About me...

• I’m a creative CPA/PFS, CFP®!

• Over 18 years experience in tax, estate, and financial planning.


• Prior to co-founding marrick wealth in 2012, Marty worked at two fee-only RIA firms and Northern Trust.

• I have serviced wealthy families throughout my career; my current practice serves families with investment portfolios of $2 million - $10 million.

• I’m married with 3 kids and a golden retriever. I enjoy surfing, swimming and yoga.
Taxes

• Federal Gift & Estate Tax
• Property taxes in California
• Income taxes
• Potential Changes
• Planning Considerations
### Federal Gift & Estate Taxes

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Gift Tax Exclusion</strong></td>
<td>$15,000</td>
</tr>
<tr>
<td><strong>Estate Exemption</strong></td>
<td>$11,700,000</td>
</tr>
<tr>
<td><strong>Estate Tax Rate (highest)</strong></td>
<td>40%</td>
</tr>
</tbody>
</table>
Property Taxes in California

• Persons 55+ can transfer tax base of primary residence 3x (anywhere in CA)
• Victims of natural disasters can transfer rate 1x
• Can no longer transfer $1M of other real property without reassessment
• Primary residence transfers between parent and child must meet two conditions:
  • Must be used as primary residence of child
  • FMV cannot exceed the transferor’s assessed value by > $1M
Income Taxes

- Income
- Deductions
- Other Taxes
- SECURE Act (2019)
## Ordinary Income vs. Capital Gains

### Ordinary Income
- Wages
- Interest and Non-qualified Dividends*
- Social Security
- Pension
- IRA Distributions
- Rental and Royalty Income*
- Gain on sale of asset owned < 1 year*
- Gain on sale of annuities

### Capital Gains
- Qualified Dividends*
- Gain on sale of asset owned > 1 year*

### Taxable Income

<table>
<thead>
<tr>
<th>Rate</th>
<th>Single</th>
<th>MFJ</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$0 - $9,950</td>
<td>$0 - $19,900</td>
</tr>
<tr>
<td>12%</td>
<td>$9,951 - $40,525</td>
<td>$19,900 - $81,050</td>
</tr>
<tr>
<td>22%</td>
<td>$40,526 - $86,375</td>
<td>$81,051 - $172,750</td>
</tr>
<tr>
<td>24%</td>
<td>$86,376 - $164,925</td>
<td>$172,751 - $329,850</td>
</tr>
<tr>
<td>32%</td>
<td>$164,926 - $209,425</td>
<td>$329,851 - $418,850</td>
</tr>
<tr>
<td>35%</td>
<td>$209,426 - $523,600</td>
<td>$418,851 - $628,300</td>
</tr>
<tr>
<td>37%</td>
<td>$523,601 +</td>
<td>$628,301 +</td>
</tr>
</tbody>
</table>

### Ordinary Income

<table>
<thead>
<tr>
<th>Rate</th>
<th>Single</th>
<th>MFJ</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>$0 - $40,400</td>
<td>$0 - $80,800</td>
</tr>
<tr>
<td>15%</td>
<td>$40,401 - $445,850</td>
<td>$80,801 - $501,600</td>
</tr>
<tr>
<td>20%</td>
<td>$445,851 +</td>
<td>$501,601 +</td>
</tr>
</tbody>
</table>
Standard or Itemized Deductions?

**Standard Deduction**
- Single $12,550 + $1,700 over age 65 or blind
- MFJ $25,100 + $1,350/spouse over age 65 or blind

**Itemized Deductions**
- Medical & Dental Expenses (over 7.5% of AGI)
- Long-Term Care Premiums (over 10% of AGI)
- Taxes You Paid ($10,000 limit)
- Interest You Paid
- Gifts to Charity (up to 60% of AGI)
Other Income Taxes

- 3.8% Net Investment Income Tax
- 1% - 13.3% California State Income Tax

• RMDs for IRAs to start at age 72
• Non-spouse retirement account beneficiaries now have only 10 years to withdraw entire account
• Incentives for employer retirement plans
Potential Income Tax Changes

- Increase taxes on people earning more than $400,000
- Additional Social Security taxes on earned income exceeding $400k
- Raise IRA RMD age to 73 in 2022, 74 in 2029, & 75 in 2032
- Increase top marginal tax bracket from 37% to 39.6%
- Increase capital gains rates to 25% for those with income > $1M
- Impose a 3% surcharge on adjusted gross income > $5M
- Phaseouts: Section 199A deduction, itemized deduction cap at 28%
- Eliminate IRC Section 1031 tax-free exchanges of real estate
Potential Income Tax Changes (cont.)

- Reduce opportunity zone investment benefits
- Impose wealth tax on value of all assets
- Limit size of retirement accounts/IRAs or assess penalties
- Prohibit Roth IRA conversions for high income earners ($400k single, $450k MFJ) as of 12/31/31
- Eliminate “back door” Roth IRA conversions and after-tax retirement plan conversions
- Increased credits: child/dependent care, renewable energy, first-time homebuyers, retirement savings
- Restore property/income tax and mortgage interest deductions
- Corporate tax rate increase from 21% to 26.5% for incomes > $5M
Potential Estate Tax Changes

• Eliminate cost basis step-up at death; use carryover basis instead
• Reduce the estate tax exemption from $11.7M to $5M or less (possibly retroactive)
• Increase the estate tax rates from 40% to over 75% on large estates
• Reducing/eliminating discounting techniques
• Taxing grantor trusts in the grantor’s estate
• Eliminate federal estate taxes and recognize all capital gains at death
• Limit generation-skipping exemption to a specific term
• Reduce annual gift-tax exclusion (currently $15,000/yr. per person to unlimited donees)
Planning Considerations

**Individual Income Taxes**
- Defer charitable contributions for larger benefit if rates likely to increase
- Accelerate deductions to avoid limitations (28% itemized deductions)
- Qualified Charitable Distributions from IRAs qualify as RMD offset (Age 70 ½; $100k/person)
- Charitable remainder trusts may not be as beneficial for those with income > $1M
- Roth IRA conversions at lower rates
- Accelerate gains and defer loss-harvesting
- Business owners evaluate split between “reasonable” wages and S-corp dividends
- California AB 150: CA business owners may avoid Federal cap on state and local tax deductions for individuals
- Defer business expenses; accelerate income

**Estate Taxes**
- Consider Large lifetime gifts to take advantage of estate/gift tax exemptions: $11.7M/person