

Tax and Estate Changes: “Revolution”



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John Lennon is my favorite of the Beatles, for a variety of reasons. His ability to provide profound (and often sarcastic) social commentary over beautiful melodies is one of those reasons. I am at a bit of a loss to describe what is happening in Washington D.C. right now on the tax and estate planning front, so this quarter I'm going to use Lennon's *Revolution* to provide some context and — I hope — give our readers a sense of where things stand.

“You say you got a real solution, well you know... We'd all love to see the plan.”

The most commonly asked question in our client meetings these days is, “What do you think is going to happen with taxes next year?” On this, there does not appear to be a clear answer yet. Democrats initially proposed a \$3.5 trillion spending bill, and this price tag carried with it a host of potential changes to the federal income and estate tax structures. It has now become clear that they do not have the votes to carry a \$3.5 trillion package and Democrats are working amongst themselves to get support for a bill at a little over half the initial price tag. Where this leaves the tax structure is an open question.

The one area on which there seems to be a consensus is the federal estate tax exemption. This exemption is scheduled to change from about \$12 million per person to about \$6 million per person in 2026. The legal teams with whom our clients work have consistently been recommending that they ought to plan for a exemption reduction in 2022. As a result, many of these individuals and



families are taking action now to utilize the larger exemption while they have it. Please reach out to our planning team if you have questions on how a potential reduction in the exemption may impact your family.

“You ask me for a contribution, well you know... We're all doing what we can.”

There is no more rewarding part of our team's work than helping our clients give back to the community through charities of their choice. You can see some of the organizations we work with in our annual **Giving Guide** as part of this newsletter. Donat-

ing to philanthropic organizations continues to be a great way to provide for those in need and is also a sound tax strategy. We have been working with clients this fall to establish foundations and donor-advised funds and to make tax-efficient gifts where possible. We expect the tax treatment of these gifts will remain unchanged, although some in D.C. would like to see the elimination of the \$10,000 cap on state and local taxes — should this cap be eliminated, many more taxpayers would itemize deductions, including those for charitable gifts.



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“But when you talk about destruction, don’t you know that you can count me out!”

Climate change has been looped into the legislative process over the last few weeks, as opposition to parts of the Biden administration’s environmental plans have thrown the infrastructure and budget bills off track. We remain convinced that, if Democrats get something done, there will be a focus on green energy as part of the deal. This thinking has informed some of our recent investment decisions. Please contact your advisor if you’d like to discuss how this theme fits into your portfolio.

“You tell me it’s the institution, well you know... You better free your mind instead”

As they have been unable to settle on sweeping corporate and personal income tax rates, a group of

Democrats have recently proposed an entirely different plan: tax increases that would impact only the top 0.0002% of America’s families. Whether they are able to create an entirely new tax structure on the fly, how much revenue taxing these families would generate, and how such a tax would be structured are all unknown at this time. Democrats recently proposed a plan targeting the nation’s 700 billionaires and, when that did not have the votes, they settled on increasing the taxes on the 22,000 Americans making over \$10 million per year. Final details are still being hammered out.

Arnerich Massena recently sent a letter to our Congressional representatives expressing our feedback on a proposed bill that would limit investment choices in IRA accounts. To view a summary and the letter, [click here](#).



If you would like to read about John’s brilliance as a songwriter, I highly recommend you take a look at the following textbook from Berklee College of Music: <https://www.amazon.com/Songs-John-Lennon-Beatle-Years/dp/0634017950>

