

FEDERAL TAX UPDATE

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2025 Federal Income Tax Brackets for Individuals

Taxable Income Exceeding		Ordinary Income	Adjusted Net Cap Gain* & Qualified Dividends	Medicare Surtax on Earned Income**	Medicare Surtax on Net Investment Income
Single	Married Filing Jointly				
\$0	\$0	10%	0%	2.9%	0%
\$11,925	\$23,850	12%			
\$48,350	\$96,700		15%		
\$48,475	\$96,950	22%			
\$103,350	\$206,700	24%			
\$197,300	AGI over \$250,000	32%			
AGI over \$200,000	\$394,600				
\$250,525	\$501,050	35%	20%	3.8%	3.8%
\$533,400	\$600,050				
\$626,350	\$751,600	37%			

2025 Federal Income Tax Brackets for Trusts & Estates

Taxable Income Exceeding	Ordinary Income	Adjusted Net Cap Gain* & Qualified Dividends	Medicare Surtax on Net Investment Income
\$0	10%	0%	0%
\$3,150	24%		
\$3,250		15%	
\$11,450	35%		
\$15,650	37%		
\$15,900		20%	3.8%



Federal Gift Tax Annual Exclusion Amount

Date of gift	Annual exclusion amount
2001	\$10,000
2002 – 2005	\$11,000
2006 – 2008	\$12,000
2009 – 2012	\$13,000
2013 – 2017	\$14,000
2018 – 2021	\$15,000
2022	\$16,000
2023	\$17,000
2024	\$18,000
2025	\$19,000

Date of death	Basic exclusion amount	Date of death	Basic exclusion amount
2011	\$5,000,000	2018	\$11,180,000
2012	\$5,120,000	2019	\$11,400,000
2013	\$5,250,000	2020	\$11,580,000
2014	\$5,340,000	2021	\$11,700,000
2015	\$5,430,000	2022	\$12,060,000
2016	\$5,450,000	2023	\$12,920,000
2017	\$5,490,000	2024	\$13,610,000
		2025	\$13,990,000



Federal Wealth Transfer Tax Basic Exclusion Amount

Selected Sunsets at the End of 2025

- 37% top rate on ordinary income
- Increased standard deduction (\$14,600)
- Increased AMT exemptions and thresholds
- Exclusion for income from discharge of debt on principal residence
- \$10,000 cap on deduction for state and local taxes
- Limit on personal casualty losses
- 60% AGI limitation on cash donations to public charities
- Qualified business income deduction under §199A
- \$10 million (adjusted) “basic exclusion amount”

Back from the Dead in 2026

- 39.6% top rate on ordinary income
- Miscellaneous itemized deductions
- Overall limit on itemized deductions
- Personal and dependency exemptions
- Deduction for interest on home equity debt
- Deduction for moving expenses



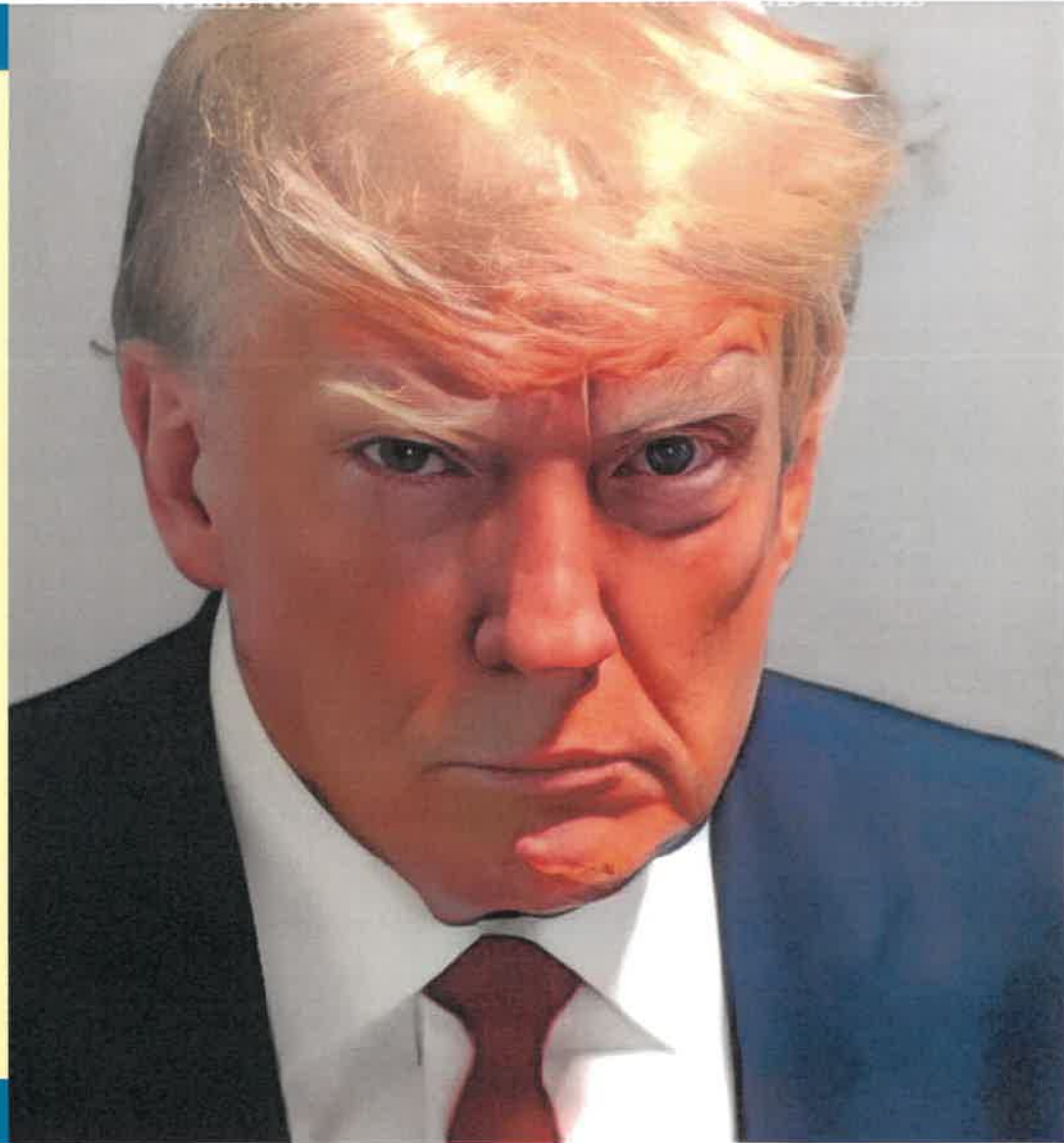
Fiscal Impact of Extending TCJA

	10-Year	20-Year	30-Year
Total Impact on Deficit (with Interest)			
Nominal Dollars	+\$4.5 trillion	+\$15.0 trillion	+\$37.2 trillion
Real (2031) Dollars	+\$4.3 trillion	+\$11.6 trillion	+\$23.5 trillion
Share of GDP	+1.3%	+1.8%	+2.4%
Change in Debt as a Share of GDP	+11.0%	+26.4%	+47.5%
Impact on Primary Deficits			
Nominal Dollars	+\$3.9 trillion	+\$10.4 trillion	+\$20.4 trillion
Real (2031) Dollars	+\$3.9 trillion	+\$9.4 trillion	+\$16.3 trillion
Share of GDP	+1.1%	+1.2%	+1.3%

Sources: CRFB estimates based on CBO data, including dynamic feedback.

Note: CBO's March 2024 projections of growth in the GDP Price Index are used for calculating "Real Dollars" figures.

- Extend individual and estate tax provisions of the 2017 Act
- Restore 100% bonus depreciation
- Exclude social security benefits
- Exclude tips
- Exclude overtime pay
- Treat carried interest as ordinary income



- The FY2025 House budget reconciliation includes budget reconciliation instructions calling for \$1.7 trillion in net spending cuts and \$4.5 trillion in net tax cuts (with room for adjustments), allowing for a **\$2.8 trillion** increase in primary deficits over the 10-year budget window from FY2025 to FY2034. Under budget reconciliation, primary deficits after FY2034 cannot increase.
- If the Trump administration's tax proposals were adopted by the House and enacted on a permanent basis, primary deficits over a 10-year period would increase by \$6 trillion. Moreover, annual primary deficits would be around \$700 billion higher in the years following 2034 and growing thereafter. To satisfy budget reconciliation rules, most tax cuts would, therefore, need to sunset (expire) by December 31, 2033.
- In [Appendix A](#), we separately estimate that a scaled-back version of the Trump administration tax proposals would increase 10-year primary deficits by **\$3.6 trillion** before economic effects, including required cost savings. This value is closer to, but still exceeds, the required target of \$2.8 trillion.



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Budget Model

Predictions

- On April 10, 2025, the House adopted the Senate's amended version of the budget resolution, which allows \$5.3 trillion in deficit-financed tax cuts (the combination of \$3.8 trillion of tax cuts assumed to be "costless" under a current policy baseline plus \$1.5 trillion in additional deficits permitted), deficit increases of \$521 billion on defense and immigration spending, a minimum of \$4 billion in spending cuts, and an increase in the debt limit of up to \$5 trillion.



- Substance

- 99.9% chance of general extension
- 99% chance it will later sunset
- 50% chance of new policies, increasing to 80% if scaled back

- Timing

	Original Plan	2017 Timeline	Actual
Budget resolution	February	October	April
House bill	"before Easter"	Late November	???
Senate bill	May	December	???
Final act	May	Late December	???

Does corporate-owned life insurance used to fund a redemption increase the estate tax value of stock?



Estate of Blount v. Commissioner
(11th Cir. 2005) → NO

- While the insurance is an asset, there is an offsetting liability to use the proceeds to redeem the stock

Does corporate-owned life insurance used to fund a redemption increase the estate tax value of stock?



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Estate of Connelly v. United States (8th Cir. June 2, 2023) → YES

- A willing seller would not accept \$3.86 million for the stock when the company is about to get a \$3 million death benefit

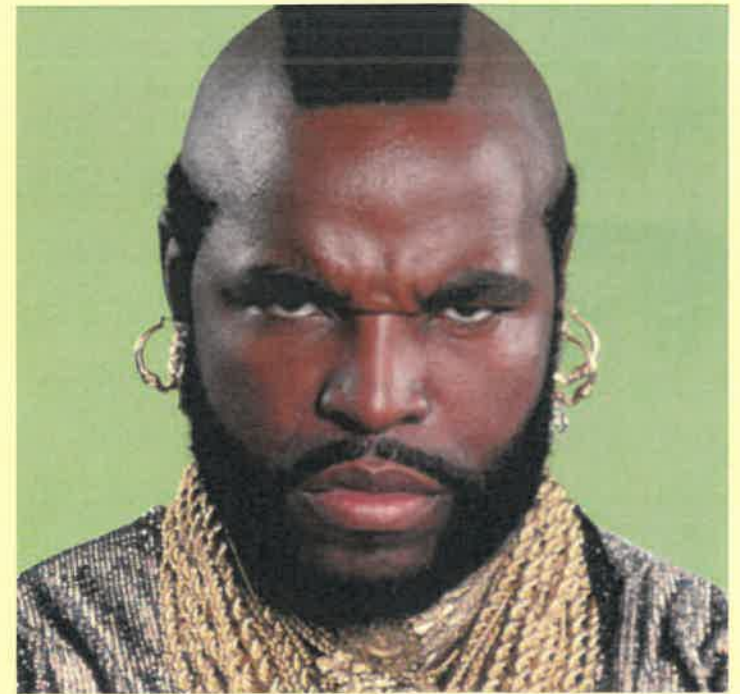
Moore v. United States

Is the ***Mandatory Repatriation Tax***
("MRT") constitutional?



Moore v. United States

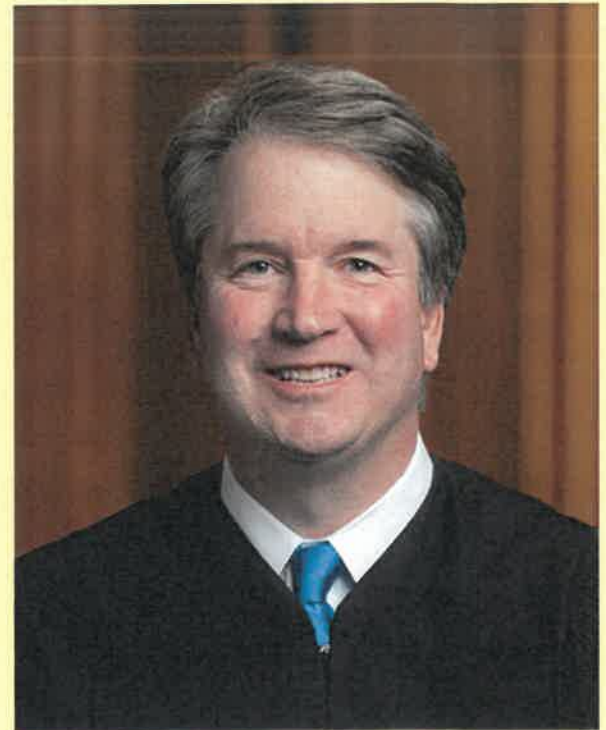
“Whether the Sixteenth Amendment authorizes Congress to tax unrealized sums without apportionment among the states”



Moore v. United States

“...the MRT *does* tax realized income – namely, income realized by the corporation, KisanKraft. The MRT attributes the income of the corporation to the shareholders, and then taxes the shareholders (including the Moores) on their share of that undistributed corporate income.

So the precise and narrow question that the Court addresses today is whether Congress may attribute an entity’s realized and undistributed income to the entity’s shareholders or partners, and then tax the shareholders or partners on their portions of that income.”



Moore v. United States

“...our analysis today does not address the distinct issue that would be raised by (i) an attempt by Congress to tax both the entity and the shareholders or partners on the entity’s undistributed income; (ii) taxes on holdings, wealth, or net worth; or (iii) taxes on appreciation.”



Moore v. United States

The realization requirement springs not from the Sixteenth Amendment but from *Eisner v. Macomber*, and *Helvering v. Bruun* neutered Macomber's stance on realization.

“Any litigant seeking to sustain her case on the basis of *Macomber* would have to bring back from the dead its Court-created limit on Congress's power.”



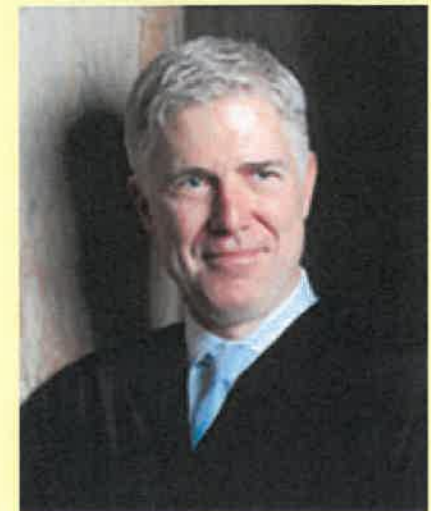
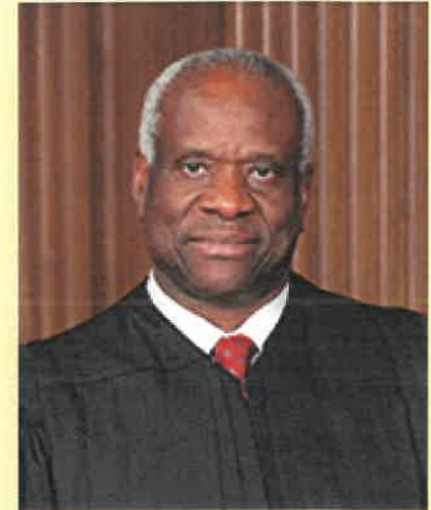
Moore v. United States

“The question on which we granted review is ‘[w]hether the Sixteenth Amendment authorizes Congress to tax unrealized sums without apportionment among the states.’ ... The answer is straightforward: No.”



Moore v. United States

“In *Eisner v. Macomber*, 252 U. S. 189 (1920), the Court explained that ‘the characteristic and distinguishing attribute of income,’ as the term is used in the Sixteenth Amendment, is that it is ‘*received or drawn* by the recipient (the taxpayer) for his separate use, benefit and disposal.’ *Id.*, at 207. Because the Moores never actually received any of their investment gains, those unrealized gains could not be taxed as ‘income’ under the Sixteenth Amendment.”



Loper Bright Enterprises v. Raimondo



Chevron USA v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984)

A court may not second-guess or substitute its own, “better” interpretation of statute that is silent or ambiguous as to a particular matter as long as the agency’s interpretation is a reasonable one.

Loper Bright Enterprises v. Raimondo



“Chevron is overruled. Courts must exercise their independent judgment in deciding whether an agency has acted within its statutory authority, as the APA requires. Careful attention to the judgment of the Executive Branch may help inform that inquiry.”

Loper Bright Enterprises v. Raimondo



“And when a particular statute delegates authority to an agency consistent with constitutional limits, courts must respect the delegation, while ensuring that the agency acts within it. But courts need not and under the APA may not defer to an agency interpretation of the law simply because a statute is ambiguous.”

Corner Post, Inc. v. Board of Governors of the Federal Reserve System

When does the statute of limitations for facial challenges to a federal agency's rule start to run?

- When the agency publishes the final rule

Fourth, Fifth, Eighth, Ninth, Federal, D.C.

- When the plaintiff first becomes aggrieved by the rule

Sixth



Fun with QTIP Trusts!



Estate of Anenberg (Tax Court, May 20, 2024)

McDougall (Tax Court, September 17, 2024)

Estate of Kalikow (2d Circuit, March 4, 2025)

Fun with QTIP Trusts!



Estate of Anenberg (Tax Court, May 20, 2024)

McDougall (Tax Court, September 17, 2024)

Does a terminating distribution of QTIP to the surviving spouse, followed by the spouse's installment sale of that property, trigger a deemed gift under §2519?

Fun with QTIP Trusts!

- At surviving spouse's death, QTIP trust held \$800,000 in liquid assets and a limited partner interest worth \$54.5 million.
- Settlement agreement requires the trust to pay \$9.2 million to the estate of the surviving spouse.
 - \$6.5 million for undistributed income that should have been paid
 - \$2.7 million for legal fees and trustee commissions
- Surviving spouse's estate argues, alternatively:
 - The gross estate should be reduced by \$6.5 million, *OR*
 - The estate should be allowed to deduct \$6.5 million as an administration expense



Estate of Kalikow (2d Circuit, March 4, 2025)

Replaced life expectancy payout with **10-year payout** for all BUT “*eligible designated beneficiaries*”

- (1) Surviving spouse
- (2) Participant’s minor child
- (3) Disabled beneficiary
- (4) Chronically ill beneficiary
- (5) Beneficiary less than 10 years younger than participant

If participant started RMDs before death, DB must take RMDs in each of the 10 years!

Notice 2022-53: no penalty where DB fails to take RMDs in 2021 or 2022

Notice 2023-54: and no penalty for 2023

Notice 2024-35: and no penalty for 2024!

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“This relief does not require taxpayers to make up missed required minimum distributions nor does it permit taxpayers to extend the 10-year deadline by which a full distribution is required to be made. For example, if an employee died in 2020, then in 2025, there are six years remaining in the 10-year period without regard to whether the designated beneficiary took distributions in 2021, 2022, 2023, or 2024. In 2030, the designated beneficiary must take a distribution of the remaining account balance.”

**The
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Participant Dies	Named Beneficiary	Applicable Withdrawal Rule
Before RBD	-none-	Anytime within 5 years
Before RBD	Designated Beneficiary	Anytime within 10 years
After RBD	-none-	Over participant's "life expectancy"
After RBD	Designated Beneficiary	Annually over years 1 – 9 based on beneficiary's life expectancy, then balance in year 10
Before or after RBD	Eligible Designated Beneficiary	Over beneficiary's life expectancy

**The
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FBAR Cases

- *Hendler* (S.D. New York, 9/17/24) → Penalties don't die with decedent
- *Hughes* (9th Cir. 8/21/24) → Reckless failure is "willful"
- *Schwarzbaum* (11th Cir., 8/30/24) → "Willful" penalty subject to Excessive Fines Clause
- *Leeds* (D. Idaho, 3/7/25) → All of the above!

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Rev. January 2013
Department of the Treasury

REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS
Do NOT file with your Federal Tax Return

OMB No. 1545-0048
1 This Report is for Calendar Year Ending: 2021
Amended ☐

Do not use previous editions of this form.

Part I Filer Information

2 Type of Filer
a ☐ Individual b ☐ Partnership c ☐ Corporation d ☐ Consolidated e ☐ Fiduciary or Other—Enter type

3 U.S. Taxpayer identification number
If filer has not U.S. identification number complete item 4.
4 Foreign identification (Complete only if item 2 is not applicable)
a Type ☐ Passport ☐ Other
b Nationality
c Country of issue
5 Last Name or Organization Name
6 First Name
7 Middle Initial
8 Address (Number, Street, and P.O. Box No.)
9 City
10 State
11 Zip/Postal Code
12 Country
13 Check this box if filer is a foreign person or entity (If "Yes", enter total number of accounts owned separately in Part III. If "No", do not complete Part III or Part IV, but include taxpayer's name in the list of filers.)
14 ☐ Yes ☐ No
15 Information on financial account(s) owned separately
16 Name of financial institution in which account is held
17 Account number or other designation
18 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held
19 City
20 State of institution
21 Zip/Postal Code of institution
22 Country



Thank
you

