ALPERIN LAW
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IN THIS ISSUE

OFFICE LOCATIONS

Multiple office locations for your convenience.

Virginia Beach (Main Office)
500 Viking Drive, Suite 202

Norfolk Office
319 W. 21st St., Suite B

Chesapeake Office
1545 Crossways Blvd., Suite 250

Suffolk Office
3345 Bridge Road, Suite 916

Newport News Office
11815 Fountain Way, Suite 300

Phone: 757-530-7011
Fax: 757-233-3600

UPCOMING SEMINAR & WEBINARS

IN-PERSON SEMINAR	WHY WILLS ARE OBSOLETE	Thursday, July 6th at 1:00 PM
ONLINE WEBINAR	PLAN NOW TO PROTECT YOUR LOVED ONES	Tuesday, July 11th at 10:00 AM
ONLINE WEBINAR	ABC's OF ACTING AS SUCCESSOR TRUSTEE	Thursday, July 27th at 1:00 PM
IN-PERSON SEMINAR	PLAN NOW TO PROTECT YOUR LOVED ONES	Tuesday, August 1st at 3:00 PM

June 2023

Your Alperin Law Monthly Newsletter

Give us a call!
757-530-7011
www.alperinlaw.com
Hours: 9:00-5:00 M-Th, 9:00-12:30 F

What the Biden Administration's 2024 Revenue Proposals Mean for You and Your Estate Plan

Introduction

On March 9, 2023, the Biden administration released a proposed budget for fiscal year 2024, calling for an increase in federal spending along with a series of counterbalancing revenue raisers. The budget was outlined in a document called the "General Explanations of the Administration's FY2024 Revenue Proposals," otherwise known as the "Greenbook."

The Greenbook is a document created by the US Department of the Treasury to explain the revenue proposals in the President's budget. The Greenbook also serves as a guide to Congress for tax legislation by describing current laws, proposed changes to those laws, the rationale behind the proposed changes from a policy perspective, and US Department of the Treasury's revenue projections based upon the proposed changes.

Proposed Changes to How Your Retirement Plan is Managed

Prevent Excessive Accumulation:
The Greenbook outlines proposals on several different topics. One proposal that could directly impact your future financial security is the proposal to prevent excessive accumulations of wealth by high-income taxpayers using tax-favored retirement accounts.

Tax-favored (sometimes referred to as tax-deferred) retirement accounts, such as individual retirement accounts (IRAs) and 401(k)s, were approved by the federal government as a method of encouraging American citizens to save money for retirement. These accounts allow individuals to contribute a portion of their earnings to an investment account without taxes being withheld at the time of contribution. The money invested can grow with tax liability being delayed until the monies are withdrawn from the retirement account.

In 2021, 87 percent of US citizens who were sixty years old or older had some type of retirement savings.[1] According to the latest findings, the average balance in American retirement accounts was $141,542 in 2021.[2] However, the Joint Committee on Taxation estimates that as of 2022, there are roughly 500 taxpayers with retirement accounts worth $25 million or more, and over 28,000 additional retirement accounts worth $5 million or more.[3]

Because of the special tax treatment afforded retirement accounts, some high-income people have started using these accounts as wealth transfer tools. An individual is in the high-income category if their modified adjusted gross income is over $450,000 if married filing jointly, over $425,000 if head-of-household, or over $400,000 in other cases.[1] Some high-income taxpayers have been able to accumulate amounts in "tax-favored retirement arrangements that are far in excess of the amount needed for retirement security."[2] According to the Greenbook, "the exemption from required minimum distribution rules for Roth IRAs means that a taxpayer who has other sources of retirement income could choose to continue accumulating investment returns on a tax-favored basis until the taxpayer dies, which means that the tax-favored retirement arrangement could be passed on in its entirety to the taxpayer's heirs."[3]

[1] Share of adults with any retirement savings in the United States in 2021, by age group, Statista.com (Feb. 8, 2023), https://www.statista.com/statistics/1273812/adults-with-no-retirement-savings-by-age-us/.
[2] How America Saves 2022, Vanguard, https://institutional.vanguard.com/content/dam/inst/vanguard-has/insights-pdfs/22_TL_HAS_FullReport_2022.pdf (last visited May 26, 2023).
[3] Retirement Tax Incentives Supercharge the Fortunes of Wealthy Americans, Washington Center for Equitable Growth (Mar. 17, 2022), https://equitablegrowth.org/retirement-tax-incentives-supercharge-the-fortunes-of-wealthy-americans/.

MORE ON THE OTHER SIDE

What the Biden Administration's 2024 Revenue Proposals Mean for You and Your Estate Plan

Special Distribution Rules for Large Account Balances

To prevent such "excessive accumulations" by individuals, the Greenbook contains proposals that would modify rules related to retirement accounts. One such proposal would impose special distribution rules on high-income taxpayers with large account balances. Under the proposal, a high-income taxpayer with an aggregate vested account balance in a tax-favored retirement account exceeding $10 million would be required to distribute a minimum of 50 percent of the excess.[1] "[I]f the high-income taxpayer's aggregate vested account balance under these tax-favored retirement arrangements exceeded $20 million, then the required distribution would be subject to a floor."[2] "The floor is the lesser of (a) that excess and (b) the portion of the taxpayer's aggregate vested account balance that is held in a Roth IRA or designated Roth account."[3] Commentators have suggested that this proposal is simply a rehashing of the mega-IRA proposals in the Build Back Better Act.[4] Based on a $10 million threshold, the proposal would not likely affect the majority of retirement plan participants.[5] However, for those individuals who have accumulated more than $10 million in their retirement account, the proposed changes would greatly limit their ability to retain balances in excess of $10 million and use these accounts as wealth transfer tools.[6]

Limit on Rollovers and Conversions

Another Greenbook proposal that could impact your financial plan is the proposed limit on rollovers and conversions to designated Roth retirement accounts or to Roth IRAs. The proposal "would prohibit a rollover of a distribution from a tax-favored retirement arrangement into a Roth IRA unless the distribution was from a designated Roth account within an employer-sponsored retirement plan or was from another Roth IRA if any part of the distribution includes a distribution of after-tax contributions."[1] The proposal would further "prohibit a rollover of a distribution from a tax-favored retirement arrangement into a designated Roth account if any part of the distribution includes a distribution of after-tax contributions, unless the distribution was from a designated Roth account."[1] "This proposal would eliminate the commonly used 'backdoor' Roth conversion for all high-income earners."[2] A backdoor Roth conversion is a strategy used by high-income earners who are prohibited from contributing to a Roth IRA because their income is above certain limits. Instead of contributing directly to a Roth, these high-income taxpayers contribute to a traditional IRA (which has no income limits), and then convert it to a Roth IRA. "Backdoor conversions would still be allowed for taxpayers with income above the Roth IRA contribution limit, but below the high-income earner limit."[3] However, according to some commentators, "this proposal does not appear to limit Roth contributions in employer retirement plans."[4]

Although these are just proposals, we are committed to keeping you up-to-date on matters that may impact you, your loved ones, and your futures. **If you need to create or update your estate plan, give us a call at (757) 530-7011 to schedule an appointment.**

[4] Dep't of the Treasury, General Explanations of the Administration's Fiscal Year 2024 Revenue Proposal [hereinafter General Explanations] at 90, https://home.treasury.gov/system/files/131/General-Explanations-FY2024.pdf.
[5] Id. at 89.
[6] Id.
[7] Id. at 90.
[8] Id.
[9] Id.
[10] The House approved the Build Back Better legislation in November 2021, but it was never passed by the Senate.
[11] General Explanations, supra n. 4, at 90.
[12] Amy E. Heller et. al, The 2024 Green Book and Tax Implications: A Primer, Skadden, Arps, Slate, Meagher & Flom LLP (Mar. 20, 2023), https://www.skadden.com/insights/publications/2023/03/the-2024-green-book-and-tax-implications-a-primer.
[13] General Explanations, supra n. 4, at 92.
[14] Id.
[15] Analysis and Observations of Tax Proposals in Biden Administration's FY 2024 Budget at 38, KPMG (Mar 14. 2023), https://assets.kpmg.com/content/dam/kpmg/us/pdf/2023/03/tnf-fy-2024-green-book-mar14-2023.pdf.
[16] Id.
[17] Id. at 39.

Presenting the New Alperin Law Seminar Room

We are thrilled to announce the latest addition to Alperin Law's infrastructure that is sure to enhance your experience with us—the unveiling of our brand new, state-of-the-art seminar room. This seminar room, located at our Virginia Beach office, is designed to provide an exceptional environment for learning, collaboration, and meaningful discussions. With this addition, we aim to elevate our commitment to excellence by offering you an unparalleled experience.

At Alperin Law, we understand the importance of knowledge-sharing and staying updated with the latest developments in the legal landscape. Our seminar room is thoughtfully designed to foster an engaging and interactive atmosphere, ensuring that you receive the utmost value from attending our seminars, workshops, and educational sessions.

Interested in attending an in-person seminar? Visit our website or email saylor@alperinlaw.com for more information.

RECIPE – STRAWBERRY PRETZEL SALAD

Ingredients

- **2 cups** pretzels
- **¾ cup** butter
- **3 tablespoons** sugar
- **1 (8-ounce)** cream cheese, softened
- **1 cup** sugar
- **1 cup (8-ounce)** whipped topping
- **2 (3-ounce)** packages strawberry flavored Jell-O
- **2 cups** frozen strawberries
- **2 (10-ounce)** packages frozen strawberries

Directions

1. Preheat the oven to 400 degrees F (200 degrees C).
2. Stir crushed pretzels, melted butter, and 3 tablespoons sugar together until well-combined; mix well and press mixture into the bottom of a 9x13-inch baking dish.
3. Bake in the preheated oven until set, about 8 to 10 minutes; set aside to cool.
4. Place cream cheese and 1 cup sugar in a large bowl. Beat with an electric mixer until smooth; fold in whipped topping. Spread mixture onto cooled crust.
5. Dissolve gelatin in boiling water. Stir in still-frozen strawberries and allow to set briefly. Pour and spread over the cream cheese layer; refrigerate until set, at least 2 hours.