STATE OF THE INDUSTRY

2025 TAX AND LEGISLATIVE OUTLOOK AND HOW IT MIGHT IMPACT THE TRUCKING INDUSTRY

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2025 TAX AND LEGISLATIVE OUTLOOK

With President Donald Trump sworn in on January 20, 2025, and the Republican control of the United States House and Senate, significant tax legislation changes can be expected over the next 12 months. The most notable will be related to the Tax Cuts and Jobs Act of 2017 (TCJA) since many aspects of the original bill were not permanent provisions and are set to expire as of December 31, 2025.

Although Republicans will control both the Senate and the House of Representatives, tax policy changes will require 60 votes in the Senate or will need to use the reconciliation process to pass, similar to 2017 when the TCJA was passed.

This article will cover some of the important potential tax law changes and extensions as well as how they might impact the trucking industry.

Throughout his campaign, President Donald Trump discussed a wide variety of tax policies and proposals, including:

» **Making TCJA Permanent** – As mentioned above, without 60 votes in the Senate, Congress would need to use the budget reconciliation process to enact legislative tax changes. The process would allow a tax bill to pass with 51 votes to avoid a filibuster but would impose limitations on increased spending or decreased revenues as a result.

- **Individual Tax Rates** – Currently set to expire at the end of 2025 and return to pre-TCJA levels, reestablishing the maximum tax bracket at 39.6%, an increase from the current 37%. Since many companies in the trucking industry pay their tax at the individual level (either as a partnership, S corporation or sole proprietor), these tax rates are particularly important to the owners and their overall cashflow.
- **Qualified Business Income (Section 199A) Deduction** – Currently allows eligible self-employed individuals and pass-through entities (S corporations and partnerships) a tax deduction equal to 20% of qualified business income. It also levels the playing field between self-employed and pass-through entities versus C corporations. This deduction is set to expire with the TCJA as of December 31, 2025. Along with the tax rates mentioned above, these rules make owners of trucking companies that are not C corporations the opportunity to operate at an overall lower tax rate.
- **Bonus Depreciation** – In 2025, the landscape for bonus depreciation is undergoing significant changes. Under the TCJA, bonus depreciation allowed for a 100% deduction of the cost of qualifying assets in the year they were placed in service. However, because the TCJA was passed via the reconciliation process, this provision began phasing out in 2023. Below is the current phase-out schedule:
  - 2023: 80%
  - 2024: 60%
  - 2025: 40%
  - 2026: 20%
  - 2027: 0%

The new Trump administration, along with the Republican-controlled Congress, has indicated a potential interest in reinstating the 100% bonus depreciation as part of broader tax reform efforts. This could significantly impact trucking companies and businesses that rely on large capital expenditures.

- **State and Local Tax Cap ("SALT Cap")** – Also set to expire at the end of next year, this limits the deduction of state and local taxes to $10,000 for married couples filing jointly. This limitation is likely to be brought up as a part of tax legislation, as some argue it disproportionately affects taxpayers in high-tax states. There has been bipartisan support to increase and/or eliminate this cap in recent years.
- **Estate Tax** – Without the extension of the TCJA, exemptions would revert to pre-2018 levels, adjusted for inflation (estimated at $6.8-$7.5 million). The current gift limitation set to expire after December 31, 2025, is $13.99 million per individual. The higher exemption amount is an important tax break for many family-owned trucking companies that wish to pass the business they built to future generations.
- **Corporate Taxation** – Permanently lowered to 21% through the TCJA, a reduction to 15% has been proposed for companies that produce in the U.S. This could be an important tax break for trucking companies taxed as C corporations, which include many of the largest firms in the U.S.
- **Research and Development Expenses** – The expensing of research and development (R&D) costs has undergone significant changes recently. Businesses were historically allowed to fully expense R&D costs in the year they were incurred. However, under the TCJA, starting in 2022, these costs must be amortized over five years (15 years if foreign). There are current proposals to go back to fully expensing these costs. Many trucking companies have significant R&D expenditures related to improved technologies, processes or software. This includes advancements in fuel efficiency and logistics optimization.
- **Section 160 (j) Interest Limitation** – The TCJA introduced Section 163(j), which limits the deduction for business interest expenses to 30% of adjusted taxable income. For many trucking companies, this limitation did not increase their taxable income before 2022, as adjusted taxable income was calculated by adding back certain deductions to taxable income, such as depreciation and amortization. Beginning in 2022 when depreciation and amortization were no longer added back to adjusted taxable income calculation, Section 163 (j) had a much bigger impact on many trucking companies, causing a lower interest limitation. It would provide significant tax savings for many trucking companies if the new legislation returned to the pre-2022 calculation that added back depreciation and interest.

All the proposals above will have an impact on the U.S. budget deficit and that will be part of the negotiation process as the legislation works its way through the U.S. House and Senate. It is estimated that making the expiring provisions of the TCJA permanent could add $4 trillion or more to the budget deficit over the next decade.

There are several non-tax proposals that may also benefit the trucking industry by reducing costs, increasing efficiency and promoting domestic manufacturing, including:

- **Tariffs on Imports** – Trump's platform includes a 60% tariff on all U.S. imports from China and a baseline tariff of 10% to 20% on all U.S. imports. These tariffs aim to boost domestic manufacturing, which could increase demand for freight hauling. In the short-term, there could be an uptick in freight tonnage by companies attempting to build their inventories up before the imposition of the new tariffs.
- **Support for Truck Parking and Safety** – The Truck Parking Safety Improvement Act, would allocate funds to create thousands of safe parking spots for trucks and improve existing parking areas. This could help truckers comply with hours-of-service regulations and reduce time spent searching for parking.
- **Opposition to Environmental Mandates** – Trump's administration plans to stop unworkable environmental mandates and prevent a speed limiter mandate, which could reduce regulatory burdens on the trucking industry.

It is not known when legislation could be passed in 2025 , so it's important for businesses and their owners to consider the changes on the horizon and to work with their tax advisors to plan accordingly as the legislative process moves forward.

Ohio Trucking Association

The Ohio Trucking Association is a 100-year-old full-service trade association operating in Columbus, Ohio. With over 815 total members in the trucking, logistics, warehousing and moving industries, our promise to our members is simple: the Ohio Trucking Association will work to improve operational efficiency, profitability and relevancy for all of Ohio's transportation industry. Advocacy, professional development, networking and cost savings initiatives are the keys to carrying out this promise to our members. No matter what the cause, our industry is stronger when operating as one. We encourage you to explore more about becoming involved with the Ohio Trucking Association at **www.joinota.com**.

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