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Lehigh Valley Economic Outlook Tax Insights for 2025

January 28, 2025



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Agenda

Post-election landscape – Trump's tax proposals

Estate planning exclusion updates for 2025

TCJA Sunset considerations

Post-year-end tax planning



Trump's Tax Proposals

Corporate tax rates	Lower the corporate tax rate from 21% to 15% for companies that produce in the United States
Marginal tax rates	Make the lower TCJA top marginal tax rate of 37% permanent
Lifetime estate, gift, and GST exclusions	Make the TCJA exemptions (\$13.6 million for 2024) permanent
Tariffs	Impose 10 – 20% baseline tariff on imports; 60% tariff on imports from China

Business tax credits	Repeal the Inflation Reduction Act
Child tax credit	\$5,000 credit
Overtime wages	Exclude overtime wages from income tax
Tip income	Exclude tips from income tax
Social security income	Exclude social security income from tax



Single-Party Control Scenario

GOP- controlled House could lead to quick tax legislation	Support for TCJA tax breaks	Corporate income tax rate	Inflation reduction act	Tax legislation timeline
Concerns about tariff proposals' impact on inflation may slow progress	Extended dialogue on reduced tax revenue impact	Some leaders support increasing the rate Others oppose the increase	Disagreement within the Republican Party on repealing parts	Legislation may not pass until late 2025 due to complexity



2025 Inflation Index



Lifetime Exclusion
\$13,990,000

Annual Exclusion
\$19,000



TCJA Sunsetting – Key Provisions

Effective in 2026*:

- Individual tax rate reverts from 37% to 39.6%
- 20% 199A Qualified Business Income Deduction (QBID) eliminated
- Standard deduction cut in half
- Cash contribution limit drops from 60% to 50%
- Pease limitation reinstated for itemized deductions
- Lifetime estate/gift exemption cut in half (\$13.99M in 2025 to \$7M)
- \$10k state and local tax deduction cap eliminated
- Mortgage cap reverts to \$1M/\$100k from \$750k

**List is not all-inclusive*



Planning That Can Be Done After Year-End

- Accounting method changes
- LIFO elections
- Depreciation planning
 - Section 179
 - Take/elect out of bonus



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