

The Newsletter

As I noted in the prior newsletter, which highlighted portions of the One Big Beautiful Bill Act (OBBBA) signed by President Trump on July 4, 2025, I would provide a few deep dives into certain aspects that will affect you. This newsletter will look a little more closely at the OBBBA's changes to the Charitable Income Tax Deductions and the Clean Energy and Green Credits that will be ending this month.

But first, I will discuss the recent changes to the way taxpayers must pay their tax bills and estimated tax payments, as well as receive refunds from the IRS.

IRS Moves Toward Mandatory Electronic Payments

A major shift is underway in the way individuals and businesses make payments to and receive funds from the IRS. On March 25, 2025, President Trump signed Executive Order 14247, titled *Modernizing Payments to and from America's Bank Account*. This directive mandates a transition to electronic funds transfer (EFT) for nearly all financial transactions involving the IRS, with the goal of improving efficiency, reducing costs, and minimizing fraud.

Why the Shift?

This change is driven by a desire to modernize the federal payment system. The U.S. Treasury estimates that processing paper checks cost taxpayers more than \$657 million in Fiscal Year 2024 alone. In addition to being costly, paper-based payments are more vulnerable to theft, fraud, and delays. By

mandating electronic payments, the government aims to reduce these risks and streamline the entire process for both taxpayers and federal agencies.

Date of Implementation

The transition to electronic-only payments starts **September 30, 2025**, with the scheduled phaseout of paper check payments. After this date, most payments to and from the IRS must be conducted electronically.

Who Must Comply?

The executive order applies broadly to payments involving federal agencies, including:

- Tax payments and refunds
- Fees and fines
- Loans and disbursements

While the mandate covers a wide range of payments, it applies only where electronic transactions are allowed by law.

Exceptions to the Rule

While the push toward EFT is sweeping, the Treasury Secretary has outlined a few exceptions, including:

1. Individuals without access to banking or digital payment services
2. Emergency situations where electronic payments would create undue hardship
3. National security or law enforcement scenarios where non-electronic transactions are necessary
4. Other cases at the Treasury Secretary's discretion

What Should You Do Now?

You should begin preparing for the new requirements. For individuals filing Form 1040, preparers will need to collect bank account details (routing and account numbers) in order to process refunds or payments electronically. For businesses filing Form 1120, additional guidance is expected from the IRS soon.

The IRS already offers several options for making electronic payments:

- Direct Pay: For individuals making a payment directly from their bank account
- Electronic Federal Tax Payment System (EFTPS): For businesses and individuals, including scheduling future payments
- IRS Online Account: View balances and make payments
- Debit or credit card: Available through IRS-approved payment processors (note: fees may apply)

- ACH transfers or wire transfers: For certain high-dollar transactions

To learn more about the available payment options, visit the IRS website: <https://www.irs.gov/payments>

OBBBA Income Tax Summary ~ Charitable Donations ~

The OBBBA includes significant changes to the tax treatment of charitable donations, starting in 2026. Some are helpful, others less so, depending on your income and filing status.

Good News for Non-Itemizers

Currently, taxpayers who take the standard deduction (i.e., don't itemize) generally cannot deduct charitable contributions. That will change in 2026.

Beginning in 2026, non-itemizers will be allowed to deduct cash donations to charity up to

- \$1,000 per year for single filers, or
- \$2,000 per year for married couples filing jointly.

Note. Contributions to donor-advised funds are excluded.

New Limits for Itemizers and High-Income Donors

If you itemize your deductions and make substantial charitable donations, take note: starting in 2026, your ability to deduct those donations will be reduced.

In 2026, you may deduct charitable contributions to the extent they exceed 0.5 percent of your adjusted gross income (AGI). Here's how this new floor works:

Example. If your AGI in 2026 is \$200,000 and you donate \$10,000 to charity, only the amount over \$1,000 (0.5 percent of AGI) is deductible. Your allowed deduction is \$9,000.

You cannot carry forward the disallowed \$1,000 unless your total charitable contributions for the year exceed one of the limits, such as 60 percent or more of your AGI for cash donations.

Planning Opportunities Before the Rules Change

Because the new limitations won't take effect until January 1, 2026, you have a valuable opportunity to maximize deductions under the current rules in 2025:

- If you itemize, consider accelerating your charitable giving before year-end.
- You might double your planned donations in 2025 and scale back in 2026.

This strategy allows you to deduct the full amount of your contributions without the new 0.5 percent AGI floor.

Bunching Donations Going Forward

Once the new rules are in place, both individuals and corporations may benefit from a "bunching" strategy:

- Combine multiple years of charitable giving into one year to exceed the new deduction thresholds.

- For example, you could donate two years' worth of contributions in 2026 (and itemize), then take the standard deduction in 2027 while making little or no donations that year.-----

OBBBA Income Tax Summary ~ Green Credits Expiring ~

Which Green Tax Credits Are Ending and When?

Under the One Big Beautiful Bill Act, eight major federal green tax credits will expire between September 2025 and June 2026. These include credits for home upgrades, renewable energy systems, and clean vehicle purchases.

Homeowners: Act Before December 31, 2025 – Two key tax credits for residential properties will no longer be available for projects completed after December 31, 2025:

1. Energy Efficient Home Improvement Credit (for insulation, windows, doors, heat pumps, etc.)
2. Residential Clean Energy Credit (for solar panels, solar water heaters, wind turbines, and more)

If you've been thinking about making your home more energy-efficient, now is the time to act. After these expire, such

upgrades could become significantly more expensive without tax support.

Businesses: June 30, 2026 Deadline

For commercial properties, the Energy Efficient Commercial Buildings Deduction will be phased out after June 30, 2026. This affects office buildings, factories, and other commercial structures planning to install energy-saving systems.

Clean Vehicle Tax Credits Ending September 30, 2025

The federal government has also confirmed that clean vehicle credits will come to an end after September 30, 2025. This includes:

1. New Clean Vehicle Credit: Up to \$7,500
2. Previously Owned Clean Vehicles Credit
3. Qualified Commercial Clean Vehicle Credit: Up to \$40,000

These credits have helped millions of Americans reduce the upfront cost of

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switching to electric vehicles. But once they expire, EVs could cost thousands more unless new programs are introduced.

Important Rules to Claim EV Credits Before They Expire

If you're planning to buy a clean vehicle before the deadline, make sure you follow these IRS rules:

You must take possession of the vehicle by September 30, 2025

A binding written contract must be completed before the deadline

Payment must be made by the due date

The vehicle must be placed in service (i.e., delivered to you)

Pro tip: Dealers are legally required to provide a time-of-sale report within three days of delivery. Keep this document safe—it's your proof when claiming the credit.