RBC Rochdale

Midterm planning

November 2026

The recent midterm elections have shifted the balance of power in Congress. While potential changes to tax law may not be imminent, it could be prudent to examine your current tax and estate plan for any gaps and opportunities for enhancement.

Current Tax Law – One Big Beautiful Bill Act (OBBBA)

The OBBBA made sweeping changes to its predecessor, the Tax Cuts and Jobs Act (TCJA). Any alterations to the OBBBA would require agreement from Congress and the president. And with Congress and the presidency held by different political parties, major changes are unlikely to occur over the next two years. But the 2028 presidential election may shape future tax policy.

Key Tax Provisions to Watch

While no one can reasonably predict future changes to tax law, previous laws and past proposals may offer insight into what could happen in the future. The table below compares current law (OBBBA), pre-TCJA law and past proposals that sought to change these key areas of the tax code.

Tax Provision	OBBBA (Current Law)	Pre-TCJA Law	Past Proposals
Individual Income Tax Rates	10%, 12%, 22%, 24%, 32%, 35%, 37%	10%, 15%, 25%, 28%, 33%, 39.6%	Considered altering tax brackets and raising tax rates One proposal included reverting to pre-TCJA law tax rates and brackets Another included increasing the current 35% bracket to 41% and the current 37% to 43%

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Tax Provision	OBBBA (Current Law)	Pre-TCJA Law	Past Proposals
Individual Capital Gain Tax Rates	0%, 15%, 20% 3.8% Net Investment Income Tax applies to taxpayers over specified AGI[1]	Same provisions	Considered raising the top tax rate One proposal included raising the top tax rate (currently 20%) to 25% Another proposal included taxing any capital gains over $1 million at the top proposed income tax rate (39.6%)
State & Local Tax (SALT) Deduction	Capped at $40,000 (subject to MAGI[2] limits)	No cap	Considered removing the TCJA and OBBBA cap
Charitable Deduction	Deductible amount subject to 0.5% of AGI[1] floor Maximum allowable deduction is 60% of AGI[1]	No floor Maximum allowable deduction was 50% of AGI[1]	N/A
Limit on Itemized Deductions	Taxpayers in the top tax bracket (37%) receive a reduced (35%) tax benefit from any itemized deductions	"PEASE" limitation reduced tax benefit of itemized deductions for taxpayers over a specified AGI[1]	Considered reinstating the "PEASE" limitations Considered capping tax benefit of itemized deductions at 28%
Section 199A (Qualified Business Income) Deduction	Deduction of up to 20% of qualified business income for owners of certain types of businesses	N/A – TCJA introduced the Section 199A deduction, and OBBBA made it permanent	Considered reducing AGI[1] limits used to qualify for the deduction
Qualified Small Business Stock (QSBS) Gain Exclusion	Eligible taxpayers may exclude up to the greater of, $15 million or 10 times adjusted basis from tax on sale of a C corporation, if certain criteria are met	Eligible taxpayers may exclude up to the greater of, $10 million or 10 times adjusted basis from tax on sale of a C corporation, if certain criteria are met	Considered capping benefit at 50% of eligible exclusion amount (currently $15 million, previously $10 million)

[1] AGI – Adjusted Gross Income
[2] MAGI – Modified Adjusted Gross Income
Note: Other tax provisions not addressed above: various tax deductions and credits, IRC Section 1031 (like-kind exchanges), carried interest, corporate taxes, dynasty trusts, and valuation discounts.

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Tax Provision	OBBBA (Current Law)	Pre-TCJA Law	Past Proposals
Gift & Estate Tax Lifetime Exemption & Tax Rate	$15 million per person, indexed annually for inflation Graduated tax rates from 18% to 40%	$5 million per person, indexed annually for inflation Graduated tax rates from 18% to 40%	Considered reducing the lifetime exemption and increasing tax rates One proposal included reducing the exemption amount to $3.5 million per person Another proposal included increasing tax rates for estates in excess of $500 million to 65%, $50 million to 55%, $10 million to 50%
Basis "Step-Up" at Death	Any assets owned by the decedent may be eligible for a step-up in basis to date-of-death value	Same provisions	Considered eliminating the step-up in basis at death

Key Takeaways

Stability in the near term

Many of the provisions contained in the OBBBA are permanent. Any potential alterations will require a majority vote in Congress, plus the president's signature, so changes are unlikely in the near term.

Clearer signals may be coming

Indications of what changes, if any, may be made to tax law could become clearer as the 2028 election cycle approaches.

Past proposals as a guide

Proposals shown here are only a sample of what has previously been raised in Congress. They offer a glimpse at what may happen, not what will happen.

Time to review

This is an opportune time to ensure your current plan aligns with your goals and is prepared for any potential changes in the future.

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H.R.1 - One Big Beautiful Bill Act, pulled July 4, 2025

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