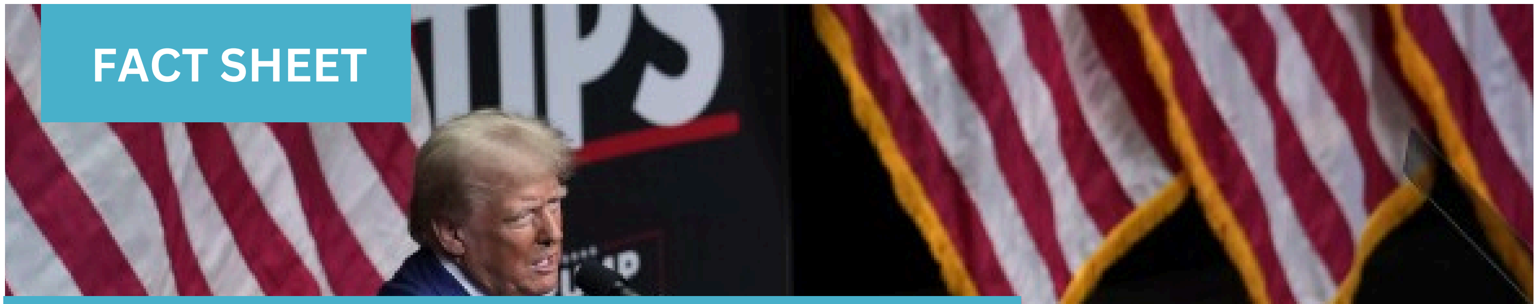
FACT SHEET



THE TAX CUTS AND JOBS ACT

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act. A number of these provisions were temporary and set to expire in 2026, including the lower individual tax rates, the higher standard deduction, the child tax credit, the higher estate tax exclusion, and the SALT cap. If the provisions set to expire in the TCJA aren't extended, there would be an effective $4 trillion in tax increases.

Did you know...?

- The TCJA was the largest tax code overhaul in nearly three decades and was meant to grow the economy and reduce the complexity of the tax code.
- The TCJA nearly doubled the standard deduction for both single and joint filers when it went into effect in 2018. If The TCJA isn't renewed, individual filers would see a rise in their income tax rates, have a lower standard deduction, and lose the Child Tax Credit.
- Those that argue against the extending the TCJA would decrease revenue by $4 trillion between 2025-2034. If changes aren't made to spending, this would increase the deficit by $4 trillion.

Notable Republicans are Supportive of an Extension

"The president has called for making the Tax Cuts and Jobs Act permanent. And I am committed to ensuring that any tax bill we consider does exactly that'" -Senator John Thune

"Extending the Trump tax cuts delivers the biggest relief to working-class Americans and small businesses in a generation" Rep. Jason Smith, chairman of the Ways and Means Committee

THE TAX CUTS AND JOBS ACT

Executive Summary

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act after Congress passed the bill earlier in the month. The intent of the bill was to encourage economic growth by reducing the corporate tax rate (from 35% to 21%), simplify the tax code by increasing the standard deduction and eliminating and limiting certain deductions (a controversial example being the elimination of the SALT cap), and lowering the marginal tax rates for most individual tax rates and increasing certain tax credits (doubling the child tax credit).

A number of these provision were temporary and set to expire in 2026, including the lower individual tax rates, the higher standard deduction, the child tax credit, the higher estate tax exclusion, and the SALT cap. If the provisions set to expire in the TCJA aren't extending, there would be an effective $4 trillion in tax increases.

The 2017 Tax Cuts and Jobs Act (TCJA) included generational reforms to the individual, business, and international U.S. tax systems that materially improved U.S. economic growth.

Extending the expiring provisions of the TCJA will prevent a significant tax increase on individuals and businesses, but the policies are costly and will generate less economic growth than the original law's business tax reforms, which are now permanent.

The Original Intent Of The Tax Cuts And Jobs Act (TCJA)

The TCJA Was The Largest Tax Code Overhaul In Nearly Three Decades And Was Meant To Grow The Economy And Reduce The Complexity Of The Tax Code

The Goal Of The TCJA Was To Spur Economic Growth, Reduce Regulations, And Create A More Business-Friendly Environment; Since The Bill Was Passed Through The Senate By Reconciliation, Many Of The Provision Were Made Temporary. "The goal of the one and a half trillion-dollar tax reform bill was to spur economic growth, reduce regulations, and create a more business-friendly environment in the U.S. The TCJA was passed as reconciliation legislation, meaning the bill overrode typical filibuster rules and was passed by a Republican-led Senate with a simple majority of 51 votes. However, many provisions were made temporary to keep costs down and comply with the Byrd Rule, which prohibits reconciliation bills from raising the federal deficit beyond a 10-year budget window or making changes to Social Security." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Major Provisions In The TCJA Included Reducing The Corporate Tax Rate To 21 Percent, Capping Deductions For State And Local Taxes (SALT) At $10,000, Doubling The Standard Deduction, And Expanding The Child Tax Credit. "The TCJA, passed by a majority-Republican Congress in 2017, was the largest tax code overhaul in nearly three decades. The law cut the corporate tax rate to 21%, capped deductions for state and local taxes (SALT) at $10,000, doubled standard deductions, and expanded the child tax credit." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

TCJA Provisions Set To Expire

A Number Of TCJA Provisions Are Currently Set To Expire At The End Of 2025 Unless They Are Changed Or Extended

Marginal Tax Rates Are Set To Revert To Pre-TCJA Levels, Including A Maximum Rate Of 39.6 Percent From The Current 37 Percent. "When the TCJA expires at the end of 2025, marginal tax rates for individuals will revert to pre-TCJA levels, including a maximum rate of 39.6% from 37%. Generally, Democrats are hoping to raise the top rate back up, whereas Republicans support lowering marginal rates." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

The Standard Deduction Would Return To Pre-TCJA Levels, Which The Law Had Nearly Doubled. "The TCJA nearly doubled the standard deduction for both single and joint filers when it went into effect in 2018. Once the TCJA expires in 2025, the standard deduction will return to pre-TCJA levels, with an adjustment for inflation." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

- **Itemized Deductions Will Be more Relevant If There Are Lower Standard Deductions.** "In general, itemized deductions will be more relevant with lower standard deductions. If the standard deduction goes back to a lower level, those making at least $400,000 would see diminishing value of the MID and charity deductions." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Standard deductions for individual taxpayers	2017 deductions (pre-TCJA)	2025 deduction (last year covered by TCJA)	2026 deduction (post-TCJA)
Single filers	$6,350	$14,600	$8,300
Joint filers	$12,700	$29,200	$16,600

Higher Death Tax

The Exemptions From Estate And Gift Taxes Would Revert To Pre-TCJA Levels Of $5 Million, Currently The Exemption Is $13.6 Million. "Exemptions from estate and gift taxes will revert to pre-TCJA levels of around $5 million, adjusted for inflation. The 2024 exemption is $13.6 million." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Child Tax Credit

The Child Tax Credit Would Return To $1,000 From The TCJA Level Of $2,000. "The maximum child tax credit (CTC) will return to $1,000 per child, from the TCJA level of $2,000. Income thresholds will decrease to $75,000 for individuals and $110,000 for married couples." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Business Taxes

Pass-Through Businesses Will Not Longer Be Able To Deduct Up To 20 Percent Of Qualified Business Incoming On Their Taxes. "Pass-through businesses – sole proprietorships, partnerships, and S-corporations – will no longer be able to deduct up to 20% of qualified business income (QBI) when calculating annual taxes. Republicans are more staunch supporters of the 199A deduction and claim that it levels the playing field for small and mid-sized business by reducing their tax burden in a similar way to how the TCJA's corporate tax rate cut did for C-corporations. Industries that primarily benefit from the deduction, such as real estate and manufacturing, have revved up lobbying efforts on Capitol Hill to extend the tax break. Many groups are targeting moderate Democrats to create bipartisan support for the deduction's extension." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

By 2027, The 100 Percent Bonus Depreciation Provision Will Be Phased Out. "The 100% bonus depreciation provision – allowing the deduction of certain capital investments – will be phased out by 2027. The 2025 bonus depreciation rate will be reduced to 50%."("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Provisions Set To Expire That Are Currently Pay Fors

If The TCJA Expires, Tax Filers Would Be Able To Claim The Mortgage Interest Deduction On Properties Up to $1 Million, From The Current $750,000. "Once the TCJA expires, single and joint filers will be able to claim a mortgage interest deduction (MID) on properties up to $1 million in value. Between 2018 and 2025, the TCJA limited the MID to $750,000 in property value. Charitable contributions will revert to 50% from 60% of adjusted gross income (AGI)." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

The $10,000 SALT Deduction Cap Will No Longer Apply. "The $10,000 SALT deduction cap will no longer apply. Since 2018, lawmakers from high-tax states, such as California, New Jersey, and New York, have tried and failed to get rid of or raise the cap, reporting that their constituents were disproportionately affected." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Impacts Of TCJA

The TCJA Raised Economic Output In The Short Term And Will Continue To Do So In The Long Term, But Most Analyst Estimate That The Economic Growth Only Partially Offsets The Tax Revenue Lost From The Bill. "The Tax Cuts and Jobs Act (TCJA) reduced tax rates on both business and individual income, and enhanced incentives for investment by firms. Those features most likely have raised output in the short run and will continue to do so in the long run, but most analysts estimate the modest effects offset only a portion of revenue loss from the bill." ("What Were The Economic Effects Of The Tax Cuts And Jobs Act," Tax Policy Center, January 2024)

GDP Growth Increased From 2.4 Percent In 2017 To 2.9 Percent In 2018. However, The Growth Rate Slowed Back Down To 2.3 Percent In 2019. "The annual growth rate of GDP rose from 2.4 percent in 2017 to 2.9 percent in 2018, likely due largely to the effects of TCJA on demand. However, the growth rate slowed back down to 2.3 percent in 2019. Those short-run effects were likely modest for two main reasons. First, much of the tax cuts flowed mostly to higher-income households or to corporations, whose stock tends to be held by the wealthy. Higher-income households spend less of their increases in after-tax income than lower-income households. Second, the tax cut was enacted at a time when unemployment was low and output was near its potential level." ("What Were The Economic Effects Of The Tax Cuts And Jobs Act," Tax Policy Center, January 2024)

Arguments To Keep TCJA Provisions

If The TCJA Isn't Renewed, Individual Filers Would See A Rise In Their Income Tax Rates, Have. A Lower Standard Deduction, And Lose The Child Tax Credit. "If Congress doesn't renew or amend TCJA tax provisions, then individual filers will see a rise in their income tax rates, a lower standard deduction, changes to itemized deductions, and a rollback of the child tax credit. These changes could reshape the financial outlook for many Americans." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

- **With A Lower Standard Deduction, Itemized Deductions Will Be More Relevant, Thus Creating A More Complex Tax Filing Process.** "In general, itemized deductions will be more relevant with lower standard deductions. If the standard deduction goes back to a lower level, those making at least $400,000 would see diminishing value of the MID and charity deductions." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Extending The TCJA Would Keep Individual Brackets Lower And Maintain A Higher Standard Deduction. "For individuals, extending the TCJA will keep seven ordinary tax brackets with TCJA thresholds and rates. The top rate will be kept at 37 percent (versus 39.6% pre TCJA) and the exemption and exemption phaseout threshold from the Alternative Minimum Tax (AMT) will remain elevated. The standard deduction will remain roughly twice as high as before the TCJA and personal exemptions will remain eliminated." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

<u>Notable Republicans Supportive Of An Extension</u>

On February 20, 2025, Majority Leader John Thune (R-SD) Said That "President [Trump] Has Called For Making The Tax Cuts And Jobs Act Permanent. And I Am Committed To Ensuring That Any Tax Bill We Consider Does Exactly That." ""The president has called for making the Tax Cuts and Jobs Act permanent. And I am committed to ensuring that any tax bill we consider does exactly that'" (Senator John Thune, "Senate Republicans Want To Make President Trump's Tax Cuts Permanent," Press Release, 2/20/25)

Rep. Jason Smith (R-MO), Chairman Of The House Ways And Means Committee, Said That Extending The TCJA "Delivers The Biggest Relief To Working-Class Americans And Small Businesses In A Generation." "'Extending the Trump tax cuts delivers the biggest relief to working-class Americans and small businesses in a generation,' Rep. Jason Smith, R-Mo., chairman of the Ways and Means Committee, said Tuesday." (Greg Iacurci, "Reverse Robin Hood Scam Or Windfall For Middle Class, Lawmakers Debate Trump Tax Plan Extensions," CNBC, 3/3/25)

Arguments To Not Renew The TCJA

Extending The TCJA Would Decrease Revenue By $4 Trillion Between 2025-2034. If Changes Aren't Made To Spending, This Would Increase The Deficit By $4 Trillion. "Most of the cost of extending the TCJA comes from reduced revenues, which decrease by $4.0 trillion ($4,011 billion) over the 2025-2034 period. About $3.4 trillion ($3,388 billion) of revenue loss comes from a reduction in individual tax payments, with $623 billion coming from a reduction in corporate taxes paid. Including economic feedback effects, revenue falls by $3,834 billion over the 2025 – 2034 period, consistent with economic growth paying for about 4.5 percent of the 10-year loss in revenue." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Extending The TCJA Would Maintain The SALT Cap Of $10,000 (Highly Controversial, Especially In High Tax States). "For households who itemize deductions, the cap on the Mortgage Interest Deduction will remain at $750,000 in mortgage debt and up to $10,000 of State and Local taxes can be deducted." ("Will Trump And Congress Extend TCJA Tax Cuts," Bloomberg Government, 2/20/25)

Liberals Have Criticized The TCJA For Disproportionally Benefiting The Highest-Income Households And Corporations. "The 2017 law changes disproportionately benefited the highest-income households. In 2025—the last year before the temporary changes to the personal income and estate tax provisions expire—households in the top 1 percent of the income distribution will receive an average tax cut of $61,090.4 In contrast, those in the middle quintile of the distribution will receive an average reduction of $910, while those in the lowest quintile will receive, on average, just a $70 reduction. … The benefits of the corporate tax reductions were even more skewed toward the wealthy than those of the bill as a whole.5 The top 1 percent of the income distribution received a full third of the corporate tax reduction but 20 percent of the reduction from all of the measure's provisions." (Jean Ross, "The Tax Cuts And Jobs Act Failed To Deliver Promised Benefits," Center For American Progress, 4/30/24)