The possible tax landscape for businesses in the future

Get ready: The upcoming presidential and congressional elections may significantly alter the tax landscape for businesses in the United States. The reason has to do with a tax law that's scheduled to expire in about 17 months and how politicians in Washington would like to handle it.

How we got here

The Tax Cuts and Jobs Act (TCJA), which generally took effect in 2018, made extensive changes to small business taxes. Many of its provisions are set to expire on December 31, 2025.

As we get closer to the law sunsetting, you may be concerned about the future federal tax bill of your business. The impact isn't clear because the Democrats and Republicans have different views about how to approach the various provisions in the TCJA.

Corporate and pass-through business rates

The TCJA cut the maximum corporate tax rate from 35% to 21%. It also lowered rates for individual taxpayers involved in noncorporate pass-through entities, including S corporations and partnerships, as well as from sole proprietorships. The highest rate today is 37%, down from 39.6% before the TCJA became effective.

But while the individual rate cuts expire in 2025, the law made the corporate tax cut “permanent.” (In other words, there’s no scheduled expiration date. However, tax legislation could still raise or lower the corporate tax rate.)

In addition to lowering rates, the TCJA affects tax law in many other ways. For small business owners, one of the most significant changes is the potential expiration of the Section 199A qualified business income (QBI) deduction. This is the write-off for up to 20% of QBI from noncorporate entities.

Another of the expiring TCJA business provisions is the gradual phaseout of first-year bonus depreciation. Under the TCJA,100% bonus depreciation was available for qualified new and used property that was placed in service in calendar year 2022. It was reduced to 80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026 and 0% in 2027.

Potential Outcomes

The outcome of the presidential election in three months, as well as the balance of power in Congress, will determine the TCJA’s future. Here are four potential outcomes:

1. All of the TCJA provisions scheduled to expire will actually expire at the end of 2025.
2. All of the TCJA provisions scheduled to expire will be extended past 2025 (or made permanent).
3. Some TCJA provisions will be allowed to expire, while others will be extended (or made permanent).
4. Some or all of the temporary TCJA provisions will expire — and new laws will be enacted that provide different tax breaks and/or different tax rates.

How *your* tax bill will be affected in 2026 will partially depend on which one of these outcomes actually happens and whether your tax bill went down or up when the TCJA became effective years ago. That was based on a number of factors including your business income, your filing status, where you live (the SALT limitation negatively affects taxpayers in certain states), and whether you have children or other dependents.

Your tax situation will also be affected by who wins the presidential election and who controls Congress because Democrats and Republicans have competing visions about how to proceed. Keep in mind that tax proposals can become law only if tax legislation passes both houses of Congress and is signed by the President (or there are enough votes in Congress to override a presidential veto).

Look to the future

As the TCJA provisions get closer to expiring, and the election gets settled, it’s important to know what might change and what tax-wise moves you can make if the law does change. We can answer any questions you have and you can count on us to keep you informed about the latest news.