

TCJA sunset: What it means to you.

11/1/2024

Jobs Act (TCJA) were enacted in 2017, marking a significant overhaul of the tax code. Aspects of this legislation are now **scheduled to expire at the end of 2025**. Unless Congress acts, the expiration of the TCJA could lead to a reversion to pre-2017 rules, adjusted for inflation. Proposed legislation will likely depend on the upcoming election results and which party is in control of the legislative and executive branches.

Individual tax rates are likely to increase

The TCJA reduced individual tax rates and shifting of income tax brackets. If the provision expires as scheduled, tax rates will revert to pre-2017 levels, and many taxpayers' overall tax liability will increase, especially for those in higher income brackets.

Standard deduction will decrease

The standard deduction in 2024 for single or married filing separately is \$14,600; for married filing jointly or qualifying surviving spouse, it's \$29,200. After the sunset of TCJA, these amounts could be reduced by almost half.

State and Local Tax (SALT) deduction cap could lift

The TCJA placed a \$10,000 limit on the SALT deduction for single filers, married couples filing jointly, and heads of households (\$5,000 for married filing separately). Unless Congress extends or makes the provision permanent, the SALT deduction cap expires at the end of 2025.

Pass-through business income deduction (Section 199A) may disappear

The pass-through business income deduction, also known as Section 199A, is a 20% deduction for qualified business income. Without legislative action, this deduction will no longer be available starting in 2026, potentially increasing the tax burden for many small business owners.

Estate tax exemption may drop significantly

The estate tax exemption doubled under the TCJA, rising from \$5.49 million in 2017 to \$11.18 million in 2018. Further adjustments for inflation brought the exemption to \$13.61 million in 2024. If this provision of the TCJA sunsets, the exemption will revert to approximately \$7 million.

Reduction in child tax credit

The TCJA increased the child tax credit to \$2,000 per qualifying child and expanded eligibility. With the expiration of these provisions, the credit will revert to \$1,000, and fewer families will qualify for the full amount. This will affect middle- and lower-income families who benefit from the increased credit.