



Tax Law Changes on the Horizon: Prepare Clients for a Potential Sunset

Help clients prepare for the potential sunset of the Tax Cuts and Jobs Act of 2017 (TCJA) at the end of 2025 by discussing potential changes and identifying opportunities to capitalize on current TCJA provisions. Many may find themselves subject to much higher tax liabilities, due to possible changes in tax brackets, deductions, exemptions, and estate and gift tax provisions.

While the TCJA's fate remains undecided, stay informed and proactive. Connect with your clients today to help them prepare for potential tax changes and engage their tax and legal professionals.

KEY TALKING POINTS



Income Tax: If the TCJA sunsets, tax brackets will revert to pre-TCJA levels, potentially increasing rates for many taxpayers (i.e., the 37% top marginal rate would revert to 39.6%).



Standard Deduction: The TCJA nearly doubled the standard deduction. As a result, many taxpayers are not currently itemizing deductions. If the standard deduction reverts to pre-TCJA levels in 2026 the standard deductions will decrease to roughly half the current amount.



Itemized Deductions: The TCJA placed substantial limits on certain itemized deductions, including state and local taxes (SALT), mortgage interest and medical expenses. These expenses could expand dramatically if the TCJA sunsets.

TIMELY ACTION STEPS

Explore ways to help clients minimize their taxable income and tax liabilities post-sunset, such as tax-advantaged bonds, tax deferral strategies (i.e. systematic tax loss harvesting and exchange funds), maximizing retirement account contributions and funding health savings accounts (HSAs).

Inform clients who are currently utilizing the increased standard deduction that they may benefit from deferring certain itemizable 2025 expenses, such as charitable giving and local taxes, into 2026 when it may be more advantageous to itemize.

Advise clients who itemize their deductions, particularly those living in high-tax states, that they may benefit from deferring certain itemizable expenses for 2025, including SALT, mortgage interest and medical expenses, into 2026.

CONVERSATION STARTERS

“Tax laws may change after the election, and it’s important to consider tax-smart planning strategies that can be implemented if rates rise. Are you currently maximizing contributions to retirement and health savings accounts (HSAs)?”

“Are you itemizing your deductions or taking advantage of the higher standard deduction resulting from the TCJA? Many taxpayers will be better off itemizing if the increased TCJA standard deduction amount sunsets.”

“Some taxpayers may benefit if, and when, the itemized deduction limitations imposed by TCJA sunset. Are you currently itemizing deductions, and, if so, to what extent are you being impacted by the SALT limitation?”

KEY TALKING POINTS



Charitable Giving: The TCJA altered the percentage of adjusted gross income (“AGI”) that could be deducted for charitable contributions of cash to 60% of AGI. Under current law the deduction will revert to 50% in 2026.

TIMELY ACTION STEPS

Charitably inclined clients who would benefit from making a larger contribution prior to sunset can consider the use of a planned-giving vehicle such as a donor advised fund. Keep in mind that if sunset occurs future contributions may offset income at a higher tax rate.

CONVERSATION STARTERS

“Uncle Sam provides a w opportunity for clients and their charities of choice due to the tax benefits of charitable giving. To what degree have you pursued a charitable giving strategy?”



Alternative Minimum Tax (AMT): The TCJA dramatically increased the AMT exemption amount. The 2024 exemption amount is \$133,300 for married couples filing jointly up from \$84,500 for married couples before the enactment of the TCJA in 2017. If the TCJA sunsets the AMT exemption amount will once again be dramatically lower.

The current increased AMT exemption could benefit clients who are able to accelerate income in 2024 and 2025. Determine if clients could be subject to AMT if exemption amounts reset to pre-TCJA levels. Consider items that may trigger AMT, such as capital gains, dividends, losses, deductions, and the exercise of incentive stock options.

“There may be benefits of accelerating income in 2024 and 2025 while the larger AMT exemption is more certain to be in place. Have you engaged your accountant to discuss how changes to AMT could affect your tax bill?”



Estate & Gift Tax: The sunset of the current estate and gift tax provisions are a large concern for change to ultra high net worth (UHNW) clients because the TCJA doubled the prior estate and gift tax exemption. For 2024, the federal estate and gift tax exemption is \$13.61 million per individual, and \$27.22 million for married couples. Upon sunset, the exemption will revert to pre-TCJA levels in 2026.

Look for opportunities for UHNW clients to capitalize on strategies that can help lock-in the current exemption amounts. Clients who anticipate having federally taxable estates may wish to consult their tax and legal professionals about the use of spousal lifetime access trusts to utilize their remaining unified credit prior to sunset.

“Without proper planning, clients with assets that surpass the gift & estate tax threshold may pay a significant federal tax in addition to any applicable state taxes. To what extent have you considered implementing a gifting program that capitalizes on the current TCJA provisions?”



Business Income: The TCJA created a deduction for pass-through business owners equal to 20% of qualified business income (QBI). If this provision expires, pass-through business income will generally be taxed according to ordinary individual income tax rates without a deduction for QBI.

Review clients’ sole proprietorships, partnerships, limited liability companies and S-corporations, and explore ways to help them maximize the use of the QBI deduction before it expires.

“What are your plans for your business? It’s always best to plan for potential tax events well in advance. Have you considered how the sunset of the QBI deduction could impact your tax situation?”

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Risk Considerations

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This flyer provides a brief overview of some of the potential tax law changes that may be relevant to your clients. It does not cover every TCJA provision.

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