

2024 Tax Update

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Introductions



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Disclaimer

The information provided herein is educational in nature and is based on authorities that are subject to change.

You should contact your tax adviser regarding application of the information provided to your specific facts and circumstances.

Agenda

1. TCJA Expiring Provisions
2. Election 2024 Tax Proposals
3. Michigan Updates

TCJA
Expiring Provisions

TCJA Expiring Provisions

What's at stake

Cost implications

$1.5 TRILLION

When enacted, the TCJA was estimated to cost **$1.5 trillion over 10 years**.

$3.5 TRILLION

Extending all of the expiring **individual tax provisions** is estimated to cost $3.5 trillion over 10 years.

$4.6 TRILLION

Extending all expiring tax provisions is estimated to cost $4.6 trillion over 10 years.

TAX INCREASES

Letting the provisions expire could result in **significant tax increases** for individuals.

Business Provisions

	Current Law under TCJA	Automatic Law Change
Qualified business income deduction – Sec. 199A(i)	A 20% deduction may be taken against "qualified business income" from a partnership, S corporation or sole proprietorship; numerous limitations apply.	**December 31, 2025** Deduction ends for tax years beginning after December 31, 2025.
Deductibility of food & beverage expenses provided by employers – Sec. 274(o)	A 50% deduction limitation applies for any expense for food and beverages provided by employers as de minimis fringe benefits for meals provided at an on premises eating facility or for the convenience of an employer under section 119.	**December 31, 2025** No deduction is allowed after 2025 for on-premises eating facilities and the food and beverages or meals furnished to an employee for the convenience of the employer.
Bonus depreciation – Sec. 168(k)	The bonus depreciation percentage is 100% for property acquired and placed in service after September 27, 2017, and before 2023, 80% for 2023, 60% for 2024, 40% for 2025, and 20% for 2026.	**December 31, 2026** Section 168(k) bonus depreciation expires for property acquired and placed in service after December 31, 2026

Business Provisions

	Current Law under TCJA	Automatic Law Change
Amortization of research & experimental expenditures – Sec. 174	Prior to 2022, businesses could deduct research and experimental expenditures in the year they were paid or incurred.	**December 31, 2021** Businesses are required to capitalize and amortize research and experimental expenditures over five years for domestic expenditures and 15 years for foreign expenditures using a half-year convention for tax years beginning after December 31, 2021.
Limitation on deduction of net business interest expense – Sec. 163(j)	Section 163(j) generally disallows a deduction for net business interest expense in excess of 30% of adjusted taxable income. In general, adjusted taxable income is EBITDA for tax years beginning before January 1, 2022. Disallowed interest is generally carried forward indefinitely.	**December 31, 2021** Adjusted taxable income generally is EBIT for tax years beginning after December 31, 2021.

Business Provisions

	Current Law under TCJA	Automatic Law Change
GILTI/FDII	Under current law, domestic corporations are allowed a 50% deduction for GILTI amounts (resulting in a tax rate of 10.5%) and a 37.5% deduction for income deemed derived from foreign intangibles (FDII) (resulting in a tax rate 13.125%).	**December 31, 2025** For tax years beginning after December 31, 2025, the GILTI rate goes up from 10.5% to 13.125% (the deduction amount for GILTI will be reduced from 50% of the corporate rate to 37.5%). The FDII rate will also go up, from 13.12% to 16.4% (the deduction amount for FDII goes down from 37.5% of the corporate rate to 21.87%), for tax years beginning after December 31, 2025.

Individual Provisions

	Current Law under TCJA	Automatic Law Change
Individual income tax brackets	Current U.S. individual tax rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.	**December 31, 2025** The tax rates will revert back to 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.
Personal exemption	The personal exemption is suspended for tax years 2018 through 2025.	**December 31, 2025** Reinstate deduction for individual exemptions, including exemptions for the taxpayer, the taxpayer's spouse and any dependents ($5,050 for 2024). This amount is indexed for inflation.

Individual Provisions

	Current Law under TCJA	Automatic Law Change
Standard deduction	Standard deduction for 2024: • $14,600 for a taxpayer filing as single or married filing separately, • $21,900 for a taxpayer filing as head of household, and • $29,200 for taxpayers filing as married filing jointly (and surviving spouses).	**December 31, 2025** Reverts to pre-TCJA levels: • $6,500 for single or married filing separately, • $9,550 for head of household, • $13,000 for married filing jointly. These 2018 amounts will be adjusted for inflation.
Limitation on deduction for state & local taxes (SALT)	Itemized deductions for state and local income taxes, state and local property taxes, and sales taxes are limited to $10,000 in the aggregate (not indexed for inflation).	**December 31, 2025** Cap on SALT deductions is eliminated. The limitation on deductions for state and local tax expires for tax years beginning on or after January 1, 2026.

Individual Provisions

	Current Law under TCJA	Automatic Law Change

Child tax credit (CTC)	In 2024,
	• A CTC of up to $2,000 per qualifying child is available.
	  • Up to $1,700 of the CTC is refundable.
	• The modified adjusted gross income (MAGI) phase out thresholds are $400,000 (joint filers) and $200,000 (all other filers).
		December 31, 2025
		• Reverts to the pre-TCJA CTC of $1,000 per qualifying child.
		  • A maximum of $1,000 per qualifying child was refundable in 2017
		• The MAGI phase-out thresholds in 2017 were $110,000 for joint filers, $75,000 for single or head of household filers, and $55,000 for married individuals filing separate returns (these thresholds are not indexed for inflation).

Individual Provisions

	Current Law under TCJA	Automatic Law Change
Estate, gift, & generation-skipping transfer taxes	The basic exclusion amount is $10 million per individual ($13.61 million per individual in 2024, as indexed for inflation). The exclusion applies to estates of decedents dying, gifts made, and generation-skipping transfers.	**December 31, 2025** Exemption amount will revert to pre-TCJA amount which was $5 million per individual (as indexed for inflation) (estimated to be approximately $7 million in 2026).

Non-TCJA Provisions

	Current Law	Automatic Law Change
Employer credit for paid family & medical leave	*Taxpayer Certainty and Disaster Tax Relief Act of 2020* Eligible employers may claim a credit equal to 12.5% of the amount of wages paid to qualifying employees during any period in which such employees are on family and medical leave (FMLA).	**December 31, 2025** This credit does not apply to wages paid in tax years beginning after December 31, 2025
Employer payments of student loans	*Taxpayer Certainty and Disaster Tax Relief Act of 2020* Educational assistance payments made before January 1, 2026, by an employer, whether paid to the employee or the lender, of principal or interest on any qualified education loan may be excluded from the employee's income.	**December 31, 2025** Payments made by an employer to an employee or a lender to be applied against the employee's student loan may result in income inclusion.

Non-TCJA Provisions

	Current Law	Automatic Law Change
New markets tax credit	*Taxpayer Certainty and Disaster Tax Relief Act of 2020* NMTC provides a tax credit equal to 39% (over seven years—5% for each of the first three years and 6% for each of the remaining four years) of the qualified equity investment in qualified community development entities in eligible communities.	**December 31, 2025** New markets tax credit limitation allocations cease. **December 31, 2030** Carryover period ceases for unused new markets tax credits.
Work opportunity tax credit	*Taxpayer Certainty and Disaster Tax Relief Act of 2020* A federal tax credit is available to employers for 40% of the first-year wages paid to individuals from certain targeted groups facing significant barriers to employment.	**December 31, 2025** The credit is unavailable for wages paid to an employee who begins work after December 31, 2025.

Election 2024 Tax Proposals

Business Tax Proposals

	Current Law	Trump[1]	Harris[2]
Corporate tax rates	The corporate tax rate is 21%, the corporate alternative minimum tax rate is 15%, and the stock buyback excise tax is 1%.	Lower the corporate tax rate from 21% to 20% (possibly 15%).	Increase the corporate tax rate from 21% to 28%. Increase the corporate alternative minimum tax rate from 15% to 21%. Increase the stock buyback excise tax from 1% to 4%.
Section 199A pass-through business deduction	Under Section 199A, individuals, estates, and trusts can deduct 20% of qualified business income from pass-through businesses like partnerships and S corporations, subject to certain limits.	Make the TCJA Section 199A pass-through business deduction permanent.	Make TCJA provisions permanent only to the extent that individuals earning less than $400,000 do not have a tax increase, though no specific proposal has been made for Section 199A.

Business Tax Proposals

	Current Law	Trump[1]	Harris[2]
Carried interests	Long-term capital gains received by partners having a carried (profits) interest in a partnership with a holding period of more than three years are taxed at 20% (plus a 3.8% net investment income tax) rather than higher ordinary tax rates. Long-term capital gains held for three years or less are taxed as short-term capital gains at ordinary income tax rates.	No proposal.	Tax as ordinary income a partner's share of income on a carried interest regardless of the character of the income at the partnership level if the partner's taxable income is more than $400,000.

Business Tax Proposals

	Current Law	Trump[1]	Harris[2]
International tax	Permanent international tax changes were enacted as part of the TCJA, including a tax on global intangible low-taxed income (GILTI) at a maximum 10.5% rate (13.125% beginning in 2026), a deduction for U.S. companies for foreign-derived intangible income (FDII) resulting in a 13.125% effective tax rate on such income (16.406% beginning in 2026).	No proposal.	Increase the GILTI tax rate to 21% Repeal the FDII deduction.
Small business	Generally, startup expenditures are required to be capitalized and amortized over 180 months. However, an active trade or business can elect to deduct up to $5,000 of startup expenditures.	No proposal.	Increase to $50,000 the amount an active trade or business can elect to deduct. Enact a standard deduction for small businesses to simplify filing a tax return.

Individual Tax Proposals

	Current Law	Trump[1]	Harris[2]
Marginal tax rates	The top marginal tax rate is 37% for income over $609,350 for individuals and $731,200 for married individuals filing jointly. Rates are scheduled to increase to pre-Tax Cuts and Jobs Act (TCJA) amounts after 2025.	Make the lower TCJA top marginal tax rate permanent.	Increase the top marginal rate for individuals making more than $400,000 per year and couples making more than $450,000 per year to 39.6% and index the thresholds for inflation. Impose a 25% minimum tax on those with wealth of more than $100 million.
Capital gains & qualified dividends tax, NIIT	The top tax rate for capital gains and qualified dividends is 20% for income over $518,900 for individuals and $583,750 for married individuals filing jointly. In addition to the capital gains tax, there is a 3.8% net investment income tax (NIIT).	Make the lower TCJA capital gains and qualified dividend tax rate permanent.	Increase the tax rate on long-term capital gains for income over $1 million to 28%. It is unclear if this proposal applies to qualified dividends. Expand the NIIT base and increase NIIT and the additional Medicare tax to 5%.

Individual Tax Proposals

	Current Law	Trump[1]	Harris[2]
Deductions & exemptions	The basic standard deduction for married individuals filing jointly is $29,200 ($14,600 for single taxpayers or for married taxpayers filing separately). After 2025, the basic standard deduction is scheduled to revert to pre-TCJA amounts. The TCJA suspended the personal exemption and most individual deductions through 2025.	The GOP platform states: "Republicans will make permanent the provisions of the Trump Tax Cuts and Jobs Act that doubled the standard deduction, expanded the child tax credit, and spurred economic growth for all Americans." Allow a deduction for interest on loans for cars built in the U.S. Allow a deduction for the cost of home generators in states hit by natural disasters.	Make TCJA provisions permanent only to the extent that individuals making less than $400,000 do not have a tax increase, though no specific proposal has been made for how to address expiring provisions.

Individual Tax Proposals

	Current Law	Trump[1]	Harris[2]
Credits	The maximum child tax credit is $2,000 and only part of it is refundable. This amount is scheduled to revert to the pre-TCJA amount of $1,000 after 2025. The earned income tax credit (EITC) is fully refundable, and eligibility for and the amount of the credit are based on factors including the taxpayer's income, filing status, age, and the number of qualifying children. The premium tax credit (PTC) helps to subsidize health insurance purchased from an exchange in the individual healthcare marketplace under the Affordable Care Act.	Increase the child tax credit to $5,000 per child with no income limits. Supports a tax credit for family caregivers who take care of a parent or loved one.	Increase child tax credit to a maximum of $3,600 per qualifying child (up to $6,000 for their first year of life). Allow the credit to be received in advance monthly payments and make the credit fully refundable regardless of earned income. Expand the EITC for childless low- and middle-income workers by increasing the amount of the credit, lowering the age for eligibility, and removing the maximum age for eligibility. Make the expiring PTC changes permanent.

Individual Tax Proposals

	Current Law	Trump[1]	Harris[2]
Exclusions from tax	Up to 50% of Social Security benefits is taxable if combined income is between $25,000 and $34,000 ($32,000 and $44,000 for married individuals filing jointly) and up to 85% of Social Security benefits is taxable if combined income is over the maximum threshold. Compensation for services, including for tips and overtime pay, is subject to income and payroll taxes.	Eliminate income tax on Social Security benefits. Exclude tips from both income tax and payroll tax. Exclude overtime pay from tax, though it is unclear whether this applies solely to income tax or to both income and payroll tax. Eliminate double taxation for Americans overseas. Exclude income of firefighters, police officers, military personnel, and veterans from tax.	Exclude service and hospitality worker tips from income tax. The candidate is considering limiting eligibility to lower and middle income workers.

Individual Tax Proposals

	Current Law	Trump[1]	Harris[2]
Home ownership	Current law includes incentives for homebuyers and homeowners, like the mortgage interest deduction. Low-income housing tax credits incentivize and subsidize the construction and rehabilitation of affordable rental housing for low-income tenants.	Provide tax incentives to promote homeownership and support for first-time homebuyers.	Provide $25,000 down payment assistance to first-time buyers from families that never owned a home. Provide a $10,000 mortgage relief tax credit for first-time homebuyers. Enact a neighborhood homes credit to encourage building and rehabilitating homes in low- and middle-income communities and disaster areas. Provide a tax incentive for builders of starter homes sold to first-time homebuyers. Disallow certain tax benefits to landlords that increase rent on existing units by more than 5%.

Michigan Updates

Earned Sick Time Act

When	• ***Effective February 21, 2025***
Who	• Applies to all employers in Michigan with 1 or more employees, except for those employed by the United States Government. • Includes salaried (both exempt and non-exempt) and full and part-time hourly workers.
What	• Employees accrue sick time at a rate of 1 hour for every 30 hours worked. • Businesses with 10 or more employees must allow at least 72 hours of paid sick time per year to be used to the extent the leave is accrued. • Businesses with fewer than 10 employees must allow at least 40 hours of paid sick time annually, plus an additional 32 hours of unpaid sick time to the extent leave is accrued. • Unused sick time can be carried over, but employers may limit annual use to no more than 72 hours. • Employees have the right to pursue action if an employer interferes with or retaliates against their use of ESTA benefits, including through private action.
Resource	• Michigan Labor and Economic Opportunity site: https://www.michigan.gov/leo/bureaus-agencies/ber/wage-and-hour/paid-medical-leave-act

Minimum Wage Rate Increase

Michigan's Minimum Wage will increase twice in 2025
First increasing on 1/1/25, following the usual rate increase schedule, and again on 2/21/25

Minimum Hourly Wage Rate Effective Jan. 1, through Feb. 20, 2025:

- The minimum hourly wage will increase from $10.33 to $10.56 per hour.
- The tipped employee rate of hourly pay increases from $3.93 to $4.01 per hour.

Minimum Hourly Wage Rate Effective Feb. 21, 2025, and thereafter:

		Tipped Employee	
Effective Date	Minimum Hourly Wage Rate	Minimum Hourly Rate	Minimum Reported Average Hourly Tips
Feb. 21, 2025	$12.48	$5.99	$6.49
Feb. 21, 2026	$13.29	$7.97	$5.32
Feb. 21, 2027	$14.16	$9.91	$4.25
Feb. 21, 2028	$14.97	$11.98	$2.99

Resource: Michigan Labor and Economic Opportunity site:
www.michigan.gov/leo/news/2024/10/01/michigan-minimum-wage-rate-2025-increase-schedule

Minimum Wage Rate Increase

Tipped Employees

The minimum hourly wage rate of a tipped employee will be 48% of the minimum hourly wage rate effective Feb. 21, 2025, and will increase based on the following schedule:

- Effective Feb. 21, 2026, it will be 60% of the minimum hourly wage rate.
- Effective Feb. 21, 2027, it will be 70% of the minimum hourly wage rate.
- Effective Feb. 21, 2028, it will be 80% of the minimum hourly wage rate.
- Effective Feb. 21, 2029, it will be 90% of the minimum hourly wage rate.
- Effective Feb. 21, 2030, and thereafter, it will be 100% of the min hourly wage rate.

85% Rate: Minors under the age of 18 may be paid 85% of the min hourly wage rate.

Training Wage: A training wage of $4.25 per hour may be paid to employees under 20 years of age for the first 90 calendar days of employment.

Every Oct. beginning in 2028, the state treasurer will calculate an adjusted minimum wage rate, increasing the minimum wage by the rate of inflation.

Resource: Michigan Labor and Economic Opportunity site: https://www.michigan.gov/leo/news/2024/10/01/michigan-minimum-wage-rate-2025-increase-schedule



LEARN MORE

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Election 2024
Tax Proposal References

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[1] Descriptions of former President Trump's tax proposals are from the 2024 Republican platform (GOP platform), as well as media coverage of those and other tax proposals as indicated. Former President Trump and the GOP platform generally support making expiring TCJA individual provisions permanent, though it is unclear whether such support applies to all expiring individual provisions or only those that reduce individual tax. https://prod-static.gop.com/media/RNC2024-Platform.pdf?_gl=1*u0t8ga*_gcl_au*MTE0Mzk4OTgxNi4xNzIwNTMyNjM1&_ga=2.104770304.1222903916.1723647117-1820518960.172053263 Trump also has proposed to eliminate the income tax and replace the revenue with receipts from tariffs. https://fortune.com/2024/10/26/joe-rogan-trump-interview-income-tax-elimination-tariffs-deficit-debt-inflation/. For more on the candidates' positions on tariffs, see https://www.crowe.com/insights/asset/c/compare-candidates-tariff-policies-election-2024 and https://www.crowe.com/insights/asset/t/tariff-wars-previewing-the-election-preparing-for-tariff-changes-rec

[2] Unless otherwise noted, the chart reflects select tax positions of the Biden-Harris administration's FY 25 Green Book, the Harris-Walz campaign press release Aug. 16, 2024, and the Democratic party platform. Specifically, regarding TCJA expiring provisions, President Biden has said that he supports making expiring provisions permanent so that taxpayers making less than $400,000 do not have a tax increase, and Vice President Harris has pledged to continue Biden's promise not to raise taxes on those making less than $400,000. https://kamalaharris.com/issues/; https://home.treasury.gov/system/files/131/General-Explanations-FY2025.pdf; https://mailchi.mp/press.kamalaharris.com/vice-president-harris-lays-out-agenda-to-lower-costs-for-american-families; https://democrats.org/wp-content/uploads/2024/08/FINAL-MASTER-PLATFORM.pdf; https://www.politico.com/news/2024/07/26/harris-biden-pledge-not-raise-taxes-middle-class-00171416

[3] https://www.cnbc.com/2024/08/09/trump-plan-cut-taxes-on-social-security-benefits.html

[4] https://wsauth.bloombergindustry.com/wsauth/bltxauth?stchk=1&target=https%3A%2F%2Fwww.bloomberglaw.com%2Fproduct%2Ftax%2Fbloombergtaxnews%2Fdaily-tax-report%2FBNA%252000000191-4c55-d2e2-a993-eed780700003

[5] https://www.cnn.com/2024/08/12/politics/no-tip-tax-trump-harris/index.html

[6] While this provision largely affects individuals, it has been categorized as an expiring TCJA business provision, rather than an expiring TCJA individual provision. See https://crsreports.congress.gov/product/pdf/R/R47846 and https://crsreports.congress.gov/product/pdf/IF/IF12641

[7] https://www.utilitydive.com/news/trump-biden-2024-election-inflation-reduction-act-rollback/719107/. Recently, however, former President Trump sounded less supportive of rolling back incentives for electric vehicles. https://www.businessinsider.com/trump-electric-vehicles-elon-musk-endorsement-2024-8

[8] https://www.whitehouse.gov/briefing-room/statements-releases/2024/07/16/fact-sheet-president-biden-announces-major-new-actions-to-lower-housing-costs-by-limiting-rent-increases-and-building-more-homes/

[9] https://www.cbsnews.com/news/kamala-harris-proposes-50000-tax-break-for-small-businesses/

[10] https://taxfoundation.org/blog/trump-overtime-tax-exemption/

[11] https://www.cnn.com/2024/10/10/politics/donald-trump-tax-relief/index.html

[12] https://www.newsweek.com/donald-trump-floats-tax-breaks-generators-after-deadly-hurricanes-1967902

[13] https://www.reuters.com/business/autos-transportation/trump-says-hell-make-interest-car-loans-tax-deductible-if-domestically-built-2024-10-22/

[14] https://www.cnbc.com/2024/10/21/trump-income-tax-plans-exempt-93-million-americans-harris-election.html

[15] https://www.donaldjtrump.com/news/8e348c0a-8fc3-4616-ae01-8003f08fd856