

## Outlook for U.S. Tax Laws - Potential Changes and Process

As of March 10, 2025



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# Private Bank's *Washington Tax Watch* – March 10, 2025 Edition

## Recent Developments

President Trump addresses joint session of Congress, reinforcing earlier proposals to extend expiring tax cuts and enact additional tax relief

## Highlights

On March 4, President Trump addressed a joint session of Congress and repeated his earlier proposals to extend the provisions of the 2017 Tax Cuts & Jobs Act (TCJA) scheduled to expire at the end of 2025. President Trump and Congressional Republicans intend to use the “budget reconciliation” process to pass tax legislation with simple majority votes in the House and Senate. To do so, they must first clear some procedural hurdles before they begin advancing tax legislation.

In his speech, the President promised “permanent tax cuts across the board,” a move that realistically would require Congressional score keepers to adopt an untraditional “current policy” baseline to measure (for Congressional calculation purposes) the cost of extending the TCJA, rather than use the traditional “current law” baseline.

President Trump added that he wants Congress to approve his plan for no tax on tips, overtime and Social Security benefits. That same day, House Majority Leader Steve Scalise (R.-La.) told reporters the House intends to include a proposal to eliminate tax on tips in its version of a tax bill expected to be released at some point. Changes to the tax treatment of Social Security benefits are highly unlikely due to procedural limitations that prohibit changes to Social Security using budget reconciliation.

President Trump also reiterated his plans to incentivize U.S. manufacturing, by cutting tax rates on domestic production and making interest payments on car loans deductible if the car is made in the U.S. He supported retroactive (to Jan. 20, 2025) restoration of 100% accelerated depreciation on certain business property in the first year it is placed in service (e.g., aircraft, machines, equipment, vehicles). These benefits are now reduced and scheduled to expire.

It remains unclear which of the different plans adopted by the House, or the Senate, will prevail. The House would like to use one big bill to cover tax policy and other administration priorities, and the Senate would like to address tax policy in a separate bill later this year. This process could face delays as Congress faces its next major deadline: to fund the government on March 14, the date on which that funding is scheduled to run out.

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