NATIONAL TAXPAYERS UNION

To: Members of the House Committee on Ways and Means
From: National Taxpayers Union
Date: May 13, 2025
Re: NTU's Views Ahead of Key Committee Markup

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, we write to express our views on a series of measures slated for consideration before the House Committee on Ways and Means on May 13, 2025. NTU appreciates the Committee for your taxpayer-friendly legislative proposals ("Committee Print") to comply with the reconciliation directive included in the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14.

With a mix of pro-growth, pro-family, and pro-worker tax policies, the 2017 Tax Cuts and Jobs Act (TCJA) is a foundational law that provided substantial tax relief for businesses and individuals across the board. By most accounts, TCJA delivered on its promise of unleashing economic growth, raising after-tax take home pay, and making the United States more globally competitive, while rebuilding an economy that generated even higher federal revenues than originally predicted.

Unless Congress acts before January 1, 2026, the expiration of TCJA will trigger widespread tax increases for 80% of Americans, significantly impact state economies, and disrupt state tax structures. That makes extension of TCJA the most pressing legislative matter that this Congress will address this year, and a recent NTU poll found that 91% of Republicans and 59% of Independents agree Congress needs to act as quickly as possible to make sure the 2017 Trump Tax Cuts do not expire.

We commend the Committee for authoring a solution to avoid such a massive tax cliff.

Therefore, NTU urges Committee members to support most provisions of this Committee's reconciliation title, and would urge all Committee Members to **SUPPORT** the legislation.

Subtitle A
Section 1100001 - Individual Tax Rates. This section would make TCJA's individual income tax brackets permanent. The TCJA lowered income tax rates across five of the seven brackets, and cut the top marginal rate to 37%. The illustrated effects from TCJA show the strong positive dynamic effects lowering rates has provided in boosting the American economy. Taken together, these rate reductions have enabled more taxpayers to

keep what they earn instead of sending more dollars to the federal government. NTU strongly supports this provision.

Section 1100002 - Standard Deduction. This section would make TCJA's standard deduction permanent, along with a temporary increase that sunsets in 2029. A key goal of TCJA was to simplify the tax code and reduce compliance costs, and a major way to accomplish this was to move filers away from itemizing their deductions. That's why TCJA nearly doubled the standard deduction from $6,500 to $12,000 for single filers and from $13,000 to $24,000 for married filers, thereby expanding the number of taxpayers who take the set standard deduction. Today, about 66% fewer taxpayers choose to itemize their deductions thanks to the simplification of having a higher standard deduction, saving taxpayers over a billion hours of tax preparation time, on average.

A new provision in this bill temporarily increases the standard deduction even more, with lower taxes moving into middle income brackets. Starting in 2025 and ending at the start of 2029, the standard deduction temporarily increases by $2,000 for married couples, $1,500 in the case of a head of household, and $1,000 for individuals. This means the new standard deduction for 2025 would increase to $16,000 for an individual filer, $24,000 for a head of household, and $32,000 for married couples.

Section 1100003 - Personal Exemptions. This section helps offset the revenue impact of the increased standard deduction by permanently extending the termination of personal exemptions included in TCJA, lowering the deficit by almost $2 trillion over 10 years. Like the changes in the standard deduction, this was partially done to simplify the tax code and reduce compliance costs.

Section 1100004 - Child Tax Credit. This section would make TCJA's Child Tax Credit (CTC) permanent, along with a temporary increase that sunsets in 2029. The CTC was originally created by a Republican Congress in 1997 and was expanded by TCJA in an effort to reduce the tax burden for families. TCJA doubled the CTC from $1,000 per child to $2,000, increased the income phase-out threshold from $75,000 for individuals and $150,000 for couples to $200,000 for individuals and $400,000 for couples, and reduced refundability of the credit from 100% to 80%. More than 46 million taxpayers claim the CTC each year, making this an important credit for working families.

Starting in 2025 and ending at the start of 2029, the CTC temporarily increases to $2,500 per child. The overall score of this provision is around $800 billion over 10 years, but it targets benefits to lower and middle income families.

Section 1100005 - Qualified Business Income. This section would increase and permanently extend the deduction of qualified business income for self-employed taxpayers and small businesses. The deduction would permanently increase from 20% to

23%. This results in the lowering of the top effective tax rate for most small businesses. While this comes with a sizable score (over $809 billion over 10 years), it is intended to improve tax parity between passthrough businesses and corporations.

Section 1100006 - Estate Tax. This section would permanently increase the estate tax exemption level, and index it to inflation. The federal estate tax is a levy on an individual's transfer of property imposed at death, with family businesses, farms, and ranches hit disproportionally hard by the tax. Thankfully, TCJA doubled the estate tax exemption amount, leading to fewer estates being subject to this unfair tax. Making the higher exemption amount permanent will give individuals more certainty when making long-term decisions and the dynamic economic benefits to providing stability for small family businesses is quite high. NTU strongly supports this provision.

Section 1100007 - Alternative Minimum Tax Exemption. This section would make TCJA's higher threshold for the alternative minimum tax permanent. The AMT is a convoluted separate tax structure that makes filing more complicated and leads to higher tax burdens. If filers are eligible for too many breaks written into the law that reduce tax obligations, they have to recalculate their taxes a second time under a separate system of rules. TCJA increased the exemption amounts, and today, only a small percentage of taxpayers are actually subject to the AMT. This AMT limitation is scored at $1.4 trillion over 10 years, but the lowered SALT cap from TCJA helped to offset this provision. Prior to the creation of the SALT cap under TCJA, the AMT helped to contain the revenue impact of the uncapped SALT deduction. We urge the Committee to carefully consider the interaction between the AMT and the SALT cap as some members try to raise the latter.

Section 1100008 - Mortgage Interest Deduction. This section would permanently retain the $750,000 cap on the Mortgage Interest Deduction. While we are pleased to see this provision extended, we believe that Congress should work to eliminate this deduction completely since it creates distortions in the housing market and has the potential to increase housing prices. To this end, most of the benefits of this deduction flow towards those on the higher-end of the income scale since fewer Americans itemize their taxes thanks to TCJA's doubled standard deduction. NTU supports this provision and encourages the Committee to go further and include full repeal of the deduction in the context of broader-based tax relief and reform.

Part 2 - Additional Tax Relief for American Families and Workers

Section 110101 - No Tax on Tips. This section provides tax relief on tipped income for occupations that traditionally received tipped income prior to 2025, to limit the potential of income shifting in other occupations from wage income to tipped income. The bill language provides a clear definition of what constitutes tipped income, and makes clear that this benefit is only available to taxpayers who are not “highly compensated,” which is defined elsewhere but is currently designated as receiving at least $160,000 in annual income, and is limited to those who have a Social Security number to ensure the benefit only goes to legal residents. If this provision sunsets in four years as planned by the wording of this provision, the Joint Committee on Taxation (JCT) only scores it at $40 billion over 10 years. However, JCT frequently underestimates scores when potential “uptake” by taxpayers is a moving target. We anticipate higher revenue impacts, as well as high administrative costs to implement and operate this provision.

While this provision may be enjoyed by those who do not itemize their income, it creates inequities in taxation by providing substantial tax relief to some workers but denying it to others.
Furthermore, this provision complicates the tax code while distorting economic behavior. Moreover, since only 2.5% of the workforce works in tipped occupations, and only 5% of the bottom 25% of earners, according to data from the Yale Budget Lab, this policy would not provide benefits to the vast majority of low and middle income earners. And, even with the controls put in place by the bill, it would be reasonable to assume that firms would find ways to shift employee pay from income to tips, possibly reducing job stability. A better solution would be to use the $39 billion associated with this provision to raise the standard deduction, which would better target low income earners and improve tax simplification.

Section 110102 - No Tax on Overtime. This section allows for the deduction of qualified overtime compensation from income. This benefit is limited to those who are not highly compensated employees, and to those who have a Social Security number. Those who do not itemize on their tax returns are also able to receive this benefit, but the benefit itself also expires after four years. This provision provides significant tax relief to a narrow band of workers who receive overtime pay. It adds complexity to the tax code and will distort economic behavior by encouraging workers to pursue jobs that offer overtime pay, despite the controls put into place by this provision. Like the previous provision, we anticipate a higher impact than the 10 year JCT estimate of $125 billion as workers seek out additional overtime opportunities to reduce tax liabilities. These revenues should instead be used to provide across-the-board tax relief.

Section 110103 - Enhanced Deduction for Seniors. This section is meant to be an approximation of President Trump’s “no tax on Social Security” campaign promise, recognizing that the Byrd Rule disallows changing Social Security under reconciliation. For those seniors who have annual income under $75,000, this provision increases their standard deduction by $4,000. Those who earn over this amount receive a smaller benefit as their income increases. Like other provisions in this bill, this benefit is only available to those with a Social Security number, and is only available for four years. This provision might provide a political benefit to its advocates, but it adds little economic growth. It is scheduled to sunset in four years, and carries a smaller score ($72 billion over 10 years) to taxpayers than other provisions aimed at fulfilling political promises.

Section 110104 - No Tax on Car Loan Interest. This section provides for the deduction of interest on passenger car or motorcycle loans to individuals who earn less than $100,000 a year. To qualify for this benefit, the car or motorcycle must have been assembled in the United States. Lowering the cost of automobiles is a worthy goal, but would be more effectively achieved by cutting cost drivers like energy costs, tariffs, and regulatory red tape. This proposal will not serve the needs of lower income taxpayers, who often simply cannot afford new cars right now thanks to increased sticker prices due to tariffs increasing the cost of auto parts and production. It is possible this may even help increase the cost of used cars, by raising the sticker price of lower priced new domestic vehicles. The current JCT estimate of $57 billion over 10 years would rise significantly if Congress does not allow this provision to sunset in four years, as scheduled.

Section 110105 - Enhancement of Employer-Provided Child Care Credit. This section increased the 25% credit currently available to businesses to 40%, or 50% for small businesses. The annual cap to this credit is $500,000, or $600,000 for small businesses.

Section 110109 - Tax Credit for Contributions of Individuals to Scholarship Granting Organizations. This section creates a new tax credit available to individuals who donate to non-profit organizations that provide scholarships to elementary and secondary school students, subject to student family income limitations. This would create some concerns about federalism, as the federal government would become more involved in educational decisions that are generally best left to state and local governments. Assuming that this provision sunsets in five years as written, the deficit impact is $20 billion over 10 years, however this figure would rise significantly if the credit is extended.

Section 110112 - Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize. This section restores the Covid-era provision that ended in 2021 that allowed for non-itemizers to deduct "above the line" up to $150 ($300 for those filing jointly) in charitable contributions from their taxes. Again, assuming this provision actually sunsets as written in four years, the deficit impact is $7 billion over 10 years. This deduction could provide some benefits to organizations that help communities across the country.

Part 3—Investing in Health of American Families and Workers

Section 110201 - Treatment of Health Reimbursement Arrangements Integrated with Individual Market Coverage. This section codifies regulations that allow employers to offer health insurance via Health Reimbursement Arrangements (HRAs). This is a pro-taxpayer approach to expanding and diversifying access to health insurance.

Subtitle B - Make Rural America and Main Street Grow Again
Section 111001 – Extension of Depreciation Allowance for Certain Property. This section allows for the immediate expensing of 100% of the cost of qualified property (most equipment and machinery) purchased after the start of the Trump Administration, but before 2031. This would provide a dynamic benefit to the economy. In combination with the other business-related extensions in this bill, projected GDP growth goes up by almost a full percentage point. The fact that the provision sunsets after five years will limit benefits to taxpayers, however, as businesses plan growth over several years and need certainty to make decisions. We strongly urge the Committee to make this provision permanent.

Section 111002 - Deduction of Domestic Research & Experimental Expenditures. This section allows immediate deduction for domestic research until 2031. This provision will provide strong benefits to the economy, again tempered by the five-year sunset provision in the legislation. We strongly urge the Committee to make this provision permanent.

Section 111003 - Modified Calculation of Adjusted Taxable Income for Purposes of Business Interest Deduction. This section would increase the deductibility cap for business interest until 2032, moving the level to one that matches the financial accounting concept of EBITDA (earnings before interest, taxes, depreciation, and amortization). This measure should help increase corporate capital spending. Like previous measures, however, the five-year sunset will negatively impact economic benefits, as businesses make capital expenditures in long term planning windows. We strongly urge the Committee to make this provision permanent.

Section 111004 - Foreign-Derived Intangible Income and Global Intangible Low-Taxed Income. This section would make FDII and GILTI permanent at their original TCJA levels, and scores at around $140 billion over 10 years. The economic benefits to these extensions are quite large, as the measure would provide stability in international taxation in a way that supports growing American multinational corporations, while limiting off-shoring and parking profits overseas. Both FDII and GILTI are key to a pro-growth economic agenda that keeps America competitive.

Part 2 - Additional Tax Relief for Rural American and Main Street
Section 111101 - Special Depreciation Allowance for Qualified Production Property. This section allows taxpayers to deduct 100% of the cost of new factories, improvements to existing factories, and certain other structures. Limitations are put in place to limit benefits to manufacturing uses, and exclude administrative, sales, research, and other functions from this benefit. This measure has a score of $147 billion over 10 years and includes a four-year sunset window that will likely hinder potential economic growth. This

is a pro-growth measure that will tangibly benefit taxpayers, but should be expanded to all structures and made permanent to maximize growth impacts.

Section 111102 - Renewal and Enhancement of Opportunity Zones. This section creates a second round of opportunity zones, making some improvements from the previous policy, with a narrowed definition of "low-income community," increased percentage of rural areas, and simplified incentives. Even with these changes, this revised proposal will likely carry a significant administrative burden for the federal government, with as-yet indeterminate outcomes and a score that will likely be higher than the $5.5 billion estimated by JCT.

Section 111105 - Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees. This section increases the threshold from $600 to $2,000 for independent contractors to report income and other information to the IRS, and scores at $4 billion over 10 years. This change repeals the onerous 1099-K provisions from the American Rescue Plan Act and would reduce reporting burden on Uber drivers, Etsy creators, and other contractors, while still ensuring that reporting occurs for contractors with larger amounts of income. NTU strongly supports this provision.

Section 111110 - Increased Gross Receipts Threshold for Small Manufacturing Businesses. This section increases the threshold for small businesses from $25 million to $40 million, indexed to inflation after that. This change should help small manufacturing businesses grow and thrive, with a low impact on the deficit of $14 billion over 10 years.

Section 111111 - Global Intangible Low-Taxed Income Determined Without Regard to Certain Income Derived from Services Performed in the Virgin Islands. This section would fix a glitch created by TCJA that limited economic development provisions previously created by Congress to benefit the US Virgin Islands by exempting certain income earned in the Islands from being considered income for the purposes of GILTI calculations. NTU supports this provision.

Subtitle C - Make America Win Again
Part 1 - Working Families over Elites

Note for Sections 112001 - 112016: These provisions eliminate expensive Green New Deal policies put in place by the Biden Administration that pushed onerous climate policies on the American people. Repealing these measures may save taxpayers over $1 trillion over 10 years, according to estimates made by the Cato Institute. JCT scores the savings from all 16 provisions at approximately $550 billion over 10 years, but they have a history of under-scoring these provisions in previous bills (Inflation Reduction Act, etc). NTU strongly supports the elimination of all these Green New Deal programs.

Section 112001 - Termination of Previously-Owned Clean Vehicle Credit. This section would end this program at the end of 2025. NTU strongly supports this provision.

Section 112002 - Termination of Clean Vehicle Credit. This section would move up the end of this program to 2026, and enact provisions that would limit credits for taxable year 2026 to manufacturers just entering the clean vehicle market, with total sales of EVs under 200,000. NTU strongly supports this provision.

Section 112003 - Termination of Qualified Commercial Clean Vehicles Credit. This section would accelerate program expiration to 2026, with an exception made for binding contracts made before publication of this legislative proposal. NTU strongly supports this provision.

Section 112004 - Termination of Alternative Fuel Vehicle Refueling Property Credit. This section moves up the end of the program to 2026. NTU strongly supports this provision.

Section 112005 - Termination of Energy Efficient Home Improvement Credit. This section would accelerate program expiration to 2026. NTU strongly supports this provision.

Section 112006 - Termination of Residential Clean Energy Credit. This section would accelerate program expiration to 2026. NTU strongly supports this provision.

Section 112007 - Termination of New Energy Efficient Home Credit. This section would accelerate program expiration to 2026, with exceptions made for construction started before publication of this proposed measure. NTU strongly supports this provision.

Section 112008 - Phase-Out and Restrictions on Clean Electricity Production Credit. This section would phase out the clean energy production credit, starting in 2029 with credit reductions increasing by the year until the credit goes to zero in 2032. NTU supports the phased, harmonized transition this provision would create.

Section 112009 - Phase-Out and Restrictions on Clean Electricity Investment Credit. This section phases out this credit in a manner that mirrors that of the Production Credit, leading to zero credit available in 2032. NTU supports the phased, harmonized transition this provision would create.

Section 112012 - Phase-Out and Restrictions on Zero-Emission Nuclear Power Production Credit. This section phases out the credit in a manner that mirrors the Production and Investment credits, leading to zero credit available in 2032. The provision also limits credit available to foreign entities. NTU supports the phased, harmonized transition this provision creates.

Section 112014 - Phase Out and Restrictions on Advanced Manufacturing Production Credit. This provision accelerates the termination of this credit, with wind energy component credits eliminated in 2028 and all other credits shut down in 2032. This provision also adds credit limitations for foreign entities. NTU supports the phased, harmonized transition this provision creates.

Section 112017 - Limitation on Amortization of Certain Sports Franchises. This proposal fulfills a Trump campaign promise to cut tax benefits to "billionaire sports team owners" by limiting deductions available to sports franchises. Since this change would only apply to property acquired after this bill's enactment, it is unlikely that this provision will raise significant revenue for taxpayers (scored at adding less than a billion dollars to the Treasury over 10 years).

Section 112018 - Limitation on Individual Deductions for Certain State and Local Taxes, etc. (ie: the SALT Cap). In TCJA, the SALT cap was one of the core sources of new revenue to help pay for broad-based tax relief for Americans. It also helped eliminate an unfair inequity between taxpayers in different states, where low-tax states effectively subsidized federal tax payments of residents in high taxed states. This provision would triple the current SALT cap, to $30,000 ($15,000 for a married taxpayer filing a separate return), but phase down this benefit to TCJA levels for those with gross income over $400,000. This helps ensure that wealthy taxpayers in blue states do not benefit excessively from this change. Other provisions help limit different schemes that states have used to help their taxpayers avoid the SALT cap. These changes would also be made permanent law. NTU strongly supports limiting or eliminating the SALT deduction. We are pleased to see a cap included in this legislation, however we strongly urge the Committee to further reduce the cap.

Section 112021 - Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities. This measure would increase excise taxes on investment income from the endowments of private colleges and universities, with schools having larger endowments paying a higher excise tax rate. Those with the largest student-adjusted endowments (assets of over $2 billion) would pay a rate equal to the corporate income tax rate of 21%. Student loan interest, rental income, and royalty income would be exempt from this tax. This measure is scored at $7 billion over 10 years.

Section 112022 - Increase in Rate of Tax on Net Investment Income of Certain Private Foundations. This Committee provision increases excise tax rates on foundations with endowments over $50 million. The rate increases with the size of the endowment, with the largest rate of 10% of income on endowment assets over $5 billion. Without significant additional refinement, this could harm the valuable treatment that foundations provide to the nation. NTU urges removal of this provision.

Section 112031 - Modifications to De Minimis Entry Privilege for Commercial Shipments. This provision would terminate the exemption from duties for goods valued at less than $800. The United States has maintained a de minimis exemption since 1938. Terminating the de minimis exemption would impose a regressive tax increase on Americans. NTU urges removal of this provision.

Part 2 - Removing Taxpayers Benefits for Illegal Immigrants

Sections 112101 - 112104, 112106: Provisions to Limit Tax Credits and Government Benefits to Illegal Immigrants. These four provisions all work in concert to save taxpayer dollars by limiting credits and benefits to citizens, Lawful Permanent Residents, and a few other smaller classes of residents. Individuals granted asylum, parole, or other temporary statuses would no longer be eligible for certain benefits or credits. Voters strongly support disallowing benefits to those not in the US legally, and these provisions would save taxpayers approximately $120 billion over ten years.

Section 112105 - Excise Tax on Remittance Transfers. This proposal would establish a 5% excise tax on remittances, with providers required to collect and send the taxes on a quarterly basis to the Treasury. U.S. citizens and nationals would not be required to pay this tax. Overall, JCT estimates that this proposal would raise over $20 billion over 10 years.

Part 3 - Preventing Fraud, Waste, and Abuse

Section 112204 - Implementing AI tools to Reduce and Recoup Improper Payments under Medicare. According to recent research, at least 5% of Medicare payments are improper, with estimates ranging from $50 to $150 billion annually. This provision would provide funds for HHS to work with AI contractors and data scientists to examine this problem and attempt to find and recoup these overpayments. HHS is also required to issue a report to Congress on its progress.

Section 112205 - Enforcement Provisions with Respect to COVID-Related Employee Retention Tax Credits (ERTC). Fraudulent ERTC claims were the biggest COVID-era improper payment issue, with billions of dollars of documented fraud being lost. This measure would bar the IRS from issuing any more unpaid claims, unless the claim was filed on or before January 2024.

Section 112207 - Task Force on the Termination of Direct File. The Biden Administration took advantage of a congressionally-approved Direct File pilot project to create an entire government-run tax preparation program, in direct competition with free private sector programs created in partnership with the IRS. This program is expensive, under-utilized and creates a conflict of interest for the federal government. To fix this Biden Administration overreach, this provision would end the Direct File program at the IRS and create a new public-private partnership between the IRS and private sector tax preparation services to offer free tax filing. This new program would replace both the existing Direct File and Free File programs. NTU supports this provision, and looks forward to participating in, and evaluating the details of the Task Force's recommendations.

Subtitle D - Increase in Debt Limit

Section 11301 - Modification of Limitation on the Public Debt. The current limit of the federal government to borrow funds is projected to be reached by September 2025, and Treasury has requested that Congress raise or suspend the debt ceiling by July to ensure the government can continue to pay its bills and not default on its debt obligations, now totalling more than $36 trillion. This bill would increase the debt ceiling by $4 trillion, which should allow the government to function without a new increase through this current congressional session.

NTU's Current Thinking on the Combined Reconciliation Package

As the authorizing committees in Congress work on separate reconciliation bills, NTU wishes to inform members and their staff that we strongly support the proposals passed by each committee so far. Taken together, the reconciliation bill will maintain tax certainty, deliver energy dominance, save taxpayer dollars, and make the government more efficient. While we urge continued refinement and improvement of the legislation in order to maximize growth, cut deficits, and reduce inefficiencies, if the combined reconciliation bill came to the House or Senate floor today, we would advise members to vote "YES" on the legislation. The bill would be heavily weighted in NTU's annual rating of Congress.