

CLIENT ALERT

Navigating Compensation Governance

Proposed Budget Calls for Significant New Taxes

President Biden's budget calls for increases in tax rates on large corporations and wealthy individuals.

President Biden's recently issued budget calls for a wide range of tax increases on individuals and corporations. Most of these proposed increases appeared in President Biden's 2020 campaign platform. Like those tax proposals, the current proposals are unlikely to become law as long as the Republicans control the House. However, the proposal provides a view of President Biden's tax priorities.

The key aspects of the President's tax proposal are summarized below¹.

- A minimum federal income tax rate of 25% would be imposed on taxable income of those taxpayers with more than \$100 million in accumulated wealth.
- The Medicare tax rate would be raised from 3.8% to 5.0% on earned and unearned income over \$400,000.
- The Trump tax cuts would be repealed by restoring the top tax rate of 39.6% for those making more than \$400,000.
- Capital gains would be subject to the top marginal income tax rate of 39.6% for taxpayers making more than \$1 million a year.
- Carried interests would be subject to the top marginal income tax rate of 39.6%.
- The corporate income tax rate would be raised to 28% from 21%.
- The corporate minimum income tax rate would be raised to 21% from 15% on corporations with at least \$1 billion in revenue.
- The corporate income tax rate on foreign earnings would be increased to 21% from 10.5%.
- The deduction for compensation paid in excess of \$1 million to any employee would no longer be allowed for both private and public C corporations. Currently, the deduction cap applies solely to compensation paid to executive officers of public companies.
- Tax subsidies for oil and gas companies, real estate transactions (i.e., like kind exchanges) and cryptocurrency transactions would be eliminated.

¹ See FACT SHEET: The President's Budget for Fiscal Year 2025, available at: <https://www.whitehouse.gov/briefing-room/statements-releases/2024/03/11/fact-sheet-the-presidents-budget-for-fiscal-year-2025/>

In addition to the proposed tax increases, the President's budget would increase funding for the IRS (on top of the increased funding under the Inflation Reduction Act) to finance improvements in customer service and enhancements in tax collection efforts from wealthy taxpayers.

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