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Harris And Trump Both Pledge Tax Changes, And 2025 Is A Perfect Storm



There are factors at play that practically guarantee tax changes next year, a kind of perfect storm. For one thing, the Trump tax cuts passed in 2017 are scheduled to expire at the end of 2025. That means many tax changes, even if Congress does not take action. Top tax rates will climb, the estate tax exemption will drop precipitously, and there are many other tax changes coming. Of course, the election means much more is at play.

Former President Trump has proposed making his 2017 tax cuts permanent, and cutting taxes even more for corporations and individuals. In fact, [in a recent flip-flop](#), Trump recently vowed to restore the state and local tax deduction that his 2017 tax law limited to \$10,000. The deduction matters a lot to millions of middle- and upper-class Americans in high tax states, and not just New York and California.

Higher taxes for higher income Americans are on the agenda if Vice President Harris wins in November. Higher taxes for corporations are expected too. But she wants tax benefits aimed at lower and modest income taxpayers, and has floated modest tax benefits to [small business](#). Of course, whoever is elected, the House and Senate are needed to pass tax laws, no president can do it alone. Vice President Kamala Harris adopted many tax plans from President Joe Biden's last budget proposals, but she added some of her own. [Harris' August 16 speech](#) in North Carolina addressed taxes, and she has unrolled more plans since, even agreeing with Trump's 'no tax on tips' idea.

The nonpartisan Tax Foundation has analyzed the [2024 presidential tax plans](#), and here are some differences between the candidates' tax proposals.

Corporate Taxes

Harris proposed increasing the corporate income tax rate to 28%. Trump famously cut it in 2017 from 35% to 21%, and now proposes lowering it again from 21% to 20%. He also wants to lower the corporate income tax rate to 15% for companies that produce products in the U.S. How the U.S. production would be measured is not yet clear.

Capital Gains & Net Investment Income Tax

Trump has not released proposals for [capital gains](#). Harris proposed a 28% tax on long-term capital gains for Americans earning at least \$1 million annually. This is a significant hike from the present 20%, but is a *lower* increase than the one proposed by President Biden. Biden suggested taxing long-term capital gains for wealthy Americans at 39.6%, the same level he and Harris propose for ordinary income.

For high income earners, both the current 20% and Harris' 28% rate face the extra 3.8% net [investment income tax](#). But if Harris wins, she would also raise the net investment income tax [from 3.8% to 5%](#). The current tax law adds the net investment income tax for investment earnings over \$200,000 for single filers or \$250,000 for married couples filing jointly. That would make a 33% capital gain rate for top incomes.

No Tax On Tips (Overtime?)

Trump made the tax appeal first, and Harris has backed Trump's proposal to [eliminate tax on tips](#) for service and hospitality workers. It is unclear how this would work but for now, [Trump and Harris both say 'no tax on tips'](#). Trump even added a no tax on overtime idea.

Social Security Benefits

Trump has vowed that Social Security recipients would no longer have to pay [taxes on their benefits](#) if he were elected.

Stock Buybacks, Taxing Unrealized Gains

Harris is proposing stock buybacks, currently taxed at 1%, to be quadrupled to a 4% excise tax. And she has piggybacked on Biden's controversial [plan to tax unrealized capital gains](#), an arguably [scary](#) concept that some say operates as a kind of wealth tax.

Child Tax Credit

Harris declared her intent to restore the \$3,600 [child tax credit](#) introduced at the height of the Covid-19 pandemic. She also wants a new \$6,000 tax credit for infants younger than a year old. Both credits would be offered to middle- and lower-income families, with the hope being that they could help raise potentially millions of children out of poverty. The proposal comes with a hefty price tag, however: \$1.6 trillion over 10 years, according to the nonpartisan Tax Foundation. Trump is considering expanding the child tax credit to a \$5,000 universal credit.

Other Credits, Deductions, and Exemptions

Harris has proposed expanding the earned income tax credit for filers who do not claim children. She also wants to expand premium tax credits and housing tax credits, including the low-income housing tax credit, a credit for new homebuyers, and a credit for the construction of started homes. She has also proposed claw back deductions for depreciation and interest for certain rental

construction investment and increasing the \$5,000 deduction for startup costs to \$50,000.

Trump has proposed making the expiring individual income tax cuts from the 2017 Tax Cuts and Jobs Act permanent, although he more recently is proposed various additional cuts, such as to the \$10,000 state and local tax cap that was a feature of his 2017 law.

Tariffs and Trade

Trump has proposed imposing a universal baseline tariff on all US imports of 10% to 20%. He also proposes a 60% tariff on all US imports from China. He is also considering replacing personal income taxes with increased tariffs. Harris has yet to propose tax policies on tariffs and trade.

2025 Is Coming

Without Congress taking action, the end of 2025 will bring numerous tax changes, here are just a few. Top tax rates would also go from 37% to 39.6%. The \$10,000 cap on deducting state and local taxes would also go away, making all such taxes deductible again. Estate taxes will go up. If the current law expires the exemption in 2026 will be about \$14.3 million for a married couple, compared with \$28.6 million if the provision is extended.

The standard deduction for a married couple will be approximately \$16,525 in 2026 and the personal exemption will be about \$5,275. In contrast, if the current law is extended through 2026, the standard deduction will be approximately \$30,725 and the personal exemption will be zero. In all, 2025 is sure to be an interesting year from a tax perspective.

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