

TTC-EY Tax Policy Barometer — January 2025

Final results



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Introduction

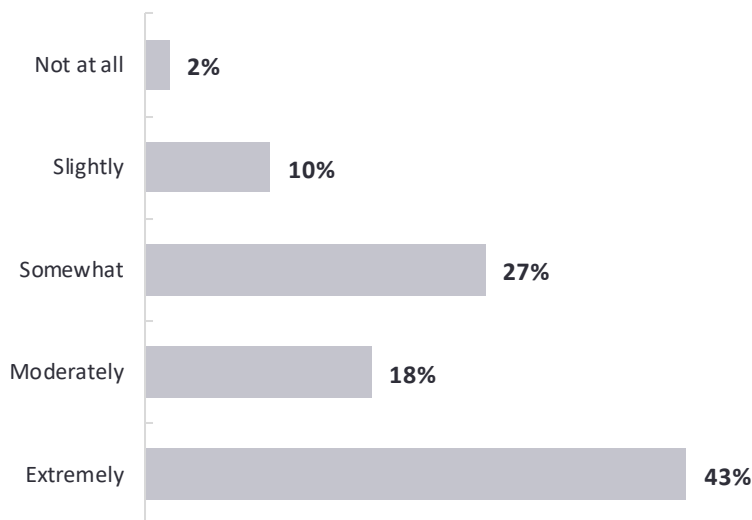
The Tax Council and Ernst & Young LLP produce the Business Tax Policy Barometer, providing insights on the business community's perceptions on a variety of business tax and other key policy issues. This 23rd Barometer tracks the views reported from November 8, 2024 through November 22, 2024, and assesses perceptions on issues such as the US economic outlook, TCJA extension and cliff provisions, other US tax policy issues, tariffs, and AI.

The Barometer suggests that while nearly three-quarters of respondents are optimistic about the business environment in the United States over the next 12 months, a majority are concerned about potential tariffs.

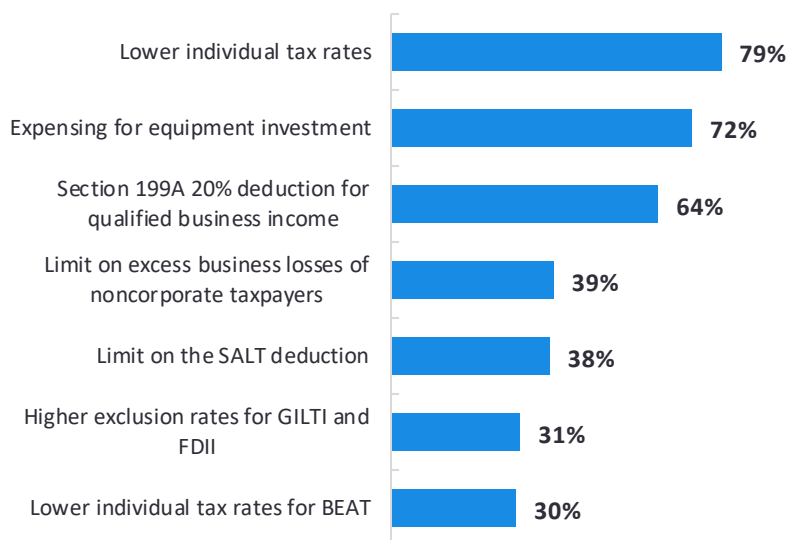
Multiple key provisions of the Tax Cuts and Jobs Act (TCJA) expire over the next two to three years. Respondents believe extensions will occur in 2025 and include business provisions such as expensing for equipment investment and the Section 199A 20% deduction for qualified pass-through business income.

As a new presidential administration takes office in 2025 and the TCJA cliff approaches, business and tax executives need to stay informed of the key policy issues that could impact their operations.

Concern for effects of general broad-based tariff



TCJA provisions moderately or extremely likely to be extended

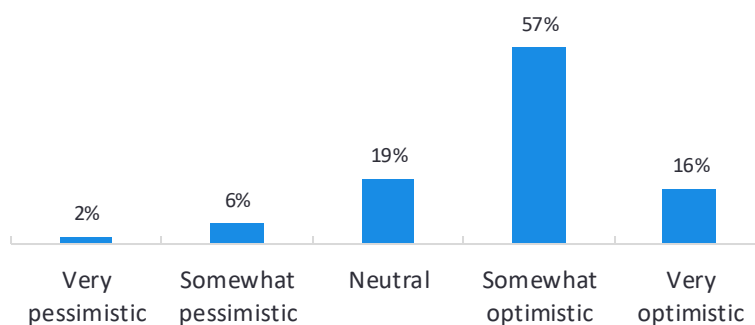




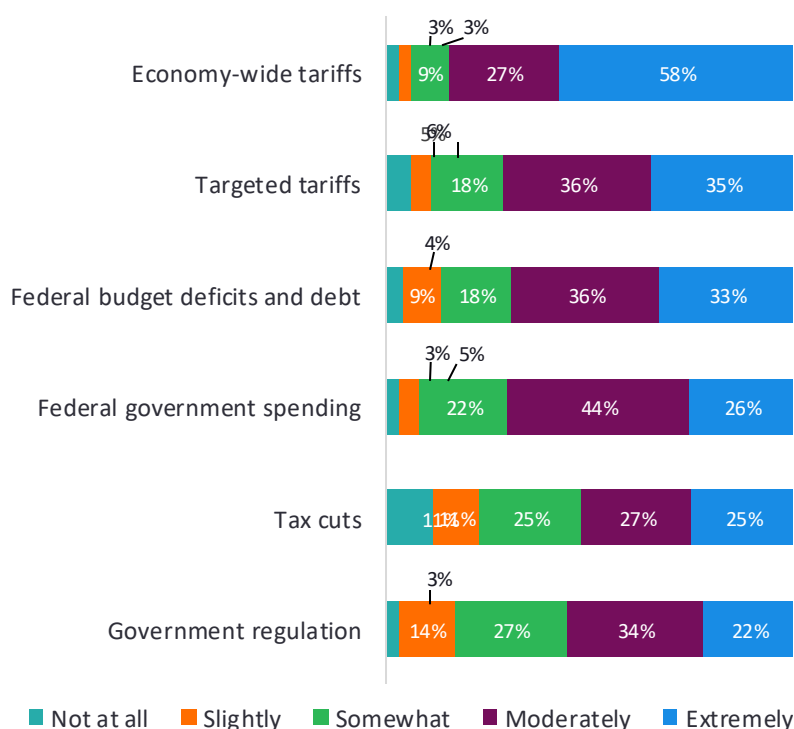
Policy outlook and concerns

- Respondents have an optimistic outlook on the business environment over the next 12 months:
 - Nearly three-fourths (73%) of respondents are optimistic compared to only 8% who are pessimistic.
- While respondents have a generally optimistic outlook for the business environment, tariffs (both economy-wide and targeted) are their biggest concerns:
 - Most (85%) respondents are moderately or extremely concerned about economy-wide tariffs.
 - And 71% of respondents are moderately or extremely concerned about targeted tariffs.

Outlook on business environment over next 12 months



Policy concerns

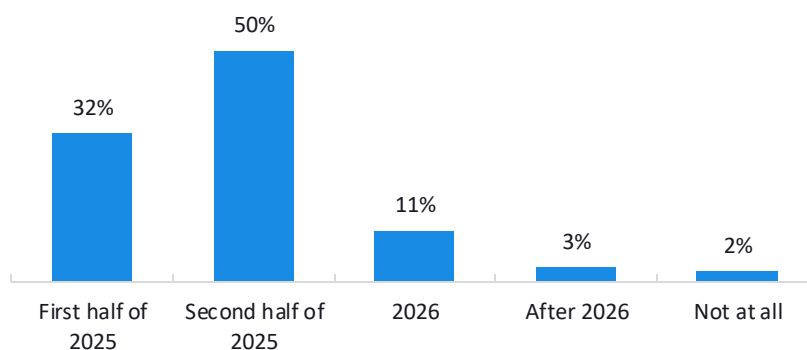




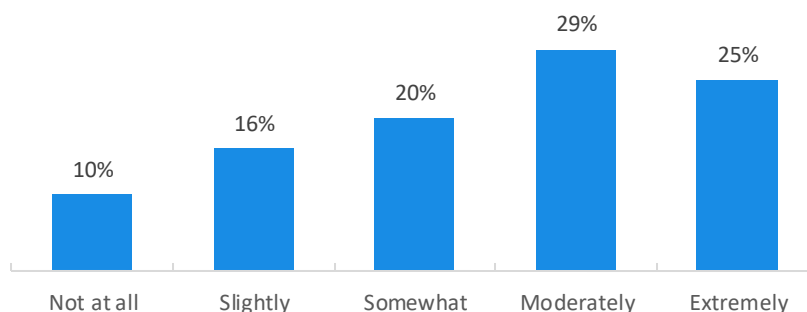
TCJA extension

- Respondents give an average likelihood of 82% for extension of the TCJA cliff provisions in 2025:
 - The average likelihood that extension occurs in the first half of 2025 is 32% and 50% in the second half.
- A majority of respondents (54%) think that paying for TCJA extension is moderately or extremely important.
- A majority (56%) also believe that, if the TCJA is extended, it will be for upwards of 10 years and done using reconciliation.

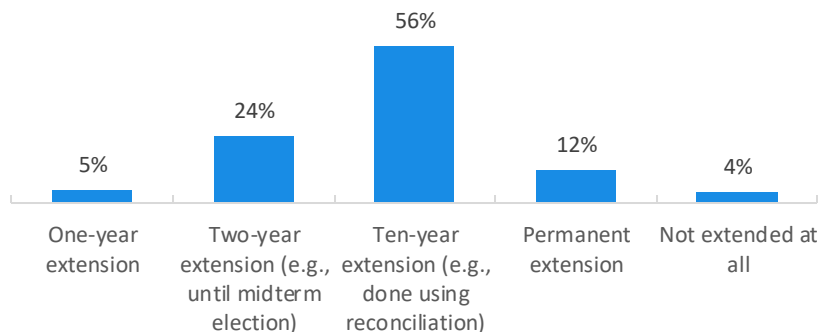
Likelihood of timing of TCJA extension



Importance of paying for TCJA extension



Length of TCJA extension

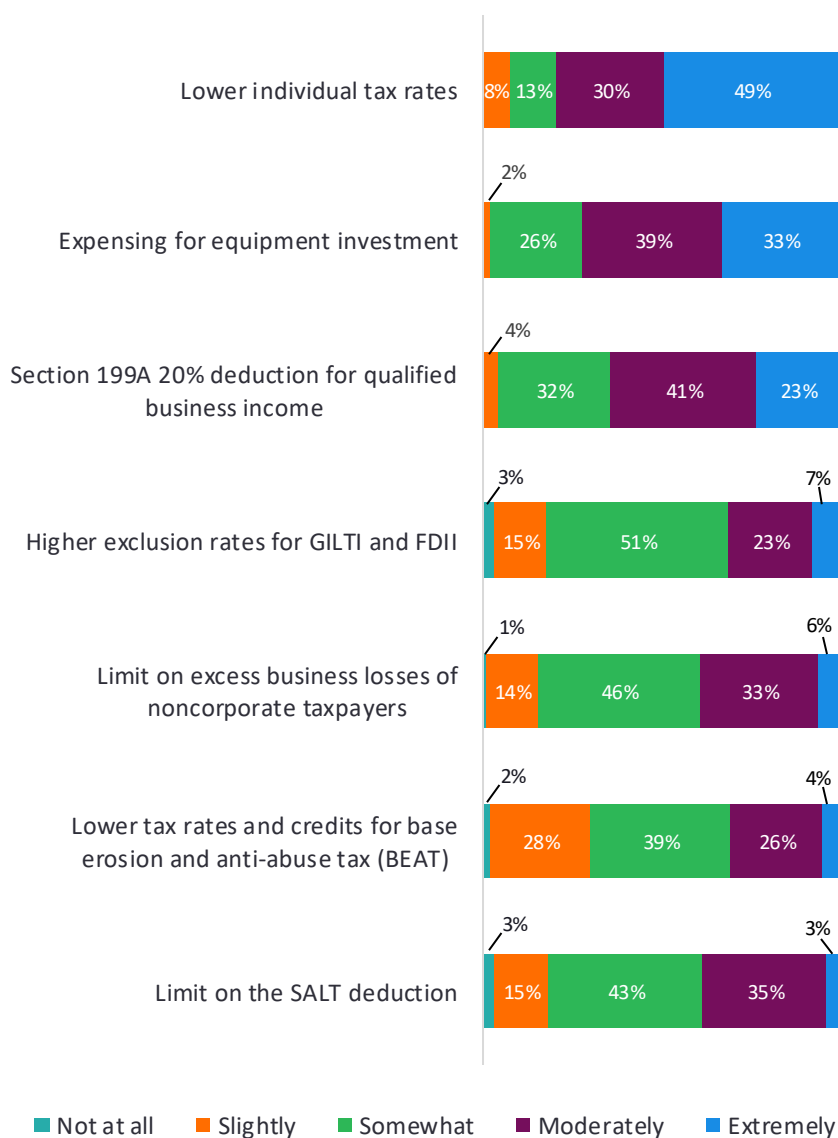




TCJA cliff provisions

- Most respondents (72%) believe it is extremely or moderately likely expensing for equipment investment will be extended.
- Close to two-thirds (64%) also believe the Section 199A 20% deduction for qualified pass-through business income will be extended.
- Less than half of respondents (38%) believe the \$10,000 limit on the state and local tax (SALT) deduction will be extended.

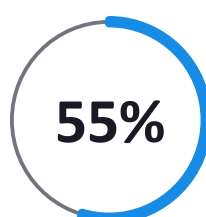
Likelihood of TCJA provisions to be extended



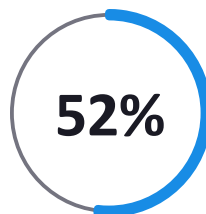


Other US tax policy issues

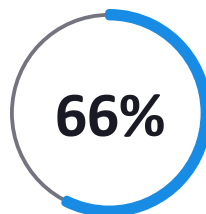
- Respondents believe the corporate income tax rate is unlikely to change (i.e., will remain at 21% at least through the end of 2027).
- Respondents also believe a lower effective tax rate on domestic manufacturing (55%) and an expanded child tax credit (52%) are likely.
- And two-thirds (66%) of respondents believe that it is more likely than not that some or all the provisions enacted under the Inflation Reduction Act (IRA) will be repealed:
 - Additional funding for IRS tax enforcement (75%) and expanded energy and EV credits (64%) are viewed as the most likely to be repealed.



Average likelihood of a lower effective tax rate for domestic manufacturing

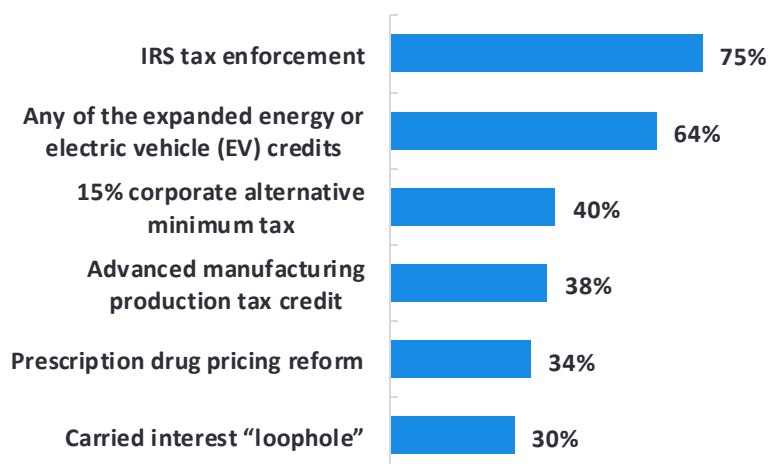


Average likelihood of expanded child tax credit



Average likelihood of repeal of Inflation Reduction Act (IRA)

Likelihood of repealing IRA provisions

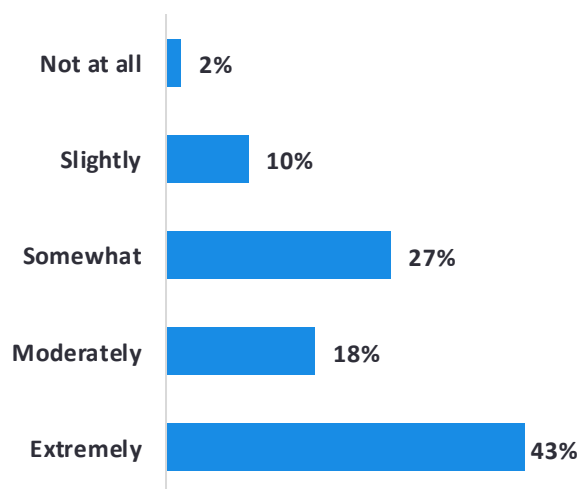




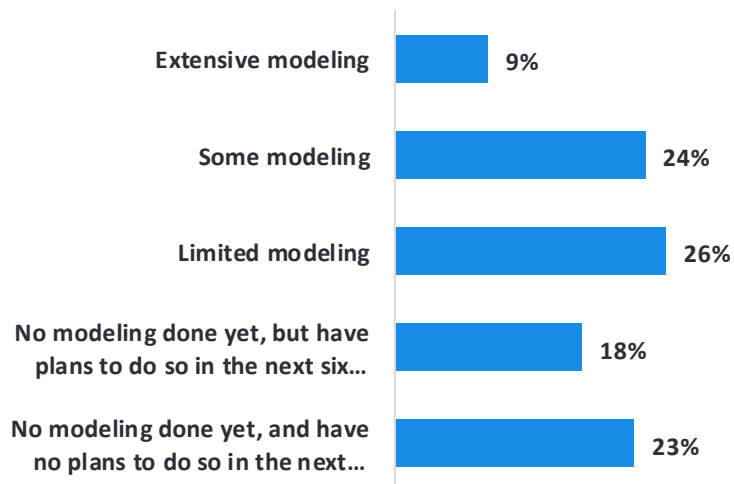
Tariffs

- Most respondents are extremely concerned about the potential effects of general broad-based tariffs:
 - Over 60% of respondents are moderately or extremely concerned about broad-based tariffs compared to only 12% that are only slightly or not at all concerned.
- While a majority have done some modeling, respondents report to be in various stages of modeling the impacts of broad-based tariffs:
 - Over 40% have not done any modeling yet.

Concern for effects of general broad-based tariff



Modeling potential impacts of increased tariffs

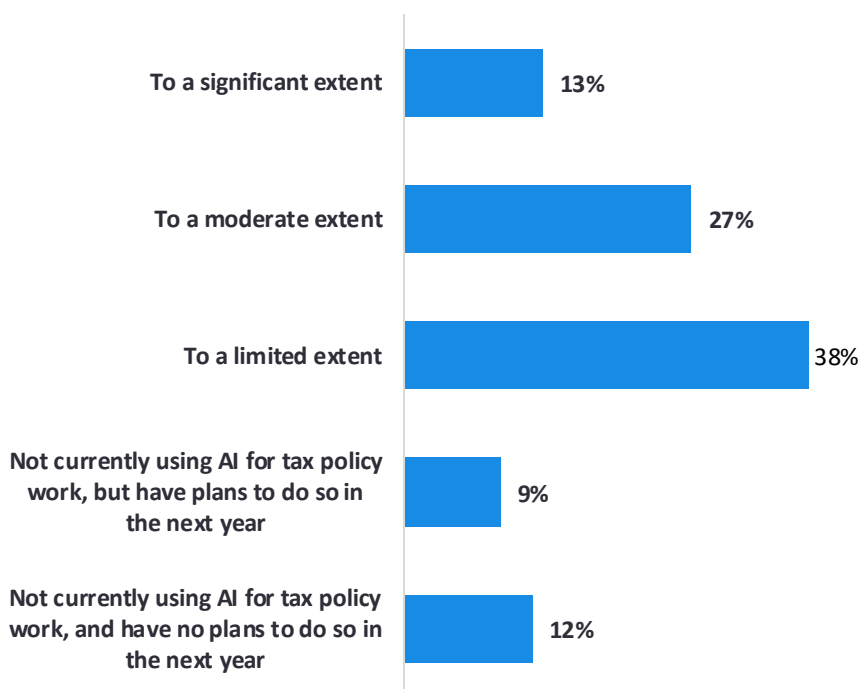




Generative AI

- Over 75% of respondents report using generative AI (GenAI) to at least some extent in their tax policy work.
- More than five in six respondents (87%) already use GenAI in their tax policy work or plan to do so in the next year.

Utilization of generative AI





About The Tax Council

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