

TAX ALERT

IMPACT OF A BIDEN PRESIDENCY ON INTERNATIONAL TAX PLANNING

With economic and tax policy a primary focus during the 2020 election, the winning candidate/party will play a central role in pushing further economic stimulus forward and determining long-term course for recovery following the economic fall-out from the COVID-19 pandemic.

With the Biden campaign all but wrapping up the presidential election, businesses and individuals with overseas concerns must pay close attention to how the proposed policies of the candidate/party will affect their total tax liability and be prepared to make any changes or updates, in some cases, during the two months ending the 2020 tax year.

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2020 Prospective Results Overview

[Biden Victory | Democratic Senate Majority](#)
[Biden Victory | 50/50 Senate Split](#)

In the case of a 50/50 split in the Senate, the tie-breaking vote goes to the Vice President, giving de facto Senate leadership to the party in the White House.

The Biden campaign's proposed tax plan focuses on rolling back tax breaks and "loopholes" for corporations and high-net-worth individuals, specifically related to changes made in the 2017 Tax Cuts and Jobs Act (TCJA). Biden has also proposed a number of significant tax breaks and penalties related to overseas income and business operations.

Economic Stimulus

In the case of a Biden/Democratic win, it seems unlikely that an out-going President Trump will be motivated to support a new COVID-19 economic stimulus plan before leaving office. On the other hand, an incoming President Biden will likely immediately push for stimulus upon taking office, and will be successful with control over the Senate.



Biden Victory | Republican Senate Majority

Any outcome that has White House and Senate leadership at loggerheads will likely result in the blocking of any major economic and tax policy changes. With Senate Majority Leader Mitch McConnell's re-election, there is little reason to suspect he'll alter his long-standing obstructionist stance against Democrat-sponsored and supported bills.

Tax Planning Considerations

Increase in GILTI Tax Rate

Accelerate income in 2020 under preferable tax rate.

Defer deductions until after tax rate is raised.

Changes to Offshoring Tax Breaks and Penalties

Accelerate overseas manufacturing and imports before tax plans change.

Consider delaying launching U.S.-based manufacturing expansion until tax benefits are put into place.




Changes to Repatriation Tax Breaks and Penalties

Accelerate plans to move operations overseas before proposed tax penalties can be installed.

Final Thoughts

It may be weeks before the full outcome of the election is determined and agreed-upon. This delay could create difficulties for corporations and individuals with overseas interests seeking to avoid tax penalties that could follow a Biden presidency. It is recommended to begin planning for all likely outcomes as soon as possible.

International Tax Policy

	Current Policy	Biden Policy
 <p>GILTI (Global Intangible Low-Tax Income)</p>	<p>U.S. multinationals pay a foreign tax rate of between 10.5% and 13.125%.</p> <p>Increase in the effective rate to 16.406% is scheduled to begin in 2026.</p>	<p>Double the tax rate to 21% and assess a minimum tax on a country-by-country basis.</p> <p>Eliminate exemption for deemed returns under 10% of qualified business asset investment (QBAI).</p>
 <p>Offshoring</p>	<p>Tax deduction for corporations that manufacture in the U.S. and sell overseas.</p>	<p>10% penalty surtax on profits for goods and services manufactured offshore.</p> <p>10% advanceable "Made in America" tax credit to create U.S. manufacturing jobs.</p> <p>Proposes to close other offshoring tax loopholes.</p>
 <p>Repatriation</p>	<p>U.S. corporations can defer paying U.S. income tax on profit from offshore subsidiaries until profits are repatriated.</p> <p>Expiring 12/25/25.</p>	<p>Enact claw-back provision to force companies to return tax benefits when U.S. jobs are sent overseas.</p>