

Summary of Tax Proposals in Leaked Document Detailing Policy Proposals

Tax Talks on **February 12, 2025**

I. Introduction

On January 17, 2025, news sources reported that Republican members of Congress circulated a detailed [list](#) of legislative policy options, including tax proposals. This blog post summarizes some of the tax proposals and corresponding revenue estimates mentioned in the list.

II. Individuals

(a) SALT Reform Options

The \$10,000 cap on the deductibility of state and local tax (“SALT”) from federal taxable income for most non-corporate taxpayers is set to expire at the end of the year. The list includes several alternative proposals for SALT deductibility going forward.

- **Repeal SALT Deduction:** The SALT deduction would be repealed for individual and business tax filers. This would raise \$1 trillion over ten years, as compared to extending the current TCJA deduction cap.
- **Make \$10,000 SALT Cap Permanent but Double for Married Couples:** The current TCJA deduction cap for individual and business tax filers would remain, but the cap would be raised for married couples to \$20,000 at an estimated cost of \$100-200 billion over 10 years, as compared to extending the current TCJA deduction cap.
- **\$15,000/\$30,000 SALT Cap:** The current SALT deduction cap would be increased to \$15,000 for individual taxpayers and \$30,000 for married couples, with an estimated cost of \$500 billion over 10 years, as compared to extending the current TCJA deduction cap.
- **Eliminate Income/Sales Tax Deduction Portion of SALT:** Only property taxes would be eligible for the SALT deduction, and the deduction would not be capped. This proposal would cost \$300 billion over 10 years, as compared to extending the current TCJA deduction cap.

- **Eliminate Business SALT Deduction:** This policy option would eliminate the SALT deduction for business filers only, while maintaining the TCJA deduction cap for individuals. It would raise \$310 billion over 10 years.

(b) Repeal or Reduce Mortgage Interest Deduction

The TCJA lowered the amount on which homeowners may deduct home mortgage interest to the first \$750,000 (\$375,000 if married filing separately) of indebtedness. One proposal would repeal the deduction on primary residences, which would raise \$1.0 trillion over 10 years dollars, as compared to extending current TCJA deduction caps. A second proposal would lower the cap on the deduction to the first \$500,000 of indebtedness. This proposal would raise \$50 billion over 10 years, as compared to extending current TCJA deduction caps. Both savings estimates are Tax Foundation scores.

(c) Repeal Exclusion of Interest on State and Local Bonds

Under current law, interest earned on bonds issued by states and municipalities is excluded from federal taxable income. One proposal would repeal this exclusion, which would raise \$250 billion over 10 years. Interest on certain “private activity bonds” is also exempt from federal income tax. A second proposal would repeal the exemption for private activity bonds, Build America bonds, and other non-municipal bonds. It would raise \$114 billion over 10 years.

(d) Repeal the Estate Tax

Estates are generally subject to federal tax. The TCJA raised the estate tax exclusion to \$13,990,000 in 2025. The list includes a complete repeal of the estate tax. The proposal would cost \$370 billion over 10 years.

(e) Exempt Americans Abroad from Income Tax

The foreign earned income exclusion allows U.S. citizens who are residents of a foreign country or countries for an uninterrupted tax year to exclude up to \$130,000 in foreign earnings from U.S. taxable income in 2025. The list suggests the limit could be raised, or that all foreign earned income could be exempted from U.S. tax. The Tax Foundation has estimated that the cost is \$100 billion over 10 years, though it is not clear which proposal the estimate is related to. This is a Tax Foundation Score.

III. Businesses

(a) Corporate Income Tax

The current corporate income tax rate is 21%. The list posits reductions in the rate to either 15% (at a cost of \$522 billion over 10 years) or 20% (at a cost of \$73 billion over 10 years).

(b) Repeal the Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 (“IRA”) imposed a 15% corporate alternative minimum tax (“CAMT”) on the adjusted financial statement of certain very large corporations. One proposal would repeal the CAMT, at a cost of \$222 billion over 10 years.

(c) Repeal Green Energy Tax Credits

The IRA enacted various “green” tax credits, including for clean vehicles, clean energy, efficient building and home energy, carbon sequestration, sustainable aviation fuels, environmental justice and biofuel. These tax credits are proposed to be repealed. The repeal would save up to \$796 billion over 10 years.

(d) End Employee Retention Tax Credit

The Employee Retention Tax Credit (“ERTC”) was established under the Coronavirus Aid, Relief, and Economic Security Act in 2020. The ERTC provided “Eligible Employers” with a refundable tax credit for wages paid between March 12, 2020 and January 1, 2021 for keeping employees on payroll despite economic hardship related to COVID-19. The proposal would extend the current moratorium on processing claims for credits, eliminate the credit for claims submitted after January 31, 2024 and impose stricter penalties for fraud related to the credit at an estimated savings of \$70-75 billion over 10 years.

IV. Nonprofits

(a) Endowment Tax Expansion for Private Colleges and Universities

The TCJA imposed a 1.4% excise tax on total net investment income of private colleges and universities with endowment assets valued at \$500,000 or more per student (other than assets used directly in carrying out the institution's exempt purpose). One proposal would increase the excise tax to 14%, which would raise \$10 billion over 10 years. A related but separate proposal would change the counting mechanism for the per student endowment calculation to include only students who are U.S. citizens, permanent residents or are able to provide evidence of being in the country with the intention of becoming a citizen or permanent resident. This proposal would raise \$275 million over 10 years.

(b) Repeal Nonprofit Status for Hospitals

Generally, hospitals are eligible for federal tax-exempt status. The list proposes to eliminate tax-exempt status for hospitals. The Committee for a Responsible Federal Budget has estimated that the proposal would raise \$260 billion over 10 years.

V. Enforcement

Repeal IRA's IRS Enforcement Funding

The IRA resulted in supplemental funding to the IRS, for enforcement purposes. The list states that if this funding is repealed, outlays would be reduced by \$20 billion and revenues by \$66.6 billion, for a net cost of \$46.6 billion over 10 years.

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