



Basis Points – April 6, 2021

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Above the Fold

The Quick and Dirty on Corporate Tax Hikes

President Biden is calling for roughly \$2 trillion in corporate tax increases over the next 15 years in order to help finance his initial infrastructure plan. This would include ratcheting up the corporate tax rate from 21% to 28%; a move that could happen as early as January 2022. While the plan still needs to run the political gauntlet, the current congressional landscape makes a hike likely. At 28%, the headline tax rate would still be lower than the 35% level that stood since the Clinton era until President Trump's tax cuts in 2017 — but that's only part of the story.

The Biden plan would also raise the minimum tax on foreign profits from 10.5% to 21%, a move that some believe could make U.S. companies less competitive abroad and even trigger foreign takeovers of domestic firms. Another area of contention would be the introduction of a minimum financial-statement income tax of 15% across the board. This minimum tax is a sort of backstop in response to reports of companies paying little or no tax. The concern here is that the minimum tax could actually cut into tax incentives for certain industries like renewable energy.

As strategists and economists weigh the effects of a jump in taxes, it's certain that the repercussions will be varied. When it comes to overall economic health, some argue that the cost of higher taxes is carried mostly by shareholders and employees in the form of lower stock prices and reduced wages and benefits. On the flip side, proponents believe that increased infrastructure spending would offset higher costs and bring more jobs to Americans. Companies outside the infrastructure spending scope are obviously likely to experience fewer benefits.

Three Things

1. *China's New Digital Currency Tracks and Disrupts* – The communist nation is launching its own virtual Yuan that will be controlled by its central bank. This new format, which does not allow anonymity for the user, will allow the government to more closely monitor its citizens and economy. Some say the digital currency is a challenge to the U.S. dollar's dominance, but the Yuan (Renminbi) has a long way to go, accounting for just 4% of global foreign-exchange trades.
2. *Hyundai Sets Drone World Record* – Hyundai's luxury Genesis brand [launched](#) 3,281 drones over Shanghai to celebrate the brand's arrival in China. The drones lit up the sky with the Genesis logo and set a new Guinness World Record for "most unmanned aerial vehicles airborne simultaneously."
3. *Did Japan Cost You Points on Your Mortgage?* – Yields on American 10-year Treasuries have nearly doubled since January. The yield spike, caused by bond selling, seems to be due, largely, to a wave of global foreign investor selling over the last few months. Several sources note that banks and insurers in Japan were large contributors to the selling pressure as they looked to capture profits and lock in performance for their fiscal year which ended last Wednesday.

Did You Know?

Chinese Firsts

China's recent move to create a government-controlled digital currency is a bold move from a country that has a history of game-changing inventions and ideas. From gunpowder and silk, to the compass and even boat rudders, the nation's innovations have changed the world. Ironically, it was also China that brought us paper and even the first paper currency during the Tang Dynasty between 618 and 907 AD.

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