

Webinar Summary: Navigating Expiring Tax Provisions & the Current Market Landscape

This presentation by Lumsden McCormick, *Navigating Expiring Tax Provisions & the Current Market Landscape*, covers the Tax Cuts and Jobs Act (TCJA), expiring provisions, individual and business tax changes, and the current market landscape. The presentation was delivered by Amanda Ornowski, CPA and Austin Robare, CFPA on February 12, 2025 (slide 1).

The TCJA was created to boost investment, job creation, and wages while spurring overall economic growth. It lowered corporate tax rates, provided individual tax cuts, and attempted to simplify certain aspects of the tax system. Many provisions are set to expire or phase out on December 31, 2025, leading to higher tax rates, fewer credits, and decreased deductions for taxpayers (slide 2).

Key Topics:

- Expiration of TCJA Provisions: Understand how changes in marginal tax rates, exemptions, deductions and limitations will affect you
- Higher Tax Rates: Learn about the reversion to pre-TCJA tax rates and its implications
- Itemized Deductions: Explore changes to numerous itemized deductions, as well as the return of itemized deduction limitations
- State and Local Tax Deductions: Dig deeper into the complexities of the SALT cap and Pass-Through Entity Taxes
- Alternative Minimum Tax (AMT): Discover how more individuals, especially those earning between \$200,000 and \$600,000, will be affected
- Retirement Plan Provisions and Tax Credits: The influence of elevated tax rates and the rise in taxes of retirement plan income will necessitate careful budgeting and planning
- Financial Market Update: Be informed with a snapshot of market trends and the current economic landscape

Summary of TCJA Webinar

February 12, 2025

Navigating Expiring Tax Provisions & the Current Market Landscape

Individual Changes:

- **Personal Exemption:** Personal exemptions were temporarily reduced to \$0 and will revert back to pre-TCJA levels, adjusted for inflation (slide 3)
- **Standard Deduction:** The standard deduction will revert to pre-TCJA levels, adjusted for inflation (slide 3)
- **Child Tax Credit:** The credit amount and phaseout thresholds will decrease (slide 4)
- **Mortgage Interest Deduction:** The \$750,000 limitation increases to \$1 million, regardless of when the debt was incurred (slide 5)
- **Itemized Deductions:** Taxpayers who itemize will be able to deduct miscellaneous expenses to the extent they exceed 2% of AGI (slide 6)
- **SALT Deduction:** The \$10,000 cap on itemized SALT deductions will be lifted (slide 7)
- **Charitable Contribution Limitations:** The threshold for deductible charitable contributions will drop from 60% to 50% of AGI (slide 8)
- **AMT Exemption & Phaseouts:** Expiration of TCJA will result in lower phaseout amounts, resulting in more taxpayers subjected to AMT tax (slide 9)
- **Estate & Gift Tax Exemption:** The exemption will drop from \$13,610,000 to \$6,800,000 per decedent (slide 10)
- **Pass Through Income Deduction:** The 20% deduction of qualified business income will be Eliminated (slide 11)

Business Changes:

- **Corporate Tax Rate:** The flat 21% rate for corporations will remain (slide 12)
- **Bonus Depreciation:** The phase-out of bonus depreciation will continue, with it sunseting after 2026 (slide 13)
- **Interest Deductibility Limitation (163J):** The limitation on business interest expense deductions will remain, subject to possible legislative action (slide 14)
- **Foreign Changes:** Various changes to BEAT, GILTI and FDII calculations may impact taxpayers with foreign activity (slide 15)

Summary of TCJA Webinar

February 12, 2025

Navigating Expiring Tax Provisions & the Current Market Landscape

Current Market Landscape

The presentation highlights the impact of tariffs, inflation, and the SECURE Act 2.0 on the market. It includes charts showing the S&P 500 Index growth, the cost of market timing, and sector performance. It also emphasizes the importance of staying invested and working with advisors for long-term success (slides 16-22).

SECURE Act and Retirement Planning

The SECURE Act and SECURE Act 2.0 introduce changes to RMD age limits, auto-enrollment rules, employer contributions, and catch-up contributions. The presentation advises maximizing Roth conversions and reviewing tax-efficient investments before 2026 (slides 23- 27).

Conclusion

To mitigate the impact of expiring tax provisions, taxpayers should consider proactive planning strategies. This includes maximizing contributions to tax-advantaged retirement accounts, reviewing investment portfolios for tax efficiency, and consulting with tax professionals to develop a comprehensive plan tailored to individual circumstances (slides 28-29).

Lumsden McCormick will continue to follow federal tax updates related to the potential expiration of the TCJA provisions, along with any other proposed mandates.