Trump renews calls for extending TCJA provisions and campaign tax proposals in address to Congress

In a wide-ranging address to Congress covering border security, defense, tariffs, consumer prices, and other issues, the president's economic message to Congress was to "pass tax cuts for everyone," a nod to extending the soon-to-expire (and expired) provisions of the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) and ensure that his campaign promises were met, including no tax on tipped and overtime income and Social Security benefits for seniors.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.htm

The president made the address at a time when the GOP holds a majority in both the House and the Senate, albeit by razor thin margins (especially in the House).

Tax Relief

Although tax was not center stage in his remarks, President Trump did include a discussion of his priorities in this area. In addition to his long-standing support for extending the provisions affecting individuals in the TCJA, he addressed a variety of other issues related to taxes and fiscal policy in his speech, including the duration of any extension, bonus depreciation, the CHIPS Act, and more.

Permanence: President Trump maintained that a significant part of his administration's economic agenda is seeking to make the income tax cuts permanent – a move that Senate Majority Leader John Thune of South Dakota and several other Senate GOP taxwriters have already endorsed. The Republican taxwriters in a February 13 letter to the president stressed that they will not support a tax package that *only* provides temporary tax relief.
URL: https://www.daines.senate.gov/wp-content/uploads/2025/02/Senate-Finance-Letter-to-President-Trump_Tax-Permanency.pdf

It is generally understood that the $4.5 trillion instruction (in the House-passed budget resolution) to the Ways and Means Committee likely would not be sufficient to accommodate a permanent extension of the TCJA. In practical terms, however, utilization of a "current policy" baseline is the only pathway by which Senate Republicans could deliver on their stated goal of making the TCJA permanent, including years past the ten-year budget window. That is because the statutory rules governing budget reconciliation require, in part, that bills passed under the process cannot increase the deficit over the long-run and would thus require Republicans to identify and enact trillions of dollars in permanent tax and/or spending offsets if they use a traditional law baseline. (It is that same rule that essentially required the GOP to sunset many pieces of the TCJA after 2025 and still maintain the TCJA's filibuster-proof status when it was enacted in 2017.)

An estimate by the nonpartisan Congressional Budget Office (CBO) from May of last year suggests that it would cost about $4.6 trillion just to extend the TCJA's lapsing provisions for ten years. And that figure may grow

larger should CBO provide an updated estimate over the new ten-year budget window which runs from fiscal year 2026 through fiscal year 2035. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 17, May 10, 2024.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240510_2.html

Bonus Depreciation: In the president's address, he indicated that "…we want to cut taxes on domestic production and all manufacturing," and further added that "we will provide 100 percent expensing. It will be retroactive to January 20, 2025," signaling his desire to implement the 100 percent bonus depreciation provision which is being phased down in increments of 20 percentage points per year beginning in 2023 and is phased out entirely for property placed in service after December 31, 2026. In addition to President Trump, lawmakers in both parties have expressed interest in reversing the TCJA provision and reinstating the 100 percent bonus depreciation rate.

Car loans: In line with the president's focus on American-made products and his emphasize on the importance of the automobile industry, he also urged Congress to make the interest payments on car loans tax deductible so long as the car is made in America – a proposal he made on the campaign trail last fall. He did not provide any guidance as to what constitutes an American-made automobile.

CHIPS Act: President Trump called on Congress to get rid of the CHIPS and Science Act (H.R. 4346), which was signed into law (with bipartisan support) in 2022 by then-President Biden. The law provides federal incentives, including the advanced manufacturing investment credit (section 48D), for certain semiconductor manufacturing and research in the United States. (For prior coverage, see *Tax News & Views*, Vol. 23, No. 29, Aug. 12, 2022.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2022/TNV/220722_2_suppA.pdf
URL: https://dhub.deloitte.com/Newsletters/Tax/2022/TNV/220812_2.html

In support of his proposal to repeal the CHIPS Act, he referred to a foreign semiconductor company that announced an investment of billions of dollars to build manufacturing facilities to produce chips in the United States.

Shipbuilding: To enhance our defense industrial base and "bring back the American shipbuilding industry," the president professed that he would open a new office and offer special tax incentives to promote the ship building industry, though he did not provide any specifics around what those might include.

SALT left out: Though there has been frequent discussions about the cap on the state and local tax (SALT) deduction and the president has reviewed the possibility of relaxing the current-law cap on the deduction under budget reconciliation as part of an effort to win support for a package that would require almost absolute unity along a party line vote, this issue (like some others) was not addressed in his speech.

The issue of capping the SALT deduction has been a topic of tension since it was limited to $10,000 in the TCJA. Congressional Republicans, particularly those members who represent districts in high-tax blue states, such as New York, New Jersey, and California, have argued that the TCJA's cap on the SALT deduction punishes many of their constituents who owe more than $10,000 in state and local income and property taxes and makes it difficult for first-time homebuyers to purchase a home. The SALT deduction cap generated revenue to help offset the cost of the 2017 TCJA's tax cuts and is set to expire at the end of 2025.

Waste, fraud, and abuse: Instrumental to President Trump's efforts to reduce government spending and spur economic growth is taking steps he said will get rid of waste, fraud, and abuse in the federal government and is being assisted by the new Department of Government Efficiency (DOGE).

"To further combat inflation…we will be ending the flagrant waste of taxpayer dollars." Trump said and added that representatives from the DOGE have already identified waste and abuse in the federal system which he argued have "been exposed and swiftly terminated." Critics complain the DOGE is unable to distinguish between critical programs and functions of the government as opposed to areas of waste, fraud, and abuse.

A full embrace of Trump

Congressional Republicans embraced the president's sweeping economic message at the Tuesday night address before Congress, both during and after the evening's events. As head of the Senate tawriting committee, Mike Crapo (R-Idaho) applauded the president's vision for restoring economic opportunity and highlighted the administration's focus on extending the provisions of the TCJA.
URL: https://www.crapo.senate.gov/media/newsreleases/crapo-applauds-presidents-vision-for-restoring-economic-opportunity

"Looking forward, one of the President's top priorities this year--which I share as Chairman of the Senate Finance Committee--is to prevent an over-$4 trillion tax hike on American workers and businesses by permanently extending and building on his signature tax bill from 2017, the Tax Cuts and Jobs Act." Crapo added that "[e]xtending this current, proven tax policy--and building upon it--is the best way to restore economic prosperity and opportunity for Idaho's hardworking families, many still struggling to recover from the historic inflation of the last four years."

Senate Majority Leader John Thune (R-S.D.), for his part, underscored the president's message of spurring economic growth after four years of President Biden at the helm, and committed to extending tax relief for all Americans.

"We also remain committed to extending critical tax relief for American families and cutting wasteful government spending. This much-needed change in direction from the Biden administration's failed policies could not come soon enough for families in South Dakota and across the country who have been paying the price for Biden's far-left agenda," he added in a press release.
URL: https://www.thune.senate.gov/public/index.cfm/press-releases?ID=F64D65F4-2473-40C7-A54E-BB009AEFEDBA

On the other side of the capitol, the House Ways and Means Committee Chairman Jason Smith (R-Mo.) emphasized that the committee is "laser-focused on delivering on all of President Trump's tax priorities that will reignite our economy and show the American people that our country's best days lie ahead."
URL: https://waysandmeans.house.gov/2025/03/04/smith-statement-on-president-trumps-joint-address-to-congress/

Democrats' rebuttal

The President's address that outlined his proposals, including his menu of tax and fiscal priorities, were not well received among congressional Democrats who are largely cool to the administration's agenda. Shortly after Trump's address, Democratic Senate Minority Leader Charles Schumer of New York issued a statement and insisted that the administration's priorities hurt – not help – the American people.
URL: https://www.democrats.senate.gov/newsroom/press-releases/leader-schumer-statement-on-president-trumps-lie-ridden-joint-address-to-congress

"Instead of focusing on driving costs down, in Donald Trump's first month in office, inflation, rents, groceries, and Putin's influence are all on the rise. The stock market is plummeting as he starts ill-conceived trade wars with our allies – hurting our famers, families and 401Ks," Schumer said.

The day before the president's address, House Minority Leader Hakeem Jeffries of New York announced in a Dear Colleague letter that he would attend the joint session before Congress, along with other members of the Democratic leadership, to ensure that the American people know that the Democratic party vehemently opposes the president's agenda. He also stressed that, in addition to a traditional Democratic response to the president's speech, several events were planned that showcased how everyday Americans are being harmed by the GOP's policies.
URL: https://jeffries.house.gov/2025/03/03/dear-colleague-regarding-the-joint-session-of-congress-and-related-events/

First-term Sen. Elissa Slotkin of Michigan gave the traditional response to President Trump's address that evening, and with respect to economic security, outlined four areas in which she argued are necessary to expand and protect the middle class, including: bringing down the prices of groceries, housing, and health care; making more items in the United States with "good paying union jobs;" giving American businesses the "certainty they need" to invest and create the jobs of the future; and ensuring there is a tax system that's fair for people who don't make a billion dollars.

Slotkin cautioned to "read the fine print" when it concerns the president's actions on the economy and questioned whether Trump's plans "actually help Americans get ahead." Her response was – "not even close." She said that "grocery and home prices are going up, not down" and the "national debt is going up, not down." She also made the argument that other Democratic lawmakers have made that the president is trying to deliver a "giveaway" to his billionaire friends.

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