Federal Tax Law Changes 2025

November 2025

Background

The New Tax and Spending legislation is officially called the "**One Big Beautiful Bill Act**" ("OBBB") and it makes **permanent** most of the **TCJA provisions** and it also includes some additional deductions which will expire after 2028.

- The Federal Income Tax Withholding Tables for 2025 were released on December 16, 2024, and on August 7, 2025, the IRS advised taxpayers that the tables would not be amended to reflect the changes in the OBBB.

- Accordingly, the IRS advised all Taxpayers to review their W-4 filings with their employers if they were significantly impacted by the OBBB.

Agenda / Goals

1. Individual Provisions

    - Deductions
    - Credits

2. Business Provisions

3. Miscellaneous Provisions

4. Other Changes for 2025 / 2026

Individual Provisions – TCJA Made Permanent

Tax Brackets – 2025

Previously

Tax Cuts and Jobs Act created seven tax brackets/rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%.

These tax brackets were set to expire at the end of 2025.

Prior to TCJA, the brackets were 10%, 15%, 25%, 28%, 33%, 35% and 39.6% and in 2026 these rates would be reinstated.

New Provision

The **seven tax brackets/rates** under Tax Cuts and Jobs Act (TCJA) **are made permanent**.

Going forward, the tax brackets consisting of 10%, 12%, 22%, 24%, 32%, 35% and 37% will continue to be adjusted annually for inflation.

Personal Exemptions

Previously

Tax Cuts and Jobs Act eliminated all personal exemptions through 2025.

Personal exemptions were scheduled to be reinstated in 2026, but with amounts higher due to inflation adjustments than they were in 2017 (which was the last year they were part of the tax code).

New Provision

All personal exemptions have been **permanently eliminated** for 1040 filers.

For taxpayers filing a Form 1041 for a Qualified Disability Trust the exemption amount is **$5,100** in 2025.

Standard Deduction Amount

Previously

Tax Cuts and Jobs Act introduced larger standard deduction amounts that were indexed for inflation.

These larger standard deduction amounts were scheduled to expire at the end of 2025.

New Provision

The larger standard deduction amounts have been **made permanent**.

Additionally, the **2025 Standard Deduction** amounts have been **increased** over the previous announced amounts.

Standard Deduction Amount – 2025

Previously

On **October 22, 2024**, the IRS announced that the Standard Deduction amounts for 2025 would be the following:

- Single / MFS - $15,000
- HOH - $22,500
- MFJ / QSS - $30,000

New Provision

The Standard Deduction amounts announced were adjusted for **2025**. Going forward these amounts will subject to CPI adjustments:

- Single / MFS - **$15,750**
- HOH - **$23,625**
- MFJ / QSS - **$31,500**

Moving Expenses

Previously

For tax years 2018 through 2025, the TCJA **suspended the deduction for moving expenses** for taxpayers other than military reservist.

This meant:

- Employees could no longer deduct unreimbursed job-related moving expenses.
- Employers who reimbursed moving expenses had to include them in taxable wages.

New Provision

The **elimination** of the deduction for **Moving Expenses** under Tax Cuts and Jobs Act (TCJA) **are made permanent**.

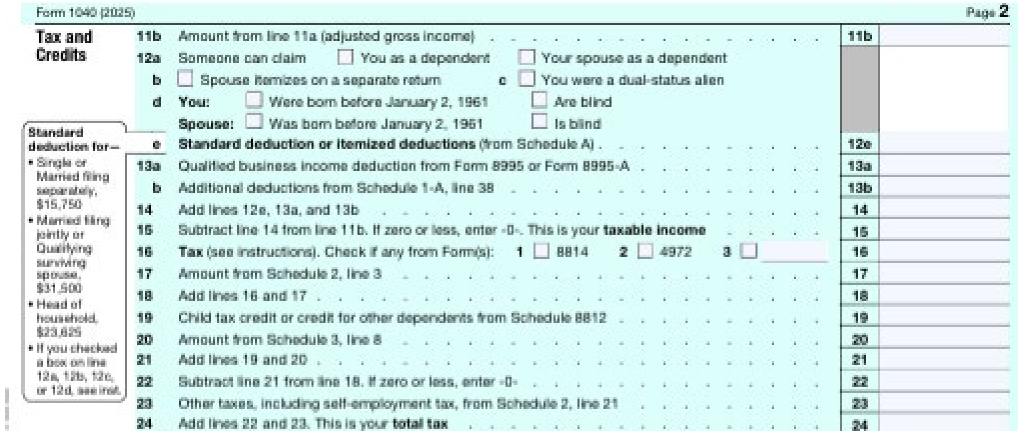
New Schedule 1-A – Additional Deductions

New Schedule 1-A – Additional Deductions

On September 8, 2025, the IRS released a new form for use in 2025 that contains four of the new deductions outlined in the "OBBB".

These **four new deductions** will flow to the 1040 and be entered on **new line 13b** which is below the Standard Deduction or Itemized Deduction entry.

None of these four deductions are available to a taxpayer that files Married Filing Separately.


Form 1040 (2025) Page **2**

Tax and Credits

Standard deduction for—
- Single or Married filing separately, $15,750
- Married filing jointly or Qualifying surviving spouse, $31,500
- Head of household, $23,625
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

11b	Amount from line 11a (adjusted gross income)	11b	
12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent		
b	☐ Spouse itemizes on a separate return **c** ☐ You were a dual-status alien		
d	**You:** ☐ Were born before January 2, 1961 ☐ Are blind		
	Spouse: ☐ Was born before January 2, 1961 ☐ Is blind		
e	**Standard deduction or itemized deductions** (from Schedule A)	12e	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a	
b	Additional deductions from Schedule 1-A, line 38	13b	
14	Add lines 12e, 13a, and 13b	14	
15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your **taxable income**	15	
16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	
19	Child tax credit or credit for other dependents from Schedule 8812	19	
20	Amount from Schedule 3, line 8	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	
24	Add lines 22 and 23. This is your **total tax**	24	

New Schedule 1-A – Additional Deductions

SCHEDULE 1-A (Form 1040)
Department of the Treasury Internal Revenue Service

Additional Deductions

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2025
Attachment Sequence No. **1A**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I **Modified Adjusted Gross Income (MAGI) Amount**

1 Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b . . . 1
2a Enter any income from Puerto Rico that you excluded . . . 2a
b Enter the amount from Form 2555, line 45 . . . 2b
c Enter the amount from Form 2555, line 50 . . . 2c
d Enter the amount from Form 4563, line 15 . . . 2d
e Add lines 2a, 2b, 2c, and 2d . . . 2e
3 Add lines 1 and 2e . . . 3

Part II **No Tax on Tips**

Caution: Fill out Part II only if you received qualified tips. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

4 Qualified tips received as an employee.
a If Form W-2, box 5, is $176,100 or less, enter qualified tips included in Form W-2, box 7. Otherwise, see instructions . . . 4a
b Qualified tips included on Form 4137, line 1(c). If Form 4137 is not filed, enter -0- 4b
c If you only received qualified tips from one employer, enter the larger of line 4a or line 4b. Otherwise, see instructions . . . 4c
5 Qualified tips received in the course of a trade or business.
Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business, see instructions . . . 5
6 Add lines 4c and 5 . . . 6
7 Enter the smaller of the amount on line 6 or $25,000 . . . 7
8 Enter the amount from line 3 . . . 8
9 Enter $150,000 ($300,000 if married filing jointly) . . . 9
10 Subtract line 9 from line 8. If zero or less, enter the amount from line 7 on line 13 . . . 10
11 Divide line 10 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.) . . . 11
12 Multiply line 11 by $100 . . . 12
13 **Qualified tips deduction.** Subtract line 12 from line 7. If zero or less, enter -0- . . . 13

Part III **No Tax on Overtime**

Caution: Fill out Part III only if you received qualified overtime compensation. You and/or your spouse who received the qualified overtime compensation must have a valid social security number to claim this deduction. If married, you must file jointly to claim this deduction. See instructions.

14a Qualified overtime compensation included on Form W-2, box 1 (see instructions) 14a
b Qualified overtime compensation included on Form 1099-NEC, box 1 or Form 1099-MISC, box 3 (see instructions) . . . 14b
c Add lines 14a and 14b . . . 14c
15 Enter the smaller of the amount on line 14c or $12,500 ($25,000 if married filing jointly) . . . 15
16 Enter the amount from line 3 . . . 16
17 Enter $150,000 ($300,000 if married filing jointly) . . . 17
18 Subtract line 17 from line 16. If zero or less, enter the amount from line 15 on line 21 . . . 18
19 Divide line 18 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.) . . . 19
20 Multiply line 19 by $100 . . . 20
21 **Qualified overtime compensation deduction.** Subtract line 20 from line 15. If zero or less, enter -0- 21

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 95873Q **Schedule 1-A (Form 1040) 2025** Created 9/4/25

Schedule 1-A (Form 1040) (2025) Page **2**

Part IV **No Tax on Car Loan Interest**

Caution: Fill out Part IV only if you paid or accrued qualified passenger vehicle loan interest. See instructions to learn more about what is an applicable passenger vehicle.

22 Applicable passenger vehicle (see instructions). If more than two VINs, see instructions.

	(i) Vehicle identification number (VIN)	Interest for this loan: (ii) Deducted on Schedule C, Schedule E, or Schedule F	(iii) Schedule 1-A
a			
b			

23 Add lines 22a and 22b, column (iii) . . . 23
24 Enter the smaller of the amount on line 23 or $10,000 . . . 24
25 Enter the amount from line 3 . . . 25
26 Enter $100,000 ($200,000 if married filing jointly) . . . 26
27 Subtract line 26 from line 25. If zero or less, enter the amount from line 24 on line 30 . . . 27
28 Divide line 27 by $1,000. If the resulting number isn't a whole number, increase the result to the next higher whole number. (For example, increase 1.5 to 2, and increase 0.05 to 1.) . . . 28
29 Multiply line 28 by $200 . . . 29
30 **Qualified car loan interest deduction.** Subtract line 29 from line 24. If zero or less, enter -0- . . . 30

Part V **Enhanced Deduction for Seniors**

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31 Enter the amount from line 3 . . . 31
32 Enter $75,000 ($150,000 if married filing jointly) . . . 32
33 Subtract line 32 from line 31. If zero or less, enter $6,000 on line 35 . . . 33
34 Multiply line 33 by 6% (0.06) . . . 34
35 Subtract line 34 from $6,000. If zero or less, enter -0- . . . 35
36a If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35 . . . 36a
b If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35 . . . 36b
37 **Enhanced deduction for seniors.** Add lines 36a and 36b . . . 37

Part VI **Total Additional Deductions**

38 Add lines 13, 21, 30, and 37. Enter here and on Form 1040 or 1040-SR, line 13b, or on Form 1040-NR, line 13c . . . 38

Schedule 1-A (Form 1040) 2025

No Tax on Tips – 2025 through 2028

Previously

Tips are supposed to be reported on the W-2 and are subject to Federal Income Taxes, FICA and Medicare Tax.

Tips are reported separately on the W-2.

New Provision

For **2025 – 2028** – Tips will continue be reported separately on the W-2.

Tip income will still be subject to FICA and Medicare Taxes and Withholding as in previously.

No Tax on Tips – 2025 through 2028

Previously

Tips are supposed to be reported on the W-2 and are subject to Federal Income Taxes, FICA and Medicare Tax.

Tips are reported separately on the W-2.

New Provision

For **2025 – 2028** – Tips will continue be reported separately on the W-2.

Tip income will still be considered **earned income**, and it will count towards Earned Income Tax Credit and the Additional Child Tax Credit.

No Tax on Tips – 2025 through 2028

Previously

Tips are supposed to be reported on the W-2 and are subject to Federal Income Taxes, FICA and Medicare Tax.

Tips are reported separately on the W-2.

New Provision

For **2025 – 2028**, up to **$25,000 per return** for tips can be deducted as a **below the line deduction**. This will be reported in **Part II** of Schedule 1-A

On a joint return, if both have tips, **the maximum deduction is $25,000.**

The taxpayer must receive the tip income while engaged in a role that historically receives tip income.

No Tax on Tips – 2025 through 2028

Previously

Tips are supposed to be reported on the W-2 and are subject to Federal Income Taxes, FICA and Medicare Tax.

Tips are reported separately on the W-2.

New Provision

The deduction for Tips begins to phase out for taxpayers with Modified Adjusted Gross Income (MAGI) over the following threshold amounts:

- **$150,000** for Single filers
- **$300,000** for MFJ

The deduction is reduced by $100 for each $1,000 in income more than the MAGI threshold.

No Tax on Overtime – 2025 through 2028

Previously

Overtime is considered part of a taxpayer's wages and is subject to Federal Income Taxes, FICA and Medicare Tax.

Overtime is not reported separately on the W-2 but is included in the employee's gross wages.

New Provision

For **2025 – 2028**, up to **$12,500** per individual (**$25,000** maximum on a MFJ return) can be taken as an **below the line deduction**. It will still be considered earned income.

This will be reported in **Part III** of Schedule 1-A and the deduction is limited to the **premium portion of overtime pay** (only the extra half-time) is deductible from federal taxable income.

No Tax on Overtime – 2025 through 2028

Previously

Overtime is considered part of a taxpayer's wages and is subject to Federal Income Taxes, FICA and Medicare Tax.

Overtime is not reported separately on the W-2 but is included in the employee's gross wages.

New Provision

The deduction for Overtime begins to phase out for taxpayers with Modified Adjusted Gross Income (MAGI) over the following threshold amounts:

- **$150,000** for Single filers
- **$300,000** for MFJ

As with Tip Income this deduction is reduced by $100 for each $1,000 in income above the threshold.

No Tax on Overtime – 2025 through 2028

What is considered Overtime for the purpose of this deduction?

- Overtime pay standards are defined under the **Fair Labor Standards Act** and that requires that non-exempt employees receive 1.5 times their regular wage for hours worked over 40 per week.
- The OBBB provides that only the **Overtime Premium** that is required under the FLSA qualifies for this deduction. (That is the ".5" portion of the "1.5").
- Other premium pay that employers pay their employee because of union contracts, state laws, or company policies are **NOT** covered. For example, being paid a premium for working a holiday.

No Tax on Car Loan Interest – 2025 through 2028

Previously

Car loan interest is non-deductible.

New Provision

For **2025 – 2028** – up to **$10,000** in interest paid on qualifying car loans can be taken as a deduction.

This will be reported in **Part IV** of Schedule 1-A.

No Tax on Car Loan Interest – 2025 through 2028

Previously

Car loan interest is non-deductible.

New Provision

To be eligible the Car Loan interest deduction must be for **new car loan** made after **December 31, 2024**.

The interest deduction only applies to car loans for new cars that had final assembly in the U.S.

No Tax on Car Loan Interest – 2025 through 2028

Previously

Car loan interest is non-deductible.

New Provision

The deduction for car loan interest begins to phase out for taxpayers with Modified Adjusted Gross Income (MAGI) over:

- **$100,000** for single filers
- **$200,000** for MFJ

The deduction is reduced by **$200** for each $1,000 in income more than the MAGI threshold.

Enhanced Deduction for Seniors – 2025 through 2028

Previously

Taxpayers that are 65 or older receive an increased standard deduction amount.

In 2025 this increased standard deduction for taxpayers age 65 or older is $2,000 for single filers or HOH and $1,600 for MFJ or $3,200 if both age 65.

New Provision

For **2025 – 2028**, Taxpayers that are 65 or older can claim a new **$6,000 bonus deduction**.

This provision was promoted to help offset taxes on Social Security benefits, **but it is not tied to Social Security**.

This will be reported in **Part V** of Schedule 1-A.

Enhanced Deduction for Seniors – 2025 through 2028

Previously

Taxpayers that are 65 or older receive an increased standard deduction amount.

In 2025 this increased standard deduction for taxpayers age 65 or older is $2,000 for single filers or HOH and $1,600 for MFJ or $3,200 if both age 65.

New Provision

The deduction begins to phase out for taxpayers with Modified Adjusted Gross Income (MAGI) over the following threshold amounts:

- **$100,000** for single filers
- **$200,000** for MFJ

The deduction is reduced by **6%** of the MAGI more than the threshold amount.

2025 Changes to Deductions / Credits

Itemized Deductions – State & Local Taxes – 2025 through 2029

Previously

TCJA established a limit of **$10,000** for deducting State and Local Taxes. For Married Filing Separate, the cap is $5,000.

This limitation was set to expire at the end of this year and would have reverted to pre-TCJA levels which had no cap.

New Provision

For the next five years the SALT deduction will be increased. It will be **$40,000** in **2025** and increase by 1% each year thereafter.

For Married Filing Separate, the cap is $20,000.

However, in **2030** the SALT deduction will revert to **$10,000**.

Itemized Deductions – State & Local Taxes – 2025 through 2029

Previously

TCJA established a deduction limit of **$10,000** for State and Local Taxes. For Married Filing Separate, the cap was $5,000.

This limitation was set to expire at the end of 2025 and would have reverted to pre-TCJA levels which had no cap.

New Provision

Based on the 1% adjustment and the expiration of this provision set forth below is the SALT deduction amount for the next six years.

2025	**-**	**$40,000**
2026	**-**	**$40,400**
2027	**-**	**$40,804**
2028	**-**	**$41,212**
2029	**-**	**$41,624**
2030	**-**	**$10,000**

Itemized Deductions – State & Local Taxes – 2025 through 2029

Previously

TCJA established a limit of **$10,000** for deducting State and Local Taxes. For Married Filing Separate, the cap was $5,000.

This limitation was set to expire at the end of 2025 and would have reverted to pre-TCJA levels which had no cap.

New Provision

The deduction begins to phase out for taxpayers with Modified Adjusted Gross Income (MAGI) over the threshold amounts:

- **$250,000** for MFS
- **$500,000** for all other

The SALT cap is reduced by 30% of the excess income over the threshold but the deduction cannot fall below the original $10,000 cap.

Itemized Deductions – Mortgage Insurance Premiums

Previously

Mortgage Insurance Premium was an itemized deduction from 2007 through 2021. During this period, the deduction was scheduled to expire but was extended by several tax bills.

The deduction eventually expired at the end of **2021** and has not been available for tax years **2022-2024**.

New Provision

Effective in 2025, Mortgage Insurance Premium can be claimed as an itemized deduction on Schedule A as part of Mortgage Interest. The deduction phases out with AGI over the following:

- **$100,000** for Single Filers
- **$200,000** for MFJ

This deduction **has been made permanent**.

Miscellaneous Itemized Deductions

Previously

Tax Cuts and Jobs Act eliminated the following **Miscellaneous Itemized Deductions Subject to 2%:**

- Tax Preparation Fees
- Unreimbursed Employee Exp.
- Investment Fees
- Hobby Expenses
- Home Office for Employees
- Certain Legal Fees
- Job Search Expenses
- Certain Claim of Right Payments

New Provision

The **elimination** of **Miscellaneous Deductions Subject to 2%** under Tax Cuts and Jobs Act (TCJA) **are made permanent**

Child Tax Credit – Starting in 2025

Previously

TCJA increased the Child Tax Credit from $1,000 to $2,000 through 2025.

TCJA also raised the income levels to $200,000 for single filers and $400,000 for MFJ

New Provision

Starting in **2025**, the Child Tax Credit is **permanently increased to $2,200** and will be adjusted by **$100** increments in the future for changes to C-CPI-U.

No changes are made to the income eligibility requirements

Additional Child Tax Credit – 2025 through 2028

Previously

Under TCJA up to $1,400 of the Child Tax Credit was refundable based on a formula consisting of **15% of earned income over $2,500**.

This refundable amount was adjusted by **$100** increments based on changes to C-CPI-U and had risen to **$1,700** in 2024.

New Provision

In **2025**, the maximum Additional Child Tax Credit will be **$1,700** and There are **no changes** to the earned income requirements.

The refundable amount will still be adjusted by **$100** increments based on changes to C-CPI-U but last year inflation was not high enough to trigger an increase in 2025.

For 2026 the ACTC will be **$1,700**

Adoption Credit – 2025 through 2028

Previously

For tax year 2025, the maximum adoption credit previously announced would be **$17,280**

This credit is **nonrefundable**, but it can be carried over to a future tax year for up to five years.

New Provision

For **2025 – 2028**, the maximum credit in 2025 will remain **$17,280;** however, **$5,000** will now be refundable.

Only the nonrefundable portion can be carryforward—the refundable portion must be claimed in the year the adoption expenses are incurred.

The refundable portion shall be adjusted for CPI changes.

Electric Vehicle Credits – 2025

Previously

Inflation Reduction Act ("IRA") created the following electric vehicle credits:

Clean Vehicle Credit -	$7,500
Used Vehicle Credit -	$4,000
Commercial Vehicle -	15% of Cost

New Provision

The expiration date for these electric vehicle credits under the IRA was **2032**.

However, each of these credits expired on **September 30, 2025, for any vehicle purchased after that date.**

This year will be the last year to claim the Electric Vehicle Credits

Residential Energy Credits – 2025

Previously

Inflation Reduction Act ("IRA") expanded and extended the Form 5695 – Residential Energy Credits.

The credit has two separate components with expiration dates:

- **Energy Efficient Home Improvement Credit** – **Dec. 31, 2032**
- **Residential Clean Energy Credit** – **Dec. 31, 2034**

Energy Efficient Home Improvement Credit – a credit of 30% of the costs (annual limits):

- Doors ($250 per door, $500 total)
- Windows (up to $600)
- Home energy audits (up to $150)
- Central air conditioners, furnaces, boilers ($600)
- Heat pumps and heat pump water heaters (up to $2,000)
- Biomass stoves and boilers (up to $2,000)

Residential Energy Credits – 2025

Previously

Inflation Reduction Act ("IRA") expanded and extended the Form 5695 – Residential Energy Credits.

The credit has two separate components with expiration dates:

- **Energy Efficient Home Improvement Credit – Dec. 31, 2032**
- **Residential Clean Energy Credit – Dec. 31, 2034**

Residential Clean Energy Credit – a credit of 30% of the cost for the following:

- Solar panels (for electricity)
- Solar water heaters
- Wind turbines
- Geothermal heat pumps
- Fuel cells
- Battery storage systems

This unused part of the credit would carry forward.

Residential Energy Credits – 2025

Previously

Inflation Reduction Act ("IRA") expanded and extended the Form 5695 – Residential Energy Credits.

The credit has two separate components with expiration dates:

- **Energy Efficient Home Improvement Credit** – **Dec. 31, 2032**
- **Residential Clean Energy Credit** – **Dec. 31, 2034**

New Provision – The expiration date for these Residential Energy Credits is now **December 31, 2025.**

Business Provisions

Bonus Depreciation – 2025

Previously

TCJA extended Bonus Depreciation through 2026 with the following amounts as the deduction:

- 2017 – 2022 - 100%
- 2023 - 80%
- 2024 - 60%
- 2025 - 40%
- 2026 - 20%
- 2027 - 0%

New Provision

Starting in **2025** Bonus Depreciation is now **permanently** set at **100%**.

The scope of qualified assets will now cover **manufacturing buildings**, but only buildings placed in service before Jan. 1, 2031. This is the only real property classification covered by bonus depreciation.

Currently these buildings **are depreciated over 39 years**

Section 179 Depreciation – 2025

Previously

The Section 179 deduction limits previously announced for 2025 were **$1,250,000.**

The Section 179 deduction began to phase out when the total cost of qualifying property placed in service exceeded **$3,130,000**.

New Provision

For **2025** Section 179 Depreciation deduction limit has been increased to **$2,500,000**.

The Section 179 deduction will begin to phase out when the total cost of qualifying property placed in service exceeds **$4,000,000**.

Research and Development Costs

Previously

TCJA required taxpayers to amortize specified Research and Development Expenditures over a 5-year period for domestic expenditures.

Specified Research and Development Expenditures attributed to foreign research facilities were amortized over a 15-year period.

New Provision

Starting in **2025**, Domestic Research and Development costs conducted in the United States can be expensed and not capitalized **or** the taxpayer can **elect to amortize** over a 5-year period.

Foreign Research and Development Expenditures will continue to be amortized over a 15-year period.

Qualified Business Income Deduction

Previously

Under TCJA, Section 199A provided a taxpayer with pass-through income a deduction of 20% of Qualified Business Income.

Section 199A Qualified Business Income Deduction was set to expire after 2025.

New Provision

Makes **permanent** the Section 199A Qualified Business Income Deduction.

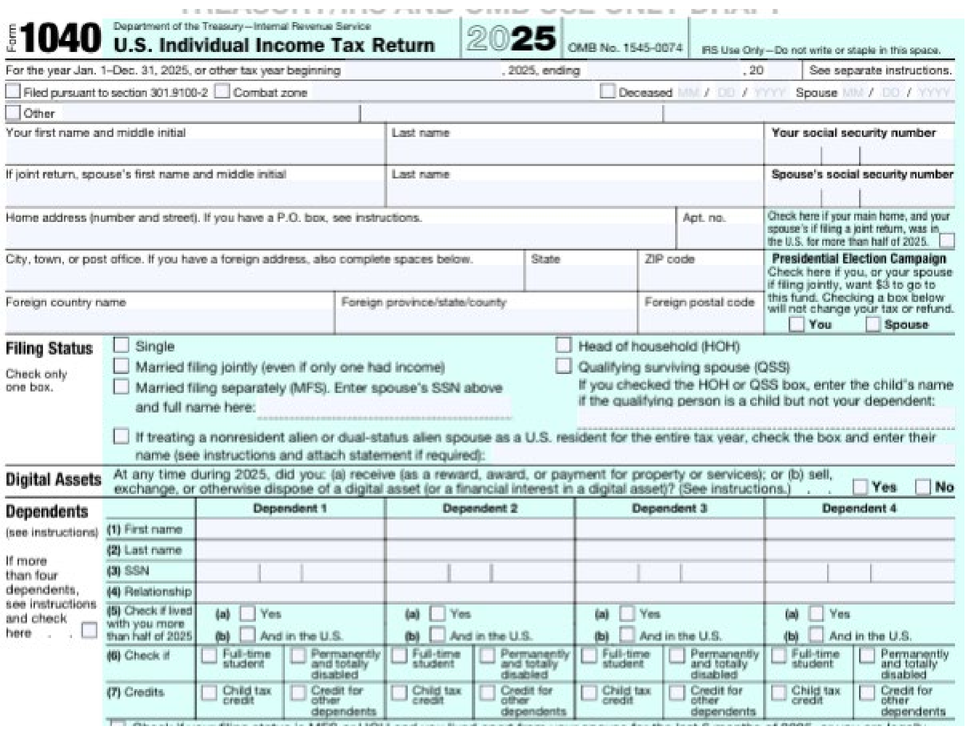
There are no changes in the way QBID is calculated in 2025.

Miscellaneous Provisions

Firm 1040 Update

The IRS has made approximately **30 changes to Form 1040** for 2025.

- Most of these changes consist of adding checkboxes or entry spaces.
- Identify certain status for each dependent such as lived in the U.S., full-time student and/or permanently disabled.
- Replace items that previously would be written in the margin such as a retirement plan distribution that was subject to rollover.


Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2025 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial | Last name | **Your social security number**

If joint return, spouse's first name and middle initial | Last name | **Spouse's social security number**

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. ☐

City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code | **Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ **You** ☐ **Spouse**

Foreign country name | Foreign province/state/county | Foreign postal code

Filing Status Check only one box.
☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:
☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

Digital Assets At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ **Yes** ☐ **No**

Dependents (see instructions)
If more than four dependents, see instructions and check here ☐

	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name				
(2) Last name				
(3) SSN				
(4) Relationship				
(5) Check if lived with you more than half of 2025	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.
(6) Check if	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled
(7) Credits	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents

Estate and Gift Tax Exemption Amount

Previously

TCJA increased the Unified Estate and Gift Tax Exemption from $5.49 million to $10 million and indexed it to changes in C-CPI-U.

These changes were set to expire at the end of **2025** and revert to pre-TCJA levels (estimated at $6.8 million)

2025 amount is **$13,990,000** (**$27,980,000** for married couples)

New Provision

Starting in **2026**, the Unified Estate and Gift Tax Exemption will be increased permanently to **$15,000,000** (**$30,000,000** for married couples).

The 2026 amounts in future years will be increased based on changes to the C-CPI-U.

Form 1099-K Reporting Threshold

Previously

As part of a transition plan, third party settlement organizations were required to report to the payee when the gross amount was:

- 2024 - $5,000
- 2025 - $2,500
- 2026 - $600

New Provision

For **2025 and beyond**, a third-party settlement organization is not required to report unless the aggregate value of transactions with respect to a payee for the year exceeds **$20,000** and the aggregate number of such transactions exceeds **200**.

This is a rollback to the limits that were in place in **2023**.

Form 1099-Misc and 1099-NEC Reporting Thresholds

Previously

A **$600** reporting threshold for **Form 1099-MISC** has been in place since its inception in **1983** and for the **Form 1099-NEC** since **2020** when it was introduced.

New Provision

Under the new tax bill, the threshold increases to **$2,000** starting with payments made in **2026**.

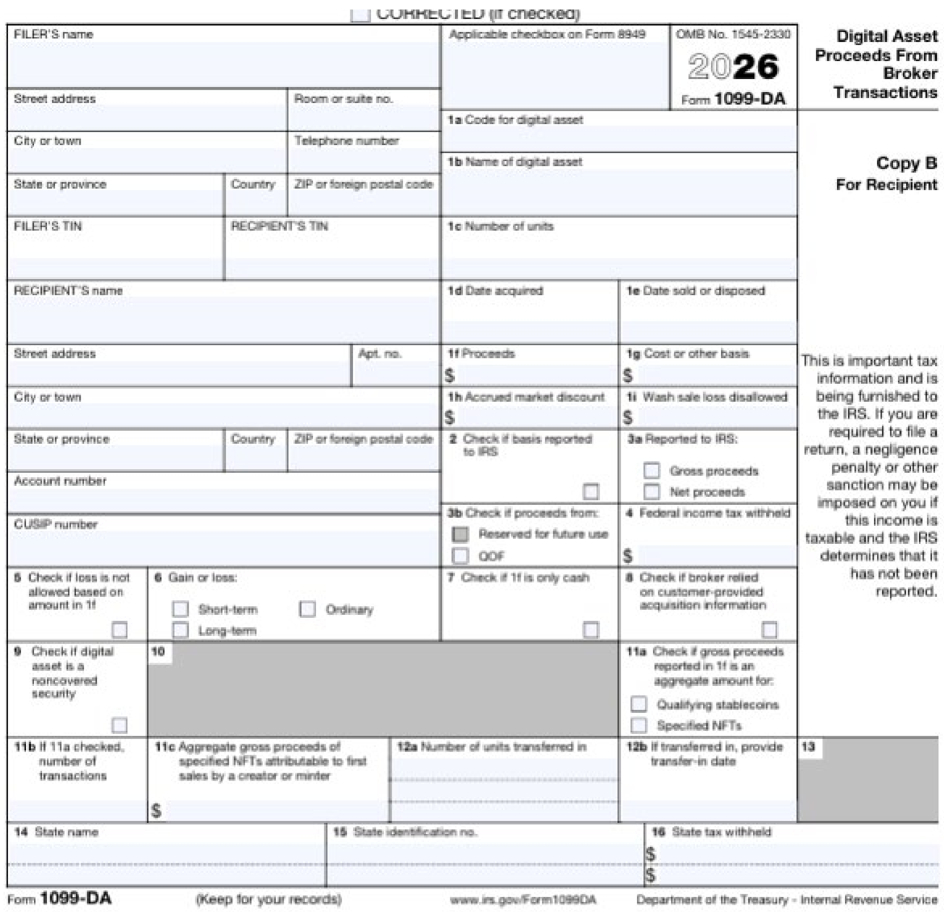
- This applies to both **Form 1099-MISC** and **Form 1099-NEC**.
- Beginning in **2027**, the **$2,000** threshold will be adjusted annually for inflation.

New Form 1099-DA – Digital Assets

Form 1099-DA is a **new IRS form** designed to report digital asset transactions—such as sales, exchanges, or disposals of cryptocurrency, NFTs, and stablecoins—starting with the 2025 tax year.

If you receive a **1099-DA**, that means you **sold or exchanged digital assets** during the year.

You must **check "Yes"** to the digital asset question on Form 1040 and **report** the gain (loss) on the transaction on Schedule D and Form 8949.



CORRECTED (if checked)

FILER'S name
Street address | Room or suite no.
City or town | Telephone number
State or province | Country | ZIP or foreign postal code
FILER'S TIN | RECIPIENT'S TIN
RECIPIENT'S name
Street address | Apt. no.
City or town
State or province | Country | ZIP or foreign postal code
Account number
CUSIP number

Applicable checkbox on Form 8949
OMB No. 1545-2330
2026
Form 1099-DA
Digital Asset Proceeds From Broker Transactions
Copy B For Recipient

1a Code for digital asset
1b Name of digital asset
1c Number of units
1d Date acquired | 1e Date sold or disposed
1f Proceeds $ | 1g Cost or other basis $
1h Accrued market discount $ | 1i Wash sale loss disallowed $
2 Check if basis reported to IRS | 3a Reported to IRS: Gross proceeds / Net proceeds
3b Check if proceeds from: Reserved for future use / QOF | 4 Federal income tax withheld $
5 Check if loss is not allowed based on amount in 1f
6 Gain or loss: Short-term / Long-term / Ordinary
7 Check if 1f is only cash
8 Check if broker relied on customer-provided acquisition information
9 Check if digital asset is a noncovered security
10
11a Check if gross proceeds reported in 1f is an aggregate amount for: Qualifying stablecoins / Specified NFTs
11b If 11a checked, number of transactions
11c Aggregate gross proceeds of specified NFTs attributable to first sales by a creator or minter $
12a Number of units transferred in
12b If transferred in, provide transfer-in date
13
14 State name | 15 State identification no. | 16 State tax withheld $ $

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form 1099-DA (Keep for your records) www.irs.gov/Form1099DA Department of the Treasury - Internal Revenue Service

Retirement Plan Contributions – “Super Catch-Up Contributions”

Previously

Anyone aged 50 or older could make a catch-up contributions to most retirement plans that have a deferred compensation provision (401(k), 403(b) and 457(b) plans.

The standard catch-up limit is **$7,500** in 2025

New Provision

Starting in 2025, the SECURE 2.0 Act introduces a new "super catch-up" provision for retirement plan participants where individuals age **60 to 63** can contribute the greater of:

- **$10,000**, or
- **150%** of the catch-up contribution limit for those aged 50+.

For **2025**, since the standard catch-up limit is $7,500, the enhanced limit is **$11,250** ($7,500 × 1.5).

Retirement Plan Contributions – All “Catch-Up Contributions”

Previously

Anyone aged 50 or older could make a catch-up and there were no income-based limitations on whether catch-up contributions had to be Roth or pre-tax.

Participants could choose traditional (pre-tax), or Roth (after-tax) contributions based on their plan options and tax strategy.

New Provision

Starting in 2026, high earners with wages **over $145,000** must make **Roth-only catch-up contributions**.

If the plan they participate in does not have a Roth option, no Catch-Up or Super Catch-Up Contributions will be allowed.

New Tax Provisions that are Effective January 1, 2026

New Charitable Donation Deduction

Previously

Under TCJA Charitable contributions were deductible only if you itemized your deductions on Schedule A.

If you took the standard deduction, you could not deduct charitable contributions except during COVID relief years of 2020 - 2021.

New Provision

Starting in **2026**, taxpayers that do not itemize deductions on Schedule A can deduct as an above-the-line deduction the following amounts which will be adjusted for inflation:

- **$1,000 (single filers)**
- **$2,000 (married filing jointly)**

Itemized Deductions – Charitable Donations

Previously

Taxpayers could generally deduct up to:

- 60% of AGI for cash contributions to qualified public charities.
- 30% of AGI for non-cash contributions or gifts to certain private foundations.

Contributions exceeding these limits could be carried forward for up to 5 years.

New Provision

Starting in **2026**, to claim any charitable donations on Schedule A, your total contributions must exceed **0.5%** of Adjusted Gross Income (AGI).

The percentage and carry forward limitations on charitable deductions remain.

Itemized Deductions – Gambling Losses

Previously

Under TCJA a taxpayers could deduct **100%** of their **gambling losses** up to the amount of their **gambling winnings**.

Gambling losses are reported on Schedule A and required the taxpayer to itemize to claim and losses. Losses that exceed winnings cannot be claimed.

New Provision

Starting in **2026**, only **90%** of gambling losses will be deductible.

Gambling losses will still be reported on Schedule A and cannot exceed gambling winnings.

Itemized Deductions – Educator Expenses

Previously

Educator expenses are claimed as an **above-the-line deduction** on Schedule 1 of Form 1040, capped at **$300** per educator.

This remains for **2025**.

New Provision

Starting in **2026**, educator expenses will be claimed as a **miscellaneous deduction** on **Schedule A** and will no longer subject to the **$300** per educator cap. It will no longer be an **above-the-line deduction**.

The deduction has been expanded to include coaches and sports administrators, and the scope of covered expenses has been expanded to cover sports related activities.

Itemized Deductions – Overall Limitation for High Income Taxpayers

Previously

Tax Cuts and Jobs Act eliminated the “Pease” limitation which reduced the value of itemized deductions for high income taxpayers. **This was set to return in 2026**.

This worked by reducing the value of a taxpayer’s itemized deductions by 3 percent for every dollar of taxable income above a certain threshold.

New Provision

Starting in **2026**, under a new rule, itemized deductions will be reduced for taxpayers in the highest bracket (37%) by 2/37 of the lesser of:

- Your total itemized deductions, **or**
- Your taxable income above the top 37% tax bracket threshold

Qualified Business Income Deduction – Phase-out for Specified Service

Previously

QBID is phased out for a **Specified Service Business** once income reaches the following:

Single filers Phase-out is $50,000:

- $197,300 – $247,300 in 2025

Married Filing Jointly: **Phase-out is $100,000**:

- $394,600 – $494,600 in 2025

Starting in 2026

The phase out for a **Specified Service Businesses** is **$75,000** for single filers and **$150,000** for MJF.

Single filers Phase-out is $75,000:

- $197,300 – $272,300 in 2026*

Married Filing Jointly: Phase-out is $150,000:

- $394,600 – $544,600 in 2026*

***estimated**

Qualified Business Income Deduction – Minimum Deduction

Previously

The Qualified Business Income Deduction is subject to a limitation that it cannot be more than 20% of Taxable Income minus Net Capital Gains.

There is no minimum deduction for QBID if Net Capital Gains is greater than 20% of Taxable Income.

Starting in 2026

When Net Capital Gains is greater than 20% of Taxable Income Taxpayers will still get a minimum QBID of **$400** if they materially participate in a business that has at least **$1,000** in income.

Both amounts will be increased in future years in $5 increments based on changes to the C-CPI-U.

Dependent Care Plans

Previously

From **1984** through **2025** the maximum annual amount excludable from income under a Dependent Care Assistance program is **$5,000**.

The only exception was the **2021** tax year when it was raised to **$10,500** as part of Covid relief.

New Provision

Under the new tax bill, the maximum annual amount excludable from income under a Dependent Care Assistance program will be **$7,500** starting in **2026**.

The new **$7,500** exclusion limit for Dependent Care Assistance Programs is still **not indexed** for inflation and will remain fixed unless Congress passes future legislation to adjust it.

Thank You