CALAMOS® WEALTH MANAGEMENT

Trump Administration Tax Policy and Budget Proposals — The First 30 Days

Overview

In his first month back in office, President Trump has outlined a comprehensive tax policy framework designed to stimulate economic growth through targeted tax reductions, bolster American manufacturing through new incentives, and protect domestic industries with strategic trade measures. These proposals aim to build upon and expand the 2017 Tax Cuts and Jobs Act while introducing several new elements that could significantly impact both individual taxpayers and businesses. The administration's stated goal is to reduce tax burdens across the board while implementing protective measures to support domestic production and address trade imbalances. Here's what you need to know about these proposed changes:

What This Means for Individual Taxpayers

The administration proposes several changes that aim to extend and enhance tax relief for individuals and families:

> **Extending the 2017 Tax Cuts and Jobs Act (TCJA) Provisions:** Keeping the lower tax rates and expanded standard deduction that would otherwise expire in 2025.

> **New Tax Exemptions:** Eliminating taxes on tips, overtime pay, and some Social Security benefits.

> **Property Tax Relief:** Increasing or removing the cap on state and local tax (SALT) deductions.

> **Investment Manager Taxation:** Closing the "carried-interest loophole" that currently allows investment managers to pay lower tax rates on their income "at the capital tax gains rate of 23.8%" instead of a higher ordinary income tax rate of 40.8%, including the 3.8% net investment income tax "if applicable."

Business Tax Changes

For business owners and investors, key proposals focus on reducing corporate tax burden, and emphasizing manufacturing incentives and provisions that restore capital investment and research. This includes:

> **Lower Corporate Taxes:** Reducing the general corporate tax rate from 21% to 20%.

> **Manufacturing Incentives:** Further reducing the rate to 15% for companies that manufacture in the US.

> **Investment Boosters:** Restoring 100% bonus depreciation and immediate expenses for research and development.

> **Business Deductions:** Maintaining the 20% deduction for pass-through business income.

> **Interest Deductions:** Reverting to more favorable rules for business interest deductions.

Trade Policy Shifts

The administration's proposed trade framework represents a significant shift toward more protectionist measures, implementing a tiered tariff system with higher rates for China and varying rates for other trading partners to prioritize domestic production and address trade imbalances. Measures implemented by Executive Order include:

> **Universal Base Tariff:** 20% tariff on all imports.

> **China-Specific Tariffs:** Up to 60% on Chinese goods.

> **North American Tariffs:** 25% on imports from Mexico and Canada.

> **Other Countries:** 10-20% tariffs on imports from the rest of the world.

These tariffs may impact the prices of imported goods and various industries, such as technology, pharmaceuticals, and automotive, potentially leading to higher consumer costs. There are also concerns that trading partners may implement retaliatory measures that could result in a cost increase for imported goods, which will ultimately be passed down to the consumer.

Congressional Budget Actions

Congress is working to implement these priorities through the budget process, with different approaches in each chamber:

House Plan

Amount	$4.5 trillion in tax cuts with $1.5 trillion in spending cuts.
Status	Passed by Republican controlled House by a razor-thin majority (217-215) on February 25, 2025.
Key Requirements	> Must include $2 trillion in cuts to "mandatory" spending (Medicare, Medicaid, Supplemental Nutrition Assistance Program) or reduce tax cuts > Extends Trump's expiring 2017 tax law > Involves steep spending reductions
Approach	Favors a single comprehensive bill including tax cuts, border security, and other priorities.

Senate Plan

Amount	$340 billion blueprint.
Status	Passed by full Senate (52-48 vote) on February 21, 2025.
Key Requirements	> $175 billion for immigration and border enforcement. > $150 billion for expanding the military. > Does NOT include the tax cut provisions in the House plan.
Approach	Prefers a two-bill approach, handling immigration/border security first, the military, and energy.

Implementation Challenges:

The ambitious scope of the proposed tax and budget changes faces practical constraints, including narrow congressional majorities, deficit concerns, and the technical limitations of the budget reconciliation process.

- Narrow Republican majorities in Congress may affect the ability to pass comprehensive legislation.
- Likely use of budget reconciliation process to pass tax changes with only simple majority Republican votes.
- Potential need for offsetting revenue measures given deficit concerns.
- Budget resolutions represent the first step in the "budget reconciliation" process, which allows legislation to pass the Senate with a simple majority rather than the usual 60-vote threshold.

What Happens Next

- The narrow Republican majorities in Congress may affect the final legislation.
- Budget reconciliation will likely be used to pass tax changes with a simple majority.
- A comprehensive tax package could potentially be delivered by mid-2025.

How to Prepare

These proposed tax changes may have significant implications for your financial planning strategies.

1. **Schedule a Planning Review:** Contact your wealth advisor to discuss how these potential changes could affect your personal financial situation.

Key Areas to Consider:

- » Retirement Planning: Evaluate how the tax exemption on Social Security benefits might alter your retirement income strategies.
- » Investment Strategies: Consider potential portfolio adjustments in response to corporate tax changes and new tariff structures.
- » Income Timing: Explore opportunities to optimize timing of income recognition, especially for overtime or tip income that may become tax-exempt.
- » Business Ownership: If you own a business, review how the manufacturing incentives or pass-through deduction maintenance might benefit your operation.
- » Real Estate: Reassess property tax planning in light of potential SALT deduction cap changes.

2. **Stay Informed:** These proposals are still being considered by Congress and may change significantly. We'll continue to provide updates as the legislation progresses.

3. **Avoid Hasty Decisions:** While it's important to prepare, most changes wouldn't take effect until 2025 or later, providing time for thoughtful planning.

Do not hesitate to reach out to your wealth advisor to discuss your personal situation and how it might be impacted by the proposed tax legislation. Learn more at wm.calamos.com or contact us at 888-857-7604.

CALAMOS®

TODAY FOR TOMORROW

CWM 822384 0225