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Among the proposals floated in the State of the Union address were taxing unrealized capital gains and increasing the stock buyback tax. The unrealized capital gain tax proposal is DOA. The plan to hike the excise tax on buybacks is not totally dead but chances of it passing now are remote. That could change in a few years.

State of the Union addresses rarely move the debate in Washington, and last night's speech is probably no different. The speech included some tax proposals that are unlikely to be enacted but bear mentioning.

President Joe Biden advocated a minimum tax on billionaires that would come in the form of a **tax on unrealized capital gains**. **This proposal is simply DOA**. House Republicans will not allow a vote on the proposal and, even if they did, there are congressional Democrats (in the House and Senate) who oppose the idea. **There is a loud group of supporters for taxing unrealized capital gains, but their volume outweighs their numbers.**

President Biden also proposed quadrupling the one percent excise tax on stock buybacks. **Chances of Congress raising the buyback tax are low – especially a quadrupling of the tax.** However, as we noted during the debate over the Inflation Reduction Act, which enacted the buyback tax, once the tax is in place it will become easier to raise the level in the future. Also, some Republicans are not as opposed to taxing buybacks as they once were. Thus, while it seems **unlikely that Congress will raise the tax in the next two years, as future Congresses look for revenue, the buyback tax could be a tempting target – especially during future negotiations on extending the cuts in the Tax Cut and Jobs Act which expire after 2025.** Even some Republicans could look to the buyback tax as an offset for extending some of the 2017 tax cuts.

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