



Highlights

- Harris and Trump Campaigns Diverge in Tax Priorities
- Harris Supports Tax-Based Incentives for Families and Small Businesses
- Trump Supports Permanent Extension of Signature TCJA Coupled with Broad Tariffs
- Tax Legislation in 2025

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Tax Briefing | 2024 Tax Policies of the Major Presidential Candidates

Major Presidential Candidates Describe Tax Policies

This special briefing describes the current tax policies of the candidates of the two major parties: Vice President Kamala Harris, the Democratic Party candidate and former President Donald Trump, the Republican candidate.

In the last election in 2020, there were relatively few tax policy issues at play between the two candidates. There were still lingering tax-related relief provisions passed by Congress in the early days of the COVID-19 outbreak, and both candidates had policy proposals meant to help the country recover economically from the pandemic, but there was nothing critically important to address from a tax standpoint over the following four years.

That is not the case this time around. Due, in part, to the use of the budget reconciliation process in passing the Tax Cuts and Jobs Act of 2017 (TCJA), much of Trump's signature legislation comes with a built-in sunset date of 2025. Only a small

part of the TCJA is permanent (and some of the provisions, like those related to bonus depreciation, have already started to revert to pre-TCJA rules). Whoever wins the presidency in 2024 will be responsible for working with Congress to address the issue of a tax code that automatically regresses back eight years in 2026. Therefore, it is important to understand the candidates' tax policies.

COMMENT. *Currently, there are very few tax proposals that have been actually espoused by the candidates, but there are many tax policies that have been proposed by parties that are tangentially related to the candidates. For example, President Biden promoted many policies over the last four years, including in his last budget proposal. However, those are Biden policies, and there should not be a presumption that Harris will adopt those policies. Additionally,*

“Whoever wins the presidency in 2024 will be responsible for working with Congress to address the issue of a tax code that automatically regresses back eight years in 2026.”

Harris suggested several tax changes when she unsuccessfully ran for the Democratic nomination in 2020, but those are not necessarily dispositive of the types of policies she would support four years later in a general election. Similarly, there are groups connected to Trump that have put forth proposals, notably those contained within the Project 2025 proposal by the Heritage Foundation, but his campaign has not formally or informally adopted all the proposals from these groups (and, in the case of Project 2025, he has publicly disavowed any plans to adopt the proposals contained therein). This briefing will attempt to only address the policies specifically supported by the two candidates, or their party platforms.

COMMENT. *Between the date of publication of this briefing and the election, the positions of the candidates may change. Wolters Kluwer has based this briefing on what it considers accurate, nonpartisan, and unbiased information at the time of publication.*

■ INDIVIDUAL TAXATION

Income Tax Rates

Under current law, there are seven tax brackets: 10, 12, 22, 24, 32, 35, and 37 percent, which are applicable from 2018 through 2025 under TCJA. After 2025, without legislative intervention, the brackets will revert to those in effect in years prior to 2018: 10, 15, 25, 28, 33, 35, and 39.6 percent.

Harris

Harris has proposed increasing the top rate back to 39.6 percent, where it sat prior to the TCJA. This is similar to the proposal Biden made in 2020, and it is important to note that, like Biden, Harris has also promised that households with incomes under \$400,000 would not see a tax increase (for 2024, with the exception

of married taxpayers filing separately, only incomes well in excess of \$500,000 are subject to the 37 percent tax).

Trump

Trump proposed to make the provisions of the TCJA permanent, which would include the current tax brackets.

Capital Gains/Dividends

Under current law, a capital gains rate of 0 percent, 15 percent, or 20 percent applies to capital gains and qualified dividends received by individuals, depending upon the amount of the individual's taxable income. For 2024, the 20 percent rate applies to joint filers with taxable incomes over \$583,750 (\$551,350 for heads of households, \$518,900 for single filers, and \$291,850 for married taxpayers filing separately). Also, a 3.8% net investment income tax (NIIT) generally applies to net investment income in excess of \$200,000 for unmarried taxpayers (\$250,000 for joint filers, \$125,000 for married taxpayers filing separately). Additionally, under current law, the tax on capital gains is generally imposed only when income is realized (generally, when the capital asset is disposed).

Harris

Harris supports the idea of increasing the rate for the top bracket of capital gains, but at a level lower than Biden proposed in his budget. The campaign has indicated support for an increase in the top rate to 28%, as well as an increase in the NIIT rate to 5%. She does endorse an earlier Biden proposal to tax *unrealized* capital gains for taxpayers with total wealth exceeding \$100 million dollars.

Trump

No current proposals.

Taxation of Tips

Under current law, tip income received by restaurant and hospitality workers is subject to income and employment tax just like wage income.

Harris

When asked about her view of Trump's proposal to eliminate tax on tips, Harris voiced her support of the idea.

Trump

Trump has long proposed eliminating tax on tips.

COMMENT. *This is one of the few, if not the only, tax policy proposals on which both candidates agree. However, neither campaign has gone into detail as to how this would function.*

COMMENT. *For one year, in 2021, the amount of the child tax credit was increased to \$3,000 (\$3,600 in the case of a child under the age of six). Since that expired, there have been several unsuccessful attempts by lawmakers in both parties to extend the higher amount beyond 2021.*

Harris

Harris has proposed the restoration of the maximum \$3,600 credit that was available in 2021. Additionally, she has proposed an even higher credit of \$6,000 that would be available to families for infants under the age of one.

Trump

The Trump campaign does not have a specific proposal relating to the child tax credit, but he does support the permanent extension of TCJA, which would lock in the \$2,000 credit amount, the inflation adjusted refundable portion, and the higher phaseout thresholds. Trump's running mate, Senator J.D. Vance, did support an increase in the credit amount to \$5,000, but it is unclear if the Trump campaign has endorsed that proposal.

Social Security Income

Under current law, social security benefits are subject to lower tax rates as long as total income (taking into account all types of income, including social security benefits) is not in excess of certain statutory amounts.

Harris

Harris has not proposed any changes to the taxation of social security benefits.

Trump

Trump has proposed eliminating the taxation of social security benefits.

Earned Income Credit

Under current law, the earned income credit (EIC) is available to lower-income taxpayers with earned income up to certain inflation adjusted amounts. The credit is calculated based on the number of the taxpayer's qualifying children and income amount. For 2024, the maximum amount of income for which the EIC can be claimed is \$66,819, and the amount of the credit, subject to phaseouts based on income, ranges from \$632 for taxpayers without children to \$7,830 for taxpayers with three or more children.

COMMENT. *Like the child tax credit, the EIC was temporarily increased for 2021, specifically for taxpayers without children, for whom the maximum available credit was \$1,502.*

■ INDIVIDUAL TAX INCENTIVES

Child Tax Incentives

Under current law, set to expire after 2025, the child tax credit is equal to \$2,000 per qualifying child and phases out for taxpayers with modified adjusted gross incomes in excess of \$200,000 (\$400,000 for joint filers). A portion of the \$2,000 is refundable and taxpayers can claim the credit even if they do not have a tax liability. The portion of the credit that is refundable is adjusted annually for inflation (\$1,700 for 2024). After 2025, the pre-TCJA amounts will apply again, with a lower credit amount (\$1,000), lower phaseout thresholds, and a lower refundable portion.

Harris

Harris supports the return of the increased earned income credit amount for taxpayers without children.

Trump

Trump has no proposals relating to the earned income credit.

Housing

Under current law, there are no widely applicable tax incentives for the purchase of a home. Previously, certain first-time homebuyers were eligible for credits that were made available in response to the 2008 financial crisis, but these credits are no longer applicable.

Harris

Harris has voiced support for certain incentives for home purchases, as well as for developers. She announced in August a plan to provide \$25,000 in down payment assistance to homebuyers, but it was not clear how much, if any, of this \$25,000 would be in the form of a tax credit. The Democratic party platform released after its National Convention in August indicates support for a \$15,000 first-time homebuyer tax credit. Harris also announced a plan to make a credit available to housing developers to build smaller housing affordable for first-time homebuyers.

Trump

Trump has not released any specific proposals relating to tax incentives for housing or housing development, although the Republican party platform proposals released after the GOP National Convention in July does propose tax incentives for first-time homebuyers, indicating a possible proposal to resurrect the first-time homebuyer credit.

ESTATE TAX

Income Tax Rates

The TCJA doubled the exclusion amount applicable to estate, gift, and generation-

skipping transfer tax. For 2024, this results in an inflation-adjusted exclusion of \$13.61 million. Without extension of the TCJA, this exclusion amount will be halved (subject to inflation adjustment) for transfers occurring after 2025.

Harris

The Harris presidential campaign has not made any specific proposals relating to estate and gift taxes.

Trump

Trump proposed to make the provisions of the TCJA permanent, which would include the doubled exclusion amount, but has not made any specific proposals relating to estate and gift taxes.

BUSINESS TAXATION

Corporate Tax Rates

Under current law, the corporate tax rate is 21 percent. Prior to passage of the TCJA, corporations were taxed progressively based on income, with a maximum applicable rate of 35%.

Harris

Harris has endorsed a long-standing Biden proposal to increase the tax rate on corporations to 28%.

Trump

Trump does not have a specific proposal for the corporate tax rate, but he has suggested at times to lower the income tax rate on corporations to 15% or 20%.

Small Businesses

Under current law, a small business is effectively treated similarly to any other business. There are some benefits available to businesses with lower incomes not available to large corporations, such as the ability to use the cash method of accounting or lower limits on the deduction of interest, but those benefits are generally few and far between.

Harris

In early September, Harris announced a slew of proposals meant to promote the formation of small businesses. The most notable tax incentive is an increase in the deduction for start-up and organizational expenses to \$50,000 (the current deduction amount is \$5,000). The proposal also includes the establishment of a standard deduction for small businesses.

Trump

Currently, Trump has no tax-related proposals related to the support or expansion of small businesses. However, it should be noted that the Harris proposal was released shortly before the publication of this briefing, and Trump may yet issue a proposal in response to the Harris proposal.

Taxation of Foreign Businesses

The taxation of foreign businesses takes on many forms in the Internal Revenue Code, but most of this is the taxation of U.S. connected income, with a handful of industry-specific tariffs.

Harris

Harris has not issued any proposals on changes to the taxation of foreign businesses.

Trump

A broad expansion of tariffs has emerged as a key pillar to Trump's overall tax plan. While no specifics of how these tariffs would work have been released, the party platform indicates that "baseline Tariffs on Foreign-made goods..." would ultimately result in a reduction of taxes on American individuals and businesses.

INTERNATIONAL TAXATION

TCJA Rules for International Taxation

Changes to the Internal Revenue Code by the TCJA relating to the taxation of foreign activity of U.S. businesses, as well as foreign businesses, were designed with the goal of making U.S. businesses more competitive while also protecting domestic jobs. Many of these provisions, like the base-erosion and anti-abuse tax, the increased deduction for foreign-derived intangible income, and the increased deduction for global intangible low-taxed income, are all set to expire after 2025.

Harris

Harris has not issued any specific proposal related to these tax provisions.

Trump

Trump proposed to make the provisions of the TCJA permanent, which would include these provisions.

TAX LEGISLATION ON THE HORIZON

Regardless of which party wins the election, there will be a need to address the sunset of TCJA at some point in 2025. When, and what form that action takes, is contingent on not only the outcome of the presidential election, but also which party takes control of Congress. Not mentioned above are the dozens of other TCJA provisions that are set to expire at the end of 2025. This includes increased AMT exemptions, the elimination of the personal exemption, the limit on the SALT deduction, bonus depreciation, and the qualified business income deduction, among many others.

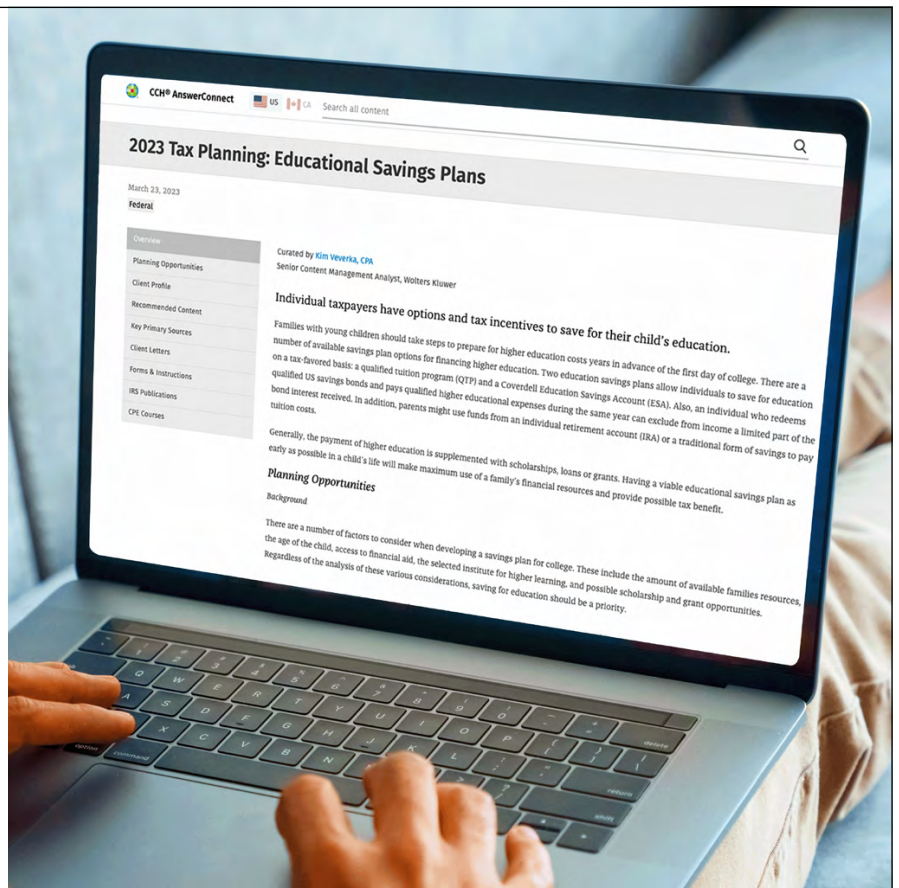
Given the unlikelihood of a 60-vote majority in the Senate, it is doubtful that a permanent extension of TCJA is possible, even with a Trump win and GOP majorities in the House and Senate. With a Harris win, there may be a picking and choosing of some TCJA provisions to extend coupled with a modification of others. If the results are mixed, it will depend on negotiation between party leaders to avoid a fiscal cliff like we almost saw at the end of 2012.

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