limit for 2020) subject to income limitations.	No change.	Increase tax preferences for middle-income taxpayers' contributions to 401(k) plans and IRAs. Provide automatic enrollment in IRAs for workers who do not have a pension or 401(k)-type plan.

Key TCJA provisions with no current candidate proposals

Proposal	Current law
Business interest expense	Limited to the sum of business interest income plus 30% of the adjusted taxable income (defined similar to EBITDA for tax years beginning after 12/31/2017 and before 1/1/2022, and similar to EBIT for tax years beginning after 12/31/2021) of the taxpayer for the tax year. Does not apply to certain businesses. Disallowed interest is allowed to be carried forward indefinitely.
Net operating loss deduction	For tax years beginning after 12/31/2020, limited to 80% of income for losses arising in tax years beginning after 12/31/2017; indefinite carryforward; no carryback for losses arising in tax years beginning after 12/31/2020.
R&D expense amortization	For tax years beginning after 12/31/2021, certain Section 174 R&E expenditures to be capitalized and amortized over 5 years (15 years for expenditures outside the US).
Cost recovery (full expensing)	100% full expensing for investments in new and used property made after 9/27/2017 and before 1/1/2023. Five-year phase-down of full expensing beginning in 2023 (additional year for certain qualified property with longer production period). Excludes certain property.
International tax regime	'Territorial' system with 100% foreign dividend exemption.
Incentive for US production for sale to foreign customers	A 37.5% deduction is allowed for foreign-derived intangible income produced in the US. The deduction is reduced to 21.875% for tax years beginning after 12/31/2025.

Key TCJA provisions with no current candidate proposals

Proposal	Current law
Anti-base erosion regime (inbounds)	Add-on minimum tax equal to the excess of (i) 10% of taxable income (5% in 2018 and 12.5% for tax years after 12/31/2025) generally determined without regard to amounts paid or accrued to a foreign related party (other than COGS and certain services), including amounts includible in the basis of a depreciable or amortizable asset; over (ii) regular tax liability (determined after reduction by credits other than the R&D credit and capped amounts of certain other general business credits). For tax years beginning after 12/31/2025, the regular tax is reduced by all credits (including GBC).
Carried interest	Three-year holding period requirement for qualification as long-term capital gain with respect to certain partnership interests received in connection with the performance of services. (See Biden's capital gains proposal.)