

## Financial Disaster in Waiting - Biden Announces His Tax Plan if He Wins a Second Term

April 27, 2024 – While campaigning over the past week, Joe Biden has started to outline the tax policies that he would like to put in place if he wins the election in November. Frankly, the policies that he has outlined would be a disaster for just about every single American, and would likely amount to the largest tax increase in American history; hitting those that can least afford them the hardest.

While speaking at the North America's Building Trades Unions National Legislative Conference this past week, Biden said that if he wins a second term, the tax breaks enacted during the Trump administration would be allowed to expire. Those tax breaks were across the board. Virtually every working American received an increase in their take home pay from them.

If allowed to expire, families making between \$22,001 and \$89,450 would see their income tax rate jump from the current 12% to a new 15% bracket. Those making from \$89,451 to \$180,000 would see their tax rate increase to 25%. Their current rate is 22%. The child tax credit would also be reduced from the current \$2,000 per child to \$1,000.

But Biden's plans don't stop there. He also wants to increase capital gains taxes. Current capital gains taxes can be as low as 0% and they cap out at 20%, depending upon your income. Biden is proposing an increase in capital gains to 44.6%. If you think that these taxes just impact the rich, you would be wrong.

Capital gains taxes impact anyone with investments. If you own a home, when you sell it for a profit, that profit is considered to be capital gains in most cases. If you have a brokerage account, as long as the stocks you hold have been owned for more than a year, any profit you receive is capital gains. The president's proposal is simply a raid on the equity of homeowners and stockholders and it will chase people away from investing; something that would be a disaster for the overall economy.

As bad as that is, it isn't really the worst of his proposal. That's reserved for his suggestion that taxes be levied not only capital gains at the time you sell an investment, but also on unrealized capital gains. For example, let's say you purchase a stock for \$10 at the beginning of a year and that at the end of that year the stock is worth \$20. Biden wants you to pay taxes on the \$10 you made on paper, even though you haven't sold the stock. And at a 44.6% tax rate that would mean paying the IRS \$4.46 for every share of the stock you own in this example.

Using the same example above, let's say that a couple of months after you've paid the tax, the stock drops in value by \$4 per share. While it is still \$4 per share higher in value than when you originally purchased it, you've already paid taxes on a much higher value. Overall, anyone in this situation would actually have lost \$0.46 per share.

The proposal displays an alarming level of ignorance about how people and businesses make investment decisions. It would make it economically impossible for anyone to invest in stocks on a long-term basis; something that would lead to massive job losses and business closings. And if carried into the housing market, it would make home ownership almost impossible for most people. The overall capital gains tax in high tax states would actually go as high as 60% once state taxes were accounted for. In short, this proposal has the potential to completely collapse the already struggling economy. It's so bad that we have to wonder if that isn't actually the goal.

by Jim Malmberg

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