



Will Tax Cuts be Extended?

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Like you, we at Vero Beach Global Advisors are thankful the elections are over, and we can move forward with results-oriented planning. With the Republican party now in control of both the White House and Congress, there is quite a bit of uncertainty as to what lies ahead for the financial planning world. The Tax Cuts and Jobs Act of 2017 (TCJA) is set to expire at the end of this year. President Trump has indicated that extending the current provisions – or even cutting taxes further – is a top priority for his administration. While there will be much posturing from both parties over the next several months, it's important to know where things currently stand and what potentially lies ahead.

For 2025, the tax brackets are as follows:

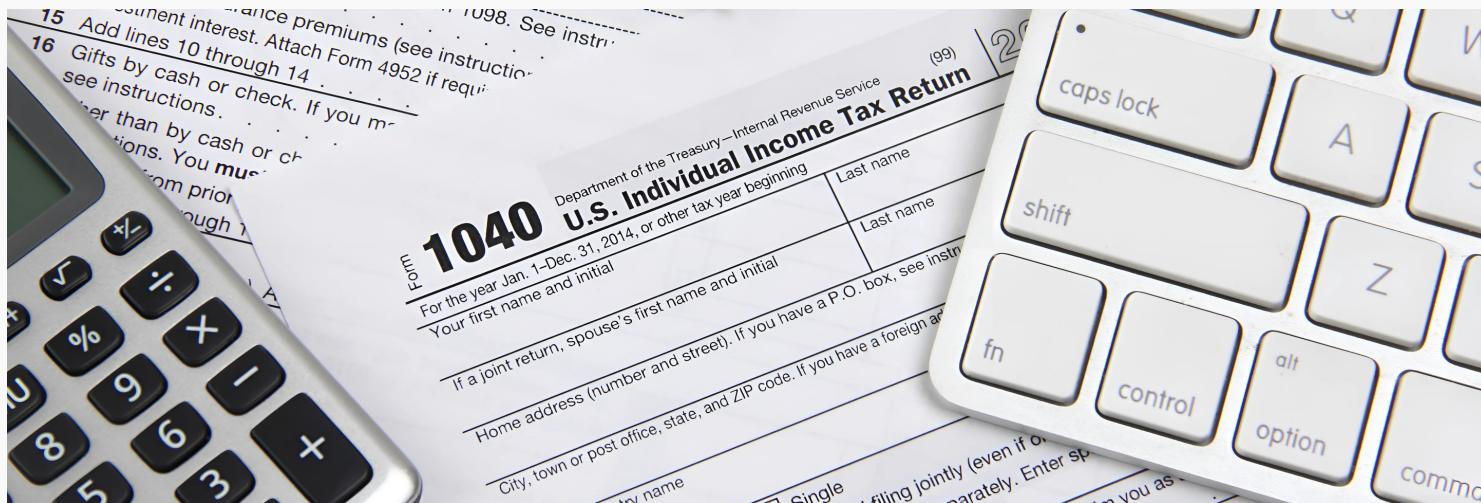
Tax rate	Single filers	Married couples filing jointly	Married couples filing separately	Head of household
10%	\$11,925 or less	\$23,850 or less	\$11,925 or less	\$17,000 or less
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$11,926 to \$48,475	\$17,001 to \$64,850
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$48,476 to \$103,350	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,525	\$197,301 to \$250,500
35%	\$250,526 to \$626,350	\$501,050 to \$751,600	\$250,526 to \$375,800	\$250,501 to \$626,350
37%	\$626,351 or more	\$751,601 or more	\$375,801 or more	\$626,351 or more

Source: Internal Revenue Service

The TCJA lowered income tax rates to 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Trump has proposed to extend or make permanent these lower rates and potentially reduce them further by increasing tariffs. However, if no agreement can be reached, the brackets revert to pre-TCJA rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6% on January 1, 2026.

Standard Deductions

The TCJA almost doubled the standard deduction for all filing statuses. For 2025, the standard deduction for married couples filing jointly is \$30,000 (up \$800 from 2024); for single filers and married individuals filing separately it's \$15,000 (up \$400 from 2024); and for heads of households it's \$22,500 (up \$600 from 2024). If TCJA is not extended, the standard deduction would be halved from current levels (adjusted for inflation) beginning in 2026.



Estate and Gift Taxes

For 2025, the federal estate tax exclusion is \$13.99 million per individual, or \$27.98 million for a married couple. At the end of 2025, this tax provision is set to sunset, reducing the exemption to pre-TCJA levels, again adjusted for inflation, or approximately \$7 million per individual, or \$14 million per couple.

The federal gift tax exemption is the total amount of gifts an individual can give to others during their lifetime without incurring a gift tax. It is unified with the federal estate tax exemption, so an individual can use part of their lifetime gift tax exemption to make taxable gifts during their lifetime and the remaining portion to shelter their estate from federal estate tax after they pass away. If the TCJA expires at the end of this year, the total amount of lifetime gifts and assets passed to heirs at death would revert to the amounts referenced above. This change could 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).

There is also the annual gift tax exclusion which is a set dollar amount that an individual may gift to another individual each year without needing to report it to the IRS and without reducing their federal gift tax exemption. The annual gift tax exclusion is typically adjusted to account for inflation each year and is \$19,000 (or \$38,000 for married couples that choose to gift split) in 2025, up from \$18,000 (or \$36,000 for married couples that chose to gift split) in 2024. The annual gift tax exclusion was not part of the TCJA, so there is no reversion to pre-TCJA levels.

Itemized Deductions

State and local taxes: The TCJA capped the state and local tax (SALT) deduction at \$10,000. The SALT deduction cap is set to expire at the end of this year. Home mortgage interest deduction: The TCJA limited the mortgage interest deduction to \$750,000 of home mortgage debt and eliminated the ability to deduct home equity loan interest. Starting in 2026, the deductions would return to pre-TCJA levels, permitting interest to be deducted on the first \$1 million in home mortgage debt and \$100,000 on a home equity loan.

Miscellaneous itemized deductions: The TCJA eliminated deductions for investment advisory fees, legal fees, and unreimbursed employee expenses. Beginning in 2026, these deductions would once again be permissible should they exceed 2% of the taxpayer's adjusted gross income.

Note: If you plan to itemize, consider “bunching” deductions in a single tax year. For charitably inclined clients, making several years of charitable contributions in one year may allow the total of itemized deductions to exceed the standard deduction.

Final Thoughts

The expiration of the Tax Cuts and Jobs Act is just one of many proposed changes on the horizon. There is talk of eliminating taxes on tips, overtime, and Social Security benefits; reducing the corporate tax rate from its current 21% to 20% (15% for companies that manufacture in the U.S.); and imposing far-reaching tariffs. How these changes can ultimately affect the economy, and the market, remains to be seen. Since all tax situations are unique to each individual client, we encourage you to work with a tax advisor or estate planning specialist who can help you understand how these changes may affect your personal circumstances.



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