

## **TAX EFFECTS OF LETTING THE TAX CUTS AND JOBS ACT EXPIRE**

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The Tax Cuts & Jobs Act (TCJA) was signed into law by President Trump in December 2017, most of it going into effect on 1/1/18 and is set to expire on 12/31/25, unless extended. On 4/23/24, President Biden announced on X that if re-elected, he's going to let the TCJA expire and let it stay expired. The TCJA gave us the largest tax cut in history, but letting it expire will give us the biggest increase in history. Nearly all Americans will be impacted, especially senior citizens. Here's why:

### **Higher Standard Deduction:**

Under the TCJA, a married couple's standard deduction is around \$29,000 in 2024. For seniors, it's around \$32,000. If this act expires, it'll fall back to around \$13,000, which was the 2017 level and around \$15,000 for senior couples. What this means is that between \$16,000 and \$18,000 more of your income will be taxed due to the lowering of the standard deduction. For single folks, that'd be about half the married rate.

### **Higher Marginal Rates:**

The TCJA reduced marginal tax rates between 5% and 20%, which the majority of Americans are in the 20% less category. For example, if you were in the 15% marginal tax bracket in 2017, your TCJA rate is now 12%, down 20% from 2017. If the TCJA is allowed to expire, all American will experience a tax increase and the majority of Americans will see theirs rise by 25%, going from 12% to 15%.

### **Small Businesses loses QBI deduction:**

The Qualified Business Income deduction, which is ONLY for small businesses, is set to expire with the sunset of the TCJA, too. This deduction was fabulous for small business as it gives businesses, generally, a 20% discount of their reportable income. For example, if you had a small business and showed a profit of \$100,000, the QBI deduction would reduce that by 20% meaning that even though that small business made \$100,000, they'd only pay income tax on \$80,000. If this is allowed to expire, small business will suffer higher taxes and, if they have to raise their prices to cover that additional tax, we'll all pay more for those products, too. So, not good for anyone.