



April 28, 2025

**ADVANCING AMERICAN FREEDOM**  
*FOUNDATION*

## **American Taxpayers Deserve the Most Bang for Buck**

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**TOPLINE:** Not all tax cuts are equal. Some produce economic growth, and other 'tax cuts' actually hurt the American economy. With Congress set to cut taxes by \$1.5 trillion, Members must prioritize pro-growth cuts and avoid wasteful or even harmful reconciliation gimmicks.

### **BEST BANG FOR THEIR BUCK**

**Reducing Individual Tax Rates:** TCJA lowered marginal tax rates in 5 out of 7 tax brackets to provide broad-based tax rate reductions for American workers.

- Continuing to lower rates and allowing Americans to keep more of their income is a simple, pro-growth tax policy.

**Reducing the Corporate Tax Rate:** President Trump has talked about further lowering the corporate tax rate, which was reduced from 35% to 21% in 2017.

- **A permanent 15% rate would encourage companies to invest in America.**

**Reinstating Full Expensing:** Under TCJA, businesses were allowed to immediately write off 100% of the cost of business property (e.g. machinery) instead of recouping costs over time.

- This benefit dropped to 20% in 2025 and will be **phased out in 2026**.

**Eliminating the Inflation Tax on Capital Gains:** Currently, taxpayers pay an inflation tax every time they realize gains on an asset. The tax is levied based on the nominal sales proceeds vs the nominal purchase price. Due to inflation, much or even all of this capital gain is illusory. Instead, capital gains taxes should be based on the value of the purchase compared to the inflation-adjusted value of the sale, removing inflation from the equation.

- [A large coalition of conservatives](#) has urged Congress to include language that would eliminate the stepped-up capital gains basis and its associated tax on inflation.

### **DUBIOUS BANG FOR THEIR BUCK**

**Expanding the Child Tax Credit (CTC):** Expanding the refundable portion of the child tax credit, which phases in at 15% and is capped at \$1,700, subverts the CTC's as tax relief.

### **ACTUALLY HARMFUL "TAX CUTS"**

**Exempting tips from taxation:** This distortionary tax provision favors the 4% of tipped workers over the 96% of untipped workers, accelerating insolvency as entitlement benefits continue to accrue despite no payroll taxes to fund these programs being levied.

**Exempting overtime from taxation:** This is another distortionary tax, favoring one type of worker arrangement over others. This may have the unintended consequence of shifting more workers from salaried to hourly, diminishing flexibility for managers and workers alike.

**Increasing the State and Local Tax (SALT) Deduction Cap:** Prior to TCJA, Americans in high tax states were able to deduct state and local taxes from their taxable income on their federal returns. TCJA capped the total allowable deduction for SALT at \$10,000. Many self-serving representatives want to restore this unfair tax policy that subsidizes high tax-and-spend states on the backs of states that tax and spend responsibly. SALT deductions do not grow the economy and should be eliminated entirely.



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