



## Green Book Wish List

April 23, 2024

Every year around this time, the current presidential administration releases a set of tax-related proposals, essentially a wish list for tax legislation for the coming year. These so-called 'green books' are never passed in their entirety, but they offer a hint as to what kind of proposals will be working their way into and (possibly) through the next Congress.

The latest green book contains more than the usual number of proposed tax changes. Some of them are familiar to those who read articles in the business press. For example: raising the highest corporate tax rate to 28% (currently 21%), and creating a new highest marginal tax rate of 39.6% for individual taxpayers with income above \$400,000 a year.

For those who pay a net investment income tax (joint tax filers with \$250,000 or more income; single filers whose income is above \$200,000), the added tax rate on capital gains, interest, dividends, and rental income would go up from 3.8% to 5%. Employers would be required to withhold a 5% Medicare tax on individual wages paid in excess of \$200,000 (up from the current 0.9%), and taxpayers whose net worth is above \$100 million would pay a 25% minimum income tax on their total income, which would (unlike for most taxpayers) include taxing the unrealized capital gains on their investments.

The proposed corporate tax changes would also include a 4% excise tax on share repurchases by publicly traded companies (up from 1%) and a higher corporate alternative minimum tax rate of 21%—up from 15%. And companies would be prohibited from deducting "excess" compensation for any employee earning more than \$1 million a year.

Interestingly, the green book offers no proposed change to the estate tax exemption, possibly because, at the sunset at the end of next year, the generous current exemption will automatically drop to somewhere around \$6-7 million. But the Green Book does propose to tax heirs on any gains of appreciated property that they inherit at capital gains rates. Currently, the heirs would get a step-up in basis, meaning that the capital gains obligation would go away as the tax basis resets.

It's worth repeating that this is a legislative wish list and not something that is currently included in a tax bill in Congress. But we can expect to see some or (possibly) all of these proposals debated in the House and Senate next year. If the past is any indication of the future, then they will be heavily modified due to lobbying efforts and other political considerations.

**Sources:**

<https://kpmg.com/us/en/home/insights/2024/03/tmf-fy-2025-budget-green-book-treasury-explanation-tax-proposals.html>

<https://www.alvarezandmarsal.com/insights/same-old-same-old-revenue-raisers-few-twists>

<https://www.irs.gov/individuals/net-investment-income-tax>

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