EXECUTIVE SUMMARY:

TCJA Sunset Provisions and Charitable Giving

The Tax Cuts and Jobs Act (TCJA) was the most significant tax legislation in decades and presented taxpayers with a wide variety of changes to the Internal Revenue Code. However, many of the provisions are set to “sunset” (or expire) after 2025. Use the following summary to see the potential impact of the sunset if Congress does not take action to make some or all of these provisions permanent. Of particular interest in the world of philanthropy are the drastic reduction in the estate and gift tax exemption amount, the decrease in the deduction limit for charitable gifts of cash, and the significantly lower standard deduction amount.

ESTATE AND GIFT TAXES

Provision	TCJA change	After the sunset
Estate and gift tax exemption amount	Doubled the exclusion amount for estate and gift taxes, from $5 million to a base of $10 million ($13.61 million in 2024 after inflation adjustments)	The exclusion amount will drop to pre-TCJA levels, adjusted for inflation (estimated to be somewhere near $7 million), meaning many more estates will be affected and more people will be looking at ways to avoid the estate tax again (including estate reduction through charitable gifts)

CHARITABLE GIVING

Provision	TCJA change	After the sunset
Deduction limitation on charitable gifts of cash	Increased the maximum deduction for cash gifts to qualified charities from 50% of AGI to 60%	The cap will return to 50% of AGI

INDIVIDUAL INCOME TAXES

Provision	TCJA change	After the sunset
Income tax rates	Kept the same number of tax brackets, but with lowered rates and widened ranges	Prior brackets will return (with inflation adjustments), bumping some taxpayers into a higher bracket
Standard deduction	Doubled the standard deduction	The amount will revert to its pre-TCJA level (adjusted for inflation), meaning more donors will start itemizing again
Personal exemption	Eliminated the $4,050 personal exemption for the federal income tax	The personal exemption will return

INDIVIDUAL INCOME TAXES cont.

Provision	TCJA change	After the sunset
SALT (state and local tax) deduction	Created a $10,000 cap	The deduction will again be unlimited
Mortgage interest deduction	Lowered the cap to $750,000 and eliminated the deduction for home equity loans	The cap will revert to $1 million and the deduction will again be allowed for home equity loans
Child and dependent credits	Doubled the credit to $2,000; allowed $1,700 (2024) to be refundable; allowed a $500 credit for each non-child dependent	Credit will revert to $1,000 per child, with the full $1,000 refundable; no credit will be allowed for non-child dependents
Individual AMT (alternative minimum tax)	Significantly increased the exemption amounts and phaseout thresholds	Amounts will return to pre-TCJA levels, meaning many more people will again be subject to the AMT
Pease limitation	Repealed the limitation on itemized deductions	The limitation (capped at 80% reduction in itemized deductions) will return for high-income taxpayers (those with AGI above a specified threshold)
Itemized deductions	**Personal casualty and theft losses**—prohibited (except federally declared disasters) **Gambling losses**—limited to a maximum of gambling winnings **Moving expenses**—limited to certain members of the Armed Forces and their families	These itemized deductions will return to their pre-TCJA status
ABLE accounts	Permitted the account's beneficiary to contribute an additional amount (subject to limitations) once the general limit on contributions has been reached; allowed the fund to be rolled over from the designated beneficiary's 529 plan into an ABLE account for the same beneficiary or a family member	Pre-TCJA rules will return, eliminating additional contributions and the rollover from a 529 plan to an ABLE account

BUSINESS TAXES

Provision	TCJA change	After the sunset
Deduction for pass-through entities	Created a new Qualified Business Income (QBI) deduction for certain pass-through entities that was not an itemized deduction and not subject to limitations or phaseouts	This deduction will be eliminated

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