

Green
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The Impact of the 2020 Election on Tax and Your Business

Speakers



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Agenda

Introductions

Tax Advisory

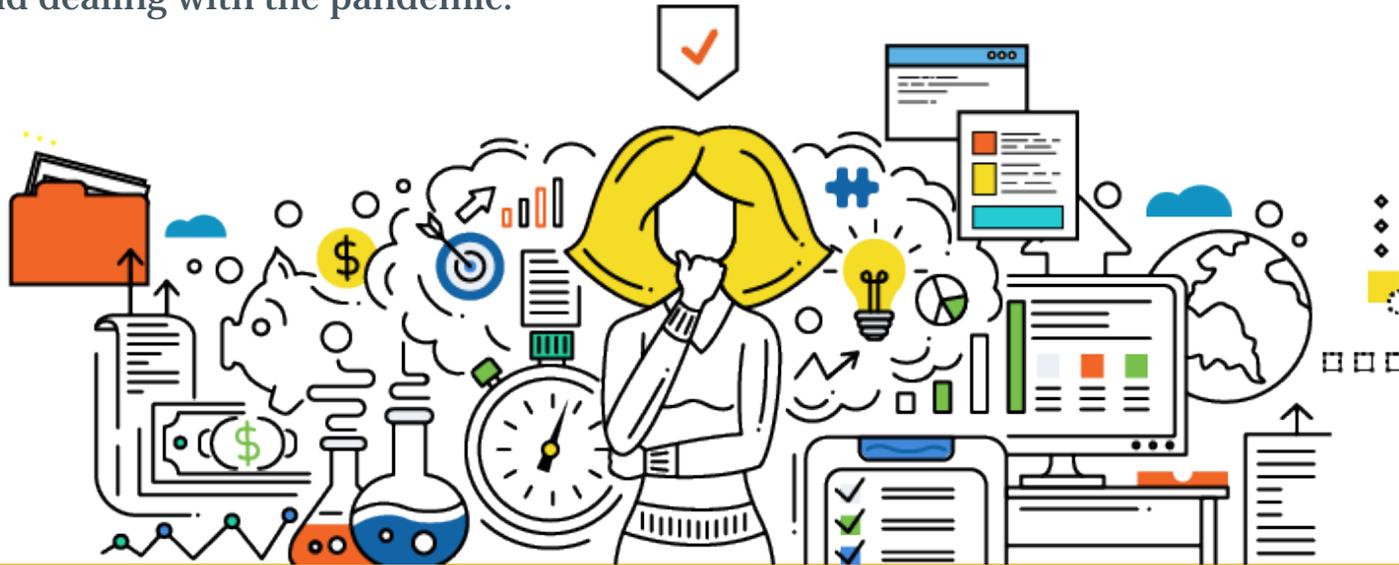
- Business and Individual Tax
- International Tax
- State and Local Tax

M&A Landscape

Q&A

Potential Tax Plans

- **Overview of Potential Tax Plans under both Parties**
 - How tax and economic policy will be addressed if Democrats are in control is gaining attention. Making corporations and the wealthy pay their fair share of taxes as been a Democrat cornerstone.
 - Republican tax proposals would likely focus on making permanent tax changes under the “TCJA” of 2017.
 - It is likely that regardless of who controls Congress, the focus in early 2021 will be on stimulating the economy and dealing with the pandemic.



Process and Timing

- **Legislative Process and Timing**

- If Democrats hold a slight majority lead in the Senate the focus will likely be on the budget reconciliation process. The reconciliation process has often been used by congress to make changes in the tax code.
- Reconciliation bills can not contribute to a budget deficit outside the budget window and are most often easier to use when tax increases are being proposed.
- It will likely take several months to pass the first Economic bill and current thinking is that it will likely take well into 2021 before any bill is complete.
- Of concern to many is whether any bill passed in 2021 would be made effective back to January 1st, 2021. While past tax bills have been made retroactive back to the beginning of the year they were passed, these bills had either slight increases in taxes or were tax cuts. If a 2021 tax bill were to pass with significant tax increases the current thought is that the tax changes would be effective at the beginning of 2022.

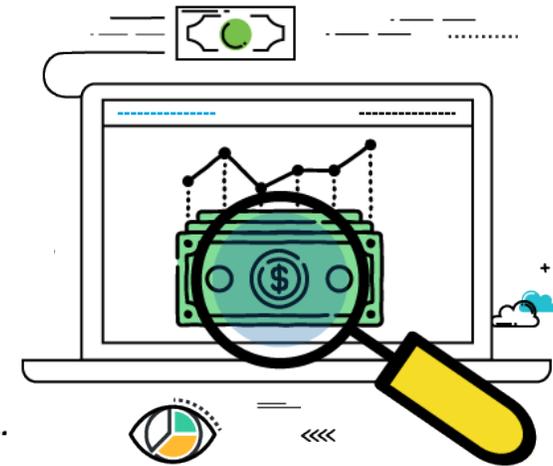
TAX ADVISORY

Business and Individual Tax

Richard Wu, Principal

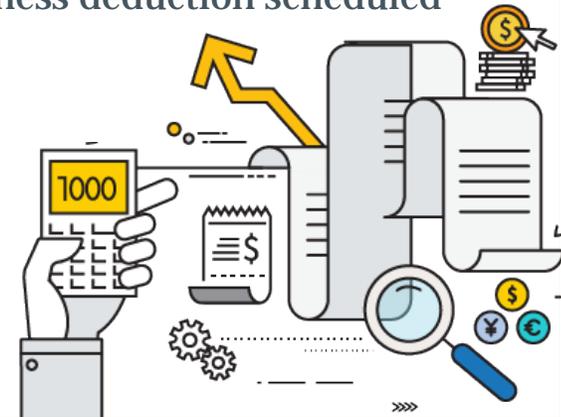
Business and Individual Tax

- **Corporate Income Tax Rates:** Currently at 21%
 - **Trump:**
 - Favors a decrease to 20%
 - **Biden:**
 - Increase to 28% with a 15% minimum tax on book income of companies with net income in excess of \$100 million
- **Individual Ordinary Income Tax Rates:** Currently top rate of 37% through 2025
 - **Trump:**
 - Favors permanent extension of current rates and mentioned informally about tax-rate cut for middle-income families
 - **Biden:**
 - Restore top rate to 39.6%



Business and Individual Tax

- **Individual Capital Gain/Dividend Tax Rates:** Currently top rate of 20% on long term capital gains and qualified dividends.
 - **Trump:**
 - Expressed interest in reducing capital gain tax rates or indexing gains to inflation for certain capital assets
 - No formal proposal
 - **Biden:**
 - Tax rate to be ordinary income rates for taxable income in excess of \$1,000,000
- **Passthrough Income:** Currently taxed at owner's individual rate with a 20% business deduction scheduled to expire after 2025.
 - **Trump:**
 - No formal proposal on extending past 2025
 - **Biden:**
 - Phase out 20% business deduction income in excess of \$400,000



Business and Individual Tax

- **Estate Tax:** Currently 40% with basic exemption of \$10 million indexed for inflation (\$11.58 million for 2020) with step-up in basis to inherited assets. Increased exemption scheduled to sunset after 2025.
 - **Trump:**
 - Favors permanent extension of current law
 - **Biden:**
 - Favors returning to “2009 levels”
 - 45% top rate and basic exemption to \$3.5 million indexed for inflation
 - Repeal stepped-up basis at death.
- **Payroll Tax:** Currently 12.4% Social Security tax split between employer and employee and capped at indexed levels (\$137,700 for 2020)
 - **Trump:**
 - Informally discussed payroll tax relief
 - **Biden:**
 - Expand Social Security tax base to wages above \$400,000



Industry Specific Tax Proposals

Real Estate

- **Current:** Gain recognition can be deferred on a “like-exchange” of real property and real estate professionals can deduct rental losses against all income.
 - **Trump:**
 - Retain current law
 - **Biden:**
 - Eliminate certain “unproductive tax breaks” for real estate investors with income over \$400,000
- **Current:** Opportunity zones (OZ) allow tax-free capital gains for investments and scheduled to expire after 2026
 - **Trump:**
 - Favors extension of the OZ program
 - **Biden:**
 - Proposes to require increased regulations and review by the U.S. Treasury and various public disclosures by recipients of OZ tax benefits





International Tax

Polina Chapiro, Partner

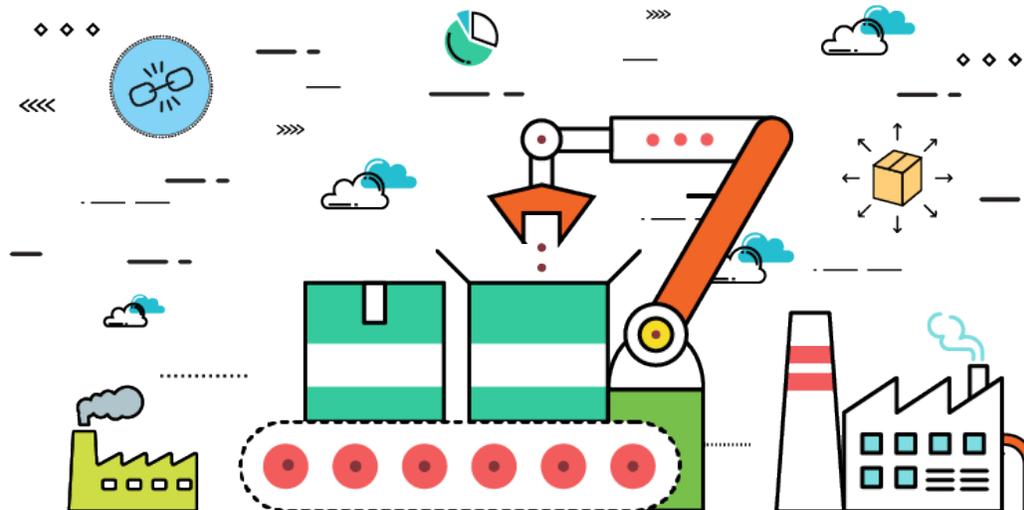
International Tax

- **Trump:**
 - Changes were completed in 2017
- **Biden:**
 - Offshoring Penalty
 - “Made in America” tax credit
 - GILTI rate increase
 - Minimum Tax on Foreign Book Income over \$100M U.S.
 - Tighter Anti-Inversion Rules



Offshoring Penalty

- To apply to offshore manufacturing or services to then sell products or services back to the U.S. market
- 28% corporate tax rate plus 10% penalty surtax on profits resulting in 30.8% tax rate
- Will apply to services such as call centers and other services by American companies overseas which could purportedly be done in the U.S.
- Deductions and write offs will be denied for moving jobs or production overseas



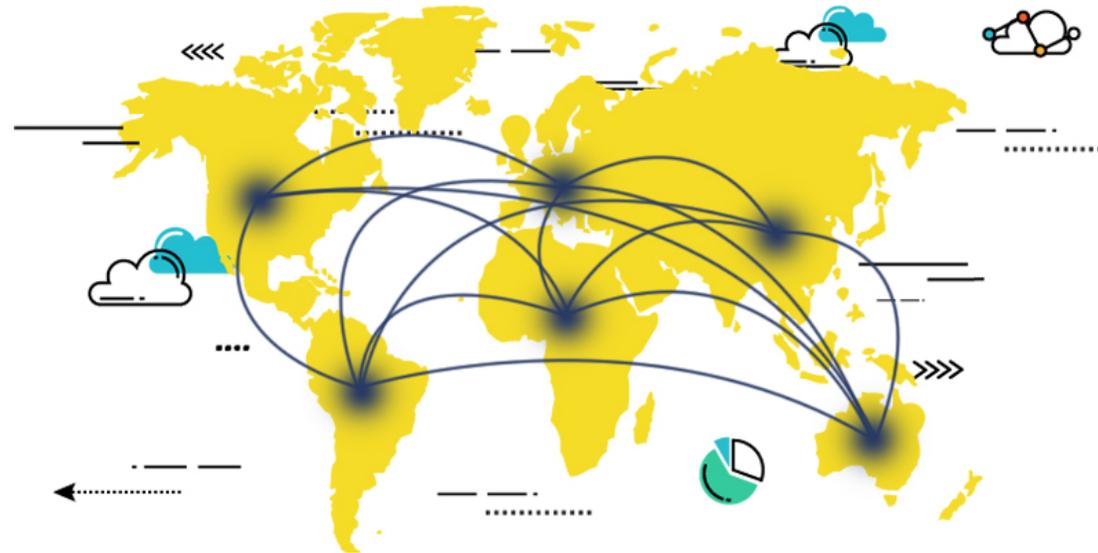
Made in America Tax Credit

- 10% advanceable tax credit for companies to make investments in the U.S.
- Will apply to:
 - Revitalizing existing closed or closing facilities
 - Retooling a facility i.e. auto company retooling to manufacture electric vehicles.
 - Bringing back production or services from overseas to the U.S.
 - Increase in wages to pre-COVID levels for manufacturing jobs paying up to \$100,000.



Global Intangible Low Taxed Income (GILTI)

- Currently taxed at 10.5% for corporations and general tax rates for individuals who can make an election to use corporate rates for income (excludes taxation of distributions)
- Propose to increase to at least 21% for corporations but possibly to a full corporate rate of 28%
- Apply GILTI on a jurisdictional basis rather than aggregate basis under current law
 - Aggregation allows to offset losses against gains only taxing a net amount



State and Local Tax

Frances Ellington, Principal

State and Local Tax

- **Proposition 15**

- Commercial and industrial real property proposed to be taxed based on current market value, instead of purchase price, with reassessment at least every three years.

- **Proposition 22**

- Classifies drivers for app-based transportation (rideshare) and delivery companies as “independent contractors,” not “employees,” unless certain controlling factors are met.

- **California Previous and Current Proposed Legislation**

- Wealth Tax AB 2088
- Increase in Individual Tax Rates AB 1253



M&A Landscape

Anant Patel, Partner

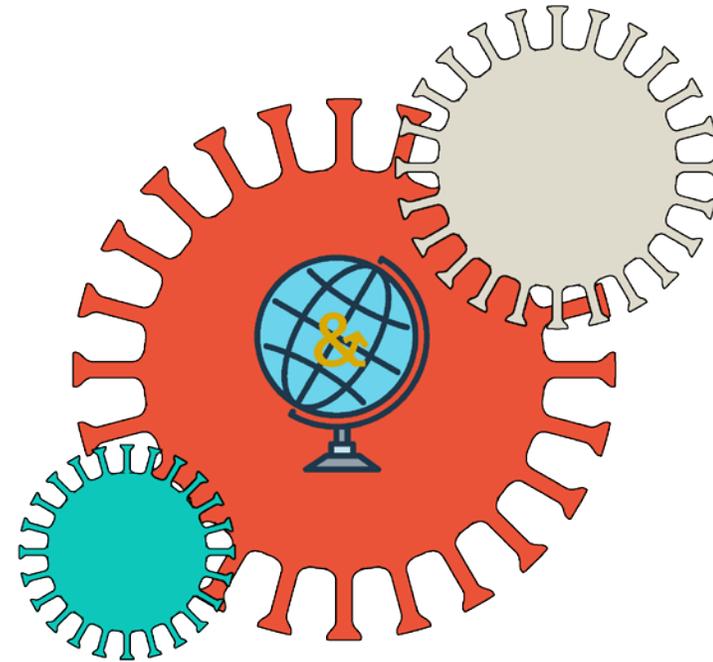
M&A Current and Future State

Current State

- **Through Q2:** U.S. down 40% in aggregate deal count
- **Q3:** Provided recovery in revenues and more M&A activity
- **Anxiety over future tax rates** is driving some sellers to close transactions in 2020

Future State

- Equity and debt markets still very robust
- **“COVID bump” companies** looking to exit in next 12 months
- Certain sectors are very strong with multiples holding steady
- **Deal structures are changing** (pricing, multiples, earnout, seller financing, roll over of equity, diligence)





Q&A: What Questions Do You Have?

SPEAKER BIOS

Akash Sehgal, Partner



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Akash Sehgal leads the Firm's Tax Practice and has a deep expertise in multistate income and franchise tax, sales and use tax and credits and incentives. He has more than 20 years of tax experience, and prior to joining Green Hasson Janks in 2012, Akash worked at two Big Four firms in Los Angeles and Seattle.

Akash is also the lead tax partner in the Firm's Food and Beverage Practice and works with a number of beverage manufacturers operating both in California and on a multistate basis.

Akash also leads the Firm's research and development credit outsourcing initiative and works closely with specialized research and development credit firms.

Akash enjoys helping clients grow their businesses and assisting them on complex state and local tax issues related to transactional planning, mergers and acquisitions, general day-to-day consulting and compliance. He has significant experience dealing with state tax issues in California, Oregon, Idaho and Washington and local city taxes including the Los Angeles City Business Tax. He is a frequent speaker for a variety of tax associations including Tax Executive Institute ("TEI") and the Council on State Taxation ("COST").

As head of Green Hasson Janks Great Places to Work Committee, Akash has seen the collaboration between the various groups and people at the firm. His strong desire to help both employees and clients #BeMore has helped to make the Firm a great place to work.

Akash has a Bachelor of Science degree in Accounting from California Polytechnic University, Pomona.

Related Industries and Services

- Financial Services
- Practice Leader, Tax Practice
- State and Local Tax Planning and Compliance
- Mergers and Acquisitions
- Manufacturing
- Retail
- Technology

Anant Patel, Partner



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Anant Patel, CPA, has over 25 years of public accounting experience and leads both the Firm's Advisory and Transaction Advisory Practice and is a member of the Executive Committee for Green Hasson Janks. He advises in the area of mergers and acquisitions and provides financial due diligence consulting such as quality of earnings, working capital analysis, EBITDA analysis and projections and deal structuring. Anant has assisted on deals ranging from \$20 million to \$350 million and is a Certified Merger & Acquisition Advisor (CM&AA).

He provides audit and accounting, tax and general business consulting services. His industry experience includes closely held companies in food and beverage, entertainment, media and technology, manufacturing, wholesale/distribution, consumer products and real estate. Many of Anant's clients are owned by Private Equity Groups, VCs and institutional investors.

Additionally, Anant is the Global Chair of the HLB's (the world-wide accounting network Green Hasson Janks is a member of) Transaction Advisory Group. He also currently serves on the Board of Directors and is the Chairman of the Board of Step Up on Second. Due to his impact on the community and accounting industry, Anant was recognized as a 2018-2020 "Most Influential Minority CPA" and a 2019-2020 "Leader of Influence in Private Equity Advisory" by the *Los Angeles Business Journal*.

Prior to joining the Firm in 2000, Anant worked for six years at a national accounting firm, which was a member of HLB International, located in England. He graduated, with honors, from the University of Leeds, England, where he received a Bachelor of Arts degree in Accounting. Anant is a member of the California Society of CPAs and the American Institute of Certified Public Accountants.

Anant previously owned and managed a number of family-owned retail businesses. Anant and his family reside in Valencia located in Santa Clarita. Anant is an avid sports fan, especially soccer, and enjoys a wide variety of music.

Related Industries and Services

- Consumer Products, Food and Beverage
- Entertainment and Media
- Financial Statement Audits and Reviews
- Litigation and Forensic Consulting
- Forensic Accounting
- International
- M&A Advisory and Due Diligence
- Real Estate

Frances Ellington, Principal



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Frances Ellington, DBA, CPA, is the State and Local Tax Practice Leader at Green Hasson Janks with a focus on multistate income and franchise tax, indirect tax, and credits and incentives. Frances assists her clients on state and local tax issues related to tax audit controversy, nexus and reporting requirements, and various state tax planning initiatives. She has more than 10 years of state and local tax experience with Big Four and multinational corporations in Los Angeles and Charlotte, NC.

Due to her significant contributions in the community and accounting industry, Frances was a recipient of CalCPA's 2019 "Women to Watch" award in the Emerging Leader category.

Frances' outside community involvement includes the "Principal for a Day" program of the Los Angeles Chamber of Commerce and serving as a career advocate for Fulfillment Fund Destination College. Previously, Frances spent three years as a member of the Junior League of Los Angeles, where she served on the Public Affairs Committee and helped organize events such as "Day at City Hall" and "Community Leadership Forum." She served a two-year appointment on the City of Santa Monica Audit Subcommittee through June of 2017 where she consulted with the City internal and external auditors on activities of the City and made recommendations to the City Council on audit report findings.

Prior to joining Green Hasson Janks in 2016, Frances worked for Fox Entertainment Group where she was part of the Leadership@Fox training program and founded a recognition program for Tax Department employees. During her tenure at Deloitte Tax, LLP from 2009 to 2015, she completed three international rotations in the Hyderabad and New Delhi offices of the firm providing training and development to team members in India. Frances served on the Innovation Committee for the Los Angeles office of Deloitte Tax from 2014 to 2015 and attended the Career Windows Leadership Conference at Deloitte University for high-performing female employees in 2013.

Frances has a Bachelor of Science in Business Administration and a master's in Accounting from the University of North Carolina, Chapel Hill. She graduated from the Doctorate of Business Administration program at Grenoble Ecole de Management based in Grenoble, France and Northridge, CA. Her research focuses on the volatility of state tax as it relates to income tax reporting methods. She is currently a lecturer for the University of North Carolina's Master of Accounting program and has previously taught courses for UCLA Extension, Strafford Publications and The Knowledge Group.

Related Industries and Services

- Entertainment and Media
- Financial Services
- Food and Beverage
- Health and Wellness
- Mergers and Acquisitions
- State and Local Tax Planning and Compliance
- State Tax Controversy
- Technology

Polina Chapiro, Partner



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Polina Chapiro, CPA, is a member of the Firm's Executive Committee, GHJ's International Tax Practice leader and has more than 35 years of tax experience in taxation of multinational companies (foreign tax credit, structuring, repatriation planning), corporate reorganizations, mergers and acquisitions (due diligence, agreements, negotiation), tax audits and negotiations with the IRS and foreign tax authorities. Additionally, Polina has extensive experience in the entertainment, technology and real estate industries.

Prior to joining Green Hasson Janks in 2006, Polina was a tax partner with a Big Four accounting firm, which included a two-year expatriate assignment in Europe. Polina also held management positions as Director of International Tax with a private equity firm where she was responsible for all tax aspects of the international M&A transactions and Director of Tax for a public company in the Southern California area.

Additionally, Polina is an adjunct professor for University of North Carolina at Chapel Hill Kenan-Flagler Business School MBA Program. Polina was recognized as a 2017-2019 "Most Influential Women in Accounting" by the *Los Angeles Business Journal*. She is also a member of the International Tax Forum, Society of Trust & Estate Professionals, International Tax Club, California CPA Society and the American Institute of Certified Public Accountants and a frequent speaker on international tax topics at various conferences including California CPA Society Entertainment Conference and Impact of the New Tax Act on the Entertainment Industry, as well as technical presentations for the Beverly Hills Bar Association and other organizations. She is actively involved in the community and has served on the boards of a number of civic and charitable organizations in Southern California.

Polina earned her Bachelor of Science degree in Accounting and Finance from the University of California Berkeley, HAAS Business School and a Master's in Taxation from Golden Gate University.

Related Industries and Services

- Entertainment and Media
- International Tax Planning
- Mergers and Acquisitions
- Real Estate
- Tax Planning and Compliance

Richard Wu, Principal



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Richard Wu, CPA, is part of the Federal Tax Compliance group. He has over 10 years of tax compliance and consulting experience with Big Four and other accounting firms in Los Angeles.

His specialty is in real estate, where he has provided tax compliance and industry-specific consulting to both national and international publicly traded and private real estate investment trusts (“REIT”), homebuilding and construction companies, real estate funds and healthcare facilities. Richard has broad knowledge of ASC 740 for public and private real estate companies. He has significant experience in advising clients on partnership allocations and structuring, REIT qualification and due diligence, international in-bound/out-bound compliance, and federal and state taxation of corporations and partnerships. He also has extensive experience in providing tax planning and compliance to high-net-worth individuals and family offices.

Richard has a Bachelor of Arts in Business Economics with an emphasis in Accounting from the University of California, Santa Barbara. He is a Certified Public Accountant in the state of California.

Related Industries and Services

- Federal Tax Planning and Compliance
- High-Net-Worth Individuals
- International Compliance
- Media and Entertainment
- Real Estate
- Real Estate Investment Trusts

Farshad Yashar, Partner



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Farshad Yashar, CPA, CFA, has more than 25 years of tax experience with two major accounting firms. He has extensive experience in taxation of corporations, flow-through entities, financial products and real estate. His experience includes advising buy and sell-side clients with respect to tax aspects of mergers and acquisition transactions and corporate restructurings and taxation of executive compensation. Farshad also has substantial experience in taxation of flow-through entities including advising major private equity funds, hedge funds and other investment partnerships with respect to proper structuring and tax aspects of operating agreements.

Farshad is a graduate of California State University-Northridge where he received his Bachelor of Science degree in business administration. He has also received a master's in business administration and a master's in taxation. Farshad is a certified public accountant and holds the Chartered Financial Analyst® designation. He is a member of the American Institute of Certified Public Accountants and the CFA Institute.

Farshad and his wife reside in Brentwood with their three children. His personal interests include politics and tennis.

Related Industries and Services

- Investment Services
- M&A Advisory and Due Diligence
- Tax Planning and Compliance
- Wealth Management