

The American Families Plan Proposal – Are Your Taxes Affected?

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The American Families Plan (AFP) is a proposal put forth by the Biden administration meant to fund new federal education and family programs.

The AFP would be paid for, in part, by increasing the top marginal tax bracket from 37% to 39.6%, the previous top rate before the changes made in the 2017 Tax Cuts and Jobs Act. The proposed change to the top marginal tax bracket would also take effect at a lower income level than the current income threshold. For 2021, the highest marginal bracket of 37% starts at \$523,600 for individuals and \$628,300 for married couples. [As outlined by the Tax](#)

[Foundation](#), under the AFP, the proposed tax bracket of 39.6% would take effect for individuals earning above \$452,700 or married couples earning more than \$509,300 in income.

Additionally, the AFP proposes taxation of long-term capital gains and qualified dividends as ordinary income for any taxpayers with taxable income exceeding \$1 million.

Most taxpayers would be, purportedly, unaffected by these proposed tax changes. The White House’s press secretary [Jen Psaki stated in March](#), “The President remains committed to his pledge from the campaign that nobody making under \$400,000 a year will have their taxes increased.”

If you are interested, you can review the [Tax Foundation’s review and analysis](#) of all that is included in the proposed American Families Plan. It is also important to remember that the proposal is just that, a proposal, and that it is likely to be scaled back as it is reviewed and debated in Congress.

If you wish to discuss how these proposed changes might affect your own tax situation, [reach out and schedule some time with your financial advisor!](#)