



See How the “One Big Beautiful Bill” Act Will Impact Your 2025 Taxes and Transform Your Financial Landscape!

Article Highlights:

- Standard Deduction Increase
- Special Temporary Deduction for Seniors
- Child Tax Credit
- Qualified Small Business Stock (QSBS) Exemption
- New Deduction for Tips
- Overtime Deduction
- Deduction for Car Loan Interest
- Adoption Credit
- 529 Savings Plan Enhancements
- Bonus Depreciation
- Qualified Production Property Special Depreciation Allowance
- Third-Party Network Transaction Reporting (1099-Ks)
- Termination of Previously Owned Clean Vehicle Credit
- Termination of Clean Vehicle Credit
- Termination of Commercial Clean Vehicle Credit
- Termination of Alternative Fuel Vehicle Refueling Property Credit
- Termination of Energy Efficient Home Improvement Credit
- Termination of Solar Energy Credit
- Domestic Research Expenditures
- SALT Deduction Changes

On July 4th, the President signed into law the so-called “One Big Beautiful Bill” Act (OBBBA), a significant piece of legislation that ushers in a plethora of tax provisions designed to impact taxpayers across the spectrum. Though the act introduces measures that stretch beyond this year, our focus here narrows to changes coming into effect in 2025—critical for taxpayers to note. As you navigate through the list of modifications, consider whether any of these alterations may apply to your financial situation and determine if pertinent actions must be taken before year's end. Particularly pressing are the numerous environmental tax credits that face imminent termination by the close of the year (some soon), meaning those wishing to claim these benefits must not delay taking action. This guide will equip you with the knowledge necessary to timely optimize your tax responsibilities and benefits efficiently amidst these legislative changes.

Here is a detailed summary of the tax law changes included in the OBBBA that will apply in 2025.

1. **Standard Deduction Increase:** Starting in 2025, the standard deductions will be increased to \$15,750 for singles and married filing separately, \$23,625 for heads of household, and \$31,500 for married filing jointly. These deductions will be adjusted for inflation in subsequent years.
2. **Special Temporary Deduction for Seniors:** Individuals 65 or older will receive a \$6,000 (\$12,000 for a married couple if both qualify) deduction, provided their modified adjusted gross income (MAGI) doesn't exceed \$75,000 for singles or \$150,000 for joint filers. This is in place of the no tax on Social Security proposal advanced during the

- presidential campaign. The deduction is available whether receiving Social Security benefits or not and is available for both itemizers and non-itemizers. This deduction will apply for years 2025 through 2028, and does not take the place of the additional standard deduction allowed to those age 65 and older.
3. **Child Tax Credit:** The nonrefundable child tax credit will increase to \$2,200 per child. The income thresholds for phaseout of the credit will be \$400,000 for joint filers and \$200,000 for others. Both child and parent(s) need Social Security Numbers (SSNs) to qualify.
 4. **Qualified Small Business Stock (QSBS) Exemption:** A tiered gain exclusion will be applied for QSBS acquired after July 4, 2025, allowing a 50% exclusion when the stock is sold after three years, a 75% exclusion after four years, and a 100% exclusion after five years. This only applies to C Corporations and includes limits on the amount that can be excluded. Contact this office for details and to see if your corporation qualifies.
 5. **New Deduction for Tips:** Tips received in occupations that customarily receive tips are eligible for a deduction, capped annually at \$25,000. For individuals with an adjusted gross income (AGI) exceeding \$150,000 or \$300,000 for joint filers—the deduction is incrementally reduced by \$100 for every \$1,000 over the AGI threshold. In addition, this deduction is not available to individuals working in specified service trades or businesses, such as health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, etc. The IRS will be publishing a list of qualifying occupations by October 2, 2025. This deduction is only available through 2028. A valid Social Security number is required on the return and married taxpayers must file jointly. Employees eligible for this deduction may want to revise their federal income tax withholding, while qualifying self-employed individuals may be able to adjust their estimated tax payments, to take this deduction into account.
 6. **Overtime Deduction:** This above-the-line deduction allows individuals to exclude the portion of their overtime compensation that exceeds their regular pay rate from their taxable income. Like the tip deduction, the deduction amount is reduced by \$100 for each \$1,000 that the taxpayer's modified adjusted gross income exceeds \$150,000 (\$300,000 for joint returns). This deduction is only available through 2028. Employers will be required to specify the eligible overtime income on Form W-2 or other statement as will be required by the IRS. As with the tip deduction, married taxpayers can claim the overtime deduction only if they file a joint return. All individuals must include a valid Social Security number on the return.
 7. **Deduction for Car Loan Interest:** The deduction for car loan interest allows taxpayers a deduction of up to \$10,000 in interest for loans secured by a first lien used to purchase vehicles that are assembled in the United States. Available from 2025 through 2028. Like the tip and overtime deductions this deduction is also phased out for higher income taxpayers. The deduction begins to phase out for single taxpayers with modified adjusted gross income (MAGI) above \$100,000 and for married couples filing jointly with above \$200,000. The phaseout is \$200 for each \$1,000 (or portion thereof) the MAGI exceeds the threshold. The deduction is available for both itemizers and non-itemizers. Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year. Taxpayers will need to include the vehicle's VIN (vehicle identification number) on their return when claiming the deduction.
 8. **Adoption Credit:** Which has most recently been a non-refundable credit, meaning it only reduces a taxpayer's tax liability, will become partially refundable up to \$5,000 for 2025 through 2028.
 9. **529 Savings Plan Enhancements:** Tax-exempt distributions from 529 plans can be used for additional educational expenses, including elementary, secondary, or home school expenses up to \$20,000 (up from the previous limit of \$10,000) for distributions after July 4, 2025 (date of legislation's enactment). Additionally, eligible expenses now include qualified postsecondary credentialing expenses in connection with recognized postsecondary credential programs and recognized postsecondary credentials.
 10. **Bonus Depreciation:** The 100% bonus depreciation deduction rate for qualified business property acquired after January 19, 2025, has been restored and made permanent.
 11. **Qualified Production Property Special Depreciation Allowance:** Taxpayers can immediately deduct 100% of the cost of certain new factories, certain improvements to existing factories, and certain other structures that would generally be 39-year property. Specifically, this provision allows taxpayers to deduct 100% of the adjusted basis of qualified production property in the year such property is placed in service. Construction of the property must begin after January 19, 2025, and before January 1, 2029, and the property must be placed in service before January 1, 2031.
 12. **Third-Party Network Transaction Reporting (1099-Ks):** For transactions facilitated through third-party networks, such as payment processors or platforms, reporting on Form 1099-K is required only if the gross amount of the transactions exceeds \$20,000 coupled with more than 200 transactions within a calendar year. This returns the threshold to what it was before being phased down to \$600.
 13. **Termination of Previously Owned Clean Vehicle Credit:** The up to \$4,000 credit for purchase of previously owned clean vehicles is accelerated to expire by September 30, 2025, instead of the initial 2032 sunset date.

14. **Termination of Clean Vehicle Credit:** The Clean Vehicle Credit will be disallowed for vehicles purchased after September 30, 2025. Previously, taxpayers could claim a credit up to \$7,500 for new clean vehicles.
15. **Termination of Commercial Clean Vehicle Credit:** The commercial clean vehicle credit allowed a business tax credit from \$7,500 to \$40,000 for the purchase of commercial vehicles. That credit now terminates September 30, 2025.
16. **Termination of Alternative Fuel Vehicle Refueling Property Credit:** This credit for installation of refueling stations, will terminate after September 30, 2025, instead of its original date of December 31, 2032.
17. **Termination of Energy Efficient Home Improvement Credit:** Allowed taxpayers a credit up to \$1,200 for household energy efficient improvements through 2032. This credit will no longer apply to improvements placed in service after December 31, 2025.
18. **Termination of Solar Energy Credit:** A lot of homeowners have benefited from the 30% tax credit for installing solar electric panels on their residences. But that credit comes to an end on December 31, 2025.
19. **Domestic Research Expenditures:** Business taxpayers can immediately deduct domestic research expenditures for taxable years starting after December 31, 2024.
20. **SALT Deduction Changes:** The cap on the itemized deduction for state and local tax (SALT), which has recently been limited to \$10,000, has been increased to \$40,000 for 2025, then increases ever so slightly each year until 2029 when it drops back down to \$10,000. That is the good news! The bad news, if a taxpayer's MAGI goes over \$500,000 the deduction begins to reduce and returns to \$10,000 for those with a MAGI of \$600,000 or more.

These updates to the tax law provide significant information for planning your tax strategies. If you have any questions or need detailed analysis on how these changes may affect your personal or business finances, please feel free to call or schedule an appointment with our office.

Navigating SALT Deduction Changes and Passthrough Entity Strategies for Maximum Benefit

Article Highlights:

- The pre-OBBBA Era
- The Impact of OBBBA
- Limitations for High-Income Taxpayers
- Conclusion

The State and Local Tax (SALT) deduction allows taxpayers to deduct either their state and local income taxes or their state and local sales taxes, in addition to property taxes, on their federal income tax returns when they itemize deductions. This deduction has long been a staple in the tax code, designed primarily to mitigate double taxation on the same income.

The Pre-OBBBA Era

Prior to the enactment of the Tax Cuts and Jobs Act (TCJA) in 2017, there was no cap on the SALT deduction. Taxpayers could deduct all state and local taxes paid on their federal returns when itemizing. This deduction was especially beneficial for taxpayers in high-tax states such as New York, California, and Illinois.

However, with the implementation of the TCJA, significant changes were made. The SALT deduction was capped at \$10,000 for both single filers and married couples filing jointly and \$5,000 for married individuals filing separately. This cap substantially affected taxpayers in high-tax states, where state and local taxes often exceed the federal cap.

The Impact of OBBBA

Recently, with the enactment of the "One Big Beautiful Bill Act" (OBBBA), the cap on the SALT deduction has been amended with a more generous limit. Beginning in 2025, the SALT deduction cap increases to \$40,000, with an annual 1% increase until it peaks in 2029. After 2029, however, without further Congressional action, the cap is set to return to \$10,000.

SALT DEDUCTION CAP	
Year	Salt Cap
2024	\$10,000
2025	\$40,000
2026	\$40,400
2026	\$40,400
2027	\$40,804
2028	\$41,212
2029	\$41,624
2030 and subsequent years	\$10,000

½ those amounts for married couples filing separate

This legislative change was made in response to complaints from the high-tax states' Congresspeople. By enabling a higher cap, more taxpayers from high-tax states can potentially benefit, specifically those who itemize deductions on their federal returns.

Limitations for High-Income Taxpayers

The OBBBA introduces limitations for higher-income taxpayers, who are now subject to a phase-out of the SALT deduction based on their modified adjusted gross income (MAGI). The allowable deduction starts to decrease when MAGI exceeds specified thresholds.

For instance, in 2025, taxpayers with a MAGI exceeding \$500,000 will experience a reduction in their deductible amount by 30% of the excess income above the threshold, limiting the full benefit of the enhanced SALT cap. If a taxpayer's MAGI is \$600,000 or more, the deduction is limited to \$10,000, making the increase irrelevant for them. This approach seeks to offer relief while balancing the tax system's overall fairness for high-income taxpayers. The MAGI thresholds also change for each year as illustrated in the table.

SALT DEDUCTION REDUCTION		
Year	MAGI Phase Out Threshold	MAGI - Reduced to \$10,000
2025	\$500,000	\$600,000
2026	\$505,000	\$606,333
2027	\$510,050	\$612,730
2028	\$515,150	\$619,190
2029	\$520,302	\$625,719

Examples Illustrating the Limitations

To illustrate, consider two example scenarios:

- **Example #1 (2027):** A taxpayer with a \$523,000 MAGI would start with an allowable SALT deduction of \$40,804 (from the table shown previously). However, since \$523,000 exceeds the \$510,050 MAGI threshold, there's a deduction reduction of \$3,885, resulting in a maximum SALT deduction of \$36,919.
- **Example #2 (Maximum Reduction in 2027):** A taxpayer with a MAGI of \$615,000 starts with the same allowable deduction of \$40,804. But since the taxpayer's MAGI is over \$612,730 the SALT limit is reduced to \$10,000 (the minimum).

Passthrough Entity Workarounds

In response to the federal cap on SALT deductions, several states have enacted legislation to create passthrough entity tax (PTET) mechanisms as a workaround. These mechanisms allow businesses structured as S corporations or partnerships to pay state taxes at the entity level rather than pushing these taxes onto individual shareholders or partners. By doing this, the entity takes the deduction for state taxes paid at the federal level, effectively bypassing the individual SALT cap. The individual owners then receive a corresponding state tax credit. This workaround has gained traction as a strategy to mitigate the impact of the SALT cap on high-income taxpayers involved in businesses and facing substantial state tax obligations. These state initiatives maintain compliance with IRS regulations while offering a viable tax

planning opportunity to capitalize on entity-level deductions, a critical consideration in high-tax jurisdictions for taxpayers looking to maximize their tax efficiency amidst federal limitations.

Conclusion

The landscape of SALT deductions has evolved significantly, influenced by legislative changes and taxpayer strategies. The OBBBA has sought to provide some relief from the TCJA's stringent \$10,000 cap, albeit temporarily and with limitations for higher-income taxpayers. However, the introduction and adoption of passthrough entity tax (PTET) workarounds illustrate a proactive response from states to help taxpayers mitigate federal constraints. These workarounds offer a strategic avenue for businesses to optimize their tax liabilities through entity-level deductions, highlighting a dynamic intersection of state ingenuity and taxpayer adaptability. While these measures provide temporary relief and opportunities, taxpayers must remain vigilant and proactive in managing their tax strategies, considering both current provisions and potential future changes to maintain tax efficiency.

Please contact this office if your SALT deduction is being reduced because of your MAGI to see if your state has a PTET workaround that will benefit you.

Examining the Impact: How the 'One Big Beautiful Bill Act' (OBBBA) Might Apply to You

Article Highlights:

- Individual Tax Rates
- Standard Deductions
- Senior Tax Deduction
- Child Tax Credit
- Qualified Business Income (QBI) Deduction
- Minimum QBI Deduction
- Estate and Gift Tax Exemption
- Alternative Minimum Tax (AMT)
- Gambling Losses
- Mortgage Interest
- No Tax on Tips
- No Tax on Overtime
- Car Loan Interest
- Trump Accounts
- State and Local Tax (SALT) Deduction
- Casualty Loss Deduction
- Pease Limitation
- Adoption Credit
- Dependent Care Assistance
- Bonus Depreciation
- Energy Credit Terminations
- Contributions To Scholarship Granting Organizations
- Charitable Contribution Non-itemizers

As we approach the closing chapters of the Tax Cuts and Jobs Act (TCJA), implemented during President Trump's first term, taxpayers find themselves at a crossroads. With many of the TCJA's provisions set to expire after 2025, the introduction of the One Big Beautiful Bill Act (OBBBA) offers timely extensions and nuanced modifications to these sunseting policies. Acting as both a continuation and a re-envisioning of prior legislation, the OBBBA not only extends key tenets of the TCJA—such as individual tax rates and business deductions—but also introduces innovative changes that reflect the evolving economic landscape. By addressing emerging challenges while capitalizing on the TCJA's foundational successes, the OBBBA aims to solidify a path toward a more sustainable and inclusive fiscal future, ensuring relief and opportunity across all levels of the American taxpayer spectrum.

On July 4th, President Trump signed OBBBA into law, introducing myriad changes to the tax landscape. Some of the changes will impact the current year, 2025, and other subsequent

years.

This article focuses specifically on the provisions of the OBBBA that directly impact individual taxpayers, small businesses, and family-oriented tax benefits, deliberately omitting the changes and extensions that pertain solely to large corporations and big business. This approach ensures that the content remains highly relevant and applicable to the everyday decisions of individual taxpayers and small business owners, who often navigate their financial responsibilities without the same resources that large corporations possess.

By concentrating on these facets, the blog provides a tailored snapshot of the OBBBA's impact, ensuring that readers are equipped with information that is not only pertinent but also actionable within their tax planning and financial management strategies. This focus allows individual taxpayers to comprehend and leverage the changes that matter most to them, without being overwhelmed by the complexities inherent to provisions designed for big business.

These reforms are aimed at offering widespread relief and financial improvements to millions of taxpayers. Below, we provide an in-depth look at the various key elements of the Act, essential for understanding its impact and implications.

NOTE: MAGI (Modified Adjusted Gross Income) is referred to multiple times in this article. For most taxpayers it is the same as the AGI. MAGI is AGI with foreign and territory excluded income added to the AGI.

Individual Tax Rates: OBBBA prolongs and enhances reduced individual tax rates, which are now extended beyond January 1, 2026. The Act aims to continue the legacy of lower rates initially brought in with past resolutions, thereby mitigating tax burdens for middle-income families. Tax bracket adjustments linked to inflation will apply from taxable years after December 31, 2025. The extensions of the TCJA rates favors the wealthy by continuing the elimination of the 39.6% tax bracket.

Standard Deductions: OBBBA extends, increases and makes permanent the higher TCJA standard deductions. The 2025 standard deductions, the last year under TCJA, were originally scheduled to be \$15,000 for single and married filing separate taxpayer, \$22,500 for heads of household, and \$30,000 for married taxpayers filing jointly. However, OBBBA also makes an inflation adjustment to the 2025 rate using a different prior-year base that will significantly increase in the standard deductions for 2025. We will have to wait for the IRS to make that calculation and release the updated amounts for 2025.

Senior Tax Deduction - A temporary additional deduction for seniors aged 65 and older has been introduced, allowing a \$6,000 deduction per qualified individual. This is phased out with higher income levels, beginning for taxable years before January 1, 2029. However, it only applies to taxpayers with a MAGI less than \$75,000 (\$150,000 for married couples filing jointly) which limits applicability. This deduction is in place of Trump's campaign promise to eliminate the tax on Social Security. This provision becomes effective in 2025.

Child Tax Credit – OBBBA enhances support for families by increasing Child Tax Credit from \$2,000 to \$2,200 per qualifying child, beginning in 2025 and inflation adjusting the credit in subsequent years. The modifications also include some strict Social Security number requirements for children and parents. The credit phases out for higher income taxpayers beginning at a MAGI of \$400,000 married taxpayers jointly and surviving spouse and \$200,000 for others.

Qualified Business Income (QBI) Deduction - The QBI deduction receives a boost, with increased phase-in amounts from \$50,000 to \$75,000 for individuals and \$100,000 to \$150,000 for joint filings ensuing after December 31, 2025.

Minimum QBI Deduction – OBBBA creates a new, inflation-adjusted, minimum deduction of \$400 for taxpayers who have at least \$1,000 of QBI from one or more active trades or businesses in which the taxpayer materially participates. This ensures small business owners with a certain QBI level are entitled to an enhanced baseline deduction. Both the \$400 and \$1,000 are inflation adjusted to the nearest \$5.

Estate and Gift Tax Exemption – OBBBA permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to \$15 million for single filers (\$30 million for married filing jointly) effective in 2026, and indexes the exemption amount for inflation going forward. That is up from \$13.99 million in 2025. This change serves to preserve more wealth within families.

Alternative Minimum Tax (AMT) - Enhancements in AMT exemptions and phaseout thresholds continue, preventing middle-income taxpayers from undue burdens under the AMT system starting January 1, 2026.

Gambling Losses – The new law permanently continues the current provision that limits gambling loss to gambling income. In addition, beginning in 2026, the deduction for gambling losses is limited to 90% of the actual losses.

Mortgage Interest – OBBBA makes permanent the \$750,000 (\$375,000 in for married taxpayers filing separate). However, OBBBA also restores the deduction for certain mortgage insurance premiums that sunset back in 2021 on home acquisition indebtedness and treats the premiums as qualified residence interest but also included as part of the \$750,000/\$375,000 limits.

No Tax on Tips - OBBBA permits a deduction up \$25,000 for tips received by an individual in an occupation, other than a “specified trade or business”, which customarily and regularly receives tips including tip sharing. The tips must be voluntary, not subject to any consequence for non-payment, not negotiable, and the amount determined by the payer.

No Tax on Overtime – There also is a new deduction for overtime. However, for this provision overtime pay is the difference between the workers regular pay rate and the overtime pay rate not the entire amount for working overtime. The maximum amount that can be deducted is \$12,500 (\$25,000 for a married couple).

The Following Applies to Both the Tips and Overtime Deductions

- The deduction begins to phase out for when the taxpayers MAGI exceed \$150,000 (\$300,000 for married couples filing jointly).
- The deduction is temporary and only allowed 2025 through 2028.
- Married Couples must file joint to claim the deduction.

Car Loan Interest – The new tax bill includes a temporary interest deduction, 2025 through 2028, for qualified passenger vehicles including cars, minivans, vans, SUV, pickup trucks, or motorcycles. Does not include campers or recreational vehicles. The \$10,000 maximum deduction begins to phase out for when the taxpayer's MAGI exceed \$100,000 (\$200,000 for married couples filing jointly) and is fully phased out at \$150,000 (\$250,000 for married couples filing jointly). The loan cannot be with a related party; the vehicle must be assembled in the U.S. and must weigh 14,000 pounds or less.

Trump Accounts - The legislation introduces "Trump accounts," tax-advantaged savings accounts for children born between 2025 and 2028, with a \$1,000 initial federal deposit. U.S. citizen children can receive up to \$5,000 annually from parents and \$2,500 from employers, invested in a diversified U.S. stock index fund. Earnings grow tax-deferred, with qualified withdrawals taxed as long-term capital gains. Some experts prefer 529 college plans due to their higher contribution limits and tax benefits. The individual must not have reached the age of 18 by the end of the calendar to establish a Trump account.

State and Local Tax (SALT) Deduction - OBBBA imposes new limits on the SALT deduction, initially capping it at \$40,000 starting in 2025. The cap is increased a small amount for each subsequent year until it reaches \$41,624 in 2029. Then in 2030 reverts to the \$10,000. One-half of those amounts for married taxpayers filing separate. The deduction is also subject to a MAGI inflation adjusted phaseout threshold of \$500,000 for 2025, at which point the annual SALT limit is reduced by 30% of the difference between the threshold and the actual AGI but not less than \$10,000.

Casualty Loss Deduction – Under TCJA casualty loss deductions were suspended except for those encountered in federally declared disaster area. OBBBA continues and makes permanent that limitation with one exception. The scope of the casualty loss deduction is expanded to include both state-declared and federally declared disasters.

Pease Limitation – Prior to 2018 there was limitation on itemized deductions that impacted higher income taxpayers. TCJA suspended that limitation through 2025. Effective for tax years after 2025, OBBBA permanently repeals the Pease limitation and replaces it with a new overall limitation on itemized deductions that impacts taxpayers in the 37% (the highest) tax bracket.

Adoption Credit – OBBBA makes \$5,000 of the adoption credit refundable effective for taxable years after 2025.

Dependent Care Assistance – OBBBA amends the existing limit for dependent care assistance, increasing it from \$5,000 to \$7,500. For taxpayers filing separately, it increases from \$2,500 to \$3,750

Bonus Depreciation – Primarily applies to tangible property with a recovery period of 20 years or less. OBBBA restores 100% bonus depreciation after January 19, 2025.

Energy Credit Terminations – Under prior law, clean vehicle and associated tax credits didn't sunset (terminate) until after 2032. OBBBA accelerates the sunsets.

- Previously Owned Clean Vehicle Credit: September 30, 2025
- Clean Vehicle Credit: September 30, 2025
- Qualified Commercial Clean Vehicle Credit: September 30, 2025
- Energy Efficient Home Improvement Credit: After December 31, 2025
- Residential Clean Energy (includes solar): After December 31, 2025

Contributions To Scholarship Granting Organizations – OBBBA creates a tax credit (dollar for dollar) up to a maximum \$1,700 for contributions to qualified organizations granting scholarships to eligible students. Unused credit can be carried forward 5 years. Includes qualifications for scholarship recipients and organizations granting scholarships. Effective for tax years beginning after 2025.

Charitable Contribution Non-itemizers - The new law allows non-itemizers to claim cash contributions to qualifying charities of up to \$1,000 (\$2,000 for joint filers). Effective tax years beginning after 2025.

The One Big Beautiful Bill Act introduces a range of important provisions that can significantly impact individuals and small businesses. Understanding these changes is crucial to optimizing your tax strategy and ensuring compliance. As these provisions unfold, it's important to stay informed about how they may specifically affect your financial situation. We encourage you to contact our office should you have any questions or wish to schedule a planning appointment. Our team is here to guide you through this evolving landscape, helping you navigate the complexities of tax regulations with confidence and clarity.

Essential One Big Beautiful Bill Tax Changes Every Senior Needs to Know

Article Highlights:

- One Big Beautiful Bill Act
- New Deduction for Seniors
- New Gambling Loss Limit
- Increased Standard Deductions
- Tax Rates
- Car Loan Interest
- Environmental Credits
- Other, Not New, Prominent Tax Issues for Seniors
- Qualified Charitable Distributions
- Home Medical Modifications

- Home Care
- One Last Thing

In recent legislative developments, the Omnibus Budget Reconciliation Bill for 2025 and Beyond (also known as the One Big Beautiful Bill Act, or OBBBA) has introduced significant tax provisions, some tailored to benefit seniors, ensuring they receive enhanced support in managing their financial and tax responsibilities. Key among these changes is a new deduction available to individuals aged 65 or older, offering a \$6,000 deduction per eligible filer, with specific income limitation thresholds and joint filing requirements. As seniors navigate these updated opportunities, understanding the broader tax landscape, including the implications of the adjustments to standard deductions, charitable deductions, vehicle interest deductions and others becomes crucial. This article delves into the provisions relevant for seniors, offering insights into optimizing their tax strategies and ensuring compliance while maximizing potential benefits.

New Deduction for Seniors: The OBBBA introduces a new senior deduction aimed at providing tax relief for older taxpayers. This deduction replaces the proposed exemption of Social Security income from taxation, which could not be implemented due to constraints within the Congressional Budget Reconciliation Process.

The new senior deduction is available to individuals aged 65 or older. For married couples where both spouses meet the age requirement, the deduction amounts to \$12,000 when they file jointly. For single filers, the deduction is \$6,000. However, this benefit begins to phase out for those with a Modified Adjusted Gross Income (MAGI) exceeding \$75,000, or \$150,000 for those filing jointly. Under the phaseout calculation, the deduction is reduced by 6% of the MAGI exceeding the threshold. For example, the \$6,000 deduction of a 65-year-old single taxpayer with a MAGI of \$80,000 would be reduced to \$5,700. The deduction phases out entirely for single taxpayers with income above \$175,000 and married taxpayers with income above \$250,000.

As an above-the-line deduction, it can be claimed regardless of whether the taxpayer itemizes deductions or uses the standard deduction. This provision is applicable for taxable years from 2025 through 2028. Overall, the deduction is designed to alleviate the financial burden for seniors who continue to face taxable Social Security benefits, representing a legislative compromise to maintain fiscal balance.

New Gambling Loss Limit: The new tax law modifies the limitation on wagering losses to allow taxpayers to only deduct up to 90% of their gambling losses incurred during the taxable year. This deduction is still limited to the amount of gains from such wagering transactions for that year. The amendment specifies that losses from wagering transactions also include any deductions otherwise allowable under this chapter that are incurred in carrying on any wagering transaction. These changes apply beginning in 2026.

This has a notable impact on senior recreational gamblers due to how gambling income influences overall taxation. Importantly, while gambling losses can curb reported income, they do not offset gambling income when calculating taxable Social Security benefits and Medicare Part B premiums. This means that the full amount of gambling winnings is included in AGI, leading to potentially higher AGI levels, which can cause more of a senior's Social Security benefits to become taxable and result in increased Medicare Part B premiums.

This setup essentially acts as a hidden penalty for senior recreational gamblers, as the mechanics of these rules ensure that even when there is a net loss from gambling activities, the increased AGI can hike taxes and Medicare costs, undercutting the financial relief typically associated with deducting losses.

Increased Standard Deductions: The OBBBA introduces, and makes permanent, enhanced standard deductions for seniors and other taxpayers. Under the new law, the standard deduction is increased by \$750 for single filers, \$1,125 for those filing as head of household, and \$1,500 for married joint filers. Thus, for 2025, the standard deductions are set at \$31,500 for married couples filing jointly, \$23,625 for heads of household, and \$15,750 for singles and married individuals filing separately. For taxpayers age 65 and older, these amounts are increased by \$2,000 for single and head of household filers and \$1,600 per eligible spouse for those who are married. The extra standard deduction amount for seniors is in addition to the new senior deduction described earlier.

These deductions are further adjusted for inflation, ensuring that seniors and other taxpayers continue to benefit from these enhancements in subsequent tax years. By increasing the standard deduction, the OBBBA seeks to alleviate taxpayers' financial strain, allowing them to retain more of their income, which is particularly beneficial for seniors on fixed incomes.

Tax Rates -The new law retains and adjusts the tax rates, which will benefit seniors primarily through periodic inflation adjustments. This approach ensures that seniors, particularly those on fixed incomes, are safeguarded from bracket creep due to inflation. By retaining the existing tax rates and indexing them to inflation, the OBBBA provides adjustments that help prevent seniors from facing increased tax burdens as inflation rises, thus offering continued financial relief and supporting their economic stability in retirement.

Car Loan Interest - Seniors can benefit from the new deduction for interest on car loans as part of the "One Big Beautiful Bill Act" for the years 2025 to 2028. This provision allows a deduction of the interest paid on vehicle-secured loans used to purchase qualified vehicles for personal use, with a maximum annual deduction limit of \$10,000. To be eligible, the vehicle must be purchased with loans originated after December 31, 2024. Eligible vehicles include cars, minivans, SUVs, and motorcycles, each having a gross vehicle weight rating of less than 14,000 pounds and being assembled in the United States. Recreational vehicles and campers are not qualified vehicles. Notably, this deduction can be claimed whether or not a taxpayer itemizes their deductions.

Charitable Deductions - The OBBBA introduces a new charitable deduction that may be especially beneficial for seniors, who often don't itemize their deductions. Under this provision, individuals who are unable to itemize their deductions can still benefit from charitable giving. Individuals can deduct up to \$1,000 in charitable contributions, while married couples can deduct up to \$2,000. This above-the-line deduction is designed to encourage charitable donations, offering taxpayers a way to reduce their taxable income and support charitable causes even if they do not meet the threshold for itemizing deductions. The deduction is only available for contributions made by cash, checks or credit cards. The same documentation rules apply for this deduction as they would if itemizing deductions.

Environmental Credits - A special alert to those who are considering investments in renewable energy home improvements and electric vehicles: Among the tax changes in the OBBBA are provisions that could impact your financial planning. Notably, this bill accelerates the phase-out of environment-related tax credits. The tax credit for electric vehicles will be terminated for purchases made after September 30, 2025, while credits for the costs of home solar electric systems and energy-efficient home improvements will cease for property placed in service after December 31, 2025. It's crucial to be aware of these new sunset dates to avoid unexpected surprises in your tax planning and to ensure that any purchases align with the latest legislative timelines.

OTHER, NOT NEW, PROMINENT TAX ISSUES FOR SENIORS

Qualified Charitable Distributions (QCDs): If a taxpayer is the charitable type there is a tax-advantageous way for individuals who are 70½ years old or older to make charitable donations directly from their traditional IRA (and SEP or SIMPLE IRAs if not actively contributing to these). The distribution must be made directly by the IRA trustee to an eligible charity.

QCDs also count towards the required minimum distribution (RMD) for individuals aged 73 or older, yet are not included in the donor's taxable income, thus potentially reducing overall income which in turn may reduce the amount of taxable Social Security income. Plus, QCDs allow individuals to enjoy tax benefits without needing to itemize deductions, providing a tax-efficient way to support charities. There are annual limits for QCD contributions but generally high enough to meet most taxpayer's needs— \$108,000 for 2025.

Home Medical Modifications - Seniors who need to modify their homes to accommodate disabilities and ailments may benefit from tax deductions available through medical expense deductions when itemizing. These deductions can reduce taxable income by allowing seniors to write off qualified medical expenses associated with home modifications. Typically, these modifications must be medically necessary and exceed a certain threshold of adjusted gross income, which is 7.5% of AGI. Eligible modifications include installing ramps, grab bars, or

making structural changes like widening doorways or lowering cabinets. These modifications must be prescribed or recommended by a doctor or healthcare professional to qualify as medical expenses, directly addressing the individual's medical condition and daily living requirements. If a modification increases the home's value, only the portion exceeding the increase in value can be deductible, whereas modifications not affecting the home's value might be fully deductible. Proper documentation, such as healthcare provider recommendations and receipts, is essential to claim these deductions, offering financial relief by reducing tax obligations for seniors needing such modifications.

Home Care - The medical deduction for home care allows taxpayers to deduct expenses related to the medical care of an individual at home, which includes services provided by nurses and other caregivers. To qualify for this deduction, the primary purpose of the care must be to alleviate or prevent a medical condition. This means wages paid to nurses or other providers for administering medication, meeting the care needs of individuals, or performing medical services can be included as deductible expenses. While the services need not be performed by a licensed nurse, they must typically involve tasks that require a level of skill wherein the presence of a healthcare professional is necessary.

When employing individuals for home care, taxpayers may have reporting obligations as household employers. This involves withholding and paying employment taxes, and potentially filing Schedule H with their tax return, depending on the amount paid to the caregiver. They must adhere to federal and potentially state requirements regarding taxes and labor regulations. To manage this effectively, it is often advisable to use a payroll service. A payroll service can ensure compliance with necessary tax withholdings, filings, and employment laws, minimizing the risk of errors and legal issues. They can also handle the administrative tasks associated with managing payroll, such as calculating and distributing wages, which can be especially beneficial for those unfamiliar with these requirements, providing peace of mind and allowing individuals to focus more on the care of their loved ones.

One Last Thing - As you navigate the intricacies of adjusting to new tax laws and making informed financial decisions, it's equally important to remain vigilant against the growing threat of scams targeting seniors. Remember, if an offer appears too good to be true, it likely isn't. Be cautious of unsolicited emails, especially those that contain links from unknown senders, and avoid clicking on them. Similarly, be prepared to hang up on threatening phone calls or those demanding immediate payment or personal information. Always prioritize your safety by consulting with a trusted relative or reaching out to this office if you have even the slightest doubt. Taking these precautionary steps ensures that your finances remain secure and protected from those looking to exploit innocent individuals.

If you have questions related to any of these tax issues or would like an appointment to see how you might take advantage of them, please contact this office.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

Aaron Bagby
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