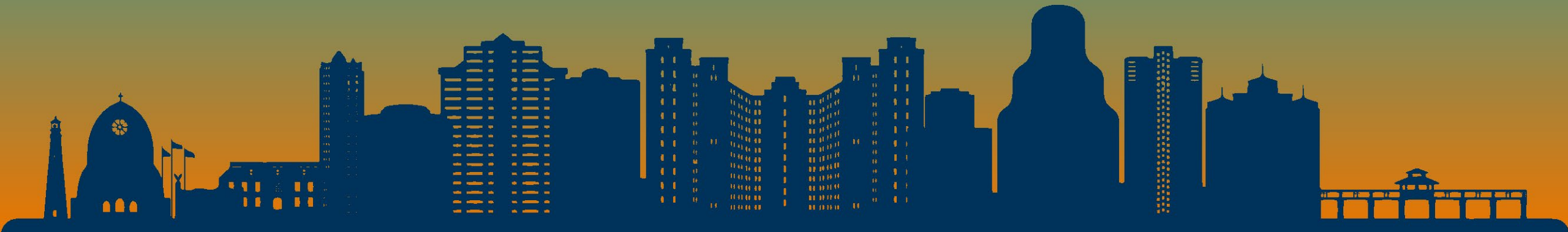


**JAMES PARKS**  
**OCTOBER 2024**



# **REIMAGINE NOW**

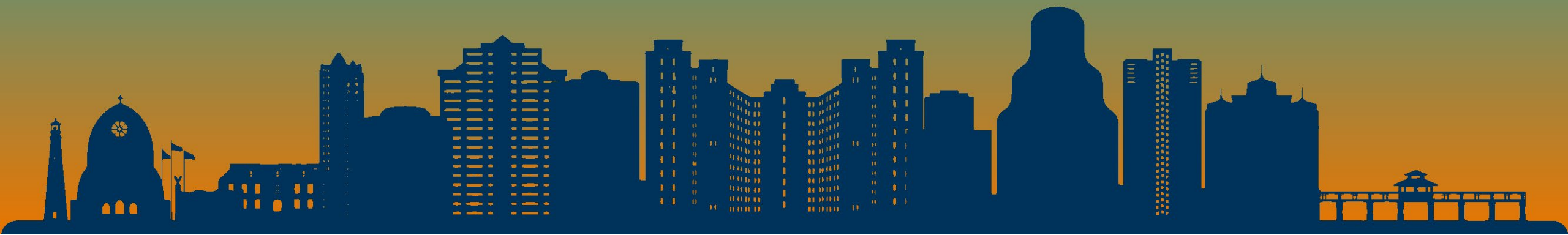
**LEA GLOBAL WORLD CONFERENCE 2024**



**BT**



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# Preparing for Potential Tax Changes Post-2024 Elections

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# Agenda

- Introduction
- Implications of the 2024 Elections
- Republican Sweep
- Democratic Sweep
- Divided Government
- Conclusion
- Summary

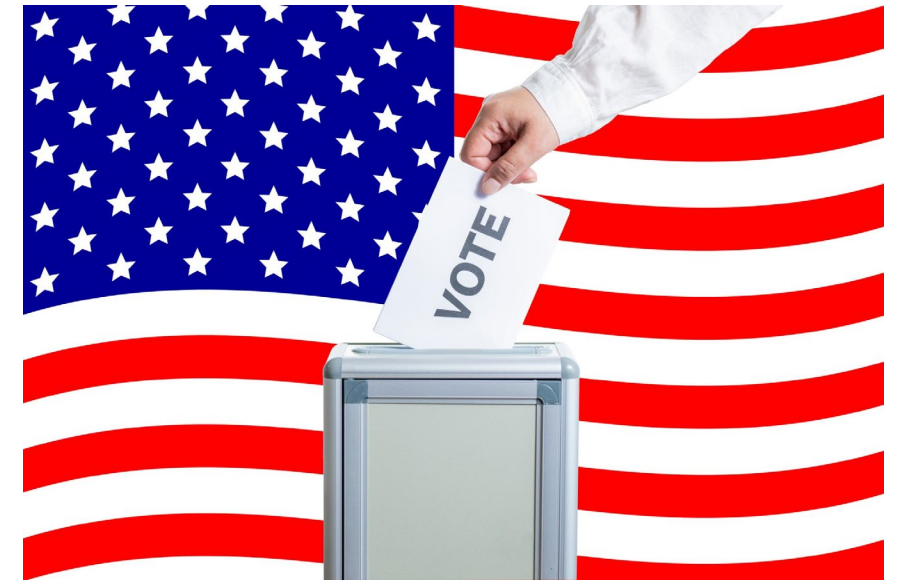
# Overview of TCJA Expiration

- Expiration of TCJA Provisions
  - Set to expire at the end of 2025
  - Affects individuals and businesses
- Impact of Post-Election Congress and Executive Branch
  - Will shape tax policy in 2025 and beyond
- Preparation for Tax Changes
  - Businesses should expect and prepare for changes



# Potential Impacts of Election Scenarios



- Understanding Election Scenarios
  - Different outcomes can affect businesses in various ways
  - Preparation is key to mitigate potential risks
- Potential Impacts on Business
  - Regulatory changes may occur
  - Economic policies could shift
- Strategies for Preparation
  - Develop contingency plans
  - Stay informed about political developments





# Major Implications for Tax Policy



- Impact of 2024 Elections on Tax Policy
  - Major implications for end-of-2025 tax cliff
  - Expiration of individual and pass-through provisions of 2017 TCJA
- Potential Outcomes Based on Election Results
  - Republican sweep: Extend most or all expiring provisions
  - Democratic sweep: Extend provisions for those earning under \$400,000
  - Divided government: Potential for tax increases
- Cost and Budget Reconciliation
  - Extending TCJA provisions projected to cost \$4 trillion
  - Republicans may try to offset part of the cost
  - Democrats may target high-income individuals and corporations for revenue offsets



# Possible Tax Increase Scenarios

- Outcome of 2024 Elections
  - Major implications for end-of-2025 tax cliff
  - Expiration of individual and pass-through provisions of 2017 TCJA
- Potential Budget Reconciliation Bill
  - Extending expiring TCJA provisions
  - Specific items extended and cost offsets
  - Other priority issues
- Cost of Extending TCJA Provisions
  - Projected cost: \$4 trillion (excluding interest)
- Republican Approach
- Democratic Approach
- Possible Tax Increases





# Early Action on Tax- Focused Reconciliation Bill

- Republican Strategy for 2025
  - Focus on a tax-focused reconciliation bill
  - Plan to act early in the year
- Control of Government
  - House, Senate, and White House
  - Potential Republican sweep
- Debt Limit Bill
  - Required by mid-year
  - Debt concerns to be addressed



# Revenue Offsets and Corporate Tax Rate

- Debt Limit Suspension
  - Lifted on January 1, 2025
  - Temporary extraordinary measures by Treasury Secretary may extend the date for required action
- Revenue Offsets
  - House Republicans more inclined to support revenue offsets
  - Some support an increase in the 21% corporate tax rate
  - Senate Republicans rely on economic growth potential to justify TCJA extensions
- Additional Revenue Sources
  - Chairman Jason Smith suggests additional sources may be needed
  - Concerns over debt and deficits intensify
  - Bipartisan belief that the corporate tax rate is insufficient



# Rolling Back IRA Energy Credits

- GOP's Revenue Focus
  - Rolling back Inflation Reduction Act (IRA) energy credits
  - Already a focus in the GOP-led House
- Legislative Proposals
  - April 2023 "Limit, Save, Grow" GOP debt limit bill (H.R. 2811)
  - "Build It in America Act" (H.R. 3938)
  - Targeting EV-related credits and other clean energy credits
- Republican Criticism
  - Critical of EV credits, clean hydrogen, storage, and technology-neutral credits
  - Rep. Jodey Arrington's statement on removing green energy tax subsidies
- Cost of IRA Energy Provisions
  - Initial cost: \$271 billion over 10 years



# University Endowments and Health Care Focus

- University Endowments
  - Scrutinized by House Ways & Means Committee since 2015
  - Included in a bill addressing campus protests in July 2024
  - Chairman Smith anticipates endowment tax to be a key issue in 2025
  - Senator JD Vance introduced bills to increase excise tax on private educational institutions
- Health Care
  - Potential focus on allowing current health care tax credits to expire
  - ACA premium tax credits expanded under ARPA and extended through 2025 under IRA
  - Conservatives argue for letting Obamacare's premium tax credits expire
  - Rep. Kevin Hern emphasizes the need to find savings for tax cuts
  - Republican Study Committee proposed eliminating ACA subsidies for those above income thresholds



# Focus on Caregiving and Tax Benefits

- Focus on Caregiving and Tax Benefits
  - Bolstering caregiving initiatives
  - Enhancing lower- and middle-income tax benefits
- Funding Through Tax Increases
  - “Fair share” tax increases on high-income individuals
  - Changes to international tax policy
- Kamala Harris's Care Economy Proposals
  - Expanding the Earned Income Tax Credit (EITC)
  - Restoring the expanded Child Tax Credit of \$3,600 per child
  - Providing a \$6,000 tax cut for families with newborns
- Early Priorities
- Tax Policy Stance



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# Revenue Proposals and Corporate Tax Rate Increase

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- Corporate Tax Rate Increase
  - Harris supports the 28% rate proposed by the Obama and Biden Administrations
- General Support for Biden Budgets
  - Harris campaign has signaled support for Biden budgets
- Attention on Revenue Proposals
  - Press and others have focused on various proposals





# International Tax Increases

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- Challenges in Passing International Tax Increases
  - GILTI changes faced obstacles in the Senate
  - Even with Democratic control, reforms were difficult
- Emerging Blueprints for Tax Reform
  - 2021 House-passed Build Back Better Act
  - Biden's budget proposals, including FY2025
  - Senate Finance Committee's discussion draft
  - "No Tax Breaks for Outsourcing Act" by Senator Whitehouse and Rep. Doggett



## Challenges in Addressing TCJA Expiring Provisions

- Efforts to Address TCJA Expiring Provisions
  - Significant gray areas due to divided government
  - Budget reconciliation unavailable without same party control in Senate and House
- Requirement for Bipartisan Support
  - 60 votes needed for a bill to pass the Senate
  - Narrow margin expected post-2024 elections
- Tax Bill Expected in 2025 or Early 2026
  - Unclear combination of extensions and raisers
  - Possible inclusion of corporate tax rate increase
- 2012 Fiscal Cliff Bill as a Model
  - Approved in divided government
- Precedent for Temporary Extension





# Bipartisan Compromise and Senate Dynamics

- Narrow Senate Control
  - Expected to be well short of the 60-vote filibuster threshold
  - Bipartisan compromise likely required
- House Ways & Means Committee Leadership
  - Current Chairman Smith or former Chairman Richard Neal (D-MA)
  - Expected to move respective tax bills through the House
- Senate Finance Committee Leadership
  - Current Chairman Ron Wyden (D-OR) or Ranking Member Mike Crapo (R-ID)
  - Required to craft proposals with bipartisan support
- Potential Focus Areas
  - Expansion of the Child Tax Credit (CTC)
- Senate Republican Leadership Candidates



# Revenue Offsets and Political Scenarios

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- Worsening Debt and Deficit Forecast
  - Concerns are growing among lawmakers
  - Even some Republicans are calling for action
- Extension of Expiring Provisions
  - Need for revenue offsets
  - Focus on affecting corporations
- Possible Political Scenarios
  - Revenue offsets may be anticipated





# Uncertainty and Potential Extensions

- Uncertainty in Tax Provisions
  - Dependent on 2024 election outcomes
  - Control of White House and Congress crucial
- Challenges in Predicting Outcomes
  - Different Congress from TCJA era
  - Half of House and one-quarter of Senate joined post-TCJA
- Difficulty in Finding Consensus
  - Rate-based increases removed from BBBA
  - International tax changes excluded due to opposition
- Possibility of Temporary Extensions
  - Example: Bush tax cuts extended from 2010 to 2012
  - Unlikely but possible tax increases across the board



# Summary

- Monitoring Political Landscape
  - Businesses need to stay informed about political developments
  - Understanding potential impacts on operations
- Modeling Effects of Tax Changes
  - Assessing potential tax changes
  - Predicting their impact on business
- Maintaining Engagement on Key Tax Issues
  - Staying engaged with relevant tax issues
  - Ensuring compliance and strategic planning

