

## Tax Cuts and Jobs Act Sunset Provisions after 2025

The [Tax Cuts and Jobs Act](#), here referred to as the [Act](#), is set to expire at the end of 2025. Will some or all the provisions be extended? The answer may depend on the national election results.

The Tax Cuts and Jobs Act (referred to here as the Act,) may or may not be extended beyond the end of 2025, and the upcoming election could have an impact. While we can't predict what will happen, here are some possible outcomes depending on the post-election political landscape.

### The Possible Scenarios are:

- **The Entire Act is Extended**—This would result in no change to the current status of personal income taxes.
- **A Portion of the Act is Extended**—This is a potential scenario with a split government, forcing the parties to come together and reach compromise on various provisions.
- **An Entirely New Act**—This is a possibility if one party both controls Congress and wins the Presidency, as both candidates have indicated they would like to make changes to the tax law if they are in control.

Many provisions of the Act could expire. We'll focus on a few key ones here. While it is not yet definitive what actions clients should take, certain clients may want to consider acting prior to the sunset.

### Key Provisions, What Could Change, and Potential Client Actions

**Top Marginal Rate:** The highest rate under the current Act is 37% and could increase by 2.6% to 39.6%, affecting high earners. For ordinary income items subject to the net investment income tax, letting the Act expire would raise federal income taxes for these high earners to 43.4%.<sup>1</sup>

### Potential Actions

- Discuss with clients the reasons why they may want to wait until after the election to determine which of the possible scenarios are most likely.
- High-income individuals may want to consider making Roth conversions in 2024 and 2025 before any potential rate increases.

### Estate/Gift/Generation-Skipping Transfer Exemptions:

The expiration of the Act would reduce these exemptions by approximately 50%. In 2024, the exemption is \$13.61 million per individual and \$27.22 million for married-filing-jointly filing status. In 2026, the estate and gift-tax exemption, if allowed to expire, would revert to pre-Act levels, essentially halving it.<sup>2</sup>

### Potential Actions

- For those with sufficient assets, investigate gifting using today's exemption amount. This may mean concentrating an exemption in one member of the couple, allowing the other to use an exemption in the future.
- Consider funding an Irrevocable Life Insurance Trust (ILIT) in cases where it makes economic sense to remove assets from the estate.
- File a simple estate return for portability purposes for married decedents in 2024 and 2025.

<sup>1</sup>Congress.Gov, "H.R.1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," accessed 10/30/2024.

<sup>2</sup>Source: Legislation. "H.R. 1 - To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018." Congress.gov (accessed 10/28/2024).

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**Standard Deduction:** The standard deduction, currently \$29,200 for married-filing-jointly filers, would be cut nearly in half if the Act expires. Prior to the Act, approximately 70% of taxpayers took the standard deduction, whereas almost 90% do today.<sup>3</sup>

#### Potential Actions

- High income seniors and renters who may not be able to itemize may need additional guidance.
- If the state and local tax (SALT) deduction cap of \$10,000 is eliminated, many high-income taxpayers could reclaim this itemized reduction. Keep in mind that this benefit could be reduced by the return of lower alternative minimum tax brackets

#### Help Clients' Plan with Regular Tax Checks

Addressing tax risk is an ongoing part of retirement planning. It's a good idea to revisit the subject regularly—especially when anticipating potentially significant changes. Planning around multiple potential tax scenarios may provide flexibility for clients' tax-management strategies

#### ACTIONS YOU CAN TAKE RIGHT NOW

- Encourage clients to review their current tax situations with their independent tax advisors.
- Identify tax anomalies that may require action, such as expiring charitable deductions.
- Evaluate spending plans to find a tax-efficient distribution option.

#### Additional Resources and Links

[2024 Federal Tax Amounts and Limits](#)

[Tax Cuts and Jobs Act of 2017](#)

<sup>3</sup>Tapper, Taylor, and Cetera, Mike. "Standard Deductions for 2024 and 2025 Tax Returns, and Extra Benefits for People Over 65." Forbes. Oct. 30, 2024.

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