

10 Significant Ways A Second Trump Administration Could Impact Your Taxes

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If Donald Trump is re-elected as president, and assuming Congress cooperates, there will be significant changes to personal and business income taxes. Trump's main tax policy goal is to make the Tax Cuts and Jobs Act (TCJA) permanent, which was passed during his first term. Some parts of the TCJA have already expired or are being phased out, and the majority of the other provisions will expire by the end of 2025.

Supporters of these tax cuts say they drive economic growth. Opponents are concerned about the impact on government spending and budget deficits. Regardless, below are ten of the most significant ways your taxes could be impacted by a Trump re-election.

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1. Individual tax rates could reduce

If the TCJA becomes permanent, individuals earning more than \$500,000 would be taxed at a top rate of 37%. If the TCJA expires, those making over \$426,700 would be taxed at a top rate of 39.6%.

2. Individual tax “standard” deductions would stay high

The TCJA increased the individual tax deduction – used by people who don’t itemize their deductible expenses on their tax returns – to \$12,400 for individuals and \$24,800 for those filing joint returns. If it expires, these deductions would revert back to their previous levels of \$6,200 and \$12,400, respectively. However, personal exemptions for the taxpayer, their spouse and each of their dependents – which were as much as \$4,050 – could return, and that would offset some of the increased tax cost.

3. Corporate tax rates would go even lower

The TCJA lowered the corporate tax rate from 28% to 21% for those businesses that file C-Corporation tax returns. Trump has said he wants to lower this rate to 20%, which would put the U.S. at one of the lowest corporate tax burdens in the world.

4. The qualified business income (QBI) tax deduction continues

More than 90% of U.S. businesses are considered to be “pass-through” entities. Owners of these firms generally file S-Corporation or partnership tax returns, and the net income from the business flows through to the owner’s tax return and is taxed at individual rates. The TCJA introduced a significant tax deduction – the qualified income tax deduction (QBI) – that allowed many of these businesses to deduct up to 20% of their company’s income before it passed through to their individual returns. Trump wants to make this tax deduction permanent.

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5. Estate tax exemptions would stay at their current levels

With more than half of small business owners being over the age of 50, succession and estate planning have become a significant issue. For those looking to pass assets to their heirs, they'll face a federal estate tax rate of 40%. However, the TCJA increased the exemption for assets that would be subject to this tax to over \$11.2 million for individuals and \$24.4 million for people who are married. While the rate would remain the same if the TCJA expires, those exemption amounts would fall to \$5.6 million and \$11.2 million, respectively. This would be in addition to the estate taxes levied by many states.

6. Research and development expenses are once again deductible in the first year

Back in 2022, the ability to deduct research and development expenses (which includes certain materials, compensation and outside contractor costs used to develop new products or improve existing products) in their first year expired. This, unfortunately, forced those businesses taking advantage of this deduction to capitalize and then amortize those expenses over five years, which spread out the tax benefits of these costs. If made permanent, the TCJA would once again allow business owners to take these deductions in their first year.

7. Big deductions would return for capital equipment purchases

Similar to research and development expenses, businesses enjoyed significant deductions for capital expenditures such as machinery, equipment, computer hardware, autos and other fixtures in the first year those assets were placed into service. Those deductions have begun to phase out but would be restored under Trump's tax plan.

Trump has also announced his intention to pursue two other tax reforms, although details are scant at the moment.

8. No more taxes on tip income

The first is for tip income, which Trump has proposed making non-taxable. This would have far-reaching effects not only on service workers but also on the way small businesses potentially pay their workers, with the incentive to encourage more tipping from customers and less payroll compensation from their pockets.

9. More tariffs

Tariffs are taxes that businesses pay to import goods and ultimately wind up as higher costs for consumers. Under a Trump administration, a baseline tariff of 10% would be imposed on all imports, with a 60% tariff levied on Chinese goods.

Expansion of 529 plans

529 plans have been a popular way for individuals to save after-tax money – and have it grow tax-free – as long as the funds are used for higher education and private and religious school education. Trump would expand the use of 529 funds so

that they can be used for homeschooling.

The takeaway is that Trump's tax positions lean heavily towards lower taxation of both businesses and individuals, which he believes will spur economic growth. This growth would then generate more tax revenues for the government. However, his policies could result in significant deficits if this growth doesn't happen.

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