

August
2021

IAG Insight

Serving the clients of IAG Wealth Partners, LLC

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Capital Gains Tax Hike

Rumors of imminent tax increases have simmered since last November, and we are starting to see glimpses of several different proposals for tax increases.

Over the next few weeks it is likely that Congress will be creating the legislation that will be brought to a vote this fall. There are three questions to which we need answers.

When? Normally, Congress applies new tax laws prospectively. Given how much of 2021 is already in the rearview mirror, an argument could be made that any tax increases should apply starting on January 1, 2022. However, there is also historical precedent for Congress applying tax increases retroactively. Given the total cost of the proposed spending and the corresponding need to raise revenue, we think it is likely any capital gains tax in-

crease will be applied either immediately upon passage or even backdated to a specific date earlier this year.

Who? The President has stated his preference that a capital gains tax increase only be applied to families making over \$400,000 per year. However, Congress may choose to raise more tax revenue by expanding this tax increase.

What? One proposal circulating in the U.S. Senate would apply capital gains taxes to unrealized appreciation every year (instead of upon the sale of an asset). This could increase annual taxes significantly.

We will continue to monitor this legislation and help you and your tax professional evaluate strategies for minimizing your capital gains taxes in the future.

Upcoming Events

Power Break: The Bills Keep Coming

Our Power Break will be held in-person at our Waukesha office on Tuesday, 9/14, at 7:30 am and 4:00 pm. We will hold a virtual session on Wednesday, 9/15, at 4:00 pm. **You must RSVP by Friday, September 10** to attend in person or receive an e-mail invitation to join our virtual Power Break. Please RSVP [here](#).

Christmas Wine & Cheer

We are planning to bring back our popular Christmas Wine & Cheer gathering this year! Please mark the evening of Thursday, December 9, on your calendars. We will have more details for you in the coming months.



It is possible some of these provisions may be extended later this year.

COVID Benefits

Congress' response to the COVID-19 economic challenges created many temporary provisions to soften the COVID economic impact.

While some of these provisions have expired, here are others that remain in place and could be used as part of your financial plan:

Health insurance tax credits. Through 2022 Congress increased the tax credits available to taxpayers who purchase health insurance policies through the health in-

surance marketplaces.

Additionally, Congress suspended the income restrictions for receiving premium tax credits, setting the maximum percentage of household income spent on health insurance premiums at 8.5% (and as little as 0% for lower income taxpayers).

COBRA subsidies. Through September 2021 the federal government is subsidizing 100% of COBRA health care premiums for individuals who lose their

jobs.

Expanded child tax credit. Congress layered a temporary additional tax credit on top of the existing child tax credit. The expanded credit is limited to families earning under \$150,000 per year and increases the standard \$2,000 child tax credit by \$1,600 for ages 5 and under and \$1,000 for ages 6 to 17. The expanded credit expires at the end of 2021.

It is possible some of these provisions may be extended later this year.

Inside the Beltway

Congress has an ambitious agenda before the end of the year.

Leadership is intent on passing both a bipartisan agreement on infrastructure spending and a partisan package of new programs and increased spending before year-end.

As currently written, the bipartisan infrastructure package includes no new taxes that impact investors, but it does require additional IRS reporting for brokers that custody digital assets starting in 2024.

Committees will be cre-

ating the second bill in the coming weeks. It is likely to include tax increases for some investors and companies, but the exact provisions will likely change numerous times before it is finalized.

Finally, the federal government's debt limit suspension expired on July 31 and the U.S. Treasury has been using "extraordinary measures" to continue to pay our bills. However, it is likely these

measures will be exhausted by October or November.

Our national debt now totals \$28,727,678,854,301.03 as of this writing.



The Federal Reserve has begun having conversations about when and how to start taking steps toward reducing their current economic stimulus measures.

Currently the Fed is purchasing about \$120 bil-

lion of Treasury bonds and mortgages every month to keep interest rates low. Their likely first step will be to start gradually reducing these monthly purchases.

Bond traders are not currently expecting the second step (an increase in the Fed's overnight interest rate target) until December 2022.

This uncertainty, the possibility for miscommunication, and the potential for a new Fed chairperson in February 2022, could lead to above average volatility within the bond markets in the coming months.

Shredding Picnic

More than 250 clients, friends, and family gathered for our annual Shredding Picnic event on July 22nd. We were blessed with great company and great weather.

Attendees donated hundreds of items for the [Milwaukee Homeless Veterans Initiative](#).

ProShred provided two trucks for shredding, Mission BBQ provided enough food for everyone, and the attendees provided great conversations.



529 Plan Changes for Grandparents

Buried amongst the 5,593 pages of the 2020 stimulus bill was a nugget for grandparents who wish to contribute to their grandchildren's college education costs using tax-advantaged 529 plans.

Currently any distributions from a grandparent-owned 529 plan must be reported on a student's FAFSA application, and it can significantly reduce eligibility for financial aid.

However, starting in the

2024-2025 academic year, the Department of Education is required to use IRS income data from a student's tax return to document a student's income.

Thus, distributions from grandparent-owned 529

plans should not harm eligibility for financial aid.

As always, please consult with your tax professional to determine how 529 plan contributions and distributions could impact your taxes.

Flags for Heroes

LAG helped sponsor the Waukesha Sunrise Rotary's 2021 Flags for Heroes program this year.

This program honors first responders, firefighters, EMTs, police, physicians, nurses, and military personnel on

four holidays throughout the year.

The flag site can be found on Tower Pl., just north of I-94 on State Highway 164 (exit 294), and the last display for 2021 will be on Labor Day, September 6.



IAG Grapevine

Events, celebrations, or interesting stories about your IAG team:

Bill Otto's son, Brett, is engaged and will be getting married on September 25 in Kalamazoo, Michigan.

Bill Otto was named Rotarian of the Year by the Hartland Lake Country Rotary.

Mike Kellen serves on the board for Elmbrook Little League Baseball and helps coach his sons' Little League teams. Noah's team won 3 tournaments this summer (including one at the Field of

Dreams) and Caleb's team won one.

Jenny Bartz's son, Mike, and his wife, Meg, welcomed her sixth grandchild, Brooks, on July 7.

Mary Paul will be serving on the Governance Board for the Parkview Academy of Virtual Learning, a new charter school.

Cheryl Tesch and eight members of her family traveled to Myrtle Beach, South Carolina in July.

Jennifer Von Ruden and her family traveled to Colonial Williamsburg, and Virginia Beach, Virginia.

Looking for more? Check out our top 5 most-widely read blogs from the last three months:

1. [Doubt](#)
2. [Insurance](#)
3. [Postseason](#)
4. [Pressure](#)
5. [Transitory](#)

IAG family members have three children starting college this year: Amanda Von Ruden (Ripon College), Justin Heineck (UW-Whitewater), and Nate Heins (WCTC).

Bodus

2 years: **Katherine Real**
3 years: **Dulce Fisher**
4 years: **Mike Koerner**
9 years: **Mike Kellen**
10 years: **Brad Carroll**
16 years: **Chris Mitchell**
18 years: **Cheryl Tesch**

IAG anniversaries:

1 year: **Chas Moede, Brad**



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