

Plan ahead: Potential tax reform in the second Trump presidency

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The Trump administration is likely to prioritize tax reform, aligning with Trump's previous stance on the 2017 Tax Cuts and Jobs Act (TCJA), and taxpayers should be attentive to these changes in their year-end and 2025 planning.

Administrative priorities may include addressing the scheduled phaseout and sunset of various 2017 Tax Cuts and Jobs Act (TCJA) provisions in 2024 through 2026, the possible renewal of the TCJA effective for 2025 or 2026, and possible changes to provisions added by the 2022 Inflation Reduction Act (IRA), as previewed by proposals made during President-Elect Trump's campaign. These potential changes are summarized below.

Any changes will require legislative action, making political negotiation and legislative strategy (and the final House of Representatives results) critical to the process. In light of the potential changes, here are some considerations a taxpayer should take into account in year-end and 2025 planning:

- From a seller's perspective, whether to defer a sale due to the possibility of a lower corporate income or capital gains tax rate in 2025;
- More generally, for corporate taxpayers, whether to defer income to 2025 or accelerate deductions into 2024, in anticipation of the possibility of a lower corporate income tax rate;
- From the perspective of a party considering capital expenditures (including an asset buyer), whether to accelerate capex to 2024 before bonus depreciation declines from 60% to 40%, or to defer capex to 2025 based on the possibility of an increase of bonus depreciation to 100%;
- Whether to defer R&D expenses to 2025, based on the possibility that the expenses will be fully deductible;
- The effect of a possible restoration of the "DA" in the Section 163(j) interest limitation rules (under which, since 2022, the deductibility of interest is currently limited to 30% of an "EBIT"-like metric, as opposed to the previous limitation which was based on an "EBITDA"-like metric);
- Evaluate their participation in renewable credit transactions, including purchases of credits, given proposals to repeal the IRA;
- From a pass-through business perspective, to plan for income in 2025 rather than 2026, before the sunset of the qualified business deduction; and
- From an individual's perspective,
 - whether to defer state income tax payments to 2025, based on the possibility of a removal or increase of the \$10,000 cap on the SALT deduction;
 - to monitor developments relating to the estate and gift tax exemption, which was doubled to \$10 million per individual, with a CPI adjustment (from 2010), through the end of 2025;
 - to monitor other developments based on the sunset of various TCJA provisions at the end of 2025.

These tax considerations should be weighed against the risk of uncertainty over general regulatory and economic policies.

Principal TCJA and IRA provisions, effect of TCJA sunset and phaseout, and possible renewal or proposed changes

	Code section	Effect of TCJA sunset at end of 2025	Effect of TCJA renewal / current proposals
Individual income tax rates	§1(j)	Seven tax brackets with a top rate of 39.6%	Adjusted brackets, with a top rate of 37% Proposal to exempt certain categories of income (e.g., tips)
Corporate tax rate	§11(b)	No sunset; remain at 21%	Proposal to reduce to 15%
Child tax credit	§24(h)	\$1,000 per child with phaseout	Increase to \$2,000 per child and raised phaseout thresholds significantly
Renewable energy tax credits	§§45, 45Q, 45U, 45Y, 48, 48E	No sunset; applicable entities that invest in certain renewable energy projects may receive refundable tax credits; added by IRA	Proposal to eliminate
Individual AMT	§55(d)(4)	Apply to more taxpayers with lower exemption amounts	Raise AMT exemption and phaseout levels
Corporate AMT (CAMT) and BEAT	§§55, 59A	No sunset; Base Erosion and Anti-Abuse Tax (BEAT) remains, with increased rate and other changes; CAMT added by IRA	Uncertainty, given multiple minimum taxes (BEAT, CAMT, Pillar 2)
Standard deduction and personal exemptions	§§63(c)(7), 151(d)(5)	Standard deduction of \$3,000 for single filers (\$6,000 for joint filers) and personal exemptions of \$2,000 (adjusted for inflation)	Increase to \$12,000 for single filers (\$24,000 for joint filers) and elimination of personal exemptions (adjusted for inflation)
Miscellaneous itemized deductions	§67(g)	Allowed subject to a 2% AGI floor	Suspend these deductions
Mortgage interest deduction	§163(h)(3)(F)	Interest deductible on mortgage up to \$1 million	Limited to interest on \$750,000 mortgage
Business interest deduction	§163(j)	No sunset; limited deduction to 30% of EBITDA (EBIT after 2021)	No current proposal
State and local tax (SALT) deduction	§164(b)(6)	Unlimited deduction for state and local taxes	Cap SALT deduction at \$10,000 Proposals to remove or increase cap

Principal TCJA and IRA provisions, effect of TCJA sunset and phaseout, and possible renewal or proposed changes

	Code section	Effect of TCJA sunset at end of 2025	Effect of TCJA renewal / current proposals
Bonus depreciation	§168(k)(6)	Post-2022 annual 20% phasedown reduces bonus depreciation from 60% in 2024 to 40% in 2025 and 20% in 2026, followed by sunset	Original TCJA allowed 100% bonus depreciation for 5 years, followed by 20% annual phasedown
R&D expenses	§174	No sunset; domestic R&D amortized over 5 years, foreign over 15 years	Proposals would restore current deduction, at least for domestic R&D
Qualified business income deduction	§199A(i)	No special deduction	20% deduction for qualified business income
Foreign-derived intangible income (FDII)	§250(a)(3)	No sunset: effective tax rate was set at 13.125% through 2025, after which it is scheduled to increase to 16.406%	Renewing original TCJA might continue lower rate
Global intangible low-taxed income (GILTI)	§§250(a)(3), 951A	No sunset; effective tax rate was set at 10.5% through 2025, after which it is scheduled to increase to 13.125%	Renewing original TCJA might continue lower rate
Downward ownership attribution	§958(b)(4)	No sunset; downward attribution from non-US persons to US persons	No current proposal
Estate and gift tax exemption	§2010(c)(3)	\$5 million per individual (adjusted for inflation)	Doubled to \$10 million per individual (adjusted for inflation)
Stock buyback tax	§4501	No sunset; 1% excise tax on stock repurchase by domestic and certain foreign corporations; added by IRA	Uncertainty

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