

2025 Income Tax Update & What's on the Horizon for a New Tax Bill

February 11, 2025



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Today's Speaker



A TOP ACCOUNTING FIRM,
MOUNTAIN REGION

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Today
2017 - 2024



Buddy Newton, CPA, CVA
Tax Partner



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Agenda

Quick Economic Update

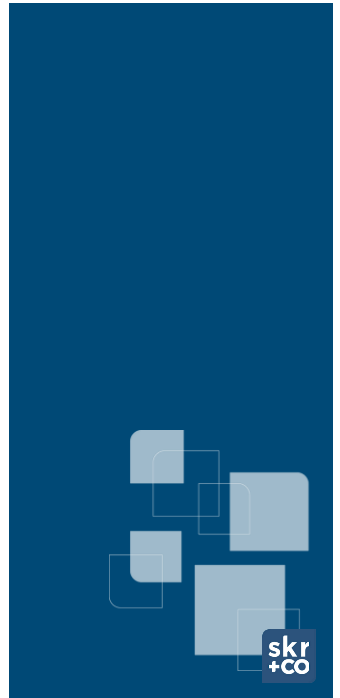
IRS Inflationary Adjustments

Tax Cuts & Jobs Act Update

Potential New Tax Legislation Ahead

Colorado Income Tax Updates

Beneficial Owner Information Reporting



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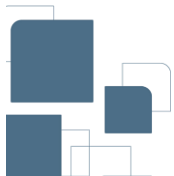
Who Is Going To Pay?

The National Debt is \$36.2 trillion and rising

That equals \$106,150 for every single person in the United States.

Factors Contributing:

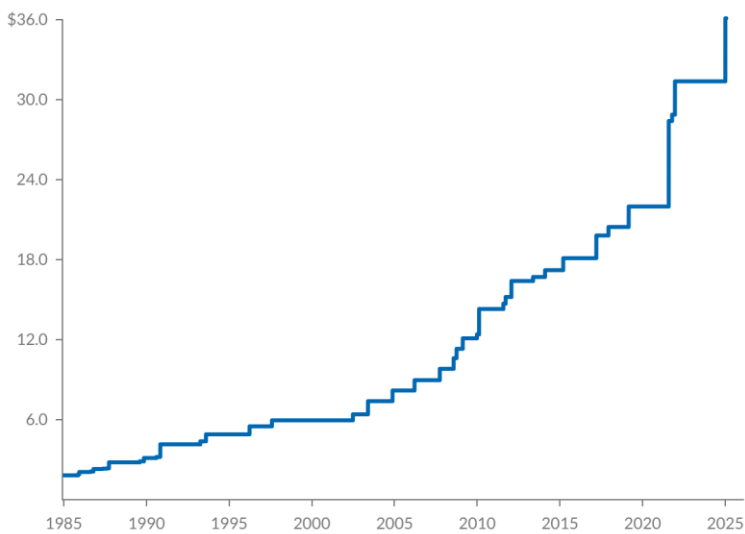
1. Demographics of aging population
2. Rising healthcare costs
3. Tax system that does not raise enough revenue



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The limit on our national debt has grown

Debt Limit (Trillions of \$)



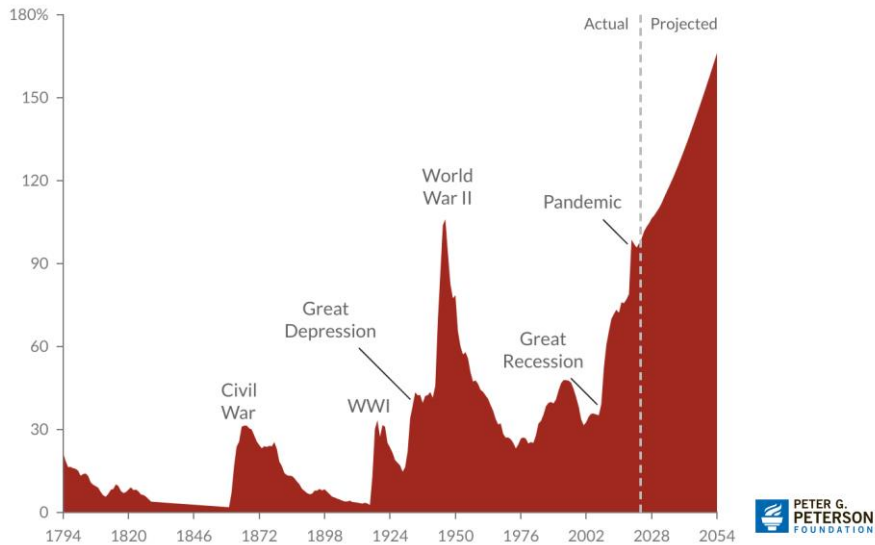
Over the past 40 years, the debt limit has grown from just under \$2 trillion to more than \$36 trillion.



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Federal debt is on an unsustainable path

Debt Held by the Public (% of GDP)



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What is the daily interest on the national debt?

Every day, we spend over \$2.6 billion on interest!



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IRS Inflation Adjustments



Standard Deduction

Married		Single		Head of House (HOH)	
2024	2025	2024	2025	2024	2025
\$29,200	\$30,000	\$14,600	\$15,000	\$21,900	\$22,500



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IRS Inflation Adjustments

2024 Tax Brackets

	Single	Married
10%	\$11,600	\$23,200
12%	\$47,150	\$94,300
22%	\$100,525	\$201,050
24%	\$191,950	\$383,900
32%	\$243,725	\$487,450
35%	\$609,350	\$731,200
37%	>\$609,350	\$731,200



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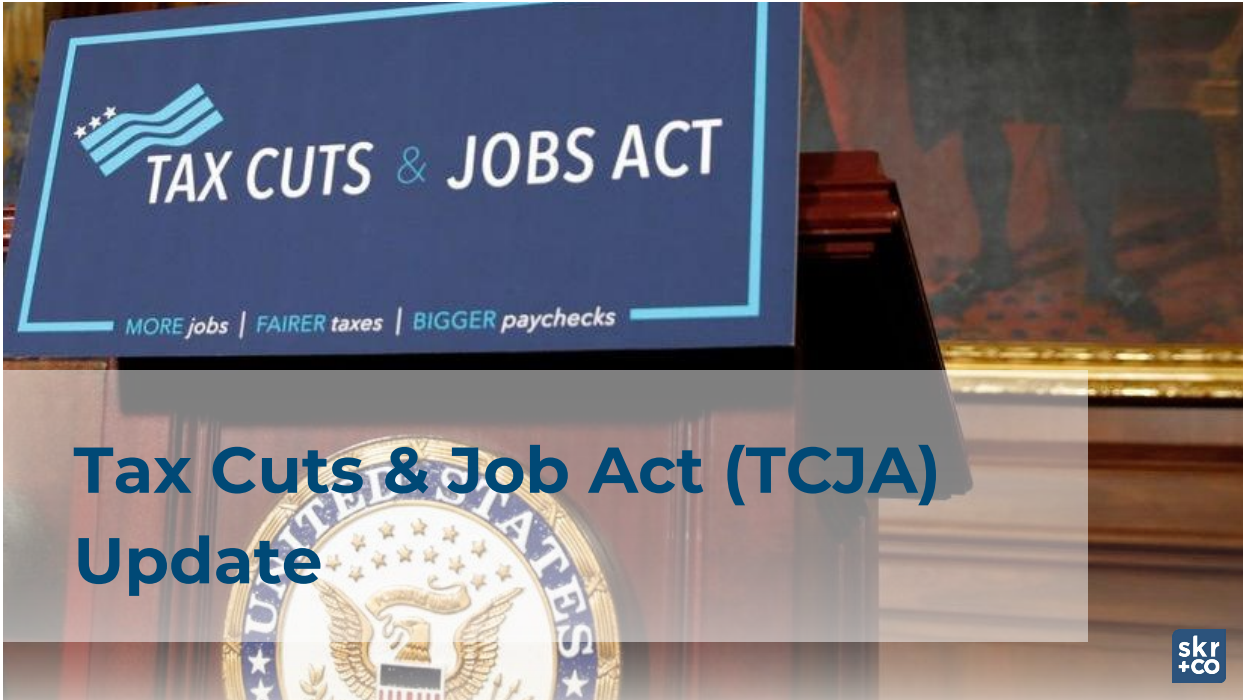
IRS Inflation Adjustments

2025 Tax Brackets

	Single	Married
10%	\$11,925	\$23,850
12%	\$48,475	\$96,950
22%	\$103,350	\$206,700
24%	\$197,300	\$394,600
32%	\$250,525	\$501,050
35%	\$626,350	\$751,600
37%	>\$626,350	>\$751,600



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119th Congress & the White House

As of January 20, 2025



HOUSE
GOP



SENATE
GOP



WHITE HOUSE
Donald Trump



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Major Laws Passed Since 2017

JOBS Act of 2017

Most provisions expire after 2025; some provisions (such as international) have rate changes after 2025

CARES Act of 2020

Employee retention credit (ERC) and other provisions to assist during the pandemic

Inflation Reduction Act of 2022 | & Clean Energy Provisions

\$80 billion funding to the IRS

IRS indicated it would use the funding to:

Improve services, quickly resolve taxpayer issues, strengthen enforcement, upgrade technology, and build a skilled workforce.



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Tax Relief for American Families & Workers Act of 2024

The Senate never passed the Tax Relief for American Families & Workers Act (Passed House Jan. 31st, 2024)

- Bill would have restored R&D expensing, EBITDA-based interest deduction, and 100% bonus depreciation through 2025
- Enhance child credit, Taiwan double-tax relief, disaster relief, 179 expensing, and increase the 1099 reporting threshold
- \$79 billion over 10 years, to be paid retroactively ending ERC to Jan. 31st, 2024

In addition to this bill not passing, the IRS lost \$20.2 billion of funds originally allocated from the Inflation Reduction Act.



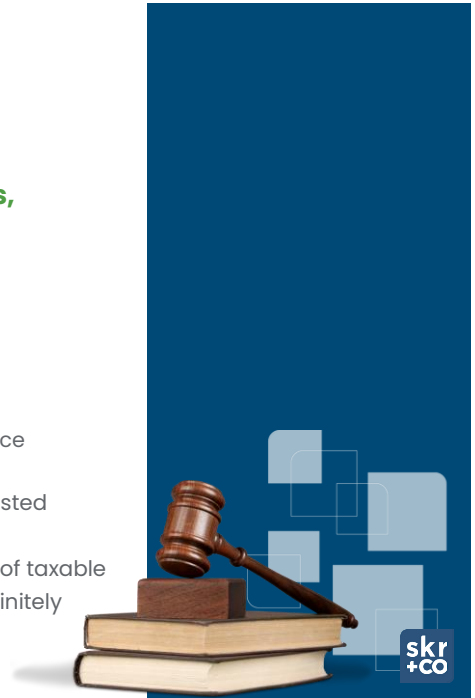
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TCJA Permanent Business Provisions

Whether through a tax package or an extenders bills, most JOBS Act provisions expire after 2025:

Permanent business provision include:

- 21% Corporate rate
- 15% Corporate AMT (enacted in IRA > \$1 billion)
- Increased Sec. 179 expensing (from \$500,00 to \$1 million)
 - Adjusted for inflation with the deduction gradually reduced once purchases exceed \$2.5 million.
- Business interest limitation, deduction is capped at 30% of adjusted taxable income (163(j))
- Net Operation Loss (NOL) deductions can only offset up to 80% of taxable income, but any unused amounts can be carried forward indefinitely
- R&D expenses must be spread out and deducted over 5 years



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TCJA Expiring Provisions

Limit on excess business losses: Losses over \$500K must carry losses forward; this expires after 2028.

Bonus depreciation: Phases out—20% in 2026, then eliminated in 2027.

Qualified Business Income Deduction: Set to expire.

Individual provisions:

- Alimony changes from 2018 are permanent.
- Individual tax rates, including a top rate of 39.6%.
- Alternative Minimum Tax (AMT) exemption.
- PEP and Pease limits (personal exemption and itemized deduction caps).
- Charitable contribution limit. (60% vs 50%)
- State & local tax deduction cap of \$10,000.
- Estate tax exemption: Drops from \$13.99M in 2024 to \$7M in 2026, but the 40% tax rate remains permanent.



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International Rate Changes After 2025 (JOBS Act)

Unless the current laws are extended, the following key changes to several TCJA related international tax provisions will take effect for tax years starting after December 31, 2025.

Global Intangible Low-Taxed Income effective rate will increase from 10.5% to 13.125% with a decrease in sec. 250 deduction

Foreign-Derived Intangible Income rate will increase from 13.125% to ~16%

Base Erosion Anti-Abuse Tax will increase due to the following changes:

- Increase of rate from 10% to 12.5%
- Elimination of benefit for R&E tax credits



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Expiring Estate, Gift, & GST Exemption (JOBS Act)

Estate Tax is 40% on the value of assets that exceed exemption limit

- In 2025, the exemption is \$13.99M per individual; \$27.98M per couple, adjusted for inflation
- More than a 12 states have their own estate or inheritance tax with lower exemption limits

Generation-Skipping Transfer (GST) tax exemption

Allows individuals to protect up to \$13.99 million in gifts/estates from additional taxes. This exemption enables assets to be held in trust for multiple generations without extra taxation.

- Without a GST exemption, a 40% GST tax applies on top of the estate tax when a trust makes distributions to "skip beneficiaries" (grandchildren or later generations) or no longer has such beneficiaries.
- Exemption maybe used during a life, at death or a combination
- Exemption amounts sunset **January 1, 2026** to about \$5m per individual, indexed for inflation
- Transfers made under a higher exemption may be taxed if the individual dies in a lower exemption year.



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Other Tax Legislation Under Consideration

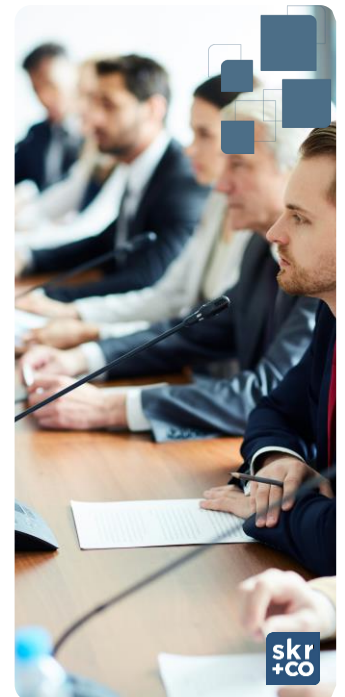
■ Senate Bipartisan Bill

The *Stop Subsidizing Giant Mergers Act* would end tax-free reorganizations over \$500m (2024)

■ IRS Administration Provisions

■ House GOP Listening Sessions

Over 50 sessions reported to address the tax cliff, including input from manufacturing, small businesses, and working families.



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Future Tax Policy Direction

■ **GOP Sweeps Presidency, House & Senate**

Make the JOBS Act provisions, or some, permanent (will be difficult absent the budget reconciliation process without 60 GOP senators)

Could the filibuster be in play?

Trump wants policy changes beyond JOBS Act. He would e.g. lower the corporate rate to 15%. How would provisions be paid for?



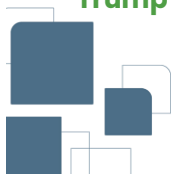
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Trump's Tax Policy Proposal

Would Make permanent most of the provisions under the JOBS Act, as many are set to expire after 2025:

- Business-related provisions
- International provisions
- Estate, gift, and GST tax

Trump would also expand some of the provisions in the JOBS Act.



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Trump's Tax Policy Proposal - Tariffs

Donald Trump has proposed replacing the individual income tax with tariffs:

- Universal baseline tariff on all U.S. imports of 10% possibly increasing to 20%
- 60% tariff on all U.S. imports from China
- 200% tariff on products from companies that relocate production outside the U.S.

Economists have estimated an increase in the cost of household goods between \$1,700 - \$4,000 annually

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Overview of Potential Changes - Business Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Corporate income tax rate	21% (permanent)	Decrease rate to 20%; 15% for companies that manufacture in the U.S.
Carried Interest (considered by some as compensation)	Treated as LT capital gain (top rate 20%) if held over 3 years, otherwise ordinary rates (expires after 2025)	Extend the present-law rule
Qualified opportunity zone investments (encourage LT investment in economically distressed areas)	Certain deferred capital gains treatment if gains from sale of other assets are reinvested in QOF with 180 days; reduction of gain if held for 5 or 7 years (10 or additional 5%) (expires after 2025)	Extend the present-law rule

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Overview of Potential Changes - Business Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Like-kind exchanges	The TCJA limits exchanges to real property only, excluding personal property from LKE treatment (expires after 2025)	Extend the TCJA real estate limitation
Qualified business income deduction	20% deduction for certain qualified business income (expires after 2025)	Extend the deduction
Limitation on excess business losses for non-corporate tax payers as added by the TCJA and extended through 2026 by the American Rescue Plan Act of 2021 and extended through 2028 by the Inflation Reduction Act	Non-corporate taxpayers cannot deduct excess business losses above \$626,000 or \$313,000 for 2025 with excess as NOL carry forward (\$250K and \$500K indexed)	Repeal the limitation (as was done in the CARES Act)

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Overview of Potential Changes - Business Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Bonus depreciation (as added by the TCJA)	Businesses may immediately deduct a certain percentage of the cost of eligible assets in year placed in service (after Sept. 27, 2017). Phases down: <ul style="list-style-type: none"> • 80% 2023 • 60% in 2024 • 40% in 2025 • 20% in 2026, then 0% 	Reinstate and make permanent (or extend) 100% bonus depreciation.
Energy-related provisions - fossil fuels <ul style="list-style-type: none"> • Percentage of depletion • Expensing of Intangible Drilling Costs (IDCs) 	<ul style="list-style-type: none"> • Allows certain fossil fuel producers to deduct a percentage of gross income from resource extraction • Allows oil and gas companies to immediately deduct costs associated with drilling and preparing wells 	Retain fossil fuel tax preferences

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Overview of Potential Changes - Business Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Green energy tax provisions: <ul style="list-style-type: none"> • Clean vehicle credit • Clean electricity production credit • Clean fuel production credit • Energy investment credit These were added by the Inflation Reduction Act of 2022	<ul style="list-style-type: none"> • Credit for purchasing electric vehicles • credit for electricity produced from clean sources • Credit for the production of clean fuels • Investment Tax Credit (ITC) for renewable energy production 	Repeal generally the energy credits and other IRA incentives
University endowment tax	Certain private colleges and universities subject to 1.4% excise tax on their net investment income	Increase rate on universities with substantial endowments. JD Vance proposed raising the excise tax to 35% on large university endowments



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Overview of Potential Changes - Individual Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Individual income tax rates	Individual tax rates include: Current vs. Pre-TCJA <ul style="list-style-type: none"> • 10% vs. 10% • 12% vs. 15% • 22% vs. 25% • 24% vs. 28% • 32% vs. 33% • 35% vs. 35% • 37% vs. 39.6% Expire after 2025 and revert to pre-TCJA rates	Extend or make permanent these rates; replace individual income tax with increases in tariffs.



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Overview of Potential Changes - Individual Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Capita gains tax rate	<p>Capital gains rates currently (Expires after 2025):</p> <ul style="list-style-type: none"> • STCG rates are ordinary rates • LTCG rates (plus net inv. income tax) • Zero for tax payers with income up to <ul style="list-style-type: none"> ◦ \$94,050 (MFJ) ◦ \$47,026 (S) ◦ \$63,001 (HOH) • 15% for tax payers with income between <ul style="list-style-type: none"> ◦ \$94,051 to \$583,750 (MFJ) ◦ \$47,026 to \$518,00 (S) ◦ \$63,001 to \$551,350(HOH) • 20% for tax payers with income over <ul style="list-style-type: none"> ◦ \$583,750 (MFJ) ◦ \$518,00 (S) ◦ \$551,350(HOH) • Collectibles - 28% • Qualified small business stock - may exclude up to 100% of gain, otherwise at 28% • Unrecaptured 1250 gain - maximum 25% 	<p>Reduce the top LTCG rate to 15% to encourage investment.</p> <p>The purchase price of assets would be indexed for inflation.</p>

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Overview of Potential Changes - Individual Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Social Security Benefits	<ul style="list-style-type: none"> • 0% taxed if combined income (AGI+ nontaxable interest + half SS benefits) is below \$32,000 (MFJ) or \$25,000 (S) • Up to 50% taxed if combined income is between \$32,000 - \$44,000 (MFJ) or \$25,000-\$34,000(S) • Up to 85% taxed if combined income is over \$44,000 (MFJ) or \$34,000(S) 	Exempt all SS benefits from income tax
Tip income	Tip income is taxed and reported to employers monthly.	Exempt tip income from federal tax in an effort increase workers' take-home pay

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Overview of Potential Changes - Individual Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Overtime Pay	Subject to income and employment taxes	Exempt overtime pay from income and employment taxes
Standard deduction	For 2024, \$29,200 (MJF), \$14,600 (S/ME), \$21,900 (HOH), if 54 or older/blind, increase by \$1,550 (MFJ) or \$1,950 (S/HOH); increased amounts expire after 2025	Extend the increased amounts/make permanent
Personal exemptions	Zero for 2018 - 2025	Extend elimination of the personal exemption amounts/ make permanent
Alternative minimum tax (AMT) exemptions and phase-outs	For 2024, \$133,300 (MJF), \$85,700 (S/HOH), \$66,650 (MFS), phase-out of AMT: by \$1,156,300 (MFJ), \$578,150 (S/HOH), \$578,150 (MFS) increased amounts expire after 2025	Extend increased amounts/make permanent



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Overview of Potential Changes - Individual Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Itemized deductions	<ul style="list-style-type: none"> • Medical/dental if it exceeds 7.5 percent AGI • SALT capped at \$10,000 (\$5,000 MFS) • Mortgage interest for home acquisition debt up to \$750,000 (\$375,000 MFS) • Charitable contributions generally up to 60% AGI • Casualty and theft only if attributable to federally declared disaster • Misc. itemized suspended from 2018 to 2025 	Extend itemized deduction limitations/make permanent
SALT deduction (so-called SALT cap)	Limit to \$10,000 (\$5,000 MFS) of state and local income, property, and sales tax	Eliminate SALT cap



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Overview of Potential Changes - Individual Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Mortgage interest deduction	Homeowners may deduct interest paid on home loans on first \$750,000 of debt (\$375,000 MFS) (was \$1m and \$500,000 for mortgages originated before Dec. 15, 2027)	Extend make permanent the TCJA limits
Child tax credit	Up to \$2,000 per qualifying child under 17 at year end; up to \$1,700 refundable; phased out \$50 for each \$1,000 of modified AGI above \$400,000 (MFJ) or \$200,000 (S)	JD Vance suggested increasing to \$5,000 per child regardless of income level
Auto loan interest deduction	No provision	Would allow taxpayers to deduct interest on auto loans (unclear whether it would be an itemized deduction or adjustment to arrive at AGI)



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Overview of Potential Changes - Individual Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Credit for caregivers	No provisions	Would provide a tax credit for caregivers
Increase in taxes for taxpayers without children	No provisions	JD Vance favors different, lower tax rates for those with children than those without children.
Eliminate double taxation of Americans abroad	No provision	Would end the practice of taxing U.S. citizens on income earned while living abroad



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Overview of Potential Changes - Estate, Gift, and GST Tax

PROVISION	PRESENT LAW	TRUMP'S POLICY PROPOSAL
Estate, gift, and Generation-skipping transfer (GST) Tax	<ul style="list-style-type: none"> Lifetime exemption amount \$13.6 million, rate 40% Exemption amount reverts to approximately \$7million in 2026 40% rate is permanent unless changed with legislation 	Extend TCJA exemption amount increase and maintain 40% rate
Cryptocurrency exempt from capital gains	No provisions	Exempt from capital gains tax cryptocurrency



Colorado Updates

Itemized Deductions

Tax payers with greater than \$300,000 of income will need to addback itemized deductions

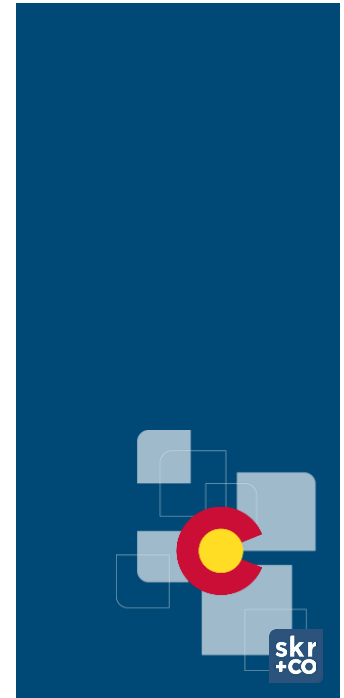
- Single filers capped at \$12,000
- Married filers capped at \$16,000

Effectively removes charitable deduction benefit for the state

Qualified Business Income Addback

Anybody receiving a PTET credit

Taxpayers earning greater than \$500,000/\$1,000,000 of income for single/married



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Colorado Updates

Limitations on 529 Subtraction

\$22,700/\$34,000 for single/married filers (per beneficiary)

Subtractions relating to retirement income If Under 65 years old

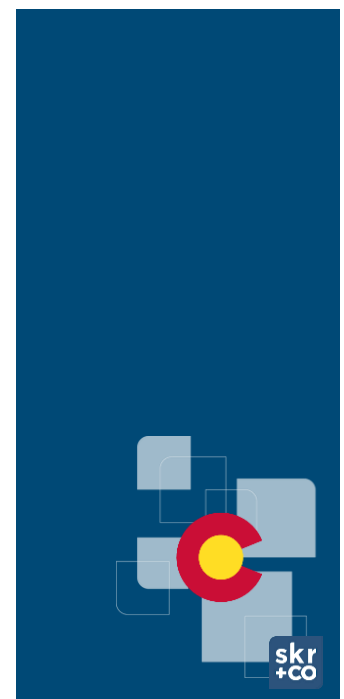
Subtraction is capped at \$20,000

If older than 64 years old

Subtraction is capped at \$24,000 OR total taxable social security

Business meals deduction

Must add back 50% of deductible Federal amount (i.e. no deduction allowed for Colorado)



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Beneficial Owners Info - FinCEN Requirement

Originally Effective Jan. 1, 2024 and first reports due by Jan. 1, 2025

Reported to the Financial Crimes Enforcement Network (FinCEN)

Applies to most small businesses but exceptions do apply.

- Estimated that 32.6 million businesses subject to BOI reporting
- Through November of 2024, approx. 6.5 million reports submitted

Penalties for non-compliance

- Civil Penalties | \$500 for each day of non-compliance
- Criminals Penalties | Up to \$1,000 of fines and 2 years imprisonment

As of Feb. 5, 2025

A Texas court issued a nationwide injunction that blocked the enforcement of CTA's BOI reporting requirements.

The U.S. Supreme Court may need to make the final determination

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