"Tax Planning for Our Clients Before TCJA (Tax Cuts and Jobs Act) of 2017 Sunsets"

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December 31, 2025 – The Eve of the Largest Tax Change in Recent History – The Tax Cut and Jobs Act Sunset

When and which provisions will expire, and potential Democratic and Republican proposals for an Act extension.

Just as the dust finally settled from the tax law changes unleashed with the passage of the Tax Cuts and Jobs Act (TCJA) in 2017, a new round of changes are on the horizon as the tax profession braces for potential sunsetting provisions, most of which would impact individual taxpayers.

The passage of the TCJA in December 2017 was significant as it overhauled the tax landscape for both individuals and corporations. The Act shifted millions of Americans to the standard deduction and reduced both individual and corporate tax rates, to name just a few of the reforms.

Now, many of the provisions enacted by the TCJA are set to expire at the end of 2025. And while most eyes are fixed on the outcome of the 2024 U.S. presidential election, if Congress does not extend the TCJA, then nearly every American will be impacted by the sunsetting provisions.

To help ensure taxpayers are aware of the changes, tax and accounting professionals need to stay informed of any extensions that may arise and also the ramifications should Congress let the Act expire. This presentation takes a closer look at some of the expiring TCJA provisions and potential extensions.

When does the TCJA expire?

Many of the provisions impacting individuals and families are set to expire at the end of 2025. This means that more than $4 trillion in tax increases will take effect Jan. 1, 2026, charging next year's Congress and administration with the hefty task of grappling with the tax hikes.

Meanwhile, many of the provisions impacting businesses, including pass-through entities, are set to expire between 2025 and 2028.

While both businesses and individuals will be impacted, most of the provisions set to expire at the end of 2025 will have a notable impact on

individuals and families. Therefore, tax professionals must remain aware of any possible extensions that could affect their individual clients.

What are the expiring TCJA provisions?

The standard deduction, individual tax rates, and the child tax credit are just a few of the provisions affecting individual taxpayers set to expire. Let's take a closer look at some of the more notable provisions on the chopping block.

Standard deductions

Under the TCJA, basic standard deduction amounts in 2018 were nearly doubled to $12,000 for single filers, $18,000 for head of household filers, and $24,000 for married joint filers. Because of this, many taxpayers have not itemized deductions. This could change.

Beginning in 2026, the basic standard deduction would be roughly half of what it is now, adjusted for inflation. While this may result in many taxpayers once again itemizing their deductions, some taxpayers may find that their itemized deductions will be less than the higher standard deduction under the TCJA.

Individual tax rates

The TCJA lowered individual tax rates; however, at the end of 2025, the individual tax rates will revert to their pre-TCJA levels. This means individual tax rates will be 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. As a result, many clients may be looking for ways they can take advantage of the current lower rates.

Child tax credit

Under the TCJA, the child tax credit was increased from $1,000 to $2,000 per qualifying child, with a phaseout threshold of $200,000 for unmarried taxpayers and $400,000 for married joint filers. In 2026, the child credit will revert back to its pre-TCJA structure of $1,000 per qualifying child. The phaseout threshold will drop down to $75,000 for unmarried taxpayers and $110,000 for married joint filers.

State and local tax (SALT) deduction

Under the TCJA, taxpayers who itemize their deductions can deduct up to $10,000 in state and local income, sales (in lieu of income), and property taxes, as well as foreign income taxes (but not foreign real property taxes). For those taxpayers in high-tax states, the SALT cap has had a significant impact.

Unless extended by Congress, the SALT cap will expire at the end of 2025. Taxpayers will be able to deduct all eligible state and local income, sales (in lieu of income), and property taxes, as well as foreign income taxes. Furthermore, taxpayers will be able to deduct foreign real property taxes.

Estate and gift tax

The TCJA basically doubled the estate and gift tax basic exclusion amount. However, at the end of 2025, the estate and gift tax exclusion amount will be roughly cut in half (reduced from $10 million per decedent to $5 million per decedent and then adjusted annually for inflation).

Qualified Business Income

The qualified business income (QBI) deduction, which is set to expire at the end of 2025, would affect many small business owners.

Under TCJA, owners of pass-through entities like LLCs, partnerships, sole proprietorships, and S corporations, are able to claim a deduction of up to 20% of QBI. Unless extended, this deduction will be eliminated. Hence, pass-through business income will then be taxed based on individual income tax rates without a deduction for QBI.

It is important to note that this deduction was the shining star of TCJA and will most likely be extended, albeit in a modified form.

Democratic and Republican Party tax platforms

Given the opportunity for significant tax reform with the expiration of key provisions, both the Democratic and Republican parties are touting their tax platforms and have an interest in extending or making

permanent a number of sunsetting provisions. Comparing both the Democrat and Republican Party platforms can shed light on the possible post-election tax landscape.

Possible Democratic Party extensions

Standard deductions: Democrats support a permanent extension of the TCJA's individual provisions, such as the standard deductions, for those taxpayers making less than $400,000.

Individual tax rates: To not raise taxes for taxpayers making less than $400,000, Democrats support making the TCJA bracket that threshold. Furthermore, a top rate of 39.6% for single and married filing jointly taxpayers to $400,000 and $450,000, respectively, is proposed in the FY25 Green Book.

Child tax credit: Democrats would like to restore the child tax credit (CTC) expansion under the 2021 American Rescue Plan Act, which increased the credit to $3,000 for older children and $3,600 for younger children. In fact, Vice President Kamala Harris recently outlined her plans to further increase the credit amount for newborns to $6,000. This would result in a credit of $6,000 for newborns in their first year of life, $3,600 for children ages 2 through 5 years old, and $3,000 for children ages 6 and older.

SALT cap: Some Democrats support a repeal of or increases to the SALT cap. At this time, Kamala Harris has not yet shared her position on the SALT cap.

Estate and gift tax: This is proving to be a mixed bag, as opinions vary and there is currently no consistency in proposals from lawmakers who would like to see changes.

Possible Republican Party extensions

Standard deductions: Republicans support a permanent extension of the TCJA's individual provisions, like standard deductions.

Individual tax rates: The Republican Party would like to see the TCJA bracket sizes and tax rates made permanent.

Child tax credit*:* **Republicans are in favor of extending the current child tax credit amount ($2,000 per child) and thresholds.**

SALT cap*:* **Most Republicans oppose repealing or increasing the SALT cap. However, there are exceptions among some lawmakers who live in high-tax states.**

Estate and gift tax*:* **Many Republicans would prefer a full repeal of the estate tax. There is, however, support for a continuation of the current estate tax exemption levels.**

Keeping an eye on the TCJA

There may currently be more questions than answers about the future of these TCJA provisions, but tax professionals must stay on top of the news regarding possible extensions of the TCJA. Keeping taxpayers in the know helps further strengthen client relationships and enables accountants to better manage expectations and unlock additional growth opportunities.

Five observations around the expiration of the TCJA

1. **A closer look at the scheduled changes to income tax rates and brackets**

While there is a lot of discussion around the top tax rate on ordinary income increasing from 37% to 39.6%, there is much more to the story. Meaning, there are scheduled increases throughout the various tax brackets that need to be considered.

For example:

- **The second-lowest marginal tax bracket increases from 12% to 15%. For 2024, this includes taxpayers with taxable income between $11,600 and $47,150 for single filers and between $23,400 and $94,300 for married couples filing a joint tax return. One question is, will Congress be motivated to avoid a full expiration of the TCJA to prevent a tax hike on lower- and middle-income taxpayers?**
- **There are some income levels where the potential increase in the marginal tax rate is dramatic. For example, some married couples**

currently subject to a 24% marginal tax rate may see their rate increase to 33% on a portion of their income, an increase of nine percentage points.

2. The outlook on tax deductions is mixed

Some good news in the event the TCJA fully expires is that certain deductions not allowed or limited will be available to taxpayers. For example, miscellaneous deductions will be available again and the current $10,000 cap on deducting state and local taxes (SALT) would be repealed.

However, the standard deduction ($14,600 for single filers, $29,200 for married couples filing a joint tax return) will essentially be cut in half.

Currently, only 10% of taxpayers itemize deductions on their return compared to roughly 30% prior to the TCJA, according to the Tax Policy Center. If the TCJA expires, the number of taxpayers itemizing deductions would increase. In particular, as we head toward 2025, the debate in Congress on relaxing the $10,000 cap on deducting SALT will be interesting to follow since support is generally limited to lawmakers in higher-taxed states, and those who would generally benefit by removing the cap tend to be higher-income households.

3. Higher-wealth households need to carefully consider next steps

While very few estates owe federal estate tax, the number will roughly double in 2026 (from 4,000 to nearly 9,000), according to the Tax Policy Center. The lifetime exclusion amount is scheduled to be reduced in half after 2025 (from over $13 million currently to roughly $7 million per individual). Some higher-wealth households are taking action now by gifting assets to irrevocable trusts.

However, careful consideration must be given in the event the exclusion figure is not reduced after 2025, rendering some of this estate planning unnecessary and potentially detrimental, such as a loss of control over those assets. Also, gifts into irrevocable trust generally do not benefit from step-up in cost basis at death. For example, at the end of 2012, the lifetime exclusion amount was scheduled to decrease from over $5 million to $1 million. However, due to bipartisan legislation (the

American Taxpayer Relief Act of 2012), the exclusion figure remained the same and eventually was doubled by the TCJA effective beginning in 2018.

Alert:

The horizon of the unsetting of current estate and gift tax exemptions is significant. Currently, the federal estate tax threshold is $13.6M for individuals and $27.22M for couples. If the current law sunsets after 2025, those limits will drop to between $5.5M to $7M for individuals and $11M to $14M threshold, as adjusted for inflation.

The IRS has confirmed that individuals who utilize the higher exclusion amounts available from 2018 to 2025 will not lose those benefits after 2025.

The port over of the exemption to the surviving spouse wil not revert to pre-TCJA levels.

4. Will the alternative minimum tax (AMT) come back in full force?

The TCJA made modifications that significantly reduced the number of taxpayers owing the alternative minimum tax (AMT) and made the tax filing process simpler for many taxpayers. Currently, the AMT impacts roughly 200,000 taxpayers annually, but that number is estimated to increase to more than seven million taxpayers upon expiration of the TCJA. Will Congress take steps to avoid this drastic expansion of the AMT after 2025?

5. Certain business owners may face a significant tax hike

Most business owners are not taxed as separate entities subject to the corporate tax rate of 21% (which is NOT scheduled to expire after 2025). Instead, these businesses are considered "pass-through entities" subject to individual tax rates and brackets. Many businesses are eligible for a 20% tax deduction for qualified business income (QBI).

For example, a small business owner today subject to the maximum 37% tax rate may be able to take a 20% QBI deduction reducing their effective tax rate on business income to roughly 30%. Since the QBI

deduction is scheduled to expire after 2025, that same business owner would not only lose that 20% deduction, but also be subject to a 39.6% tax rate as the top tax rate on ordinary income increases from 37% to 39.6%. Will there be pressure on Congress to take action to avoid a situation where certain businesses (many small businesses in particular) face a significant tax hike while corporations subject to the 21% corporate tax rate do not?

Casualty Losses

When natural disaster strikes, it is of primary importance you ensure your family and loved ones are safe. As you rebuild and recover afterwards, you might face insurance claims and personal loss deductions for the first time. In the wake of Hurricane Florence and other natural disasters that may come our way, it is important to know the latest tax rules for claiming the loss of personal property. The Tax Cuts and Jobs Act ("TCJA") changes the way personal casualty and theft loss are handled.

Prior to the TCJA, you could claim itemized deductions for personal casualty losses that were not compensated by insurance, including losses from storms, theft, fire, or other incidences. Now, for tax years 2018 through 2025, the personal casualty and theft loss deduction is only available in the cases of natural disaster – and only for taxpayers with property in a federally declared disaster area.

If you have been affected by a natural disaster in a federally declared disaster area, you can claim an itemized deduction for your personal casualty loss. These itemized deductions are subject to a $100 per casualty threshold, 10% of adjusted gross income limitation, and may be offset against personal casualty gains, if any.

How Can You Get the Most Value When You Deduct Casualty Losses?

The first step is to determine if you or your business is in a federally declared disaster area. If you are within the designated disaster area, you can start looking at your options for deducting your disaster losses.

The next step is to add up the amount of your losses. You must determine the value of your losses not just for tax purposes but to file insurance and FEMA claims, too. Once you have valued your losses, you

can start to calculate the amount that is deductible on your tax return. That amount is generally calculated by figuring out the decrease in fair market value or your adjusted basis in the lost or damaged property (whichever is less), minus any recovery amount you expect to receive from insurance, FEMA, or other similar reimbursement sources.

Your deductible loss on personal use property, such as a home, boat or car not used in a business, is reported as an itemized deduction. These losses are subject to various limitations, which are generally based on your income.

If the amount you recover from insurance, FEMA and other sources is ultimately different from the amount you anticipated, you will report the difference either as income or as an expense in the year when the amount of reimbursement is finally determined.

In the case of a federally declared natural disaster, you have the option to deduct your losses in the tax year when the disaster occurs or in the tax year *before* the loss occurs. You have six months after the tax filing due date for the year of your loss to decide what year you want to claim the deduction in.

If you are in a federally declared disaster area, then you want to compare what your tax returns will look like depending on whether you claim your losses in the year before or the year of the disaster. Whichever year you choose, you must claim your entire loss in one year. You cannot divide up your expected loss and apply it across both years. But if the loss eliminates your taxable income for either year, make sure to consider the tax benefit of generating a net operating loss.

FEMA.gov

IRS.Gov/Disasters

Emergency Relief for Individuals and Businesses

Before the IRS can authorize tax relief for disaster victims, the President must sign a major disaster or emergency declaration. When a disaster occurs a preliminary damage assessment is conducted by the Federal Emergency Management Agency (FEMA) at the request of the

governor of the affected State, FEMA will issue a disaster declaration identifying the covered areas for relief.

The IRS will automatically provide administrative disaster tax relief and special tax law provisions that grants additional time for individuals and businesses to file returns, pay taxes, and perform certain other time-sensitive acts to taxpayers affected by a federally declared disaster. Some circumstances may apply.

The administrative disaster tax relief includes the postponement of filing and payment deadlines for eligible taxpayers and is based on preliminary damage assessments by FEMA. For current tax relief provisions search Tax relief in disaster situations and visit Around the nation for IRS disaster relief news releases specific to states affected by disasters.

Who are affected taxpayers?

Affected taxpayers are defined as:

- Individuals whose principal residence is located in a covered disaster area and their spouse, if filing jointly.
- Business entities or sole proprietors whose principal place of business is located in a covered disaster area.
- Relief workers affiliated with government or philanthropic organizations assisting in a covered disaster area.
- Taxpayers not located in a disaster area but whose records necessary to meet a deadline to perform certain acts are maintained or located in a covered disaster area.
- Any individual visiting a covered disaster area who was killed or injured as a result of the disaster, or any other person determined by the IRS to be affected by a federally declared disaster.

Types of disaster tax relief

The President can declare a major disaster for any natural event, including any hurricane, tornado, storm, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought, or, regardless of cause, fire, flood, or explosion, that he/she determines has caused damage of such severity that it is beyond the combined capabilities of state and local governments to respond.

There are two types of disaster declarations provided in the Robert T. Stafford Act:

Emergency declarations and major disaster declarations. Both declaration types authorize the President to provide supplemental federal disaster assistance.

- **Emergency declarations**
  - **Supplement state and local or Indian tribal government efforts in providing emergency services, such as the protection of lives, property, public health, and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.**

- **Major disaster declarations**
  - **Individual assistance declarations provide assistance to individuals and households.**
  - **Public assistance declarations provide assistance to state, tribal and local governments and certain private nonprofit organizations for emergency work and the repair or replacement of disaster-damaged facilities.**

Amended declarations are designation requests from the governor, the governor's authorized representative, or tribal chief executive can request for additional counties and programs to be added within 30 days of a disaster declaration. To search for declared disasters and emergencies by state go to FEMA.gov.

Disaster relief resources for individuals and businesses

Reconstructing your records after a disaster may be essential for tax purposes, getting federal assistance or insurance reimbursement. After a disaster, taxpayers might need certain records to prove their loss. The more accurately the loss is estimated, the more loan and grant money there may be available.

The IRS provides disaster loss workbooks for individuals (Publication 584, Casualty, Disaster, and Theft Loss Workbook) and businesses (Publication 584-B, Business Casualty, Disaster, and Theft Loss Workbook) that are designed to help taxpayers compile a room-by-room list of their belongings or business equipment. These publications

are a great tool to help individuals and businesses recall and prove the market value of items for insurance and casualty loss claims.

Taxpayers may deduct casualty and theft losses relating to their home, household items, and vehicles on their federal income tax return if the loss is caused by a federally declared disaster. To find out more about causality, disaster and theft losses, and other general individual and business tax information, visit the IRS Tax topics page.

Disaster relief assistance and resources

The primary focus of the IRS is to relieve the federal tax burden of taxpayers who have been impacted by federally declared disasters. The IRS works with various agencies to provide assistance and coordinate disaster relief. Each of the following agencies provide valuable information for assisting taxpayers impacted by disasters.

- **Visit the Federal Emergency Management Agency website**
- **Visit the Federal Disaster Assistance website**
- **Request IRS tax transcripts online**
- **Get free tax help using your mobile device with the IRS2Go mobile phone app**
- **To view tax products on your tablet or mobile device use the IRS eBooks app**
- **Visit the Small Business Administration website for information on low interest disaster loans**
- **For unresolved tax problems, call the Taxpayer Advocate Service (TAS) at 877-777-4778**
- **Call the IRS Disaster Hotline at 866-562-5227**
- **Visit Preparing for disasters to find out how to prepare for disasters**
- **Visit The Weather Channel and the National Oceanic and Atmospheric Administration websites for all your weather forecast needs**
- **For helpful disaster and emergency information visit Ready.gov**

Forms, instructions and publications

The IRS Forms, instructions and publications page provides resources for disaster victims who need federal income tax forms, publications and charitable organizations information. Just type "Disaster" in the search bar. Publication 3067 is one of many disaster-related tax relief products that provides information to help home and business owners

prepare and recover in an event of a disaster. It is available in multiple languages and is often provided at FEMA Disaster Recovery Centers where disaster assistance information is distributed.

Additional information

The FAQs for disaster victims page provides guidance and answers to frequently asked questions to those affected by disasters. If you were impacted by a federally declared disaster and received a notice or letter from the IRS; visit the Understanding your CP14 notice page for more information about available tax relief for affected taxpayers.

The IRS also provides a variety of tax relief for those affected by the Coronavirus. For the latest updates, check the Coronavirus tax relief page.

Contact your local IRS office

You can get free telephone assistance and local solutions to tax problems at an IRS Taxpayer Assistance Center near your area, just call for an in-person appointment.

Two Additional North Carolina Counties
Eligible for FEMA Assistance – October 5, 2024

Homeowners and renters in Mecklenburg and Swain counties who had uninsured damage or losses caused by Tropical Storm Helene are now eligible to apply for FEMA disaster assistance.

FEMA may be able to help with serious needs, displacement, temporary lodging, basic home repair costs, personal property loss or other disaster-caused needs.

Previously, Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Clay, Cleveland, Gaston, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Transylvania, Watauga, Wilkes and Yancey counties and the Eastern Band of Cherokee Indians were authorized for assistance to households.

An Unprecedented Response: State, Local and Federal Partners Surge Resources into Western NC Following Historic Damage from Hurricane Helene

State, federal and local partners continue to work together to surge resources into Western North Carolina in response to unprecedented damage from Hurricane Helene across the region. Operations are in progress to provide food, water and critical supplies to affected areas. Progress is also being made to improve access and telecommunications in communities damaged by the storm. While the focus remains on emergency response and rescue, the state is simultaneously stepping up recovery services in collaboration with federal and local partners across North Carolina.

"Hurricane Helene has caused unprecedented devastation across Western North Carolina and we are leading an unprecedented response to surge food, water and needed supplies into these communities," said Governor Roy Cooper. "This will be a long and difficult recovery and we must use every state, local and federal resource at our disposal to save lives, restore communications, and begin critical repairs to roads and infrastructure."

Governor Cooper has activated More than 400 National Guard Personnel

- **Search and rescue teams, including 18 from other states with a total of 27 teams as far west as Colorado and as far north as New Hampshire, plus 18 federal teams, have rescued more than 500 people with 422 of those rescued by the NC National Guard (NCNG.) Forty-two were critically injured, four were infants and 64 animals. The NCNG has also delivered 306 pallets of water and 230 pallets of food since the storm started.**

Feeding Sites

Efforts are underway to provide food, water and necessities to residents in affected communities, utilizing both ground resources and air drops from the NC National Guard. FEMA has delivered about one million liters of water and more than 600,000 meals to North Carolina. Feeding sites have been established at the following locations:

- **Buncombe County – Biltmore Baptist Church, 35 Clayton Road, Arden, NC 28704**
- **McDowell County – Grace Community Church, 5182 Highway 70 West, Marion, NC 28752**
- **Watauga County – First Baptist Church, 375 West King Street, Boone, NC 28607**

Local governments may be able to provide additional information on feeding sites established in local communities.

Shelters

- **Twenty-nine shelters have been opened in affected areas, housing a total of 1107 people.**
- **A list of shelters can be found at www.readync.gov.**

Major Disaster Declaration and FEMA Assistance

- **President Biden approved Governor Cooper's request for an expedited request declaring a Major Disaster for 25 North Carolina counties and the Eastern Band of Cherokee Indians. This declaration paves the way for Public Assistance to help our hard-hit local governments, as well as access to FEMA's Individual Assistance program. More than 5,000 households have contacted FEMA to apply for assistance by phone and online.**
- **FEMA may be able to help with serious needs, displacement, temporary lodging, basic home repair costs, personal property loss or other disaster-caused needs. Homeowners and renters in Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Clay, Cleveland, Gaston, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Transylvania, Watauga, Wilkes and Yancey counties and the Eastern Band of Cherokee Indians can apply.**
- **Additional information regarding these resources can be found at: www.disasterassistance.gov**
- **FEMA helpline: 1-800-621-3362.**

Fatalities

- **Thirty-four storm-related deaths have been confirmed in North Carolina, and dozens of people have been reported missing.**

- **There are significant reports of storm-related fatalities. The North Carolina Office of the Chief Medical Examiner will continue to confirm numbers.**
- **First responders have received hundreds of calls for rescue and more than 1,000 requests for welfare checks.**

Power Outages

- **Across the region, more than 450,000 customers remain without power, down from a peak of more than one million.**

Road Closures

- **Travel remains dangerous, more than 400 roads remain closed. NCDOT is asking people to refrain from unnecessary travel to or in Western North Carolina. The focus is on restoring primary roads and access to communities that have been isolated by damage. First responders also want to keep the roads as clear as possible to help ensure they may carry out all response missions.**

Cellphone Provider Coverage

- **Cellphone providers are working to fix the damage and coverage issues caused by the storm and get stopgap solutions in place and rapid progress is being made. Restoring communications is critical to saving lives, finding where people are and getting in supplies, and Governor Cooper been in constant contact with cellphone companies urging action and offering support.**

Missing Persons

- **To report a missing person or request non-emergency support, please call NC 211 or 1-888-892-1162 if calling from out-of-state.**

Storm Damage Cleanup

- **If your home has damages and you need assistance with clean up, please call Crisis Cleanup for access to volunteer organizations that can assist you at 844-965-1386.**

Volunteers and Donations

- **If you would like to donate to the North Carolina Disaster Relief Fund, visit nc.gov/donate.**
- **If you are seeking information on volunteer opportunities, please visit nc.gov/working/volunteer-opportunities/volunteernc.**

Additional Assistance

- **If you are seeking a representative from the North Carolina Joint Information Center, please email ncempio@ncdps.gov or call 919.825.2599.**
- **If you would like general information, access to resources, or answers to frequently asked questions, please visit ncdps.gov/helene.**
- **If you are seeking information on resources for recovery help for a resident impacted from the storm, please email IArecovery@ncdps.gov.**

Alert: TCJA has changed the reporting rules for personal losses. Deductions are now limited to claiming an itemized deduction for losses occurring in a federally declared natural disaster. When you and your family are safe from the disaster, take time to review your assets and the damages the hurricane may have caused. Determine the value of what you lost, and track quotes and claims for reimbursements and tax reporting purposes.

Recap:

What is the Tax Cuts and Jobs Act (TCJA)?

The Tax Cuts and Jobs Act (TCJA) was a major overhaul of the tax code, signed into law by President Donald Trump on Jan. 1, 2018.

The legislation included some of the biggest changes to the tax code in three decades. The reform impacted both taxpayers and business owners alike, particularly through tax cuts. Many of the tax reform benefits for individuals will expire in 2025.

TCJA brought sweeping changes to the tax code and impacted individuals depending on their income level, filing status, and

deductions. The law lowered the corporate rate to 21% and enacted preferable tax treatment for pass-through companies.

As a bill, the Senate passed TCJA on Dec. 2, 2017, by a party-line vote of 51 to 49. The House passed its version of the bill later that month by a vote of 224 to 201. No House Democrats supported the bill and 12 Republicans voted no.

The law cut corporate tax rates permanently and individual tax rates temporarily. It permanently removed the individual mandate requiring individuals to purchase health insurance, a key provision of the Affordable Care Act. The highest earners were expected to benefit most from the law, while the lowest earners were believed to pay more in taxes when individual tax provisions expire after 2025.

How the TCJA Affected Individuals

- **Income Tax Rates: The law retained the seven individual income tax brackets. The top rate fell from 39.6% to 37%, while the 33% bracket dropped to 32%, the 28% bracket to 24%, the 25% bracket to 22%, and the 15% bracket to 12%. The lowest bracket remained at 10%, and the 35% was unchanged.**
- **Standard Deduction: TCJA significantly raised the standard deduction. For tax year 2024, the standard deduction for single filers is $14,600 and $29,200 for married couples filing jointly.**
- **Personal Exemption: The law suspended the personal exemption, which was $4,150, through 2025.**
- **Health Coverage Mandate: TCJA ended the individual mandate, a provision of the Affordable Care Act (ACA) that levied tax penalties for individuals who did not obtain health insurance coverage.**
- **Child Tax Credit: The law raised the child tax credit to $2,000 and created a non-refundable $500 credit for non-child dependents. The child tax credit can only be claimed if the taxpayer provides the child's Social Security number (SSN). Qualifying children must be younger than 17 years of age. The child credit begins to phase out when adjusted gross income (AGI) exceeds $400,000 (for married couples filing jointly, not indexed to inflation). These changes expire in 2025.**

- **Estate Tax: The law temporarily raised the estate tax exemption. For single filers, the maximum is $13.6 million for 2024. This change will be reversed after 2025.**
- **Student Loans: TCJA allows 529 plans to fund K to 12 private school tuition—up to $10,000 per year, per child. Under the SECURE Act of 2019, the benefits of 529 plans were expanded, allowing plan holders to withdraw a maximum lifetime amount of $10,000 per beneficiary penalty-free to pay down qualified student debt.**
- **Retirement Savings: The law repealed the ability to recharacterize one kind of contribution as the other, that is, to retroactively designate a Roth contribution as a traditional one, or vice-versa. Since the passing of the Setting Every Community Up for Retirement Enhancement (SECURE) Act in December 2019, individuals can contribute to Individual Retirement Accounts (IRAs) past 70½. Health savings accounts (HSAs) were not affected by the law.**
- **Alternative Minimum Tax: The law temporarily raised the exemption amount and exemption phase-out threshold for the alternative minimum tax (AMT), a device intended to curb tax avoidance among high earners by making them estimate their liability twice and pay the higher amount.**
- **Mortgage Interest: TCJA limits the mortgage interest deduction for married couples filing jointly to $750,000 worth of debt, down from $1,000,000 under the old law, but up from $500,000 under the House bill. The change expires after 2025.**
- **Pease Limitation: The law repealed the Pease limitation on itemized deductions and gradually reduced their value when adjusted gross income exceeds a certain threshold.**
- **Miscellaneous Itemized Deductions: Through 2025, miscellaneous itemized deductions suspended include deductions for moving expenses, except for active-duty military personnel and union dues.**

Federal Tax Brackets

Tax Year 2024

Marginal Rate	**Single Filers**	**Married Filing Jointly**	**Heads of Household**
10%	**$11,600 or less**	**$23,200 or less**	**$16,550 or less**

Tax Year 2024

Marginal Rate	Single Filers	Married Filing Jointly	Heads of Household
12%	$11,601 to $47,150	$23,201 to $94,300	$16,551 to $63,100
22%	$47,151 to $100,525	$94,301 to $201,050	$63,101 to $100,500
24%	$100,526 to $191,950	$201,051 to $383,900	$100,501 to $191,950
32%	$191,951 to $243,725	$383,901 to $487,450	$191,951 to $243,700
35%	$243,726 to $609,350	$487,451 to $731,200	$243,701 to $609,350
37%	$609,351 and over	$731,201 and over	$609,351 and over

Source: Internal Revenue Service

State and Local Tax

The new law capped the deduction for state and local taxes at $10,000 through 2025.

Businesses and the TCJA

- **Corporate Tax Rate: The law created a single corporate tax rate of 21% and repealed the corporate AMT. Unlike tax breaks for individuals, these provisions do not expire. Supporters of cutting the corporate tax rate argued that it reduced incentives for corporate inversions, in which companies shift their tax base to low- or no-tax jurisdictions, often through mergers with foreign firms. Combined with state and local taxes, the statutory rate under the new law is 26.5%. In 2023, the U.S. was above the weighted average for EU countries (25.21%).**
- **Immediate Expensing: TCJA allows full expensing of short-lived capital investments rather than requiring them to be depreciated over time. The section 179 deduction cap doubles to $1 million, and phaseout begins after $2.5 million of equipment spending, up from $2 million.**
- **Pass-Through Income: Owners of pass-through businesses—which include sole proprietorships, partnerships, and S-corporations—gained a 20% deduction for pass-through income. To discourage high earners from recharacterizing regular wages**

as pass-through income, the deduction is capped at 50% of wage income or 25% of wage income plus 2.5% of the cost of qualifying property.

- **Interest: The net interest deduction was limited to 30% of earnings before interest, taxes, depreciation, and amortization (EBITDA). After four years, it is capped at 30% of earnings before interest and taxes (EBIT).**
- **Cash Accounting: Businesses with up to $25 million in average annual gross receipts over the preceding three years can use cash accounting—up from $5 million from the old tax code.**
- **Net Operating Losses: The law scrapped net operating loss (NOL) carrybacks and caps carryforwards at 90% of taxable income, falling to 80% after 2022. The 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act temporarily reinstated a carryback period for all net operating losses generated in years beginning after December 31, 2017, and before January 1, 2021.**
- **Section 199: The law eliminated the section 199 (domestic production activities) deduction for businesses that engage in domestic manufacturing and other production work. This is also known as the domestic manufacturing deduction, U.S. production activities deduction, and domestic production deduction.**
- **Foreign Earnings: TCJA deemed repatriation of overseas profits at 15.5% for cash and equivalents and 8% for reinvested earnings. The law introduced a territorial tax system, under which only domestic earnings are subject to tax. Companies with over $500 million in annual gross receipts are subject to the base erosion anti-abuse tax, designed to counteract base erosion and profit shifting, a tax-planning strategy that involves moving taxable profits from one country to another with low or no taxes. BEAT is calculated by subtracting a company's regular corporate tax liability from 10% of its taxable income, ignoring base-eroding payments.23 Tax credits can offset up to 80% of BEAT liabilities.**

Intangible Property

TCJA altered the treatment of intangible property held abroad, such as patents, trademarks, and copyrights. For instance, Nike (NKE) houses its Swoosh trademark in an untaxed Dutch subsidiary.

When the foreign tax rate on foreign earnings above a 10% standard rate of return is below 13.125%, the law taxes these excess returns at 21%, after a 50% deduction and a deduction worth 37.5% of FDII. This excess income, which the law assumes to be derived from intangible assets, is called global intangible low-taxed income (GILTI). Credits can offset up to 80% of GILTI liability.

Foreign-derived intangible income refers to that which is from the export of intangibles held domestically, which is taxed at a 13.125% effective rate, rising to 16.406% after 2025.2025 The European Union has accused the U.S. of subsidizing exports through this preferential rate violating World Trade Organization (WTO) rules.

Economic Growth

Treasury Secretary Steven Mnuchin claimed that the Republican tax plan would spur sufficient economic growth to pay for itself and more, saying of the "Unified Framework" released by Senate, House, and Trump administration negotiators in September 2017:

> ***"On a static basis our plan will increase the deficit by a trillion and a half. Having said that, you have to look at the economic impact. There's $500 billion that's the difference between policy and baseline. That takes it down to a trillion dollars. And there's two trillion dollars of growth. So with our plan we actually pay down the deficit by a trillion dollars, and we think that's very fiscally responsible."27***

On Dec. 11, 2017, the Treasury released a one-page analysis claiming that the law will increase revenues by $1.8 trillion over 10 years. By contrast, the Federal Reserve projected growth of 2.5% in 2018, 2.1% in 2019, 2.0% in 2020, and 1.8% over the longer run.

Who Benefited From TCJA?

The TCJA cut the corporate tax rate to the benefit of shareholders, who tend to be higher earners. It only cuts individuals' taxes for a limited period. It scales back the AMT and estate tax and reduces the taxes levied on pass-through income. It does not close the carried interest loophole, which benefits professional investors.

Once individual tax cuts expire after 2025, the TPC estimates that the majority of taxpayers—53.4%—will face a tax increase: 69.7% of those in the middle quintile (40th to 60th percentile) will pay more, compared to just 8% of the highest-earning 0.1%.

Change in after-tax income by income percentile
The Joint Committee on Taxation estimated that the 22 million households making $20,000 to $30,000 will collectively pay 26.6% more in 2027 than they would under the previous statute in that year. The 629,000 households making over $1,000,000 will pay 1% less.

When Did Tax Code Last Change Before TCJA?

The last time a major tax overhaul became law before TCJA was in 1986.

How Did TCJA Change How the IRS Measures Inflation?

The law changed the measure of inflation used for tax indexing. The IRS' use of the consumer price index for all urban consumers (CPI-U) was replaced with the chain-weighted CPI-U. The latter takes account of changes consumers make to their spending habits in response to price shifts, so it is considered more rigorous than standard CPI. It also tends to rise more slowly than standard CPI, so substituting it will likely accelerate bracket creep. The value of the standard deduction and other inflation-linked elements of the tax code will also erode over time, gradually pushing up tax burdens. The change is not set to expire.

How Did TCJA Affect Carried Interest?

The law does not eliminate the carried interest loophole. Hedge fund managers typically charge a 20% fee on profits above a certain hurdle rate, most commonly 8%. Those fees are treated as capital gains rather than regular income, meaning that—as long as the securities sold have been held for a certain minimum period—they are taxed at a top rate of 20% rather than 39.6%.

Lifetime Gifts and Estate

With a key exemption scheduled to be sharply cut after 2025, the window to make large gifts to your heirs may close soon. Now's the time to review your plans and ensure that your wealth stays in the family.

One provision of the landmark Tax Cuts and Jobs Act of 2017 has had a profound impact on many people who may have a taxable estate in the future. This law more than doubled the maximum that families can give their beneficiaries — either during their lifetime or as part of their estate — without incurring federal gift or estate taxes. In addition, the amount is indexed for inflation. As a result, for 2024, a single taxpayer can claim a federal estate and lifetime gift tax exemption of $13.61 million. Couples making joint gifts can double that amount.

This exemption has helped affluent families pass along substantial gifts tax-free. But the time for taking advantage of this benefit may be drawing short — it remains in effect only through the end of 2025. After that, the amounts are scheduled to return to 2017 levels in 2026. Adjusted for inflation, the single taxpayer limit would drop back to an estimated $7 million.

Who may be affected by the return to previous exemption amounts

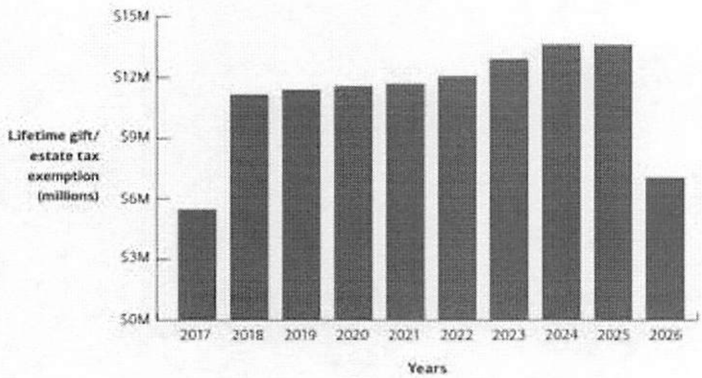
Just about anyone with a potentially taxable estate could see an impact. Remember that your taxable estate includes not only your investment portfolio, but also your home and other real estate, any stake you may have in a closely held business and, in some cases, your life insurance policy. There has been considerable appreciation in real estate as well as many businesses in recent years.

First take stock of your assets, income and living expenses, then project those numbers out for your expected lifetime. Any excess remaining after your projected lifetime expenses is what you have available to pass on now. "You need to have 100% confidence that you will be totally fine

from a financial standpoint after having made the gifts,.

A more generous gifting limit — for now

The lifetime gift and estate tax exemption, which was more than doubled by the 2017 tax reform bill, should go up with inflation in 2025, then plummet to near-2017 levels in 2026 unless Congress steps in.



Note: 2025 exemption does not reflect a possible inflation adjustment. 2026 exemption is projected

Not taking full advantage of the gift tax exemption before it drops in two years could result in a far smaller estate for your heirs.

	Gift full 2024 exemption	Gift projected 2026 exemption
Current net worth	$50 million	$50 million
Gift in 2024	$27.2 million	$14 million
Taxable estate at death	$22.8 million	$36 million
Estate tax at 40%	$9.1 million	$14.4 million
Net to heirs	**$40.9 million**	**$35.6 million**

Note: Assumes both members of a couple make gifts; death of both spouses in 2026; and federal estate taxes only. The federal estate tax is calculated using a series of brackets with a maximum rate of 40%. For simplicity, these numbers were calculated using a 40% flat rate.

How to leverage current gifting limits

The simplest strategy is a direct gift of cash, securities or other assets with a value up to the lifetime exemption. Keep in mind that you have other avenues for tax-advantaged gifting beyond that. You can, for instance, use the annual gift tax exclusion — $18,000 in 2024, $36,000 for couples — to make yearly gifts to as many people as you like.

There are also what are sometimes called 'free gifts.' Those let you make a payment directly to a school to cover a child's or grandchild's tuition, or to a medical provider for health expenses, without incurring

taxes. Neither "free" nor annual exclusion gifts count toward your lifetime gifting limit, and these rules are not slated to change in 2026.

Another consideration when you're deciding whether to gift an asset now or leave it in your estate is future income taxes. This is especially relevant because with the sunsetting of the 2017 tax cuts in 2026, personal income tax rates also return to their previous levels.

On inherited assets, your beneficiaries may get what is known as a step-up in basis to the market value at your death. With lifetime gifts, on the other hand, the beneficiary must use your cost basis. If you gift assets with a low basis now, that could mean a big income tax hit on the next generation when the assets are sold.

Instead, he says, you might consider giving them assets with a higher tax basis, while giving the assets with a lower tax basis directly to charity or using them to fund a charitable trust. This can also be a useful strategy if you've used up your gift tax exemption and are looking for other ways to reduce the size of your future estate.

Why it's important to start planning now

Two years may seem like plenty of time to adjust your estate plans. But unless you're simply making large cash gifts, developing a new plan will involve detailed conversations with your tax professional and estate planning attorney and careful drafting of documents.

The IRS has said that anyone who takes advantage of the current higher exemption will not be penalized if the amount drops in 2026. "That gives us some comfort about doing something now. But these are complex issues, and determining what works best for a particular family will mean weighing many factors, from tax considerations to the ultimate goals of their gifting strategy.

Alert:

Estates Can Now Request Late Portability Election Relief for 5 Years

The IRS issued a revenue procedure (Rev. Proc. 2022-32) Friday that allows estates to elect "portability" of a deceased spousal unused

exclusion (DSUE) amount as much as five years after the decedent's date of death.

Estates of decedents dying after Dec. 31, 2010, who are survived by a spouse, if not required to file an estate tax return, may do so under Sec. 2010(c)(5)(A) for the sole purpose of passing on the decedent spouse's DSUE to the surviving spouse, who may add it to his or her own basic exclusion amount under Sec. 2010(c)(2)(B) in calculating an applicable credit amount. The due date of an estate tax return required to elect portability is nine months after the decedent's date of death or the last day of the period covered by an extension (if an extension of time for filing has been obtained).

In Rev. Proc. 2017-34, the IRS provided a simplified method for obtaining an extension of time under Regs. Sec. 301.9100-3 to make a portability election under Sec. 2010(c)(5)(A) if that estate was not required by Sec. 6018(a) to file an estate tax return. Under Rev. Proc. 2017-34, this simplified method (which is used in lieu of the letter ruling process) is available for two years after the decedent's date of death.

The IRS stated in Rev. Proc. 2022-32 that, even since it began offering the two-year relief period, "the IRS has continued to issue numerous letter rulings" from estates that missed that deadline, placing "a significant burden" on IRS resources. A "significant percentage" of these requests came before the fifth anniversary of the decedent's date of death, however.

To reduce the number of letter ruling requests, in Rev. Proc. 2022-32, the IRS updates the simplified method in Rev. Proc. 2017-34 by extending the period within which the estate of a decedent may make the portability election under the simplified method to on or before the fifth anniversary of the decedent's date of death.

Under the simplified method in Rev. Proc. 2022-32, the executor makes the portability election by filing on behalf of the estate a complete and properly prepared (in accordance with Regs. Sec. 20.2010-2(a)(7)) Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, on or before the fifth anniversary of the decedent's date of death. The executor must state at the top of the Form 706 that it is "filed pursuant to Rev. Proc. 2022-32 to elect portability under Sec. 2010(c)(5)(A)."

To be eligible to use the simplified method, the decedent must have been a citizen or resident of the United States on the date of death and the executor must not have been otherwise required to file an estate tax return under Sec. 6018(a), as determined based on the value of the gross estate and any adjusted taxable gifts. The executor also must not have timely filed the estate tax return within nine months after the decedent's date of death or extended filing deadline.

If it is later determined that the estate was required to file a return, the grant of relief will be deemed null and void, the IRS stated. Also, this relief does not extend the period during which the surviving spouse may claim a credit or refund of overpaid gift or estate tax on the surviving spouse's own gift or estate return.

The revenue procedure also provides guidance on filing a protective claim for credit or refund by the surviving spouse or his or her estate before a portability election by the deceased spouse's executor has been made, with three examples.

Rev. Proc. 2022-32 is effective July 8, 2022, and supersedes Rev. Proc. 2017-34.

Current Status of IRC Section 1031

The Tax Cut and Jobs Act (TCJA) which took effect on January 1, 2018 eliminated personal property assets, including tangible, intangible and living (e.g. breeding livestock, race horses) from IRC Section 1031 like-kind exchange treatment. Section 1031 now applies exclusively to real estate assets, and has been retitled, "Exchange of real property held for productive use or investment."

Impact of the Tax Cut and Jobs Act on Sec. 1031

The major change to Section 1031 is the complete repeal of personal property exchanges. The Code section now refers exclusively to real estate assets, and has been retitled, "Exchange of real property held for productive use or investment."

Real estate exchanges are subject to the same rules and regulations as under previous law. The 45 day identification and 180 day exchange

periods remain unchanged, as does the role of the Qualified Intermediary. All real estate in the United States, improved or unimproved, also remains like-kind to all other domestic real estate. Foreign real estate continues to be not like-kind to real estate in the U.S.

Personal property assets that can no longer be exchanged include intangibles, such as broadband spectrums, fast-food restaurant franchise licenses and patents, aircraft, vehicles, machinery and equipment, railcars, boats, livestock, artwork and collectibles.

Immediate expensing. The full cost of tangible business use personal property assets such as heavy equipment, farm machinery, vehicles and hotel furniture can be written off in the year that they are placed in service by the taxpayer. Although tax can no longer be deferred through like-kind exchanges for these assets, the full expensing deduction can be used to offset any capital gain or depreciation recapture recognized in that same or future years. Full expensing is temporary; it will expire in 2022, and will be reduced to 80% for assets placed in service in 2023, 60% for 2024, 40% for 2025 and 20% for 2026. This deduction applies to both new and used assets acquired by the taxpayer.

Alert:

Proposed Regulations REG-117589-18. In response to the changes made by the TCJA, the IRS published Proposed Regulations on June 11, 2020 addressing the definition of real property. The Proposed Regulations clarified that definitions of real estate that are specific to other IRC sections do not apply for Section 1031 purposes.

The Proposed Regulations define real property qualifying for like-kind exchange treatment essentially as "land and improvements to land, unsevered crops and other natural products of land, and water and air space superjacent to land." Land improvements are further defined as "inherently permanent structures and the structural components of inherently permanent structures." Lesser interests such as leaseholds and easements continue to qualify under Section 1031. Notable inclusions in the definition of real property are options to acquire real property and certain intangibles, including licenses and permits, that derive value and are inseparable from the real property, and contribute to the use of the

subject real property, rather than production of income (except rent for use of the space). Finally, the IRS confirmed that with few exceptions, state law definitions of real property are not controlling for purposes of Section 1031.

Although the above definitions are pretty straight-forward, the IRS solicited comments related to a number of provisions in the Proposed Regulations. It is not known when final regulations will be issued.

The Democratic National Committee called for a complete dismantling of Code Section 1031 at their 2024 national convention.

The Bottom Line

The Tax Cuts and Jobs Act (TCJA) was a major tax code overhaul signed into law by President Trump in 2018. TCJA cut taxes for shareholders and individual taxpayers alike. However, cuts for the latter expire in 2025, and many taxpayers will face a tax increase. The broader economic effects of the bill are still being evaluated.

Conclusion:

America's taxpayers are in store for a huge change in taxation regardless of the National election. America's tax professionals will be ready, willing and able to assist them as they always have.

References provided:

TCJA Provisions

Provisions (Including "Tax Extenders"). The list of all expiring tax provisions by year can be found in the Joint Committee on Taxation publication JCX-1-23.[3]

Table 1. TCJA Expiring Provisions

Provision	TCJA	Scheduled Expiration of TCJA
Individuals and Families		
Marginal tax rates *JCT budgetary cost estimate of TCJA changes at enactment: -$1.2 trillion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$1.8 trillion (FY2024-FY2033).*	Marginal tax rates are applied to a taxpayer's taxable income to calculate their income tax liability before any credits are claimed. The range of income over which a particular rate applies and its associated rate is often called a tax bracket. These income ranges are annually adjusted for inflation. Under the TCJA, marginal rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%. (Note: Taxes on capital gains and dividends were not changed by the TCJA.) *Section 11001 of P.L. 115-97* *IRC Section 1(j)* Expires 12/31/2025	Marginal rates will revert to their permanent pre-TCJA levels of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. Aside from the first two brackets (10% and 15%) these rates apply over different ranges of taxable income than the TCJA rates. These income ranges are annually adjusted for inflation. *IRC Section 1*
Standard deduction *JCT budgetary cost estimate of TCJA changes at enactment: -$0.7 trillion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$1.0 trillion (FY2024-FY2033).*	To calculate taxable income, taxpayers subtract the standard deduction from their adjusted gross income (AGI) if the taxpayer does not itemize their deductions. The standard deduction is the sum of the basic standard deduction and, if applicable, the additional standard deduction for the blind or elderly. The basic standard deduction amount varies by the taxpayer's filing status and is adjusted annually for inflation. Under the TCJA, basic standard deduction amounts in 2018 were nearly doubled to $12,000 for single filers, $18,000 for head of household filers, and $24,000 for married joint filers. These amounts were annually adjusted for inflation after 2018. In 2024, these amounts are $14,600, $21,900, and $29,200, respectfully. *Section 11021 of P.L. 115-97* *IRC Section 63(c)(7)* Expires 12/31/2025	The basic standard deduction amounts will revert to their TCJA levels and then be adjusted for inflation. For 2018, prior to the TCJA, the basic standard deduction amounts for 2018 would have been $6,500 for single filers, $9,550 for head of household filers, and $13,000 for married taxpayers filing jointly. *IRC Section 63*

[3] Joint Committee on Taxation, *List Of Expiring Federal Tax Provisions 2022 - 2034,* January 18, 2023, JCX-1-23, https://www.jct.gov/publications/2023/jcx-1-23/.

Provision	TCJA	Scheduled Expiration of TCJA
Personal exemptions *JCT budgetary cost estimate of TCJA changes at enactment: +$1.2 trillion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: +$1.6 trillion (FY2024-FY2033).*	To calculate taxable income, taxpayers subtract the appropriate number of personal exemptions for themselves, their spouse (if married), and their dependents from their adjusted gross income (AGI). Under the TCJA, the personal exemption amount was temporarily reduced to $0, effectively suspending the provision. *Section 11041 of P.L. 115-97* *IRC Section 151(d)(5)* Expires 12/31/2025	Personal exemptions will revert to their pre-TCJA levels and then be adjusted for inflation. For 2018, prior to the TCJA, the personal exemption amount would have been $4,150. *IRC Section 151*
Child tax credit *JCT budgetary cost estimate of TCJA changes at enactment: -$543.6 billion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$592.5 billion (FY2024-FY2033).* Both of these estimates include the budgetary impact of the "Credit for other dependents."	The child tax credit allows a taxpayer to reduce their federal income tax liability by up to $2,000 per qualifying child. Lower-income taxpayers with little or no federal income tax liability may be eligible to receive some or all of the credit as the refundable portion of the credit—the additional child tax credit, or ACTC. For higher-income taxpayers, the credit amount phases down if income exceeds the phaseout threshold. **Maximum credit:** $2,000 per child **Maximum ACTC:** $1,400 per child (The ACTC is adjusted for inflation and equals $1,700 in 2024.) **Formula for the ACTC:** 15% of earned income above $2,500, up to the maximum credit **Phaseout threshold:** $200,000 unmarried taxpayers / $400,000 married taxpayers Aside from the max ACTC amount, none of the parameters are adjusted for inflation. Taxpayers claiming the child credit (including the ACTC) must provide the child's Social Security number (SSN). *Section 11022 of P.L. 115-97* *IRC Section 24(h)* Expires 12/31/2025	The child credit will revert to its pre-TCJA structure. **Maximum credit:** $1,000 per child **Maximum ACTC:** $1,000 per child **Formula for the ACTC:** 15% of earned income above $3,000, up to the maximum credit **Phaseout threshold:** $75,000 unmarried taxpayers / $110,000 married taxpayers None of the parameters are adjusted for inflation. Taxpayers claiming the child credit (including the ACTC) will need to provide the child's taxpayer ID number, which includes their Social Security number (SSN) or, if they are not eligible for an SSN, their individual taxpayer identification number (ITIN). *IRC Section 24*

Provision	TCJA	Scheduled Expiration of TCJA
Credit for other dependents *JCT budgetary cost estimate of TCJA changes at enactment: Included in the cost of the child credit changes (above).* *CBO budgetary cost estimate if TCJA changes extended permanently: Included in the cost of the child credit changes (above).*	The "credit for other dependents" or "other dependent credit" (ODC) allows taxpayers to reduce their income tax liability by $500 for each dependent that is ineligible for the child credit. This includes older (nonchild) dependents, children lacking an SSN, and children aged 17 years and older (as the child tax credit only applies to children under age 17). The $500 amount per other dependent is not adjusted for inflation. The ODC is nonrefundable, meaning it cannot exceed income tax liability. The total ODC amount is added to a taxpayer's child tax credit amount (if any), and then subject to the same phaseout as the child credit (i.e., phaseout thresholds of $400,000 married filing jointly, $200,000 other taxpayers, 5% phaseout rate). Taxpayers do not have to provide an SSN for ODC-eligible dependents. *IRC Section 24(h)(4)* *Section 11022 of P.L. 115-97* Expires 12/31/2025	The credit will expire.
Above-the-Line Deductions		
Moving expense deduction *JCT budgetary cost estimate of TCJA changes at enactment: +$7.6 billion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: +$8.8 billion (FY2024-FY2033).*	Only members of the Armed Forces can claim an above-the-line deduction for moving expenses incurred as a result of work at a new location (effectively repealing this deduction for other taxpayers). Other taxpayers are not eligible to claim this deduction. *IRC Section 217(k)* *Section 11049 of P.L. 115-97* Expires 12/31/2025	All eligible taxpayers will be able to claim an above-the-line deduction for moving expenses incurred as a result of work at a new location, subject to certain conditions dealing with the individual's employment status as well as the distance of the move. (These conditions will not apply to members of the Armed Forces.) *IRC Section 217*

Provision	TCJA	Scheduled Expiration of TCJA
Itemized Deductions *JCT budgetary cost estimate of TCJA changes to itemized deductions (e.g., wagering losses) at enactment: +$668 billion (FY2018-FY2027).* *CBO budgetary cost estimate of TCJA changes to itemized deductions (e.g., wagering losses) extended permanently: +$908 billion (FY2024-FY2033).*		
Charitable contributions deduction *JCT budgetary cost estimate of TCJA changes at enactment and CBO budgetary cost estimate if TCJA changes extended permanently: Included in combined cost estimates of all changes to itemized deductions (above).*	Taxpayers who itemize their deductions can deduct charitable donations of cash or property to certain organizations, including public charities; federal, state, local, and Indian governments; private foundations; and other less common types of qualifying organizations. There are limitations on the total dollar amount that can be deducted by a taxpayer in a given tax year. The limitations are defined as a percentage of the taxpayer's adjusted gross income (AGI) and differ based on the form of the donation (cash or property) and the recipient, with recipient limits smaller for private foundations. The TCJA temporarily increased the AGI limit for cash donations made to public charities from 50% to 60%. Other limitations based on the form of the donation and the recipient organization were unchanged by the TCJA. *Section 11023 of P.L. 115-97* *IRC Section 170(b)(1)(G)* Expires 12/31/2025	Cash contributions to public charities will generally be limited to 50% of the taxpayer's AGI. *IRC Section 170*
State and local tax (SALT) deduction *JCT budgetary cost estimate of TCJA changes at enactment and CBO budgetary cost estimate if TCJA changes extended permanently: Included in combined cost estimates of all changes to itemized deductions (above).*	Taxpayers who itemize their deductions can deduct up to $10,000 in state and local income, sales (in lieu of income), and property taxes, as well as foreign income taxes (but not foreign real property taxes). Property taxes associated with carrying on a trade or business are fully deductible (i.e., not subject to a cap). *Section 11042 of P.L. 115-97* *IRC Section 164(b)(6)* Expires 12/31/2025	The $10,000 cap on this deduction will not apply and hence taxpayers will be able to deduct all eligible state and local income, sales (in lieu of income), and property taxes, as well as foreign income taxes. Taxpayers will be also able to deduct foreign real property taxes. *IRC Section 164*

Provision	TCJA	Scheduled Expiration of TCJA
Mortgage interest deduction *JCT budgetary cost estimate of TCJA changes at enactment and CBO budgetary cost estimate if TCJA changes extended permanently: Included in combined cost estimates of all changes to itemized deductions (above).*	Taxpayers who itemize their deductions may deduct interest paid on the first $750,000 ($375,000 for married filing separately) of mortgage debt (combined for first and second homes). The limitation applies to new loans incurred after December 15, 2017. Taxpayers with mortgage debt incurred on or before December 15, 2017, who itemize their deductions may deduct interest on the first $1 million ($500,000 for married filing separately) of combined mortgage debt. No deduction is allowed for interest payments made for new or existing home equity debt if such debt is used for purposes unrelated to the property securing the loan. *Section 11043 of P.L. 115-97* *IRC Section 163(h)(3)(F)* Expires 12/31/2025	The $750,000 limitation will increase to $1 million of combined (first and second home) acquisition debt regardless of when the debt was incurred. The interest on the first $100,000 of home equity debt will also be deductible, regardless of whether or not the taxpayer incurred the debt to finance costs associated with the home. *IRC Section 163(h)*
Personal casualty and theft loss deduction *JCT budgetary cost estimate of TCJA changes at enactment and CBO budgetary cost estimate if TCJA changes extended permanently: Included in combined cost estimates of all changes to itemized deductions (above).*	Taxpayers who itemize their deductions can generally claim a deduction only for noncompensated personal casualty and theft losses associated with a disaster declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Casualty losses are generally deductible if they exceed $100 per casualty, and to the extent aggregate net casualty losses exceed 10% of adjusted gross income (AGI). *Section 11044 of P.L. 115-97* *IRC Section 165(h)(5)* Expires 12/31/2025	Taxpayers will be able to claim an itemized deduction for noncompensated personal casualty and theft losses regardless of whether the losses result from a federally declared disaster. *IRC Section 165(h)*
Wagering losses deduction *JCT budgetary cost estimate of TCJA changes at enactment: +$0.1 billion (FY2018-FY2027* *CBO budgetary cost estimate if TCJA changes extended*	Taxpayers who itemize their deductions can deduct gambling losses, provided those losses do not exceed gambling winnings included in gross income. Gambling losses include deductible expenses incurred in carrying on the gambling activity, for both recreational and professional gamblers. *Section 11050 of P.L. 115-97* *IRC Section 165(d)* Expires 12/31/2025	Gambling losses will no longer include expenses incurred in carrying on the gambling activity. Professional gamblers will be able to deduct ordinary and necessary nonwagering business expenses. *IRC Section 165(d)*

Provision	TCJA	Scheduled Expiration of TCJA
permanently: +$0.1 billion (FY2024-FY2033).		
Itemized deduction for miscellaneous expenses *JCT budgetary cost estimate of TCJA changes at enactment and CBO budgetary cost estimate if TCJA changes extended permanently: Included in combined cost estimates of all changes to itemized deductions (above).*	There is no itemized deduction for certain miscellaneous expenses such as unreimbursed employee expenses or tax preparation fees. *Section 11045 of P.L. 115-97* *IRC Section 67(g)* Expires 12/31/2025	Individual taxpayers who itemize their deductions will be able to deduct miscellaneous expenses to the extent that such expenses collectively exceed 2% of their AGI. Expenses subject to the 2% floor will include unreimbursed employee expenses, tax preparation fees, and certain other expenses. *IRC Sections 62, 67, and 212*
Overall limitation on itemized deductions *JCT budgetary cost estimate of TCJA changes at enactment and CBO budgetary cost estimate if TCJA changes extended permanently: Included in combined cost estimates of all changes to itemized deductions (above).*	The total amount of itemized deductions that can be claimed by a taxpayer is the sum of all allowable itemized deductions and there is no overall limitation on itemized deductions. *Section 11046 of P.L. 115-97* *IRC Section 68(f)* Expires 12/31/2025	For taxpayers with AGI above certain thresholds, the total amount of itemized deductions will be reduced by 3% of the amount by which their AGI exceeds the threshold. (For 2018, before the TCJA, the thresholds once adjusted for inflation would have been $320,000 for married taxpayers filing jointly and $267,700 for singles.) The total reduction will be capped at 80% of the deductions. Itemized deductions not subject to the limitation include deductions for medical and dental expenses, investment interest, charitable contributions, casualty and theft losses, and wagering losses. *IRC Section 68*

Provision	TCJA	Scheduled Expiration of TCJA
Exclusions[a]		
Bicycle commuter reimbursement *JCT budgetary cost estimate of TCJA changes at enactment: revenue increase of less than $50 million (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: +$136 million (FY2024-FY2033).*	Employer reimbursements for bicycle commuting expenses are considered wage income and therefore subject to income and employment (i.e., "payroll") taxes. *Section 11047 of P.L. 115-97* *IRC Section 132(f)* Expires 12/31/2025	Up to $20 per month of qualified employer reimbursements for bicycle commuting expenses will be excludible from wage income, and hence not subject to either income or employment (i.e., "payroll") taxes. *IRC Section 132(f)*
Moving reimbursement exclusion *JCT budgetary cost estimate of TCJA changes at enactment: +$4.8 billion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: +$6.7 billion (FY2024-FY2033).*	Employer reimbursements for moving expenses are only excludible from income and wages for members of the Armed Forces and pursuant to a military order for a permanent change of station. For all other employees, such benefits are considered wage income and hence subject to income and employment (i.e., "payroll") taxes. *Section 11048 of P.L. 115-97* *IRC Section 132(g)(2)* Expires 12/31/2025	Qualified moving expense reimbursements from an employer will be excludible from an employee's wage income, and hence not subject to either income or employment (i.e., "payroll") taxes. *IRC Section 132*
Combat zone tax benefits for members of the Armed Forces in the Sinai Peninsula *JCT budgetary cost estimate of TCJA changes at enactment: revenue loss of less than $50*	Members of the Armed Forces serving in a combat zone (and their families) are entitled to several tax benefits, including: (1) an exemption from income and employment ("payroll") taxes on certain military pay received during any month in which the member served in a combat zone (IRC Sections 112 and 3401(a)(1)); (2) an exemption from income taxes during the year that the member dies and the year prior while serving in a combat zone (IRC Section 692); (3) special estate tax rules where death occurs in a combat zone (IRC Section 2201);	The Sinai Peninsula will not be statutorily presumed to be a combat zone. Unless the Sinai Peninsula is designated as a combat zone under the usual process (IRC Section 112), members of the Armed Forces serving in this area will not be eligible for combat zone tax benefits. *IRC Sections 2, 112, 692, 2201, 3401, 4253, 6013, and 7508*

Provision	TCJA	Scheduled Expiration of TCJA
million (FY2018-FY2027). *CBO budgetary cost estimate if TCJA changes extended permanently: -$7 million (FY2024-FY2033).*	(4) special benefits to surviving spouses (IRC Sections 2(a)(3) and 6013(f)(1)); (5) an extension of tax deadlines, including for filing returns, making payments, claiming credits or refunds, and certain other deadlines (IRC Section 7508); (6) an exclusion of telephone excise taxes (IRC Section 4253(d)). Typically, combat zones are designated by the President in an Executive Order as an area where the Armed Forces are or have engaged in combat. Under the TCJA, the Sinai Peninsula is statutorily presumed to be a combat zone. *Section 11026 of P.L. 115-97* Expires 12/31/2025	

Alternative Minimum Tax

Provision	TCJA	Scheduled Expiration of TCJA
Alternative minimum tax (AMT) exemption and phaseouts *JCT budgetary cost estimate of TCJA changes: -$637.1 billion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$1,088.4 billion (FY2024-FY2033).*	A tax is imposed at 26% on an individual's alternative minimum taxable income, with a higher rate of 28% applied to taxpayers with alternative minimum taxable incomes above $232,600 in 2024. Alternative minimum taxable income (AMTI) starts with taxable income, then *adds back* certain preference items (such as net operating losses, depreciation, and passive losses all calculated under special AMT rules, state and local taxes, miscellaneous business expenses, and personal exemptions), and then subtracts an AMT exemption amount. (Note: Personal exemptions were effectively eliminated under the TCJA. See "Personal exemptions.") For 2024 the AMT exemption amounts are $85,700 for singles/heads of households and $133,300 for married couples. The AMT exemption amount phases down when a taxpayer's income exceeds a phaseout level. These levels are $578,150 for singles/head of households and $1,156,300 for married couples. These amounts are adjusted for inflation. *Section 12003 of P.L. 115-97* *IRC Section 55* Expires 12/31/2025	The AMT exemption and exemption phaseout will revert to pre-TCJA levels and then both will be adjusted for inflation. For 2018, prior to the TCJA, the higher 28% rate applied to incomes above $191,500 for married couples. For 2018, prior to the TCJA, the exemption amounts were $55,400 for singles/heads of households and $86,200 for married couples and the exemption phaseouts were $123,100 for singles/heads of households and $164,100 for married couples in 2018. (Note: Personal exemptions will again be in effect upon the expiration of the TCJA. See "Personal exemptions.") *IRC Section 55*

Provision	TCJA	Scheduled Expiration of TCJA
ABLE Accounts		
Achieving A Better Life Experience (ABLE) account contribution limit *JCT budgetary cost estimate of TCJA changes at enactment: revenue loss of less than $50 million (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$2 million (FY2024-FY2033).*	ABLE accounts are tax-favored savings accounts intended to encourage qualifying disabled individuals (referred to as "designated beneficiaries") to save money for certain disability-related expenses (in a tax-preferred way) without losing eligibility for certain federal means-tested programs, such as Medicaid. Generally, in a given year an ABLE account cannot receive aggregate contributions in excess of the annual gift tax exemption, which is $18,000 in 2024. Under the TCJA, a designated beneficiary who is employed can contribute an additional amount to their ABLE account (above the annual gift-tax exclusion amount). The additional amount is equal to the lesser of (1) the applicable federal poverty level for a one-person household in the prior year, or (2) the beneficiary's compensation for the year. A beneficiary cannot contribute this additional amount for the year if any contribution is made on their behalf to certain defined contribution plans. *Section 11024(a) of P.L. 115-97* *IRC Section 529A(b)(2)(B)* Expires 12/31/2025	While the gift tax exclusion will still apply, designated beneficiaries will not be able to make the additional contribution of up to the lesser of the federal poverty level for a one-person household or the beneficiary's compensation. *IRC Section 529A*
ABLE accounts and the saver's credit *JCT budgetary cost estimate of TCJA changes at enactment: revenue loss of less than $50 million (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: included in the cost of increasing the contribution limit (above)*	Designated beneficiaries who make qualified contributions to their ABLE account can qualify for a nonrefundable saver's credit of up to $1,000. *Section 11024(b) of P.L. 115-97* *IRC Section 25B(d)(1)(D)* Expires 12/31/2025	Designated beneficiaries will not be able to claim the saver's credit for their contributions. Note: the SECURE 2.0 Act of 2022 (Section 103 of P.L. 117-328) included a provision aimed at promoting retirement savings among low-income households that effectively repeals the saver's credit under IRC Section 25B and replaces it with a saver's match under IRC Section 6433, effective 1/1/2027. IRC Section 25B

<table>
<tr><th>Provision</th><th>TCJA</th><th>Scheduled Expiration of TCJA</th></tr>
<tr><td>529 to ABLE account rollover
JCT budgetary cost estimate of TCJA changes at enactment: revenue loss of less than $50 million (FY2018-FY2027).

CBO budgetary cost estimate if TCJA changes extended permanently: -$3 million (FY2024-FY2033).</td><td>Rollovers from a 529 account to an ABLE account (plus any other contributions to the account for the year) that are less than or equal to the annual ABLE contribution limit are not subject to income taxation, provided that the accounts have the same designated beneficiary (or the designated beneficiaries of the two accounts are members of the same family). The portion of the rollover (plus any other contributions to the account) in excess of the annual contribution limit is taxable.

Section 11025 of P.L. 115-97
IRC Section 529(c)(3)(C)(i)(III)

Expires 12/31/2025</td><td>All rollovers from 529 accounts to ABLE accounts will be subject to taxation.

IRC Section 529</td></tr>
<tr><td colspan="3">Business Provisions</td></tr>
<tr><td>Deduction for pass-through business income—"199A Deduction"
JCT budgetary cost estimate of TCJA changes: -$415 billion (FY2018-FY2027).

CBO budgetary cost estimate if TCJA changes extended permanently: -$548 billion (FY2024-FY2033).</td><td>Pass-through business income is taxed according to ordinary individual income tax rates. The TCJA created a deduction equal to 20% of qualified business income. The deduction is limited to the greater of 50% of W-2 wages, or 25% of W-2 wages plus 2.5% multiplied by depreciable property (equipment and structures).
Specified service trade or businesses (SSTBs)[b] generally may not claim the deduction except in specific circumstances. The deduction limitation and SSTB limitation do not apply if taxable income is less than $191,950 (single) or $383,900 (married) in 2024. These limitations are phased in over a $50,000 (single) and $100,000 (married) range, and thus apply fully if a taxpayer's income is at or above $214,950 (single) and $483,900 (married).

Section 11011 of P.L. 115-97

IRC Section 199A

Expires 12/31/2025</td><td>The 199A deduction will expire. Hence pass-through business income will generally be taxed according to ordinary individual income tax rates without a deduction for qualified business income.</td></tr>
<tr><td>Limitation on losses for noncorporate taxpayers
JCT budgetary cost estimate of TCJA</td><td>For taxpayers other than C corporations, a deduction in the current year for excess business losses is temporarily disallowed, originally through 2026 by the TCJA and subsequently extended to 2028 by the Inflation Reduction Act (P.L. 117-169, IRA). In addition, such losses are treated as a NOL carryover to the following year.</td><td>Businesses will generally be permitted to carry over a net operating loss (NOL) to certain past and future years. Under the passive loss rules, individuals and certain other taxpayers will be limited in their ability to claim deductions and credits from passive trade and business activities, although unused deductions and credits can generally be</td></tr>
</table>

Provision	TCJA	Scheduled Expiration of TCJA
changes: +$150 billion (FY2018-FY2027). *CBO budgetary cost estimate if TCJA changes extended permanently: +$137 billion (FY2024-FY2033).*	An excess business loss is the amount that a taxpayer's aggregate deductions attributable to trades and businesses exceed the sum of (1) aggregate gross income or gain attributable to such activities, and (2) $305,000 ($610,000 if married filing jointly) in 2024. For partnerships and S corporations, this provision is applied at the partner or shareholder level. *Section 11012 of P.L. 115-97* *Section 13903 of P.L. 117-169* *IRC Section 461(l)* Expires 12/31/2028	carried forward to the next year. Similarly, certain farm losses may not be deducted in the current year, but can be carried forward to the next year. *IRC Section 461(l)*
Expensing *JCT budgetary cost estimate of TCJA changes: -$86 billion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$325 billion (FY2024-FY2033).*	A taxpayer generally must capitalize the cost of property used in a trade or business or held for the production of income and recover such cost over time through annual deductions for depreciation or amortization. The TCJA temporarily allowed full expensing (i.e., 100% bonus depreciation) through 2022, before phasing down ratably through the end of 2026. For long-production-period property, the phasedown period begins after 2024. *Section 13201 of P.L. 115-97* *IRC Section 168(k)* Expires 12/31/2026 (Excluding long production property)	Businesses will generally capitalize the cost of property used in a trade or business or held for the production of income and recover such cost over time through annual deductions for depreciation or amortization without the use of bonus depreciation.
Citrus plants lost by casualty *JCT budgetary cost estimate of TCJA changes: revenue loss of less than $50 million (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$11 million (FY2024-FY2033).*	The uniform capitalization (UNICAP) rules address the method for determining costs that taxpayers are required to capitalize or treat as inventory. They generally apply to property produced in a trade or business or acquired for resale. One exception is for edible citrus plants lost or damaged by reason of a casualty or similar event. The exception may apply to (A) the taxpayer's cost of replanting such citrus plants, and either (B) costs paid or incurred by other persons if the taxpayer has more than a 50% equity interest in the citrus plants at all times during the year and the other person owns any of the remaining interest and materially participates in the planting or similar activities, or (C) temporarily through the TCJA to third parties if (1) the taxpayer has	The exception for third parties (C) would no longer apply. (The other two exceptions—(A) and (B)—would still apply.) *IRC Section 263A*

Provision	TCJA	Scheduled Expiration of TCJA
	an equity interest of at least 50% in the replanted citrus plants at all times during the year and the other person owns any of the remaining interest, or (2) the other person acquired the taxpayer's entire equity interest in the land on which the citrus plants were located and the replanting is on such land. *Section 13207 of P.L. 115-97* *IRC Section 263A(d)(2)(C)(ii)* Expires 12/22/2027	
Other Provisions		
Estate and gift tax *JCT budgetary cost estimate of TCJA changes: -$83.0 billion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$126.5 billion (FY2024-FY2033).*	Estate and gift taxes are levied at a rate of 40% on transfers after excluding a fixed amount from taxation. For decedents who die in 2024, the exclusion amount is $13,610,000 per decedent ($10 million per decedent statutorily adjusted annually for inflation). *Section 11061 of P.L. 115-97* *IRC Section 2010(c)(3)(C)* Expires 12/31/2025	The estate and gift tax exclusion amount will be reduced from $10 million per decadent to $5 million per decedent statutorily and then adjusted annually for inflation. *IRC Sections 2001 and 2010*
Employer credit for paid family and medical leave *JCT budgetary cost estimate of TCJA changes: -$4.3 billion (FY2018-FY2027).* Note that this does not reflect the cost of the subsequent extensions of this provision by P.L. 116-94 and P.L. 116-260. *CBO budgetary cost estimate if TCJA changes extended permanently: -$3.6*	Employers paying wages to employees on family and medical leave may be eligible for a tax credit. The credit amount is calculated as a percentage of wages paid to a qualifying employee while on family and medical leave. If the employers pay 50% of wages normally paid while an employee is on family and medical leave, the credit is 12.5% of wages paid, proportionally increasing to a maximum credit of 25% for paid leave worth 100% of wages normally paid. Employers may claim the credit for up to 12 weeks of paid leave per employee. Leave required by state or local law does not qualify for the credit. Leave provided in excess of legally required minimums may qualify for the credit. For example, if an employer provided a paid family and medical leave benefit with 100% wage replacement, while legally required to provide a 50% wage replacement benefit, the excess 50% may qualify for the credit. However, many state or local laws	No credit will be available for employer-provided paid family and medical leave.

Provision	TCJA	Scheduled Expiration of TCJA
billion (FY2024-FY2033).	regarding paid family or medical leave require a wage replacement rate above 50%, so benefits paid to employees in those jurisdictions are likely not eligible for the credit. As state and local governments continue to adopt paid family and medical leave policies, the pool of employers who are potentially eligible for this credit may be shrinking. Eligible employers are those that allow qualifying full-time employees at least two weeks of paid family and medical leave (with leave time prorated for part-time employees) separate from vacation, personal, or sick leave. A qualifying employee is one who has been employed by the employer for at least one year, and who, during the preceding year, had compensation up to 60% of the compensation threshold for highly compensated employees.[c] *Under TJCA, this credit originally expired on December 31, 2019. The Taxpayer Certainty and Disaster Relief Act of 2019 (Division Q of P.L. 116-94) extended the credit through 2020, while the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Division EE of P.L. 116-260) extended it through 2025.* *Section 13403 of P.L. 115-97* *Section 142 of Division Q of P.L. 116-94* *Section 119 of Division EE of P.L. 116-260* *IRC Section 45S* Expires 12/31/2025	
Qualified opportunity zones *JCT budgetary cost estimate of TCJA changes: -$1.6 billion (FY2018-FY2027).* *CBO budgetary cost estimate if TCJA changes extended permanently: -$67.3 billion*	Opportunity zones provide several tax benefits to those who invest in these areas, including (1) a temporary deferral of capital gains taxation if gains are reinvested in a qualified opportunity fund; (2) an increase in the investment basis if specific holding periods are met; and (3) a permanent exclusion of the capital gains from income if investments in a qualified opportunity fund are held for at least 10 years (hence, these capital gains are not subject to taxation). No election for deferral of gain is allowed after December 31, 2026. *Section 13823 of P.L. 115-97* *IRC Sections 1400Z-1 and 1400Z-2* Expires 12/31/2026	Investments in opportunity zones will not be eligible for deferral, adjustments to basis, or exclusions on gains.

Updated February 13, 2024

The Casualty and Theft Loss Deduction

The Internal Revenue Code has let some taxpayers deduct unreimbursed losses caused by recent disasters and thefts from their income subject to the income tax. Congress temporarily limited the casualty and theft loss deduction as part of the 2017 tax law (P.L. 115-97; popularly known as the Tax Cuts and Jobs Act or TCJA) to losses resulting from federally declared disasters for tax years 2018-2025. Among other recently proposed legislative changes, H.R. 7024, the Tax Relief for American Families and Workers Act of 2024, would expand this deduction retroactively.

The deduction offers financial relief to some taxpayers who suffer unexpected monetary damage; in doing so, it reduces federal revenue. It also subsidizes uninsured losses without offering similar benefits to insured losses or loss-mitigation expenses, potentially distorting taxpayers' incentives to insure themselves for losses or spend money on disaster loss mitigation expenses. This In Focus discusses the structure of the deduction—both before and after the changes that began in 2018—and analyzes its potential impact on the federal budget and taxpayers' decisionmaking.

Overview

Prior to 2018, households who itemized their deductions could deduct their unreimbursed net personal losses that "arise from fire, storm, shipwreck, or other casualty, or from theft" from their income. From 2018 through 2025, the TCJA provides that the deduction is limited to losses that result from federally declared disasters.

Under permanent law, taxpayers can only deduct such losses to the extent each loss exceeds \$100, and their total exceeds 10% of the taxpayer's adjusted gross income (AGI). The damaged item does not need to be repaired or replaced for the taxpayer to claim the deduction. Taxpayers can claim this deduction regardless of their income, and there is no cap on the size of the deduction a taxpayer can claim. Those whose deductions exceed their taxable income can carry the deduction forward to subsequent tax years.

The restriction of eligibility for unreimbursed losses means that only losses that insurance does not compensate qualify. Additionally, it applies only to personal losses—losses on business property are subject to different rules.

Taxpayers must generally claim the deduction in the year in which they discover the loss, even if that differs from the year in which the loss occurred. However, under permanent law, taxpayers can generally choose to take the loss in the year prior to the casualty if it results from a federally declared disaster, meaning one declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 100-707, as amended), and it occurs in the disaster area identified in that declaration.

Qualified Disaster Losses

Congress has passed legislation declaring certain losses to be "qualified disaster-related personal casualty losses." Taxpayers with qualified disaster losses can claim a more generous casualty and theft loss deduction than others. They can deduct qualified disaster losses even if they also claim the standard deduction. Their per-event limitation is generally \$500 instead of \$100, and they are not limited to deducting losses that exceed 10% of their AGI in sum.

This designation generally applies either to specific disasters or to any federally declared disasters incurred during a specific period. Among others, the disasters in this category have included

- federally declared disasters in 2016 or 2017;
- federally declared disasters that began in 2018 and before December 21, 2019, and continued no later than January 19, 2020; and
- federally declared disasters (besides those declared solely because of the COVID-19 pandemic) that were declared between January 1, 2020, and February 25, 2021, and occurred between December 28, 2019, and December 27, 2020.

Legislative History

The Revenue Act of 1913 (P.L. 63-16), which created the modern federal income tax, also created the modern deduction for casualty losses, without distinction between business-related and nonbusiness-related losses. Theft losses were eligible by 1916.

The Revenue Act of 1964 (P.L. 88-272) placed a \$100-per-event floor on the deduction, corresponding to the \$100 deductible provision common in property insurance coverage at that time. The limitation to losses that, in sum, exceed 10% of the taxpayer's AGI was created by the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248).

Congress has at times expanded the deduction in response to specific disasters. The Katrina Emergency Tax Relief Act of 2005 (P.L. 109-73) eliminated the per-casualty and AGI floors for deductible losses arising from the consequences of Hurricane Katrina. Congress removed the floors for losses arising from several other disasters in subsequent years. The Emergency Economic Stabilization Act of 2008 (P.L. 110-343) expanded the deduction similarly for all federally declared disasters occurring in 2008 and 2009, but imposed a \$500 per-casualty limitation and let taxpayers claim the deduction in addition to the standard deduction. Subsequent legislation offered similar tax benefits to those impacted by other disasters.

The TCJA limited the deduction to casualties and thefts resulting from federally declared disasters from 2018 through 2025. It also raised the standard deduction for tax years 2018 through 2025, meaning fewer taxpayers would claim any given itemized deduction.

Analysis

General

The casualty and theft loss deduction provides financial assistance to some taxpayers who suffer substantial casualties. It shifts part of the loss from the property owner to the federal government, and thus serves as a form of government coinsurance.

Economists have theorized that when uninsured losses are deductible but insurance premiums are not, it may make more financial sense for taxpayers to risk incurring a loss (for which they can claim a tax benefit) than to pay for insurance (for which they cannot). If so, this could discourage taxpayers from purchasing insurance. A similar principle could apply to the cost of mitigation activities to prevent losses, which are not currently deductible (although other subsidies may be available). There has not been substantial research into whether the casualty and theft loss deduction has these effects.

No distinction is made between losses on items considered basic to maintaining the taxpayer's household and livelihood versus discretionary personal consumption. As with all deductions, a dollar of deductible casualty or theft losses is worth more to taxpayers in higher-income tax brackets because of their higher marginal tax rates.

Recent Changes

In 2018, the first year that P.L. 115-97 took effect, 77% fewer taxpayers claimed the deduction than in the three years prior. Claims continued to decline through 2020, the most recent year for which data are available. This decline may have resulted partly from the expansion of the standard deduction, which made itemizing deductions appealing to fewer taxpayers. While about 31% of filers itemized their deductions for tax year 2017, about 11% did for tax year 2018. However, the share of itemizers who claimed the casualty and loss deduction also fell from 0.24% in 2017 to 0.15% in 2018 (**Table 1**).

Table 1. Average Casualty and Theft Loss Itemized Deduction Claims by Three-Year Period

	Households Claiming	Average Claim
2012-2014	115,573	$26,947
2015-2017	113,325	$26,921
2018-2020	14,528	$38,940

Source: IRS Statistics of Income and CRS analysis.

Notes: Among returns with itemized deductions only. Data are averaged by three-year period to account for the annual variation in claims for the casualty and theft loss deduction.

Use of the deduction has always fluctuated meaningfully from year to year. This may be because disasters happen sporadically, Congress often expands the deduction in the wake of specific disasters, and taxpayers can carry any unused deduction forward and backward.

In early 2017, before passage of the TCJA, the Joint Committee on Taxation estimated that this deduction would cost the federal government roughly $400 million in lost revenue annually from FY2016 to FY2019, and $500 million in FY2020. Its most recent estimates put the deduction's cost at $100 million annually from FY2022 to FY2025, before rising to $500 million in FY2026, during which the changes made by the TCJA will expire.

Recent Legislative Activity

Lawmakers have introduced several proposed reforms to the casualty and theft loss deduction in the 118th Congress. Under H.R. 7024, the Tax Relief for American Families and Workers Act of 2024, qualified disaster losses would include disasters that occurred between December 28, 2019, and the date of the bill's enactment, and were declared within 60 days of enactment. H.R. 7024 passed the House of Representatives on January 31, 2024, by a vote of 357-70. The change in this bill is identical to that included in H.R. 5863, the Federal Disaster Tax Relief Act of 2023.

Similarly, H.R. 5343, the Federal Disaster Responsibility Act, would make losses from any disaster for which the incident period begins between 2020 and 2023 qualified disaster losses. H.R. 5873, the Natural Disaster Tax Relief Act of 2023, would do the same, but only for disasters that occurred in 2023. H.R. 1494, the Hurricane Tax Relief Act, would specifically make losses resulting from Hurricanes Ian, Nicole, and Fiona qualified disaster losses.

Other recent legislation has proposed partially or fully reversing the changes made by the TCJA. S. 2236, the Casualty Loss Deduction Restoration Act, would make otherwise eligible losses incurred between 2018 and 2025 that did not result from a qualified disaster eligible, subject to a $50,000 limit. H.R. 6938, the Tax Relief for Victims of Crimes, Scams, and Disasters Act, would reverse the changes with no limit on the deduction.

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