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Advisers place little faith in Biden’s ‘billionaire tax’



The proposal, which goes after households worth at least \$100 million, enters unprecedented territory by trying to tax unrealized gains.

March 29, 2022 [By Jeff Benjamin](#)



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President Joe Biden’s ***unprecedented plan to tax the unrealized gains*** of the nation’s wealthiest households might draw wide support from the populist masses, but some financial advisers are describing it as a ***bad precedent*** that should die in Congress.

“It’s a horrible proposal that most rational people would view as unconstitutional,” said Kyle Hill, founder of Hill-Top Financial Planning.

“With that being said, the math for support in the Senate doesn’t add up, so it’s got next to a zero chance of this passing,” Hill said. “This appears to be virtue signaling from this administration, with no real plan for this going into effect.”

Unveiled on Monday, Biden’s so-called “Billionaire Minimum Income Tax” proposes a minimum 20% tax rate that would hit both the income and unrealized capital gains of U.S. households worth more than \$100 million.

If the tax plan becomes law, the White House said it would generate an estimated \$360 billion in new tax revenue over the next decade.

Alvin Carlos, a financial planner at ***District Capital Management***, said the proposal would affect such a ***small minority of taxpayers*** that it should be considered as benefitting the greater good.

“This is essentially a wealth tax, and whether it’s fair or not depends on what type of society we want to build,” Carlos said. “It’s only going to affect 700 people and will generate a lot of income. From a societal perspective, I’m in favor of it if they put the money to good use.”

Judging by a random sample of financial advisers, Carlos’ support for the plan to tax unrealized and illiquid gains on things like real estate, art, and other private property puts him in the minority.

Kashif Ahmed, president of American Private Wealth, described the tax proposal as “looney tunes.”

“What if you tax someone, they never sell and then have capital losses?” he said. “Is the IRS going to send a refund? What about how long it takes for the IRS to send you a refund? This proposal rightfully deserves to be dead on arrival. Confiscating people’s money is not sound policy to fix our nation’s problems.”

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Matt Chancey, a tax specialist at Coastal Investment Advisors, said that in addition to the questionable legality of such a tax, there would be logistical challenges galore.

“Most ultra-high-net-worth clients invest in illiquid assets like private real estate or private businesses which don’t offer liquidity, and they aren’t easy to value since there isn’t a public market,” he said. “The mechanics of this would be hard to track but possibly doable since there are a limited number of \$100 million-aies. But without a liquidity event driving the taxable event, these clients would then most likely use collateralized credit lines, most likely against those same assets or others, for the liquidity to pay the taxes of the unrealized gains.”

Implementation also looks like a steep challenge to Keith Singer, estate planning attorney and president of Singer Wealth.

“This proposal seems extremely difficult to implement,” he said. “First of all, why are they calling it a billionaire tax when it’s applied to people with only \$100 million of net worth? Secondly, how are they going to determine who has \$100 million in net worth when many times that is comprised of esoteric assets like artwork, real estate and closely held business interests?”



For some advisers, the best way to view Biden’s latest tax proposal is by writing it off as too extreme to get through a closely divided Congress.

“I understand the president’s desire to reduce our growing deficit and to do so by putting the onus on millionaires and billionaires, but this seems to be off the mark and could start us down a slippery slope, as it equates unearned and unrealized gains with income,” said Kevin Williams, founder of Full Life Financial Planning.

“An unrealized gain exists in a moment in time, which depending on the asset, could change from minute to minute,” he said. “It feels like a proposal that is more likely to capture headlines and score political points than it is to ever be enacted.”

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