

CLIENT ALERT

Navigating Compensation Governance

President Biden's Proposed Budget Calls for Raft of New Taxes

President Biden's budget calls for large increase in tax rates on income of large corporations and wealthy individual taxpayers.

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 2022 campaign platform. Like those tax proposals, the current proposals stand virtually no chance of becoming law as long as the Republicans control the Senate. However, the proposal provides an early view of tax priorities that President Biden would likely carry into a second term, if reelected.

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

- **Imposes Minimum Federal Income Tax Rate of 25% on Super Wealthy.** 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.
- **Increases Medicare Tax Rates on Incomes over \$400,000.** The Medicare tax rate would be raised from 3.8% to 5.0% on earned and unearned income over \$400,000.
- **Repeals Trump Tax Cuts.** The Trump tax cuts would be repealed by restoring the top tax rate of 39.6% for those making more than \$400,000.
- **Imposes Top Tax Rate on Capital Gains of Wealthy Taxpayers.** Capital gains would be subject to the top marginal income tax rate of 39.6% for taxpayers making more than \$1 million a year.
- **Imposes Top Tax Rate on Carried Interests.** Carried interests would be subject to the top marginal income tax rate of 39.6%.
- **Increases Top Corporate Income Tax Rate.** The corporate income tax rate would be raised to 28% from 21%.
- **Increases Corporate Minimum Income Tax Rate on Billion Dollar Corporations.** The corporate minimum income tax rate would be raised to 21% from 15% on corporations with at least \$1 billion in revenue.

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/>

- **Increases Corporate Income Tax Rate on Foreign Earnings.** The corporate income tax rate on foreign earnings would be increased to 21% from 10.5%.
- **Eliminates Deduction for Pay in Excess of \$1 million.** C corporations (both public and private) would no longer be allowed a deduction for compensation paid in excess of \$1 million to any employee. Currently, such deduction cap applies solely to compensation paid to executive officers of public companies.
- **Eliminates Certain Tax Subsidies.** Tax subsidies for oil and gas companies, real estate transactions (i.e., like kind exchanges) and cryptocurrency transactions would be eliminated.

In addition to the proposed tax increases, the President's budget seeks to 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.

* * * * *

The **Client Alert** is prepared by Meridian Compensation Partners' Governance and Regulatory Team led by Donald Kalfen. Questions regarding this Client Alert or executive compensation technical issues may be directed to Donald Kalfen at 847-347-2524 or dkalfen@meridiancp.com.

This report is a publication of Meridian Compensation Partners, LLC, provides general information for reference purposes only and should not be construed as legal or accounting advice or a legal or accounting opinion on any specific facts or circumstances. The information provided herein should be reviewed with appropriate advisors concerning your own situation and issues. www.meridiancp.com