



The Tax Cuts and Jobs Act of 2017: Preparing for the Sunset of Key Provisions

The Tax Cuts and Jobs Act of 2017 (“TCJA”), enacted during President-elect Trump’s first term, introduced a mix of permanent and temporary tax reforms aimed at stimulating economic growth and enhancing U.S. competitiveness. While the TCJA made several impactful, lasting changes to the tax code — such as reducing the corporate tax rate, changes to business interest expense deductibility, requiring capitalization and amortization of research and development expenditures, and changes to net operating loss deductions — many other key provisions are set to expire at year-end 2025.¹ Below, we explore some of the key provisions set to expire by the end of 2025.

Business Tax Provisions to Sunset After 2025

Qualified Business Income 20% Deduction

The TCJA permanently reduced the federal corporate tax rate for domestic C corporations from a maximum of 35% to 21%.² To provide parity for businesses held under pass-through entities, TCJA enacted IRC Sec. 199A’s qualified business income (QBI) deduction.³ This provision allows qualifying pass-through owners to deduct up to 20% of their QBI from taxable income, which also includes qualified REIT dividends.⁴ Should this provision expire at the end of 2025, the marginal tax rates on pass-through income could increase, potentially diminishing the comparable tax relief and competitive advantage of pass-through businesses.

Bonus Depreciation on Qualified Property

The TCJA temporarily introduced 100% bonus depreciation, allowing businesses to fully expense the cost of qualifying short-lived assets placed in service after September 27, 2017, and before January 1, 2023. The bonus depreciation percentage generally phases down by 20% annually for assets placed in service after 2022, fully expiring after 2026.⁵ Bonus depreciation accelerates deductions, providing a “timing benefit” by allowing companies to reduce taxable income sooner. This is especially valuable in times of high inflation, as it enables companies to take the entire deduction upfront, preserving the present value of their deductions. Without immediate expensing, inflation erodes

the value of deductions spread over multiple years, decreasing the real benefit of each deduction and impacting the after-tax return on investment. This makes 100% bonus depreciation an even more attractive incentive for businesses during high-inflation periods and potentially encourages greater investment activity.⁶

Individual Tax Provision to Sunset After 2025

Individual Tax Rates

The TCJA adjusted the tax bracket for individual income tax, including bringing the top rate from 39.6% to 37%. On expiration, the top rate will revert to 39.6%, affecting high-income taxpayers.

Standard Deduction

TCJA nearly doubled the standard deduction for all filers, significantly simplifying tax filing for many taxpayers, as most filers chose to take standard deduction.⁷ With the TCJA's expiration, the standard deduction will be halved, potentially leading to more filers itemizing deductions.

Itemized Deductions

The TCJA placed a cap on the state and local tax deduction at \$10,000, which disproportionately affected taxpayers in high-tax state jurisdictions. The cap is set to expire after 2025, restoring the full state and local tax expense deduction, along with pre-TCJA rules on mortgage interest deductions and miscellaneous deductions, which may increase itemized deductions for some taxpayers.

Child Tax Credit

The TCJA increased the child tax credit from \$1,000 to \$2,000 per qualifying child. If the provision sunsets, the child tax credit will shrink by half, impacting families with qualified dependents.

Personal Exemptions

Personal exemptions were repealed under the TCJA through 2025. With the TCJA's expiration, the personal exemptions will be restored, adding a deduction per taxpayer and qualifying dependents.

Alternative Minimum Tax

The TCJA raised the exemption amounts and phase-out thresholds for alternative minimum tax, reducing its reach on taxpayers. More middle-income taxpayers could be subject to the AMT post-2025.

With the TCJA sunset approaching, individuals and businesses alike face a challenging tax landscape due to the many unknowns and fluid developments in tax policy. The potential changes have drawn significant attention, leading experts from across the political spectrum to propose tax reform plans for policymakers to consider, but it remains unclear what changes, if any, will be implemented.⁸ By understanding the potential impacts of the TCJA's expiring provisions and closely monitoring legislative updates, taxpayers can better prepare and remain agile in their tax planning.

FY TAN

Senior Director
+1 240.968.5671
fy.tan@fticonsulting.com

The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, Inc., its management, its subsidiaries, its affiliates, or its other professionals. FTI Consulting, Inc., including its subsidiaries and affiliates, is a consulting firm and is not a certified public accounting firm or a law firm.

FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. © 2024 FTI Consulting, Inc. All rights reserved. [fticonsulting.com](https://www.fticonsulting.com)

Endnotes

¹ P.L. 115-97, <https://www.congress.gov/bill/115th-congress/house-bill/1/text>.

² Id.

³ Kyle Pomerleau, "Section 199A and 'Tax Parity,'" American Enterprise Institute (September 12, 2022), <https://www.aei.org/research-products/report/section-199a-and-tax-parity/>.

⁴ P.L. 115-97, <https://www.congress.gov/bill/115th-congress/house-bill/1/text>.

⁵ Id.

⁶ Andrew Lautz and Arianna Fano, "The 2025 Tax Debate: Cost Recovery Provisions in TCJA," Bipartisan Policy Center (July 12, 2024), <https://bipartisanpolicy.org/explainer/the-2025-tax-debate-cost-recovery-provisions-in-tcja/>.

⁷ "Tables Related to the Federal Tax System as in Effect 2017 Through 2026," The Joint Committee on Taxation (April 24, 2018), <https://www.jct.gov/publications.html?func=startdown&id=5093>.

⁸ "Plans to Address TCJA Expirations," Committee for a Responsible Federal Budget (October 17, 2024), <https://www.crfb.org/blogs/plans-address-tcja-expirations>.