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Talking Tax Reform? Stick with the Facts

By: Eaton Vance | May 15, 2024

As the 2024 presidential election ushers in a renewed focus on tax reform, how do you talk about potential changes with clients without the conversation turning to political views? Stick with the facts by discussing tax reform in the broader context of the federal budget.

No matter your political affiliation, the size of the national debt (approximately \$34 trillion) and the net interest expense of maintaining that debt (\$658 billion in 2023) are both worrying numbers.¹ They indicate the need for both reduced government spending and increased taxes.

The revenue price tag of extending all current tax policies, as Trump proposed, would exceed \$3 trillion dollars. Biden's current tax proposal extends the current benefits under the Tax Cuts and Jobs Act (TCJA) for taxpayers earning less than \$450,000. That would add roughly \$1.4 trillion to the national deficit.

No one has a crystal ball to predict the outcome of the election or how many of the tax proposals will become law. The one thing we know for certain is that tax laws are likely to change to help lower the national debt.

Stick with the facts and discuss these strategies with clients:

1. Begin accumulating tax-losses to offset future taxable gains.
2. Review asset location to ensure assets with higher tax exposure are allocated to tax preferred accounts.
3. Consider accelerating investment income into the potentially lower tax rates of 2024 and possibly 2025, given the likelihood of tax reform prior to the sunset of TCJA rules.

Bottom Line: Help clients plan for tax reform by relying on facts, not political beliefs, to build better tax outcomes.

1. Peter G. Peterson Foundation National Debt Clock. Accessed May 7, 2024.

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