Tax Cuts and Jobs Act Expiring Provisions Report

Overview

Pursuant to the reporting requirements in 2018 Act No. 266, Section 8, this report provides information related to the provisions of the Tax Cuts and Jobs Act of 2017 that expire after tax year 2025.

The following chart outlines the provisions from the Tax Cuts and Jobs Act (TCJA) currently set to expire on December 31, 2025. The expiration of these provisions would impact income tax returns beginning with the 2026 tax year (filed in 2027). Additionally, this chart includes provisions from the TCJA that have already expired but may still be retroactively extended at the federal level and the TCJA provisions that are set to expire after December 31, 2025. Permanent TCJA provisions are not included in this chart.

The expiring provisions would primarily impact individual income taxpayers. Overall, expiration of TCJA provisions is expected to result in an increase in individual taxable income.

The expiration of TCJA provisions would result in a lower standard deduction and a return of personal and dependent exemptions. Additionally, available itemized deductions will increase due to the expiration of provisions requiring a $10,000 limit on the state and local tax deduction and eliminating miscellaneous itemized deductions. Since the enactment of the TCJA, beginning with the 2018 tax year, over 90% of individual taxpayers have taken the standard deduction. If the TCJA provisions expire, the lower standard deduction combined with the increased itemized deductions would result in more taxpayers itemizing instead of taking the standard deduction compared with the period from 2018 to 2025.

For some taxpayers, allowing exemptions and increased itemized deductions will result in a lower overall taxable income. However, for other taxpayers the total amount deducted (standard or itemized deductions plus exemptions) from adjusted gross income will be lower due to the size of the increased standard deduction amount under the TCJA compared with their deductions and exemptions allowed after the expiration of TCJA provisions.

South Carolina generally adopts the Internal Revenue Code, with some exceptions. Therefore, increases in federal taxable income typically also result in increases in South Carolina taxable income. Some of the expiring TCJA provisions were not adopted by South Carolina, such as the deductions for qualified business income under Section 199A and bonus depreciation under

Section 168(k). Since South Carolina did not adopt these federal sections, their expiration would not directly impact South Carolina taxable income.

CAVEAT: The chart below shows provisions set to expire under ***current*** federal law. Discussions are already underway at the federal level, and are expected to continue into 2025, about extending or amending TCJA provisions. The impact on South Carolina taxpayers of any possible revisions, extensions, or modifications to the provisions of the TCJA cannot be predicted, and this chart solely addresses the South Carolina implications of expiration as provided under current law.

TCJA Expiring Provisions

TCJA Provisions Expiring December 31, 2025					
Individual Income Tax					
IRC Section	**Description**	**Federal Law under TCJA**	**SC Conformity with Federal Law**	**Federal Expiration Date and Impact**	**Impact of Federal Expiration on South Carolina Tax**
IRC §1(j)	Tax rates for individuals	Lowered the federal tax rates to 10% to 37%.	SC does not adopt federal tax rates. SC Code §12-6-50(1)	Expires 12/31/25 Pre-TCJA brackets and rates will be in effect. Top marginal rate will be 39.6%.	SC does not adopt federal rates.
IRC §24	Child tax credit	Increases child tax credit.	SC does not adopt IRC §24. SC Code §12-6-50(2)	Expires 12/31/25 Child Tax Credit will return to pre-TCJA levels.	SC does not adopt federal section and does not have a SC Child Tax Credit.
IRC §55	Individual alternative minimum tax	Changes the alternative minimum tax (AMT) exemption amounts and increases the phase-out	SC does not adopt IRC §55. SC does not have an alternative minimum tax.	Expires 12/31/25 More individuals will be subject to federal AMT.	SC does not adopt federal section and does not have a SC AMT.

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		exemption amounts.	SC Code §12-6-50(3)		
IRC §63(c)(7)	Standard deduction	Increases the standard deduction.	SC adopts IRC §63.	Expires 12/31/25 2026 tax year standard deductions will decrease to pre-TCJA amounts, indexed for inflation (approximately half of 2025 standard deduction amounts).	SC adopts IRC §63. Adopting federal standard deduction helps SC returns start with federal taxable income with no adjustments needed. Standard deduction reduces taxable income, so lower standard deduction may result in higher taxable income (depending on other variables such as itemized deductions and exemptions). Lower standard deduction and return to pre-TCJA law will result in more taxpayers itemizing deductions in 2026 tax year

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					compared with 2025.
IRC §67(g)	Miscellaneous itemized deductions subject to 2% floor	Suspends all miscellaneous itemized deductions subject to the 2% floor. Examples of miscellaneous itemized deductions include professional dues, job-hunting expenses, uniforms and special clothing for job, and expenses paid for production of income, such as investment expenses.	SC adopts IRC §67.	Expires 12/31/25 Miscellaneous itemized deductions allowed.	SC adopts IRC §67(g). More taxpayers will itemize deductions instead of taking the standard deduction (especially combined with lower standard deduction). Increased itemized deductions could lead to lower taxable income for some taxpayers.
IRC §68(f)	Overall limitation on itemized deductions	Suspends the federal limitation on itemized deductions.	SC does not adopt IRC §68. SC did not limit itemized deductions under IRC §68 under prior law. SC Code §12-6-50(17)	Expires 12/31/25 Reinstates federal limit on itemized deductions.	SC does not adopt. Federal expiration means SC taxpayers limited on federal return will have subtraction on SC return to take full amount of itemized deductions.

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IRC §108(f)(5)	Discharge of student loan indebtedness	For 2018 through 2025, student loan debt discharged on account of death or total and permanent disability of student is excluded from gross income.	SC adopts IRC §108.	Expires 12/31/25 Discharged student loan debt will be included in gross income.	SC adopts IRC §108. Student loan debt discharged after 12/31/25 may be included in gross income, potentially increasing SC taxable income.
IRC §112	Treatment of certain individuals performing services in Sinai Peninsula of Egypt	Grants combat zone tax benefits to Sinai Peninsula of Egypt.	SC adopts IRC §112. See SC Rev. Proc. #08-3.	Expires 12/31/25 Service in Sinai Peninsula of Egypt will not be considered in combat zone after 12/31/25.	SC adopts. Servicemember serving in Sinai Peninsula of Egypt will not receive combat zone tax benefits, potentially resulting in increase in South Carolina taxable income.
IRC §132(a)(6) and (g)(2) See also, IRC §217 below.	Income exclusion for qualified moving expense reimbursement	Suspends the exclusion from gross income for qualified moving expense reimbursements under IRC §132(a)(6). The exclusion is still available for active duty members of military who move pursuant to a military	SC adopts IRC §132.	Expires 12/31/25 Qualified moving expense reimbursement will be excluded from income.	SC adopts IRC §132. Decrease in South Carolina taxable income due to exclusion of moving expense reimbursements.

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		order and incident to a permanent change of station.			
IRC §§132(f)(8), 274(a)(4)	Qualified transportation fringe benefits – qualified bicycle commuting reimbursement	Suspends exclusion from gross income for any qualified bicycle commuting reimbursement and disallows the expense deduction for any such reimbursement.	SC adopts IRC §§132 and 274.	Expires 12/31/25 Bicycle commuting reimbursement excluded from income, up to maximum of $240 per employee per year.	SC adopts. Decrease in South Carolina taxable income due to exclusion of reimbursement and allowance of expense deduction (for businesses).
IRC §151(c) and (d)(5) IRC§152- dependent defined	Personal exemptions	Suspends federal personal exemptions for the taxpayer, spouse, and dependents.	SC adopts IRC §§151 and 152. There is no South Carolina personal exemption for taxpayer or taxpayer's spouse. SC Code §§12-6-1140(13) and 12-6-1160 provide: • A South Carolina exemption of $4,110 for each eligible dependent	Expires 12/31/25 Personal exemptions allowed for taxpayer, spouse, and dependents.	SC adopts. Exemption amount reduces South Carolina taxable income (total amount of change depends on total number of exemption and total standard or itemized deductions allowed). South Carolina dependent exemption and dependent under 6 deduction are not based on the federal

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			(both children and qualifying relatives) that meet the eligibility requirements of IRC §§151 and 152 as those sections applied on January 1, 2017. • An additional South Carolina deduction equal to the dependent exemption amount for children who have not reached age six during the tax year. The South Carolina exemptions are indexed for inflation using the Chained Consumer Price Index beginning in 2019.		exemptions. Adding a federal exemption and keeping the SC dependent exemption would reduce South Carolina taxable income.

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IRC §163(h)(3)(F)	Mortgage interest deduction	The mortgage interest deduction is limited to interest on $750,000 ($375,000 for married filing separately) for debt incurred after 12/15/17. (Prior to the change, the interest deduction was limited to interest on $1 million.) Interest can be from principal residence and one other residence. Suspends mortgage interest deduction for home equity indebtedness with certain exceptions for refinanced indebtedness.	SC adopts IRC §163(h).	After 12/31/25, the limitation returns to $1 million ($500,000 for married filing separately) regardless of when the debt was incurred, and the deduction is allowed for home equity indebtedness.	SC adopts. Increase in itemized deductions due to increase in mortgage interest deductions results in decreased South Carolina taxable income.
IRC §164(b)(6)	State and local tax deduction	Individuals can only deduct state and local sales taxes,	SC adopts §164 except SC does not allow individuals to	Expires 12/31/25	SC adopts, except for state and local income tax or sales tax (add

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		personal income taxes, or property taxes up to $10,000.	deduct state and local income taxes (or state and local sales and use taxes deducted instead of state and local income taxes if the taxpayer made the election under IRC §164). These taxes may be added back in calculating SC taxable income. SC Code §12-6-1130(2). Note: There is no SC ordering rules for tax deductions. As a result, if the taxpayer deducted $10,000 of state income taxes for federal purposes and was, therefore, not able to deduct property taxes	More taxpayers will itemize deductions with higher state and local tax deductions. Passthrough entity tax “workaround” means many individuals with partnerships or S Corps are paying state taxes at the entity level instead of the individual level.	back amounts deducted on federal return). More itemized deductions so more taxpayers will have addback on SC returns of state income/sales taxes. Higher itemized deductions reduce South Carolina taxable income. SC tax at entity level on active trade or business income reduces amounts deducted on individual returns.

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			for federal purposes, the taxpayer could add back the state income taxes deducted for federal purposes and deduct their property taxes up to $10,000. See SC Rev. Rul. #19-1.		
IRC §165(d)	Limitation on wagering losses	Suspends certain deductions available to professional gamblers such as transportation, lodging, and admission fees except to the extent of gambling winnings.	SC adopts IRC §165.	Expires 12/31/25 Taxpayers in the business of gambling will be able to deduct non-wagering expenses such as travel or fees. Losses allowed to extent of winnings.	SC adopts. Increase in itemized deductions and increase in Sch C deductions will result in decrease in South Carolina taxable income.
IRC §165(h)(5)	Personal casualty losses	Suspends personal casualty losses except those losses incurred as a result of federally-declared disasters as determined by the President to	SC adopts IRC §165.	Expires 12/31/2025 Personal casualty losses deductible.	SC adopts. Deduction of personal casualty losses would result in decrease in South Carolina taxable income. SC does not adopt special

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		warrant federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.			rules from PL 116-260 allowing standard deduction to be increased by qualified disaster-related personal casualty loss.
IRC §170(b)(1)(G)	Charitable contribution deductions	AGI limitation on cash contributions increases from 50% of AGI to 60% of AGI for contributions.	SC adopts IRC §170.	60% AGI limit expires 12/31/25.	SC adopts. AGI limitation back to 50% of AGI decreases contribution deduction which increases South Carolina taxable income.
IRC §199A	Pass-through tax treatment – 20% deduction for qualified business income	A special deduction is allowed for “qualified business income” from pass-through entities.	SC does not adopt IRC §199A. SC Code §12-6-50(19) SC Code §12-6-545 provides a 3% tax rate on pass-through active trade or business income. See SC Rev. Rul. #08-2.	Expires 12/31/25 Individuals will no longer have deduction for qualified business income from passthrough entities, which will increase federal taxable income.	SC does not adopt IRC §199A. SC has reduced rate for active trade or business income.
IRC §212	Expenses for production of income, including tax	Suspends deduction for expenses for production of income under	SC adopts §§212, 67, and 162.	Expires 12/31/25 Miscellaneous itemized	SC adopts. Increase in itemized deductions could

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	preparation fees	IRC §212. These expenses are miscellaneous itemized deductions subject to 2% of AGI that are not deductible for tax years 2018 through 2025.		deductions increase.	potentially result in decrease in South Carolina taxable income.
IRC §217(k) See also, IRC §132 above	Moving expenses deduction	Suspends the deduction for moving expenses (except for active duty military that move pursuant to military order or permanent change of station under IRC §217(g)).	SC adopts IRC §217.	Expires 12/31/25 Moving expense deduction allowed.	SC adopts. Moving expense deduction allowed decreases South Carolina taxable income.
IRC §529(c)(3)(C)(i)(III)	Rollovers from 529 plans to qualified 529A plans (ABLE Plans)	Allows a tax free rollover from a 529 plan to a qualified 529A plan (ABLE Plan) before January 1, 2026.	SC adopts IRC §529.	Expires 12/31/25	SC adopts.
IRC §529A	Contributions to ABLE accounts	Allows additional contributions to ABLE accounts from the account's designated beneficiary up to the lesser of	SC adopts IRC §529A. See also SC Code §12-6-1140(12).	Expires 12/31/25 Contribution from all contributors, including the beneficiary, allowed up to	SC adopts IRC §529A. SC has a deduction for contributions to ABLE accounts. Expiration will mean lower

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		(a) the beneficiary's compensation for the tax year or (b) the federal poverty line for a one-person household.		the amount of the annual gift tax exclusion.	amount of ABLE account contributions.
Business Taxes					
IRC Section	**Description**	**Federal Law under TCJA**	**SC Conformity with Federal Law**	**Federal Expiration Date and Impact**	**Impact of Federal Expiration on South Carolina Tax**
IRC §45S	Employer Credit for Paid Family and Medical Leave	Allows eligible employers a credit for 12.5% to 25% of wages paid to qualifying employees on leave under the Family Medical Leave Act. Effective for wages paid after 12/31/2017.	SC does not adopt IRC §45S. SC Code §12-6-50(2)	Does not apply to wages in years after 12/31/25.	SC does not adopt IRC §45S (federal tax credits).
IRC §59A	Base Erosion and Anti-Abuse Tax (BEAT)	IRC §59A imposes a new base erosion minimum tax (BEAT) which applies to certain corporations that make	SC does not adopt IRC §59A. SC Code §12-6-50(3)	Base increases to 12.5% (from 10%) after 12/31/25.	SC does not adopt.

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		deductible payments to foreign affiliates. Effective for base erosion payments (as defined in IRC §59A(d)) paid or accrued in tax years beginning after 12/31/2017.			
IRC §250	Foreign Derived Intangible Income ("FDII")	New IRC §250 provides a special tax deduction for income derived from intangibles owned in the U.S. that are being used in foreign countries. A U.S. corporation is allowed a deduction for 37.5% of the "foreign derived intangible income" (FDII) of the U.S. corporation for the tax year. Effective for tax years beginning after 12/31/2017.	SC does not adopt IRC §250. SC Code §12-6-50(12)	Reduction in deduction for years after 12/31/25.	SC does not adopt.

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IRC §274	Entertainment Expenses	Disallows or limits many entertainment expenses including membership dues for clubs, expenses for transportation, fringe benefits for employees, and employer deduction for meals provided on premises for employer convenience. Generally effective for amounts paid or incurred after 12/31/2017. IRC §274(o), dealing with meals provided at convenience of employer, applies to amounts incurred or paid after 12/31/2025.	SC adopts IRC §274.	No expiration on deduction disallowed for entertainment expenses, transportation fringe benefits. 50% deduction for employer provided meals until 12/31/25; no deduction after 12/31/25.	SC adopts IRC §274. After 12/31/25, no deduction allowed for employers providing meals to employees at an eating facility.

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Other Expiring Provisions					
IRC Section	**Description**	**Federal Law under TCJA**	**SC Conformity with Federal Law**	**Federal Expiration Date and Impact**	**Impact of Federal Expiration on South Carolina Tax**
IRC §168(k)	100% Expensing of Certain Business Assets (Bonus Depreciation)	Extends bonus depreciation through 12/31/2026 (reducing the percentage that can be depreciated for property placed in service after 12/31/2022). Adds items that qualify for bonus depreciation. Various effective dates in the Code Section are based mainly on when items are placed in service.	SC does not adopt IRC §168(k). SC Code §12-6-50(4)	100% for period 9/27/17 to 12/31/22 80% for period 1/1/23 to 12/31/23 60% for 1/1/24 to 12/31/24 40% for 1/1/25 to 12/31/25 20% for 1/1/25 to 12/31/26	SC does not adopt.
IRC §174	Amortization of Research and Experimental Expenditures	Eliminates deductions for certain costs (including software development expenditures) and instead requires the	SC adopts IRC §174.	Begins with 2022 tax year. No expiration. There has been discussion at the federal level of	SC adopts IRC §174. Different amortization period for foreign research (15 years instead of 5).

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		costs to be capitalized and amortized over five years. Effective for expenditures paid or incurred in tax years beginning after 12/31/2021. See special rules that treat the amendments under this section as changes in accounting methods.		extending pre-TCJA treatment.	
IRC §263A(d)	Expensing Costs of Replanting Citrus Plants	Allows certain minority co-owners to deduct rather than capitalize costs of replanting citrus plants lost as a result of freezing, disease, droughts, pests, or casualty. Previously only majority co-owner or minority co-owners who materially participated	SC adopts IRC §263A(d).	Expires 12/23/27 (10 years after enactment of TCJA).	SC adopts IRC §263A(d).

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		could deduct these costs. Effective for costs paid or incurred after 12/22/2017.			
IRC §461(l)	Limitation on Losses for Taxpayers Other Than Corporations	Limits the ability of non-corporate taxpayers to use trade or business losses against other sources of income. Business losses of a non-corporate taxpayer for the tax year can offset no more than $500,000 (for married individuals filing jointly) or $250,000 (for other individuals), of a taxpayer's non-business income for that year. The disallowed business loss is treated as an NOL. For partnerships and S	SC adopts IRC §461.	Was set to expire 12/31/25. Inflation Reduction Act extends limitation to 12/31/28.	SC adopts IRC §461. SC did not adopt CARES act modification of limitation on losses for 2018, 2019, and 2020.

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		corporations, share of income and losses is determined at the partner or shareholder level. Effective for tax years beginning after 12/31/2017 and before 1/1/2026.			
IRC §§1400Z-1, 1400Z-2	Qualified Opportunity Zones Program	Provides tax incentives for investments of capital gain into low-income communities, including deferral and partial exclusion of capital gain and exclusion of post-investment appreciation for certain long-term investments within the opportunity zones. Effective 12/22/2017.	SC adopts §§1400Z-1 and 1400Z-2. SC Code §12-6-50(14)	Elections only for sale/exchange before 1/1/27.	SC adopts.