

ACEC-MA

2025 Tax Outlook

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Impact of the election on tax policy

- 2017 TCJA set up the tax debate in 2025
- Implications of the Republican trifecta
- Caveat: narrow majorities in the House and Senate leave little room to maneuver

Pressure points: fiscal impacts

- Federal debt is \$35.96 trillion and growing
- Extending TCJA provisions costs up to \$5 trillion
- Congress needs to raise the debt ceiling in first half of 2025



	Series 1	Series 2
Apr	0.17	5.60
May	0.95	6.52
Jun	1.56	6.34
Jul	2.09	6.34
Aug	2.69	6.34
Sep	2.73	6.34
Oct	3.49	6.34
Nov	4.65	6.34
Dec	7.56	6.34

	Series 1	Series 2
Jan	9.38	5.52
Feb	8.27	7.29
Mar	5.42	0.24
Apr	0.70	9.99
May	0.35	0.91
Jun	8.01	8.08
Jul	8.54	6.71
Aug	7.79	5.70
Sep	8.17	7.19
Oct	9.71	5.90
Nov	8.45	2.43
Dec	6.16	2.43

Tax Cuts and Jobs Act – fiscal impact

Provision	Revenue Impact
Make 199A for pass-through businesses permanent	-\$800 billion
Make expensing and employer provided meals deduction permanent	-\$400 billion
Reinstate prior R&D deductibility and EBITDA interest limitation	-\$400 billion
Make current policy for GILTI, FDII, and BEAT permanent	-\$200 billion
<i>Subtotal – Business Provisions</i>	<i>-\$1.8 trillion</i>
Make individual tax cuts (other than CTC) permanent	-\$5.5 trillion
Make individual tax increases permanent	+\$3.4 trillion
Make the TCJA Child Tax Credit provisions permanent	-\$800 billion
Make estate and gift tax provisions permanent	-\$200 billion
<i>Subtotal – Individual Provisions</i>	<i>-\$3.1 trillion</i>
<i>Total</i>	<i>-\$4.9 trillion</i>

Options for Revenue Raisers

Provision	Revenue Impact
Increase corporate tax rate to 25%	+\$600 billion
Increase stock buyback excise tax rate	+\$165 billion
Expand §162(m) limitation on deductibility of comp	+\$270 billion
Make other corporate/international changes	+\$100 billion
<i>Subtotal – Tax big companies</i>	<i>~+\$1.1 trillion</i>
Biden top individual tax rate increase + BBBA surtax	+\$475 billion
Biden Billionaires' Minimum Tax	+\$500 billion
Biden capital gains reform	+\$300 billion
Biden net investment income tax changes	+\$800 billion
Biden estate and gift tax changes	+\$100 billion
<i>Subtotal – Tax the rich</i>	<i>~+\$2.2 trillion</i>
<i>Total</i>	<i>~+\$3.3 trillion</i>

Pressure points: business vs. family tax relief

- Likely to be a balance between business and family tax provisions in a limited budget environment and narrow majorities
- Support from some Democrats and Republicans for increasing taxes on large businesses and wealthy individuals



2025 tax debate: key issues

- Section 199A expires end of 2025
- All individual tax rates go up end of 2025
- Changes to SALT cap, individual AMT, and itemized deductions also impact high-income taxpayers
- Corporate rate will also be on the table
- R&D amortization, interest deductibility, and full expensing



2025 tax debate: ACEC priorities

- Balanced tax treatment of C corps and passthrough businesses
- Innovation: restore R&D deductibility
- Employee ownership: ESOPs and S ESOPs
- Workforce: extend and increase Section 127 provision for educational assistance and student loan repayment



Republican tax priorities

Opportunities

- Easier to extend lower individual rates, Section 199A
- Corporate rate unlikely to increase
- Potential path for fixing R&D amortization

Risks

- Concern about the debt – potential for tax increases to offset cost
- Engineers are an outlier in Section 199A
- Narrow majorities make negotiations challenging

What's happening now and ACEC engagement

- Submitted comments on ACEC priorities to Ways and Means and Senate Finance Committees
- ACEC Tax & Regulatory Affairs Committee Chair testified at Main Street tax team roundtable
- ACEC members participating in roundtables with Ways and Means members
- Working with coalition allies on key issues such as restoring R&D deductibility and Section 199A permanency

What ACEC members can do

Tell us about your firm's tax priorities

Participate in ACEC fly-ins and action alerts and tell your firm's story

Engage with ACEC/PAC and political opportunities to connect with Members of Congress

Share information from state stakeholder groups

Questions?

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