WHAT TO EXPECT FOR TAX POLICY IN 2025 AFTER TRUMP'S ELECTION VICTORY

The recent election of Donald Trump as president signals potential changes to the U.S. tax code in 2025. Some anticipated adjustments align with Trump's proposals to extend or expand certain cuts from the Tax Cuts and Jobs Act of 2017, enacted during Trump's first term, as well as new measures aimed at encouraging economic growth and adjusting tax policies for individuals and businesses.

Individual Income Taxes: Lower Rates, Expanded Cuts Individual taxpayers may see a continuation of the lower income tax rates introduced by the TCJA, with support for making these rates permanent beyond their scheduled 2025 expiration. Trump has also proposed doubling the standard deduction, which would reduce taxable income for many households and retain current tax brackets, avoiding a return to higher, pre-2018 rates. Another key component includes the full reinstatement of the State and Local Tax deduction, which has been capped at $10,000 since the TCJA—an aspect that affected taxpayers in high-tax states.

Capital Gains and Investment Incentives Trump's proposed tax policies may include changes to capital gains taxes as a way to encourage investment. Currently, long-term capital gains are taxed at 15-20%, based on income. The administration may consider lowering these rates further and could revisit indexing capital gains to inflation, which would allow for an inflation-adjusted basis, potentially reducing taxable gains upon sale.

Corporate Tax Rates and Incentives Corporate tax policy may also be an area of focus, with proposals to reduce the corporate tax rate from 21% to 15% intended to enhance the competitiveness of U.S. businesses internationally. Other potential measures could include deductions or credits targeting manufacturing, research, and domestic investment.

Estate and Wealth Transfer Taxes For estate and wealth transfer taxes, Trump has indicated support for maintaining the higher exemption levels established under the TCJA. Currently, individuals can pass up to $13.61 million ($27.22 million for married couples) tax-free, with this exemption increasing to $13.99 million for individuals and $27.98 million for married couples in 2025. These exemption levels are set to decrease if the TCJA sunsets at the end of 2025. Keeping these thresholds in place would help limit estate tax liabilities for high-net-worth individuals.

Looking Ahead Trump's tax agenda reflects an approach geared toward a low-tax environment for individuals, investors, and businesses, emphasizing economic growth and domestic investment. Taxpayers should stay informed on policy developments and consult with tax advisors on potential implications for financial planning and business strategies.

The O'Neil Cannon Tax Team will monitor these developments and provide updates as any proposed tax changes become more concrete. We encourage you to reach out with any questions about how these potential reforms might affect you.