



Biden channels Obama with proposal to close capital gains tax loophole

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Radio host and liberal commentator Ethan Bearman discusses former Vice President Joe Biden unveiling his \$750-billion education plan.

Former Vice President Joe Biden is once again taking a page from former President Barack Obama's playbook as he proposes eliminating a tax code loophole targeted by his former boss.

In a proposal released on Tuesday to expand educational opportunities beyond high school, Biden said he would fund the plan in part by eliminating the stepped-up basis loophole.

Typically when an individual purchases something – like a stock or another capital asset – and sells it, they are required to pay taxes: Capital gains taxes are paid on the difference between what an individual originally paid for a property or investment versus what it sells for at the time it is sold.

If the owner of the property or investment passes away, however, the person who inherits it can sell it immediately and pay no tax. That is because the cost basis has been “stepped up” from the price the deceased owner originally paid for it to its fair-market value on the date it was inherited.

Eliminating the loophole is not a new idea. In fact, it was proposed by the Obama administration in 2015, with some exceptions designed to protect the middle class – including for the inheritance of small, family-owned and operated businesses, for example.

Obama referred to the provision as “the single largest capital gains tax loophole” and closing it would “ensure the wealthiest Americans pay their fair share on inherited assets.”

Using similar language, Biden said his funding proposals would make sure “the super-wealthy pay their fair share.”

The proposal itself could damage the economy, acting as a double-tax on assets at death, Chris Edwards, director of tax policy at libertarian-leaning think tank the Cato Institute, told FOX Business.

“It makes no sense to eliminate step-up in basis for capital gains at death while we retain a death (estate) tax,” Edwards said. “Many other countries either tax capital gains at death with a low rate or they have a separate death tax, but not both.”

In addition to eliminating the stepped-up basis provision, Biden also proposed capping the itemized deductions the wealthiest Americans can take to 28 percent to pay for his plan.

The 2020 candidate has taken flak from his rivals for supporting Obama's legacy when it suits him.

In the September Democratic debate, Julián Castro accused Biden of wanting to "take credit for Obama's work without having to answer any questions."

During the same debate, Biden shrugged off questions about deportations under the Obama administration by saying he stands "with Barack Obama all eight years, good, bad, indifferent."

While other candidates have moved toward more progressive health care policies – like Medicare-for-all – Biden has also stuck to modifying the ObamaCare model.

In July, Biden said he is not relying on Obama as a "crutch."