

ICBA Legislative Update: Tax Legislation in 2025

Need for Legislation

The individual provisions of the 2017 Tax Cuts and Jobs Act are scheduled to expire at year-end 2025. Without legislative action:

- Individual tax rates will increase. For example, the top rate will increase from 37 percent to 39.6 percent.
- The estate tax exemption will be reduced by half. (Today it stands at about \$13 million per individual or \$26 million per married couple.)
- The 20% deduction for pass-through businesses such as S-Corps will sunset.

Other important provisions will expire as well. The 21 percent corporate rate is permanent law and will not increase absent legislation.

What ICBA Seeks in 2025

Legislation will likely not be limited to extension of expiring provisions but will trigger broader legislation to revise the tax code and offset revenue losses. ICBA's goals in any tax legislation include:

- Extension of expiring "pro-taxpayer" TCJA provisions.
- Blocking any "payfors" or offsets that target community banks or their customers.
- Enactment of ACRE Act.
- Taxation of credit unions with \$1 billion or more in assets.

Talking Points

- Any tax increase on community banks, as a result of failure to extend key provisions of the TCJA or the enactment of offsets targeting our industry, would adversely impact lending, employment, capital investments, and other critical services provided by community banks.
- Many community banks have made the S corporation election. Section 199A supports community banks' ongoing independence in a consolidating industry and helps community banks remain competitive with larger financial institutions.
- We strongly oppose any change to the exemption for municipal bond interest. These bonds play a critical role in supporting local infrastructure and jobs.
- Enactment of the Access to Credit for our Rural Economy (ACRE) Act would create cheaper borrowing for struggling farmers, ranchers, and rural communities. The bill would provide that interest on loans secured by agricultural land is tax exempt. The same treatment would apply to residential mortgages in rural communities under 2,500 population.

- Many of today's tax-subsidized credit unions are multi-billion-dollar institutions that are the functional equivalent of commercial banks, competing in the same markets for the same customers and offering the same services. ICBA advocates for taxation of credit unions with assets of \$1 billion or more as part of 2025 tax legislation.

866-843-4222
icba.org

1615 L Street NW
Suite 900
Washington, DC 20036

518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378