

CLA Outlook

Taxes, Tariffs, Technology, and Talent April 24, 2025



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CLA Outlook



Navigating A Rapidly Changing Marketplace With Confidence: The 4 T's

TARIFFS

We can help you navigate complex and shifting regulations.

TECHNOLOGY

Our investments in AI and digital capabilities can boost efficiency and productivity.

ECONOMIC IMPACT

TAXES

With an in-depth understanding of policy changes, we can help tailor tax strategies.

TALENT

Resilient teams with steadfast guidance help drive our mission, and yours.





Speakers



Clayton Bland Chief Wealth Advisory Officer



Nancy Brown Chief Seamless Officer



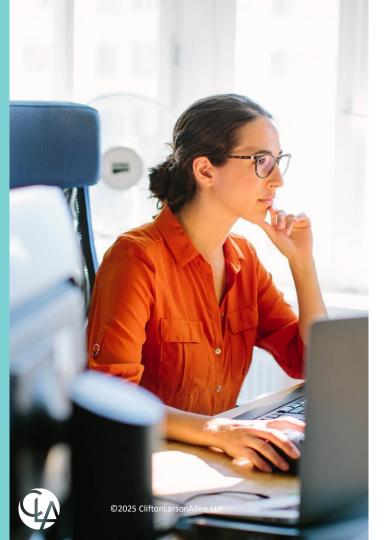
Leslie Boyd
Managing Principal
of Industry



Chastity Wilson Chief Tax Officer







Key Topics:



Tariffs

- Administration goals
- Impact on businesses
- Proactive steps to take



Taxes

- TCJA extenders
- Legislative update
- Planning opportunities



Markets

• Economic outlook



"European Central Bank Cuts Rates Amid Exceptional Tariff Uncertainty"

- April 17, 2025

"Tariff Confusion leaves Advertisers Paralyzed and Somber"

- April 16, 2025

"How to Ease Your Money Anxiety When the Economy is Stressing You Out"

- April 12, 2025

"An 'untradable' market: Trump sows profound uncertainty for stocks"

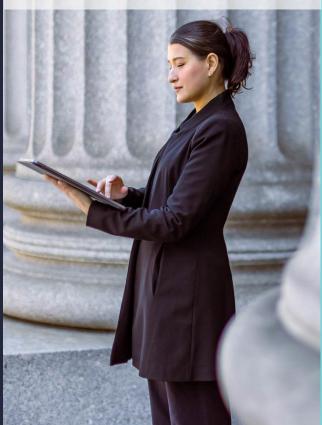
- March 13, 2025

"U.S. Stocks have worst day of 2025 as economic fears grow"

- March 12, 2025



Setting the Stage: 2025 New York Times Headlines



"Trump Joins Japan Trade Talks, Says Big Progress Made"

- April 16, 2025

"Stocks Rise Cautiously Amid Tariff Whiplash"

- April 13, 2025

"Shutdown avoided as congress passes funding extension"

- March 15, 2025

"Investors eye potential gains from Trump's deregulation push"

- March 13, 2025

"U.S inflation eased more than expected in February"

- March 12, 2025

Source: The New York Times



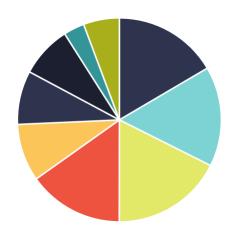


Tariffs



Manufacturing Output

- In 2024,
 manufacturing
 contributed \$2.4
 trillion to U.S. GDP
- ~ 10% of total
 U.S. GDP
- ~ Half of what we make we export



Exports

Sector	Value	Share
■ Energy-related products	334	16.50%
Chemicals	320	15.80%
Transportation equipment	356	17.60%
■ Electronic products	306	15.20%
Agriculture products	184	9.10%
■ Minerals and metals	172	8.50%
■ Machinery	165	8.20%
Special provisions	67	3.30%
All other sectors	115	5.70%

Sources

U.S. Manufacturing Economy | NIST, Bureau of Economic Analysis, Census Bureau.

US International Trade Commission: https://app.rfpio.com/v2/my-work?companyld=5fce5dd4c457897ba12c1d65





Background



Manufacturing jobs in US declined from 17M in 1993 to 12M in 2016



Over 100,000 factories closed between 1997 and 2016



US trade goods deficit is 1T dollars

Source: White House 2025 Trade Policy Agenda





Tariff Summary April 14, 2025

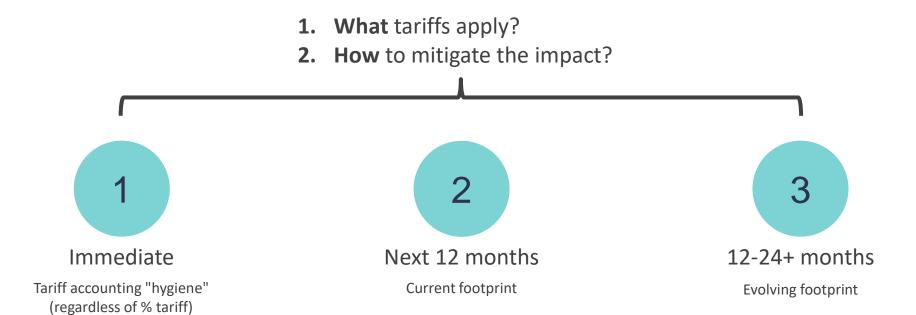
Region	Rates	Action	Effective
All	10% Reciprocal Tariffs except Canada & Mexico 10% Reciprocal Tariffs + more on selected countries (90 day pause)	IEEPA	4/5 All countries 4/9 Country specific rates Exclusions: >20% US content, tariff on non-US content
All	25% on cars, light trucks, some auto parts Pause on certain automotive parts?	232	3/4 for cars & trucks, 5/3 for parts
Canada	25%, except 0% for USMCA Qualified 10% on energy products & potash (except 0% USMCA Qualified)	IEEPA	3/4
Mexico	25%, except 0% USMCA Qualified, 10% on potash	IEEPA	3/4
China	145% Exemptions on certain duties for some electronics	IEEPA	4/9 4/11 Some electronics exemptions
All	25%, countries buying Venezuelan oil	IEEPA	TBA
All	25% on steel, aluminum products, some derivatives	232	3/12
All	Timber, copper, lumber, semiconductors, pharma products	232	TBA
China	7.5%, 25%, 50%, 100%	301	2018 - Present

Source: US Government





Goal: Reducing Exposure, Preserving Margins







CLA Tariff Roadmap Assessment

Volatile tariff rates make it difficult to strategize...what's the right next move? Our goal is to know you and help you. Working collaboratively with your team, CLA will help you explore 20+ ways for reducing exposure.

Α

Set Goals

- Reduce exposure
- Preserve margins

B

Analyze Potential

- 1: Short term (Immediate)
- Supplier discount, terms, volume buy
- Customer price change, terms, volume buy
- Transfer pricing
- SALT
- VAT reclaim
- Currency
- Duty drawback
- First sale
- Non-duty costs
- HTS codes
- Chapter 98

Deliverables

Report and roadmap of recommendations

- 2: Medium (12-24 months)
- Inventory management
- Cost accounting
- Bonded warehouses
- Free Trade Zones
- · Tariff engineering
- Relief process

3: Long-Term (24 months +)

- Country of origin
- Sourcing
- · Reshoring credits and incentives
- · Freight consolidation
- · Logistics volume planning
- Diversify transportation modes





Tariff Roadmap Assessment

Reactive >> Proactive

Step 1



Impact

- Current State
- Supply Side
- Demand Side

Roadmap

- 1. Short term:
 - "tariff hygiene"
- **2. Medium:** current footprint
- **3. Long-Term** reimagined footprint

Step 2



Implement

- People
- Process
- Systems



Measure and Adjust

- KPIs
- Weekly huddle

Dynamic environment – agility is mission critical





3-Part Webinar: 20+ Strategies to Mitigate Tariffs



April 30

Controlling what you can control

Agenda

- Supply side and demand side pricing, volume, and terms
- Cash flow, inventory, and cost accounting
- Retooling and sourcing
- Incentives (reshore or relocate closer to customer)

May 7

Transfer pricing

Agenda

- Transfer pricing
- Logistics considerations
- Bonded warehouse and free trade zones
- Currency

May 14

Fine-tuning

Agenda

- Country of origin and transformation
- Duty drawbacks
- Break out non-tariffed costs
- HTS code analysis
- Tariff engineering
- Chapter 98







Taxes



TCJA and Budget Reconciliation Updates



In April 2025, Congress passed *concurrent budget resolution*, allowing reconciliation process to proceed. Republicans hope to extend TCJA and potentially enact more tax cuts in reconciliation process.

What's next in reconciliation process?



Committee markup

House and Senate committees will markup bill (May-June) and recommendations will be combined



Differences reconciled

Differences between
House and Senate
versions will need to be
reconciled (end of July) –
will be challenging



Vote - Final bill

Vote on final reconciliation bill, once differences reconciled – projected before August recess





Challenge: House and Senate have **different instructions** as they draft legislation and must reconcile them



For example...

House instructed \$1.5-\$2.0 trillion in spending cuts vs. \$4 billion in Senate

Potential considerations to raise revenue and close the spending gap:

- ✓ Cuts to existing programs, like Medicaid
- ✓ Modify Inflation Reduction Act (IRA), limiting or repealing some credits
- ✓ Count tariffs as revenue raiser.
- ✓ SALT modify TCJA cap &/or limit business SALT deduction for C corps
- ✓ New 40% income tax bracket for millionaires– help fund additional tax cuts





TCJA Sunsetting – Key Provisions

Effective in 2026*:

- Individual tax rate reverts from 37% to 39.6%
- 20% 199A QBID deduction eliminated
- Standard deduction cut in half
- \$10k SALT cap eliminated
- Mortgage cap reverts to \$1M/\$100k from \$750k
- Cash contribution limit drops from 60% to 50%
- Pease limitation reinstated for itemized deductions
- Lifetime estate/gift exemption cut in half (\$13.99M in 2025 to \$7M)
- AMT changes







Items Not Sunsetting ... Unfortunately

\$500,000 (adjusted for *inflation*) excess business loss limitation for individuals

Net operating loss limited to offset 80% of taxable income with no carryback

Section 174 research and development expense disallowance and required amortization over five years

Section 163(i) interest expense limitation computed without the addback of depreciation expense

Gradual phaseout of bonus depreciation through 2026





Defer deductions from 2025 (and 2024?) to 2026

Accelerate income to 2025 (and 2024?) from 2026

What are the strategies?

Need to look at pass thru and individual

Consider time value of money







Markets



Tariff Scenarios and Potential Response



U.S. Tariffs Go Up (Reciprocal)

International tariffs on U.S. goods go down

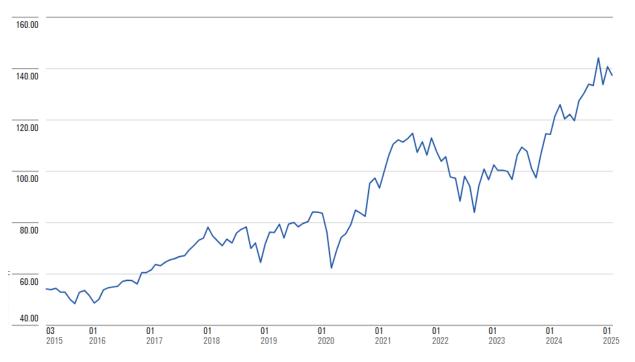
Trade war escalates (other countries raise tariffs further)

	Currency	US policy	US growth		
	USD weakensInternational currencies strengthen	Easier monetary policyEasier fiscal policy	 Higher long-term growth on increased tariff revenues and onshoring 		
	 USD strong; International ccy are weak	Tight monetary policyEasy fiscal policy	 Higher economic growth and US Company profits 		
	USD weakensInternational currencies strengthen	Easier monetary policyEasier fiscal policy	 Short-term market volatility with higher long-term growth 		





Manufacturing Stocks Shrugged Tariffs in 2017 Before Rallying





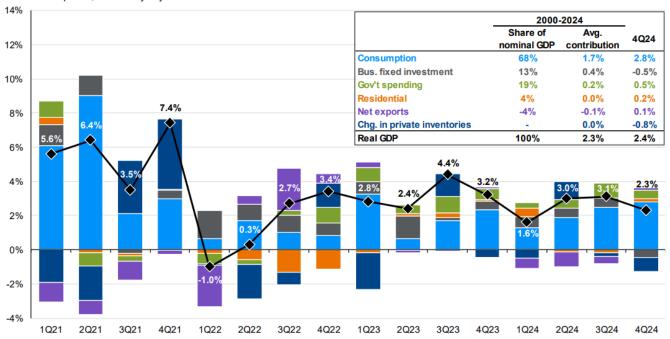


Economic Outlook

GDP has defied all recessionary expectations since rebounding in second half of 2022

Contributors to real GDP growth

Quarter-over-quarter, seasonally adjusted annualized rate



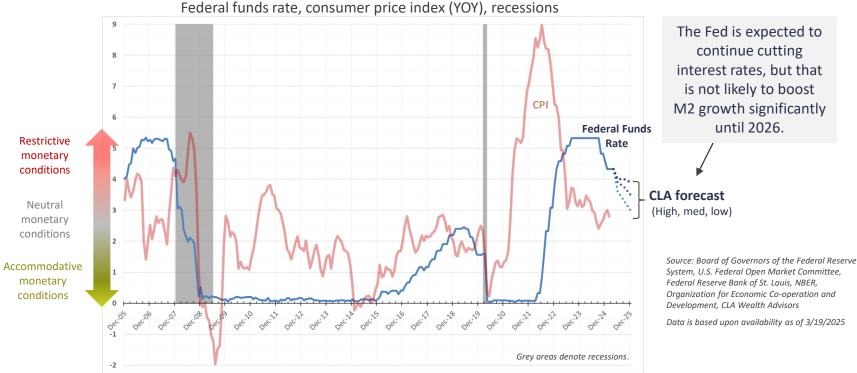
Source: BEA, FactSet, Standard and Poor's, J.P. Morgan Asset Management | Data is based upon availability as of 3/19/2025





Economic Outlook

Despite recent rate cuts, monetary policy is likely to remain restrictive until late 2025.







Economic Outlook Shows Evidence of Slowdown But No Recession

Economic activity GDP	U.S. economic growth to slow from current levels.
Consumer strength Income/spending Consumer finances	Spending to slow amid higher unemployment and slower wage growth.
Business conditions Earnings growth Profit margins ISM Purchasing Managers Index® Small business confidence	Profit margins likely to compress given sticky input costs and tariffs. Small business confidence was boosted by election results.
Unemployment rate Wage gains Number of job openings	Labor market continues to weaken while wage gains moderate.
Fed policy Interest rates Inflation Fed's balance sheet	Monetary policy remains restrictive, keeping inflation on a downward path. Fed continues "quantitative tightening."
Fiscal policy Spending Taxes Regulatory environment	Spending cuts likely. Taxpayer favorable legislation highly likely this year.





Stay informed

CLA's events and insights

How to navigate 2025?

Stay connected

Meet with your advisor at least quarterly

Be patient

Assume the legislative process will take several month

Be nimble

Develop action plan once legislation takes shape





Polling Question

I'd like CLA to call me about these services:

- a. Tax planning
- b. Tariff management
- c. Owner transition and wealth transfer strategies
- d. Tax-efficient investment strategies
- e. Other planning opportunities
- f. Nothing at this time





Contact us to discuss how we can *serve* you and *help* you *achieve* your goals.



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