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Taxes: The calm before the storm?

James Bergeron, J.D.
Advisor Education Specialist

Take full advantage of tax certainty while planning for changes to come

The key to effective tax planning is to think ahead. By taking a multi-year view you can identify the most tax-efficient way to achieve a specific financial objective, and optimize the timing of implementation – maximizing available tax savings.

When we look ahead to the coming years, we see three factors that could directly impact tax rates and thresholds, and also will bring questions about future tax policy to the forefront.

1. Expiring TCJA provisions

At the end of 2025, several key provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) are scheduled to expire. Included in the expiring provisions are those that lowered individual income tax rates and expanded some tax brackets, increased the alternative minimum tax (AMT) exemption and exemption phaseout levels, almost doubled the standard deduction and significantly raised the transfer tax exemption amount. As a result, **tax liabilities for the vast majority of American taxpayers will very likely rise as of January 1, 2026.**

2. Deadline for decision on debt ceiling

2023 brought a two-year suspension of the debt ceiling, which caps the total amount of money the government is allowed to borrow. Legislators have until January 1, 2025, to decide whether – and by how much – to raise the limit on federal borrowing. As that deadline approaches, and the two main political parties look to negotiate a solution to the growing debt, **we will likely hear calls for cuts in spending as well as for increases in revenues (i.e. taxes).**

3. 2024 elections

In addition to the presidential race, all 435 seats in the House of Representatives, along with 34 of the 100 seats in the Senate will be on the ballot in November 2024. The outcomes of these elections will impact tax priorities and policies for 2025 and beyond – the totality of which is difficult to predict. For example, although the Biden administration has already proposed an increase in capital gains tax rates, the future make-up of the House and Senate will determine whether there's enough support to enact such a change. In addition, **further changes to estate tax levels and/or exemption levels may be on the table.**

WHAT TO DO NOW

Although there's uncertainty about the future, advisors and investors still have the opportunity to take advantage of two year-end planning seasons of relative stability in tax rates and rules. The best approach is to take full advantage of what's known, while also accounting for what might change.

- **Segment your book** – Sort your contacts using a few key parameters:
  - Levels of ordinary income, estate/trust income, philanthropic gifting
  - Clients expecting significant unrealized capital gains or losses
  - Clients anticipating a change in state domicile
  - Clients expecting a change in marital or job status
  - Year they will need to start required minimum distributions from retirement accounts
- **Communicate proactively** – Make a plan to reach out to both clients and prospects to offer insight and guidance that is relevant to their circumstances
- **Offer visibility into the future** – Help clients estimate their anticipated adjusted gross income (AGI) and tax liabilities for the next few years,
- **Provide context** – Help them understand how and when the tax environment may shift
- **Leverage the calendar** – In addition to specific tax-smart moves, offer clients guidance on timing – with an eye to bunching deductions into higher-income years and accelerating/delaying income and capital gains into lower tax years

ADDITIONAL RESOURCES

Nuveen offers a number of resources to support your conversations with clients:

- Tax planning presentations available live and on demand
- Year-end planning checklist
- Quick reference guide of tax rates and thresholds

If you have questions or would like more information, please contact your Nuveen Advisor Consultant or call 800.221.9271.

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Endnotes

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