

TaxUpdate

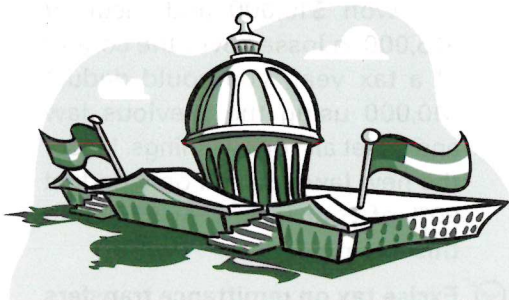
★ ★ ★ ★ ★ Special Edition

2025 TAX LEGISLATION

Bender, Ciccotto & Co., CPA's LLP
206 New Highway
Amityville, NY 11701
(516) 826-6800 Phone and (516) 826-1080 Fax
wmanson@bcc.us.com
www.bcc.us.com

Alert! New Tax Law Impacts Everyone!

Signed into law on July 4th, the One Big Beautiful Bill Act (OBBBA) of 2025 addresses expiring tax laws and introduces several new provisions that could impact your finances. Here's a look at some of the law's key sections effective in 2025 and how they could affect you.



► **Tax rates are unchanged.** The income tax rates introduced under the 2017 Tax Cuts and Jobs Act are now permanent. Without this change, taxpayers across all income levels would have faced higher rates starting in 2026. Instead, today's rates of 10%, 12%, 22%, 24%, 32%, 35% & 37% are now fixed.

► **Seniors get a bonus deduction through 2028.** Seniors get an extra \$6,000 standard deduction (subject to phaseout if income is more than \$75,000) over the next four years.

► **Parents get a permanent increase to the child tax credit.** The child tax credit is now \$2,200, up from \$2,000. The refundable amount of this credit remains at \$1,700 with inflation adjustments going forward.

► **No tax on tips.** Through 2028, you can deduct up to \$25,000 of qualified tips from your federal taxable income. You must either be an employee who receives a Form W-2, or a contractor who receives a Form 1099. The deduction begins to phase out above \$150,000 if you're single (\$300,000 for joint returns).

► **No tax on overtime.** Through 2028, taxpayers can deduct up to \$12,500 (\$25,000 for joint returns) of qualified overtime pay. Subject to same phaseout rules as *no tax on tips*.

► **Vehicle interest deduction.** Through 2028, a maximum \$10,000 of interest can be deducted on new vehicle loans when the vehicle is assembled in the United States.

► **Cancellation of student loans due to death or disability** is now permanently considered non-taxable income.

► **Increased state and local tax deduction.** Taxpayers can deduct a portion of their state and local taxes if itemizing deductions. This deduction is capped at \$40,000, up from \$10,000. In 2030, the cap returns to \$10,000.

► **Electric vehicle tax credit expires on September 30, 2025.** A tax credit of up to \$7,500 for buying or leasing new electric vehicles, and up to \$4,000 for used electric vehicles, will end on September 30th.

► **Adoption tax credit.** \$5,000 of the credit is now refundable if you have little or no income tax liability.

► **Trump accounts.** Each child born from the beginning of 2025 through the end of 2028 will be gifted a new, tax-advantaged investment account pre-funded with \$1,000. Contributions, which are capped at \$5,000 per year, can be made by parents, grandparents, or other qualifying organizations through the end of the year that precedes the child's 18th birthday. Distributions are allowed starting in the calendar year the child turns 18.

► **529 Education Plans.** The annual limit for tax-free withdrawals for K-12 tuition expenses is now \$20,000 per year per student, up from \$10,000. You can also use 529 plans to pay for a broader range of expenses beyond tuition, including books, online materials, tutoring and certain homeschool expenses, and educational therapies for children with disabilities. 529 funds can also now be used for expenses related to postsecondary credentialing programs, such as certificate programs and trade schools.

2025 Standard Deduction	Old Law	New Law	Change
Single	\$15,000	\$15,750	+ \$750
Married Joint/Widow	\$30,000	\$31,500	+ \$1,500
Head of Household	\$22,500	\$23,625	+ \$1,125
Married Filing Separate	\$15,000	\$15,750	+ \$750
Elderly/Blind: Married	\$1,600	\$1,600	\$0
Elderly/Blind: Unmarried	\$2,000	\$2,000	\$0
Elderly Bonus Deduction	\$0	\$6,000	+ \$6,000

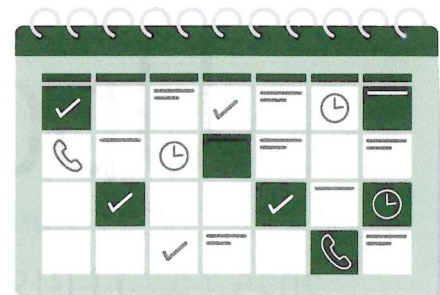
Other Tax Provisions	Old Law	New Law	Change
Child Tax Credit	\$2,000	\$2,200	+ \$200
Refundable Adoption Credit	\$0	Up to \$5,000	+ \$5,000
State & Local Tax Deduction Limit	\$10,000	\$40,000	+ \$30,000
Electric Vehicle Tax Credit	\$7,500	\$0	(\$7,500)

New Tax Law: Changes That Start in 2026

Here are changes from the new tax law that begin in 2026.

- ✓ **There's a boost to charitable donations** for taxpayers who don't itemize deductions. Everyone can deduct up to \$1,000 in donations (\$2,000 for married couples) even if you don't itemize.
- ✓ **Deducting donations is now more challenging if you do itemize deductions.** You can only deduct the portion of your charitable contributions that's over 0.5% of your income. For example, if you make \$100,000 in 2026, donate \$20,000, and itemize deductions, the first \$500 (which is 0.5% of your income) doesn't count. So you can deduct \$19,500 of your contributions.
- ✓ **Mortgage insurance premiums** can be reported as an itemized deduction.

- ✓ **Itemized deduction limitation.** If you're in the top 37% tax bracket, your itemized deductions will only save you up to 35% on taxes.
- ✓ **Gamblers take a loss.** Losses from wagering transactions are now limited to 90% of such losses. Under the previous law you could claim deductions up to the amount of your winnings. For example, if you won \$10,000 and incurred \$15,000 in losses over the course of a tax year, you could deduct \$10,000 using the previous law and offset all your winnings. Under the new law you can only deduct 90% of your losses, or \$9,000 in this example.
- ✓ **Excise tax on remittance transfers.** A 3.5% excise tax will be levied on remittance transfers made by individuals to foreign recipients.



Update Your 2025 Tax Strategy

Key Steps to Take Now

Now is a great time to review and update your tax strategy for 2025 with revised rules now in place. Here are several ideas to get you started.

► **Keep solid records.** New provisions, such as no tax on tips and no tax on overtime, could reduce your overall tax bill. But with more tax breaks often comes a more complicated tax return. Begin now to learn which benefits apply to you and what documentation or rules each one requires. Don't risk missing out on a deduction because you didn't understand the requirements or keep the right records.

► **Review paycheck withholdings.** Several tax credits and deductions have increased, which may reduce your overall 2025 tax liability. Consider reviewing your withholdings in case you may be sending more money to the IRS than necessary.

► **Review estimated tax payments.** If you're self-employed or own a business, your 1st and 2nd quarter estimated tax payments in all likelihood are based on the previous tax law. Now that the new law is in effect, it's worth reviewing your 2025 estimated tax liability to see if you can reduce your 3rd and 4th quarter payments. Doing so could improve your cash flow and help prevent overpaying the IRS for the remainder of the year.

► **Watch for state-level impacts.** Some states tie their tax codes closely to the IRS. Monitor how your state responds, as it may adopt, reject, or modify aspects of the new federal law. This can affect your overall tax planning strategy, especially if you itemize deductions.

Businesses Get a Boost From Tax Bill

Several business tax breaks get a boost while some compliance requirements are pared back in the new tax bill. Here's a summary of the key business provisions.

- **Qualified Business Income (QBI) deduction.** The QBI deduction of 20% is now permanent. There will also be a minimum deduction of \$400 for taxpayers who have at least \$1,000 of qualified business income.
- **Employer-provided childcare credit.** All businesses can now claim a 40% credit on qualified expenses (up from 25%), up to a maximum credit of \$500,000 (up from \$150,000). Other qualifying smaller businesses may deduct 50% of expenses, with a maximum credit of \$600,000.
- **Form 1099.** The \$600 reporting threshold for Form 1099-NEC and other 1099s is increased to \$2,000, with this threshold to be indexed for inflation starting in 2027.
- **Form 1099-K.** The \$600 reporting threshold scheduled to go into effect in 2026 is rolled back to the old threshold of \$20,000, along with the dual requirement of 200 or more transactions.
- **Research and experimental (R&E) expensing.** Businesses can fully deduct domestic R&E costs from January 1, 2025 to 2029.
- **Bonus depreciation.** The 100% bonus depreciation for qualified property that is acquired and placed in service is reinstated as of January 19, 2025 through December 31, 2029.
- **Section 179 deduction.** Businesses can deduct a maximum of \$2.5 million of qualifying property, up from \$1.25 million.
- **Disguised payments for services.** In some partnership arrangements, a partner might receive a payment that looks like a distribution of profits but is, in reality, compensation for services rendered to the partnership. This can be a way to avoid paying ordinary income tax on the distribution. The IRS now has the authority to treat a distribution as a disguised payment for services without the guidance of final regulations.