

13 TAX REFORMS TO PRESERVE AND EXPAND THE 2017 TAX CUTS

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Major provisions from the 2017 [Tax Cuts and Jobs Act \(TCJA\)](#) will expire at the end of this year, including the lower individual rates, child tax credit expansion, increased standard deduction, state and local tax deduction (SALT) cap, passthrough deduction, Death Tax exemption, and more. Pro-growth policies that reduce the tax disincentives against investment are also phasing out or have expired, such as expensing for capital investments and research and development.

The reconciliation process is a vital opportunity to prevent harmful tax increases on families and small businesses.

Lawmakers must [preserve and expand the 2017 tax cuts](#), with a focus on reforms that promote broad economic opportunity, fairness, and simplicity.

Reforms to Promote Sustainable Economic Growth and Opportunity for All Americans

1. Prevent Tax Increases on American Workers and Families

The TCJA cut taxes for families by reducing tax rates, doubling the standard deduction, and reducing the burden of the Alternative Minimum Tax (AMT). The TCJA also simplified the tax code by ending and limiting a number of itemized deductions and exemptions.

Many of these important policies will expire at the end of 2025, resulting in a massive tax increase for workers and families.

2. Make Expensing for Capital Investments Permanent

The TCJA allowed businesses to immediately deduct the full costs of capital investments, such as new factory equipment. This full and immediate expensing (also referred to as bonus depreciation) removed a significant tax bias against investment.

Under current law, expensing began phasing out in 2023 and is set to expire completely by 2027.

3. Make Expensing for Research & Development Permanent

Beginning in 2022, research and development (R&D) was required to be deducted over a five-year period rather than expensed upfront. Expensing for R&D should be reinstated and made permanent.

4. Provide Neutral Cost Recovery for Investments in Buildings

Under current law, investments in structures must be depreciated over long periods: 27.5 years for a residential building and 39 years for commercial buildings.

Factories, warehouses, commercial buildings, residential buildings, and other structures should be eligible for neutral cost recovery so the tax deduction is adjusted for inflation and the time value of money. This would eliminate the tax bias against vital investments.

5. Lower the Corporate Rate to Increase American Competitiveness

The [corporate income tax](#) is one of the most harmful and destructive taxes within the U.S. tax system.

Because of the disproportionately high corporate tax, workers face lower wages, investors face lower returns, and consumers face higher prices. Business taxes are, of course, ultimately paid by real people. American workers bear 70 percent or more of the corporate tax burden in the form of lower wages, according to studies and literature reviews by the [Tax Foundation](#) and the [Cato Institute](#).

Adding the average state tax rate to the 21 percent federal rate brings the average total corporate tax rate to 25.8 percent. That means employers in the United States face a higher corporate tax rate than the 25 percent rate imposed by the Chinese Communist Party on businesses. The corporate rate should be reduced as low as possible to increase American competitiveness.

6. Prevent Tax Increases for Small Businesses

Many small businesses are taxed through the individual side of the tax code as passthrough entities. These include S-corporations, LLCs, partnerships, and sole proprietorships. The TCJA reduced the tax burden on these job creators in two major ways. First, tax rates were reduced across the board.

Second, individuals can [deduct 20 percent of certain passthrough business income](#). This deduction, known as 199A, is subject to limitations for high-income taxpayers and based on the types of business activities.

Both the lower rates and the 199A deduction are expiring at the end of 2025 and should be made permanent.

[*Download the EPIC Infographic: The Evolution of Federal Passthrough Taxation*](#)

7. Reduce Double Taxation of Dividends, Capital Gains, and the Obamacare Net Investment Income Tax

The corporate tax subjects corporate profits to double taxation. After paying the corporate tax, the remaining profits are distributed to shareholders, who then pay taxes on those dividends or capital gains. This double layer of taxation on the same dollar of income is destructive and distortionary.

Double taxation should be alleviated by reducing the tax rates on dividends and capital gains. Additionally, the Net Investment Income surtax on investments created by Obamacare should be repealed.

Reforms to Promote Fairness

8. Repeal Green Energy Tax Credits

The [green energy subsidies](#) from the Inflation Reduction Act (IRA) should be fully repealed.

Tax credits for electric vehicles (EVs), wind, solar, and other so-called “green energy” investments merely shift costs onto taxpayers instead of allowing the price to reflect the value provided to consumers. The cost of the tax credits for “green energy” projects has exploded due to the lack of an upper limit, while the purported environmental benefits are [not materializing](#). In fact, the cost of the tax credits could be orders of magnitude greater than the initial score, with [estimates](#) now exceeding \$1 trillion over the next decade and \$4 trillion through 2050.

9. Eliminate the SALT Deductions

The state and local tax (SALT) deductions should be fully eliminated, allowing lower rates for families and [businesses](#) across the country.

The SALT deduction effectively provides a federal subsidy to states with high taxes. This tax subsidy incentivizes higher taxes and bigger state and local governments. At the same time, the deduction forces federal tax rates to be higher across the board to raise the same amount of revenue. This punishes the millions of Americans who have moved to pro-growth, low-tax jurisdictions.

[Download the EPIC Infographic: The Evolution of Corporate State and Local Tax \(SALT\) Deductions](#)

10. Eliminate the Death Tax

The estate tax, better known as the Death Tax, imposes a 40 percent tax on property transferred at death.

The Death Tax is fundamentally unfair and economically destructive. Because assets subject to the Death Tax that are passed along to the next generation can be illiquid — such as family farms and small businesses — families often have no way to pay the federal government other than by selling off those businesses and land. So, while families grieve for their loved ones, they are often forced to give up the fruits of their hard work — resources meant to secure a better future for the next generation. This is entirely contrary to the American dream.

11. Prohibit Illegal Aliens from Eligibility for Welfare Tax Credits

Many illegal aliens are eligible for taxpayer-funded welfare programs, costing billions of dollars annually.

These benefits — some of which are outright cash payments through the Tax Code — are a significant pull factor for illegal immigration. The CBO estimated that by FY 2034, tax benefits for illegal aliens from the Child Tax Credit (CTC), the Earned Income Tax Credit (EITC), and the Obamacare Premium Tax Credit (PTC) will total more than \$100 billion.

Reforms to Promote Simplicity

12. Create Universal Savings Accounts

Universal Savings Accounts (USAs) should be made available to all Americans. USAs would allow individuals to make contributions to a savings account where proceeds grow without being subject to further taxation. The funds could be withdrawn at any time and used for any purpose.

13. End a Marriage Penalty by Eliminating the Head of Household Filing Status

Marriage penalties are harmful and should be eliminated wherever possible. A major marriage penalty exists in the tax code due to the head of household filing status. This is because the standard deduction and tax brackets for the head of household status are more than half of the married filing jointly levels.