

## Anticipated TCJA Changes and Proactive Planning Strategies

As the expiration of key provisions in the Tax Cuts and Jobs Act (TCJA) approaches in December 2025, individuals and businesses alike must prepare for potentially significant tax changes, assuming that current law is not extended in some fashion. Understanding these potential changes and implementing proactive strategies can help mitigate negative impacts. Here are five key considerations to keep in mind if existing law expires at the end of the year:

### **1. Reversion to Pre-TCJA Individual Tax Rates**

One of the most significant changes expected is the reversion of tax rates to pre-TCJA levels. The highest individual tax rate is set to increase from the current 37% back to 39.6%. Additionally, the standard deduction and personal exemptions will likely change, impacting tax liability for many individuals. Proper tax planning, including income shifting and deduction strategies, can help minimize tax burdens.

### **2. Changes to Estate and Gift Tax Exemptions**

Under the TCJA, the estate and gift tax exemption is currently \$13.99 million per person (\$27.98 million for married couples) in 2025. However, in 2026, this exemption is expected to be reduced by about half, to approximately \$7 million per person. High-net-worth individuals should consider leveraging gifting strategies, trusts, and other estate planning tools before the exemption decreases.

### **3. Business Tax Provisions and Expiring Deductions**

For businesses, key provisions such as the 20% Qualified Business Income (QBI) deduction for pass-through entities are set to change. The bonus depreciation rules, which previously allowed 100% expensing, is also phasing out, with only 40% expensing allowed in 2025 and just 20% in 2026. Business owners should reassess depreciation schedules, investment strategies, and structuring opportunities to optimize tax positions.

### **4. Qualified Opportunity Zones (QOZs) and Investment Incentives**







Qualified Opportunity Zones continue to offer tax benefits for investors, but the window to take advantage of the incentives is narrowing. While the program may be extended, current law requires investment by around mid-2027 at the latest to unlock tax benefits. Investors should assess opportunities within QOZs before it's too late.

## 5. Potential Legislative Changes and Political Uncertainty

The political landscape will play a crucial role in determining whether some TCJA provisions are extended, modified, or allowed to expire. While House and Senate budget proposals differ significantly, taxpayers should remain informed and flexible in their planning. Issues such as the state and local tax deduction cap, child tax credits, QBI deduction, and carried interest rules may see significant revisions, depending on legislative negotiations.

### Final Thoughts

With TCJA changes on the horizon, proactive tax planning is essential. Individuals and businesses should work closely with financial advisors, CPAs, and legal professionals to develop strategies that optimize tax efficiency and minimize financial disruptions. Staying ahead of these changes will help taxpayers navigate the evolving landscape with confidence.

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