

The Newsletter

Depending on your political leanings, there is much to like and much to hate in the One Big Beautiful Bill Act (OBBBA) signed by President Trump on July 4, 2025. Here is a summary of certain provisions that affect your personal and business taxes. I will also be sending emails over the next few months to do a deeper dive into various provisions.

NOTE: There are many key provisions that may require immediate attention for tax planning, withholding adjustments, and estimated payments. While some details still await IRS clarification, now is the time to start strategizing for the coming tax year.

OBBBA Income Tax Summary ~ Personal ~

TCJA Permanency – The OBBBA makes permanent certain provisions that were set to expire December 31, 2025. These include the following:

- Tax Rates: The tax rates first enacted in 2017 are made permanent (10%, 12%, 22%, 24%, 32%, 35% and 37%) each with higher income thresholds, inflation adjusted.

- Standard Deduction & Personal Exemptions: The standard deduction is increased for 2025 (\$15,750 for single filers; \$31,500 for joint filers) and inflation adjusted moving forward.

- Mortgage Interest Deduction: \$750,000 limit on mortgage debt eligible for interest deduction.

- Miscellaneous Itemized Deductions: No miscellaneous itemized deductions. Unreimbursed employee expenses for eligible educators have been removed as a miscellaneous itemized deduction.

- Charitable Income Tax Deduction: Starting in 2026, itemizers can deduct charitable contributions only to the extent they exceed 0.5% of the taxpayer's contribution base. Carryforwards also allowed only if the 0.5% threshold is met. 60% AGI limit for cash gifts to public charities is retained. Importantly, non-itemizers can deduct up to \$1,000 (single filers) and \$2,000 (joint filers) for charitable contributions.

Child Tax Credit – The Child Tax Credit is now permanently increased to \$2,200, with a \$1,400 refundable component. Phase-out thresholds of \$200,000 (single) and \$400,000 (joint filers) remain, along with the \$500 credit for other dependents. These amounts are not adjusted for

inflation, so careful planning may be needed for families close to the income thresholds.

SALT Deduction – Beginning in 2025, the State and Local Tax (SALT) deduction is increased to \$40,000 (or half for MFS). However, this expanded cap phases out for taxpayers with MAGI above \$500,000, reducing the deduction incrementally but never below \$10,000. Note: These provisions expire after 2029, reverting to the previous \$10,000 cap. If you are in a high-tax state or have significant SALT liabilities, you should reassess your itemization strategies now.

Tip and Overtime Income – Two brand-new deductions are available for 2025 through 2028:

- Qualified Tips Deduction: Up to \$25,000 for tipped workers in recognized tip-earning occupations. Subject to income phase-outs starting at \$150,000 (\$300,000 joint filers).

- Overtime Deduction: Up to \$12,500 (\$25,000 joint) for eligible overtime compensation (as defined by the Fair Labor Standards Act). This is also phased out starting at \$150,000 (\$300,000 joint filers).

These deductions aren't nearly as straightforward as "no tax on tips and overtime," so to make sure you are maximizing your savings, it is important to start planning now.

Senior Deduction – Taxpayers 65 and older now qualify for a new senior deduction of up to \$6,000 (\$12,000 if both

spouses qualify). This deduction is also phased out starting at \$75,000 (\$150,000 joint) of MAGI. Note: This is not tied to Social Security benefits and is completely separate from any SSA correspondence you may have received.

Car Loan Interest – Starting in 2025, individuals can deduct up to \$10,000 of interest paid on qualified passenger vehicle loans for personal-use vehicles assembled in the U.S. (meeting strict criteria). Married couples do not need to file jointly to claim the deduction -- each can deduct up to \$10,000 separately on MFS returns. Phase-outs begin at \$100,000 MAGI (\$200,000 joint) and reduce the deduction by \$200 per \$1,000 over the threshold.

Adoption Credit – Up to \$5,000 of the adoption credit will now be refundable, helping more families benefit. This change applies for adoptions finalized after December 31, 2024.

Ending Soon: Clean Energy & Green Credits – Several popular credits are on their way out:

- Clean Vehicle Credits (§25E & §30D): Terminate for vehicles acquired after Sept. 30, 2025.

- Energy-Efficient Home Improvements (§25C): Ends for property placed in service after Dec. 31, 2025.

- Residential Clean Energy (§25D): Also ends for installations after Dec. 31, 2025

If you're considering clean energy upgrades or EV purchases, you'll want to act quickly to maximize remaining incentives.

Gift, Estate, and Generation-Skipping Transfer (GST) Taxes – Permanently raises exemptions to \$15,000,000 in 2026, inflation adjusted thereafter.

OBBBA Income Tax Summary ~ Business ~

The OBBBA, delivers the most significant business tax law changes since the 2017 Tax Cuts and Jobs Act. These changes affect a wide range of taxpayers, especially small and mid-sized businesses, and many provisions are effective for tax year 2025. Some updates provide welcome relief; others introduce new complexities. There are several key changes that could directly affect your business' strategy, compliance, and bottom line.

100% Bonus Depreciation Is Back – The OBBBA restores 100% bonus depreciation under §168(k) for property acquired and placed in service after January 19, 2025. This accelerates write-offs and boosts cash flow. Taxpayers may also elect a 40% rate for certain property in their first fiscal year ending after that date.

R&D Expenses – Domestic research or experimental expenses are now fully deductible in the year incurred, overturning the prior five-year amortization rule. Key takeaways:

- Foreign research must still be amortized over 15 years.
- Software development qualifies.
- The deduction is reduced by any §41 research credit claimed.
- You may elect to amortize domestic R&D expenses over up to 60 months. There are also retroactive Options Available. Businesses meeting the \$31M gross receipts test may retroactively apply this to post-2021 expenses.

§179 Expensing Limits Increased – The new law raises the §179 expensing limit to \$2.5 million, phasing out once total asset purchases exceed \$4 million. These amounts are now permanently indexed for inflation, providing more flexibility to immediately expense qualifying purchases.

100% Depreciation for Qualified Production Property – A new special depreciation deduction is available for certain nonresidential real estate used in manufacturing or refining, if:

- Construction begins after Jan. 19, 2025, and
- Property is placed in service before Jan. 1, 2031.

The property must not include office, admin, or sales space, and must be part of a qualifying production activity. And heads up -- binding contracts to acquire the property signed before Jan. 20, 2025, disqualify the property.

Qualified Small Business Stock (QSBS)

– The OBBBA enhances the qualified small business stock (QSBS) gain exclusion for certain C corporation stock under §1202. These changes are generally effective for QSBS issued or acquired after July 4, 2025, and tax years after that date. The QSBS exclusion is 100% for stock acquired after September 27, 2010; for stock acquired in earlier periods, it is 50% or 75%, depending on the acquisition date. This provision modifies the QSBS gain exclusion by providing a tiered gain exclusion for QSBS acquired after July 4, 2025. The exclusion is 50% after three years, 75% after four years, and 100% after five years. This is something to keep in mind for startup founders and investors evaluating C corporation structures.

Form 1099 Reporting – §70432 of the law restores Form 1099-K threshold to \$20,000 AND 200 transactions (applied retroactively). The law also increases Form 1099-NEC/MISC threshold is increased to \$2,000, effective for payments made after Dec. 31, 2025. It’s imperative to review your vendor payment tracking and make system updates before the 2026 filing season.

Green Tax Credits – The OBBBA ends or modifies a number of green energy incentives:

As always, please let me know if you have any questions or wish to discuss anything in this newsletter.

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- §45W (commercial EV credit): Ends after Sept. 30, 2025.
- §30C (alt fuel property credit): Ends after June 30, 2026.

- §179D (energy-efficient commercial buildings): Ends for construction beginning after June 30, 2026.

- Multiple other green energy credits are winding down with staggered effective dates.

Businesses planning clean energy upgrades or EV acquisitions should consider accelerating timelines.

Business Interest Deductions – Starting in 2025, the §163(j) limitation is calculated without subtracting depreciation, amortization, or depletion, effectively restoring the EBITDA-based cap.

Future changes effective in 2026 will:

- Calculate the interest limitation before applying any interest capitalization, and

- Exclude Subpart F, GILTI, and other inclusions from the ATI calculation.
