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FALL 2020 NEWSLETTER



PRESIDENT'S CORNER



Buffalo Chapter Members,

On behalf of the RMA Buffalo Chapter board members, I would like to send a huge "Thank You" out to Nancy Cox as our most recent President for the past 2+ years. Nancy has worked so hard as a President, board member and friend. We truly appreciate everything she has done. Now I have the difficult task of trying to fill her shoes, but I am excited to be in the President position for the next couple of years.

With the assistance and guidance from RMA Head Quarters, the RMA Buffalo Chapter has maneuvered through these ever-changing times. We have continued to hold virtual monthly board meetings to ensure that we maintain the momentum and offer the resources and tools that you have grown accustomed to. While we cannot wait to get back to in person events as soon as possible, we have made the decision to host all virtual events at least through the end of 2020. Please monitor your email communication from us as we plan and host these virtual events. Our next event is the Transition to LIBOR on October 22, 2020 hosted virtually by M&T Bank. There have been several email communications sent out by Neth Nusbaum over the past few weeks. This event is free of charge, so please sign up as soon as possible.

I thank all of you and your respective institutions for your continued investment in the RMA. If you haven't renewed your membership, please do so at your earliest convenience. If there is anything we can assist with or any questions we can answer, please don't hesitate to let us know.

I know that the past several months have been challenging for all of us. The Buffalo Chapter board members would like to send our best wishes to all of you in staying healthy and safe. I know these times during our lives make us realize the true value of one another and that we, as Western New York residents, will all come together and get through this.

President – Jeremy Blecha
Tronconi Segarra & Associates
716-633-1373
jblecha@tsacpa.com

RMA Board Members

President:
Jeremy Blecha, Tronconi Segarra & Associates
Vice President:
Nicholas Alberalla, Evans Bank
Immediate Past President:
Nancy Cox - The Bonadio Group
Secretary:
Lynn Wilson, Key Bank
Treasurer:
Michael Taylor, Pursuit Lending
Administrative Assistant:
Neth Nusbaum, M&T Bank
Membership:
Charlie Brooks, Northwest Bank
Education:
Adam Hoestermann, Northwest Bank
Academic Programming:
Michael Welch, Evans Bank
Communication/Rising Leaders Committee:
Mark Aardema, M&T Bank
Rising Leaders Committee:
Jessica Kreuzer, Northwest Bank
Members:
Bonnie Muench, M&T Bank
Jeffrey Simmons, M&T Bank
Andrew Allaire, Amerisource Funding
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Adam Zebrowski, Labella Associates
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Thinking Differently About the Problem of Managing Data

By Shannon Kelly and Rachel Fischer for the December 2019-January 2020 *RMA Journal*

DATA, COINED THE oil of the digital era, is now considered one of the greatest assets of any organization. However, most organizations do not have a clear roadmap nor dedicated resources to understand what usable data sources are out there and how to manage them effectively, as well as how to use data optimally and responsibly. Further alignment of resources is necessary for organizations to better identify all sources of usable data and harness the information for business decisions, risk management, and growth. This paper presents recommendations for organizational structures and considerations in analyses of data that can facilitate more holistic usage of data while mitigating the risks of improper usage through a collaborative effort between first-line data scientist modelers and data stewards, as well as second-line data governance (DG) and model risk management (MRM).

While many banks have DG, MRM, and model development groups, rarely is there a focus on collecting and retaining the correct attributes with high data-information value to support strategy and growth. All three lines of defense share responsibility for tactical development, developing a comprehensive strategic vision, and oversight. Structure may vary by the size and complexity of the organization. However, given the importance of data and data science, organizations cannot afford to ignore dedicating resources toward owning the data and information.

Read the entire article in the December 2019-January 2020 edition of the *RMA Journal*.
https://rmajournal.org/rmajournal/december_2019-january_2020

RMAHQ UPDATE

Credit Risk Certification (CRC)

Why CRC?

In today's rapidly changing financial services industry, you need practical, day-to-day knowledge that will help you excel in your profession. You need the latest skills—skills that are current and complete. And you need the demonstrated ability to serve a diverse base of clients. Plus, you need all of your knowledge, skills, and abilities to be validated by a respected organization like RMA.

For more information, visit http://www.rmahq.org/crc.

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What to Expect: A Comparison of the Trump and Biden Tax Plans

By Joseph Peresan, Partner, The Bonadio Group

With the 2020 Presidential Election right around the corner, we wanted to provide some insight into the **potential** tax changes on the horizon depending on how things fall this November. Below is a summary of various tax policies that currently exist under the Trump administration and those proposed by the Biden administration.

Corporate Income Taxes:

- Corporate Income Tax Rate:
  - CURRENTLY: Corporate tax rate is 21%.
  - BIDEN PROPOSED: Corporate tax rate would increase to 28% with 15% minimum book-tax* on companies reporting more than $100 million in the US but paid zero or negative federal income taxes. Credit for foreign taxes paid and carryovers allowed.

International Business Taxes:

- Global Intangible Low Tax Income (GILTI)
  - CURRENTLY: GILTI was a new provision introduced under the TCJA that functions as a global minimum tax and applies broadly to income earned by foreign affiliates of US companies from intangible assets. The current GILTI rate is 10.5%.
  - BIDEN PROPOSED: Raise minimum GILTI rate to 21%.

Qualified Business Income Deduction (Section 199A Deduction):

- CURRENTLY: Generally, allows a 20% deduction on qualified business income, subject to W-2, and unadjusted basis of qualified property limitations when 2020 taxable income exceeds $326,600 for joint returns and $163,300 for all other filers. There is no deduction allowed for taxpayers conducting a specified service trade or business with income above $426,600 for joint returns and $213,300 for all other filers.
- BIDEN PROPOSED: Only allow deduction to taxpayers making $400,000 and under. End special qualifying rules, including those for real estate investors.

Individual Income and Payroll Taxes:

- *Income Taxes:*
  - CURRENTLY: top tax rate for individuals is 37% for income over:
    - $518,401 (Single & Head of Household filers); $622,051 (Married-Joint filers); $311,026 (Married-Separate filers).
  - TRUMP PROPOSED: Considering 10% middle-class tax cut; extend 2017 TCJA provisions past 2025, including Section 199A pass-through deduction.
  - BIDEN PROPOSED: Increase top tax rate for individuals to 39.6%; taxpayers making more than $400,00 would see taxes increase.
- *Capital Gains & Qualified Dividend Rates:*
  - CURRENTLY: long-term capital gains and qualified dividends are taxed as follows:
    - Single filers: 0% on $0-$40,000 of income, 15% on $40,001-$441,450 of income, and 20% on $441,451 of income or more.
    - Married-Joint filers: 0% on $0-$80,000 of income, 15% on $80,001-$496,600 of income, and 20% on $496,601 of income or more.
  - TRUMP PROPOSED: Seeking to cut capital gains rate by executive action; would cut the maximum capital gains rate to 15%.
  - BIDEN PROPOSED: Tax at top ordinary income tax rate (39.6%) for taxpayers with over $1 million income.

- *Itemized Deductions:*
  - CURRENTLY: No cap on the amount of itemized deductions.
  - BIDEN PROPOSED: Cap the value of itemized deductions to 28% for those in higher marginal tax brackets and restore the Pease limitation** on itemized deductions for those with table income above $400,000; End the $10,000 State and local income tax cap.
- *Child and Dependent Care Tax Credit:*
  - CURRENTLY: Taxpayers may claim a credit of up to $2,000 for each qualifying child, with up to $1,400 of the credit refundable. The maximum credit amount is reduced by 5 percent once adjusted gross income (AGI) reaches $200,000 for single filers and $400,000 for married filing jointly.
  - BIDEN PROPOSED: Expand dependent care credit to $8,000. Families will get back as a tax credit as much as half of their spending on childcare for children under age 13, up to a total of $8,000 for one child or $16,000 for two or more children. The tax credit will be refundable, and ways will be explored to make it advanced.
- *Payroll Taxes:*
  - CURRENTLY: Executive Order for optional deferment of employee social security taxes from September 1 through December 31st for workers earning up to $104,000 a year.
  - BIDEN PROPOSED: Lift social security taxable wage base cap on high earners. This would create a "gap" in the current Social Security payroll tax, in which wages between $137,700, the current wage cap, and $400,000 are not taxed.

Estate Taxes:

- Estate Tax Rate Exemption:
  - CURRENTLY under Trump: estate tax income exemption is $11.4 million per person ($22.8 million per couples).
  - BIDEN PROPOSED: Eliminate the step-up in basis for inherited capital assets and lower the federal estate tax exemption from 11.58 million (for 2020) back to pre-tax reform levels (around $5 million).
  -

As you can see, there is the possibility for a significantly different looking tax-landscape on the horizon. Depending on how the Presidential and Congressional elections go this Fall, it could force time-sensitive, tax-planning decisions to be made before the end of the year. Please do not hesitate to reach out to The Bonadio CARES & More Consulting Team for additional support.

**Book income is the amount of income corporations report on their financial statements to shareholders.*

***Pease Limitation effectively reduces the amount one can deduct above a certain threshold. For every dollar of income earned above the threshold, the Pease Limitation reduces the value of itemized deductions by three cents*

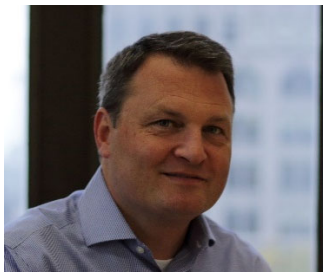
This material has been prepared for general, informational purposes only and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. Should you require any such advice, please contact us directly. The information contained herein does not create, and your review or use of the information does not constitute an accountant-client relationship.

THE RISK MANAGEMENT ASSOCIATION
Buffalo Chapter

presents:

Update on the LIBOR Transition

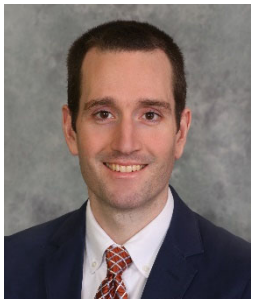
Speakers:



Doug Sheline
Senior Vice President
Deputy Treasurer Capital Markets
M&T Bank



Craig Hallgren
Group Vice President
Managing Director Capital Markets
M&T Bank



Isaac Gooding
Vice President
Segment Manager Capital Markets
M&T Bank

Thursday October 22, 2020
Time: 9:00AM-10:30AM
WebEx Virtual Event

Topics:

- Background of LIBOR and why it's going away; high level impact on the Industry
- Timing of transition / deadlines / milestones
- Secured overnight financing rate (SOFR) and other indices that banks are utilizing
- Re-documenting loans and replacement language
- Regulatory impact
- Q&A