SEO DETAILS:

Page Title: Preparing for Tax Changes in 2025 | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] discusses the looming impact of the TCJA's sunset provisions and how this potential change could impact your tax planning for the coming year and beyond.

Headline: Preparing for Tax Changes in 2025

BODY COPY:

The Tax Cuts and Jobs Act (TCJA) of 2017 made sweeping changes to the Internal Revenue Code (IRC). It lowered tax rates for individuals, businesses and families. Some provisions of the statute are intended to discourage businesses from moving assets overseas. Many of the changes made by the TCJA will expire at the end of 2025 unless Congress acts to extend them or make them permanent. Whether this will happen largely depends on the outcome of the election in November 2024. For now, taxpayers can begin planning for 2025 and beyond based on the schedule provided by the TCJA.

Individual Tax Provisions

Numerous provisions affecting individual taxpayers will expire on December 31, 2025 under current law.

Individual Tax Rates

The TCJA lowered individual federal income tax rates for all tax brackets beginning on January 1, 2018. At the beginning of 2026, those rates will revert to their pre-2018 levels. The tax rates for unmarried individuals, for example, will change as follows:

Tax bracket (with cost-of-living adjustments for 2024)	Tax rate under the TCJA (2018-2025)	Tax rate beginning on January 1, 2026
1 ($11,600 or less)	10%	10%
2 ($11,601 to $47,150)	12%	15%
3 ($47,151 to $100,525)	22%	25%
4 ($100,526 to $191,950)	24%	28%
5 ($191,951 to $243,725)	32%	33%
6 ($243,726 to $609,350)	35%	35%
7 ($609,351 and up)	37%	39.6%

Deduction for Pass-Through Business Income

The TCJA created a deduction based on qualified business income (QBI) from pass-through business entities, such as sole proprietorships, partnerships or limited liability companies (LLCs). QBI is based on net income from business activities earned within the U.S. with some exceptions. The deduction is equal to 20 percent of QBI.

Taxpayers whose taxable income is below the threshold amount may claim this deduction for most types of businesses that meet the above criteria. The threshold amounts for 2024 are $315,000 for married couples filing jointly and $157,500 for everyone else. Above those amounts, only certain types of businesses may qualify.

Under § 199A(i) of the IRC, the QBI deduction will expire on December 31, 2025.

Enhanced Child Credit

The TCJA raised the Child Tax Credit to $2,000 starting in 2018. The increase specifically only applies to tax years 2018 through 2025. In 2026, the amount of the credit will return to $1,000.

Standard Deductions

The standard deduction amounts for individuals and families increased on January 1, 2018. The TCJA specified that the higher deduction will expire at the end of 2025:

Taxpayer	Standard deduction under the TCJA (2018-2025)	Standard deduction in 2026
Married, filing jointly	$24,000	$13,000
Head of household	$18,000	$9,550
Unmarried or married, filing separately	$12,000	$6,500

Corporate Tax Provisions

The TCJA made some permanent changes to corporate tax law, while others are scheduled to expire or change in 2026.

Corporate Tax Rate

The corporate tax rate has been 21 percent since 2018. The TCJA did not include any provision limiting the duration of this change. Congress may decide to change the rate again, but it would need a new tax law to do so.

Global Intangible Low-Taxed Income

A provision added to the IRC by the TCJA addresses global intangible low-taxed income (GILTI). This is income earned by U.S.-controlled foreign corporations (CFCs) from intellectual property, such as trademarks or patents, and other types of intangible assets.

Shareholders of CFCs must include GILTI in their taxable income, but it is taxed at a lower rate than other corporate income. The TCJA established a 50 percent deduction for GILTI, giving it a tax rate of 10.5 percent. The deduction will decrease to 37.5 percent in 2026, raising the tax rate to 13.125 percent.

Foreign-Derived Intangible Income

The definition of foreign-derived intangible income (FDII) is very similar to that of GILTI. It also deals with income derived from intangible assets, including intellectual property, in other countries.

The TCJA allows a 37.5 percent deduction from the 21 percent corporate tax rate for FDII, which leads to a 13.125 percent tax rate. In 2026, the deduction will decrease, raising the tax rate to 16.4 percent.

Base Erosion and Anti-Abuse Tax

The TCJA created a Base Erosion and Anti-Abuse Tax (BEAT) to prevent corporations operating within the U.S. from trying to avoid tax liability by moving profits overseas. The BEAT is a form of minimum tax that applies to corporations that meet the following criteria:

- They have at least $500 million in gross receipts.
- At least 2-3 percent of their deductions are "base erosion" payments made to related foreign corporations.

The BEAT is equal to 10 percent of a covered corporation's "modified taxable income." In 2026, this rate will increase to 12.5 percent.

<u>CLOSE:</u>

If you have any questions or would like additional information, please contact [NAME] in our [DEPARTMENT] at [NUMBER] or [EMAIL].

<u>SUGGESTED IMAGERY:</u>

https://stock.adobe.com/images/closeup-of-the-documents-of-the-tax-cuts-and-jobs-act-tcja-of-2017-the-biden-administration-eyes-the-first-major-tax-hike-since-1993-in-the-next-economic-plan/421116395?prev_url=detail