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Sunset of the TCJA Tax Provisions

Many southwest Floridians have stood watch over a beach sunset hoping to witness the green flash – a well-known yet elusive visual phenomenon that occurs as the sun descends over the Gulf's waters. It is a fleeting event that only appears when conditions are favorable in the atmosphere. Just as a dazzling green flash sunset quickly disappears into the night, there is another fast approaching "sunset" on the horizon. As the calendar inches closer to December 31, 2025, a sense of urgency permeates the financial planning world. The Tax Cuts and Jobs Act (TCJA) of 2017, which brought sweeping changes to tax regulations, is set to expire, or sunset, at the end of 2025. In the twilight of TCJA provisions, understanding the implications of the impending changes is crucial for strategic financial planning and navigating future tax obligations. Although Congress may act to extend some or all the provisions, it is essential to know which provisions are currently set to expire at the end of 2025 barring legislative action.

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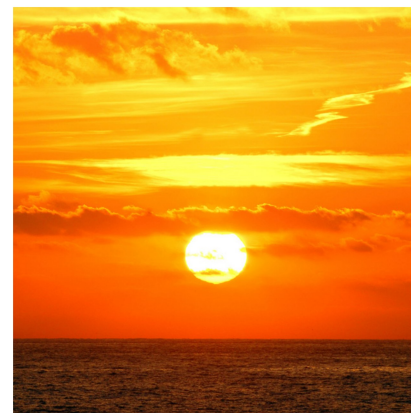
Individual Tax Provisions to Sunset After 2025

Individual tax rates: The TCJA lowered income tax rates to 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Beginning Jan. 1, 2026, the brackets revert to 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. While the exact inflation adjusted dollar amounts associated with each bracket are unknown, it is likely that many will see an increase in their marginal tax bracket.

Standard deduction: The TCJA almost doubled the standard deduction for all filing statuses. Consequently, many taxpayers have been unable to benefit from itemized deductions. Commencing in 2026, the standard deduction is halved from current levels, adjusted for inflation.

Itemized deductions: Several key itemizations were temporarily modified or suspended by the TCJA.

- The state and local tax (SALT) deduction was capped at \$10,000. For taxpayers in high-tax states, this change had a substantial impact. After 2025, individual taxpayers may benefit from deductions for real estate taxes and state or local income taxes.
- The TCJA likewise limited the home mortgage interest deduction. After 2025, the mortgage interest deduction will return to pre-TCJA levels, permitting interest to be deducted on the first \$1 million in home mortgage debt and \$100,000 in a home equity loan.
- The TCJA eliminated most miscellaneous itemized deductions such as: investment advisory fees, legal fees, and unreimbursed employee expenses. These deductions will once again be permissible should they exceed 2% of the taxpayer's adjusted gross income.



Estate and Gift Taxation

One of the most impactful changes authored by the TCJA was the increase in the estate and gift tax lifetime exemption amount from \$5,490,000 to \$11,180,000 per individual. The exemption amount indexed for inflation in subsequent years is currently set at \$13,610,000 per individual. At the end of 2025, this tax provision will sunset, reducing the exemption to pre-TCJA levels, again adjusted for inflation. Importantly, the reversion may result in taxable estates for many couples previously covered by the current exemption amount, exposing their assets to the 40% estate tax (not including state level estate taxes).

Final Thoughts

We have covered the most pertinent tax provisions of the TCJA sunset for individual taxpayers, but a myriad of other provisions may change after 2025 including the child-tax credit, personal exemptions, and Alternative Minimum Tax (AMT). Depending on individual circumstances, it is advisable to consult with tax advisers and estate attorneys now to plan around the TCJA's expiring tax provisions, especially the currently increased estate tax exemption. The team at Naples Global Advisors likewise has the experience and knowledge to provide counsel in these areas. Reach out to us at info@naplesglobaladvisors.com or by phone at 239-776-7900 if we can be of help.



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