

# Tax changes ahead

What to expect when the TCJA expires in 2025

The Tax Cuts and Jobs Act (TCJA) was enacted in late 2017. It contains numerous “temporary” provisions that are set to expire as calendar year 2025 turns into 2026 unless Congress acts. Certain provisions of TCJA do not expire, including the 21% corporate tax rate and long-term capital gains rates.

## Individual income tax rates

Individual income tax rates were lowered by TCJA. They are set to revert to the higher pre-TCJA rates. The 2026 breakpoints listed below are estimates.

SINGLE			MARRIED FILING JOINTLY		
Taxable income	2024 tax rates	2026 projected tax rates	Taxable income	2024 tax rates	2026 projected tax rates
Over \$0	10%	10%	Over \$0	10%	10%
Over \$11,600	12%	15%	Over \$23,200	12%	15%
Over \$47,150	22%	25%	Over \$94,300	22%	25%
Over \$100,525	24%	28%	Over \$201,050	24%	28%
Over \$191,950	32%	33%	Over \$383,900	32%	33%
Over \$243,725	35%	35%	Over \$487,450	35%	35%
Over \$609,350	37%	39.6%	Over \$731,200	37%	39.6%

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## Other key tax provisions

PROVISIONS	2024	2026 POST-EXPIRATION
<b>Standard deduction</b>	\$14,600 single \$29,200 MFJ	Reduced by approximately 50%. Prior to TCJA, the 2017 standard deductions were \$6,350 (single) and \$12,700 (MFJ).
<b>State and local tax (SALT) deduction</b>	Maximum of \$10,000.	No maximum. Phaseouts at higher income (\$261,500 single, \$313,800 MFJ in 2017).
<b>Personal exemptions</b>	None.	\$4,050 per taxpayer and qualified dependent. Phaseouts at higher income (\$261,500 single, \$313,800 MFJ in 2017).
<b>Child tax credit</b>	\$2,000 per qualifying child under age 17, \$500 for other dependents. Phaseouts begin at \$200,000 (single) and \$400,000 (MFJ).	\$1,000 per qualifying child. Phaseouts at higher income (\$75,000 single and \$110,000 MFJ in 2017).
<b>Mortgage and home equity interest deduction</b>	<ul style="list-style-type: none"> <li>Mortgage interest deduction limited to interest on \$750,000 of debt.</li> <li>No deduction for home equity interest unless the debt was incurred to acquire or improve the property.</li> </ul>	<ul style="list-style-type: none"> <li>Mortgage interest deduction limited to \$1 million of indebtedness.</li> <li>Home equity interest deduction for interest on up to \$100,000 of indebtedness.</li> </ul>
<b>Charitable contribution deduction limitation</b>	Gifts of cash to public charities are 100% deductible, capped at 60% of AGI.	Gifts of cash to public charities are 100% deductible, capped at 50% of AGI.
<b>Miscellaneous itemized deduction</b>	Not applicable.	Available once deductions exceed 2% of AGI.
<b>Alternative minimum tax (AMT)</b>	AMT exemption amount (\$85,700 single, \$133,300 MFJ) and phaseouts (\$609,350 single, \$1,218,700 MFJ) means few taxpayers pay AMT.	AMT exemption amounts and phaseouts lowered, causing many more taxpayers to be subject to AMT.
<b>Gift and estate tax</b>	Gift and estate tax exemption is \$13,610,000.	Gift and estate tax exemption cut roughly in half.
<b>Qualified Business Income (QBI) deduction</b>	20% deduction for flow-through entities meeting certain requirements.	Not available. Owners of flow-through entities might pay higher taxes than C corporations.

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