



TPF TIPS – JUNE, 2025

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Read Time: ~7 minutes

Welcome to TPF TIPS our monthly newsletter where we apply our over 30 years of experience to cut through the noise, select what is relevant, unpack the jargon and offer clear, digestible insights to topics important to our clients.

We know your time is precious and your inbox sacred so, we strive to make these emails an easy read (5-7minutes) and plan to deliver TPF TIPS on or around the 15th of each month (subliminal plug for tax preparation).

If, for some reason; you do not wish to receive the monthly newsletter, please do not unsubscribe. Rather, please reply to the email with the word UNSUBSCRIBE in the subject line. We will make sure to remove you from the newsletter list but, keep you subscribed to our other emails regarding important financial deadlines, events and other critical updates you will want to know about.

After all, it's your money and we want you to keep as much of it as possible!
It's that time.....buckle up and let's get **savvy!!!**

The theme for this month is:

2025 Tax Changes and the One Big Beautiful Bill

With Congress recently passing The One Big Beautiful bill which, for the most part; is a massive tax bill with a few surprises thrown in; we will unpack what Congress has done so far, what's in the bill, what it means for *YOU* and what happens next.

Because, as you know; we believe it's much better to be informed than unexpectedly impacted!

What Did Congress Just Do?

On May 22, 2025, after an all-night session fueled by caffeine and political ambition, the House of Representatives passed a sweeping tax bill dubbed the "One Big Beautiful Bill Act". If you're wondering why it sounds like a reality show episode title, you're not alone.

The Highlights:

- The bill extends the 2017 Tax Cuts and Jobs Act (TCJA), set to expire at the end of 2025.
- The extension delivers roughly \$3.8 trillion in tax cuts over the next decade.
- These cuts are "partially" paid for by \$1.6 trillion in federal spending reductions.
- The bill passed with only Republican votes. Democrats, were not fans.

The Details - What Is IN The Bill?

Not overly excited about reading the 1,116 pages (according to AP News) to know what's actually IN the bill? We have you covered.

Below is a quick rundown of the bill's major provisions, with as little jargon as possible:

- Extension of Individual TCJA Provisions:

Lower tax rates, expanded brackets, and increased standard deductions stick around for another decade.

- Temporary Standard Deduction Boost:

Starting in 2025, single filers get an extra \$1,000, married couples \$2,000

- Child Tax Credit:

Temporarily raised to \$2,500 per child.

- Estate Tax Exemption:

Increased to \$15 million, indexed for inflation, and made permanent

- Section 199A Deduction:

Increased and made permanent for pass-through businesses.

- Corporate Tax Breaks:

Several TCJA business provisions are extended or expanded.

- SALT (State and Local Taxes) Deduction Cap:

Raised to \$30,000 for those under \$431,000 income, but PTET workaround is curtailed—bad news for high earners in high-tax states

- Higher Estate Tax Exemption Becomes Permanent:

For those with substantial assets, the higher estate tax exemption (currently \$13.99 million per person for 2025) would be permanently extended and adjusted for inflation, setting it at \$15 million in 2026. This means more of your hard-earned (or inherited) wealth can pass to your heirs tax-free.

- The Return of "MAGA" Accounts?

Yes, you read that right. The bill includes a new type of savings account for children – *Money Account for Growth and Advancement*, or "MAGA" accounts – which the federal government would automatically open and fund with \$1,000 for every U.S. citizen born from 2025 through 2028. *"It's a bold move, Cotton!"* (for all those Jason Bateman from *Dodgeball* fans out there.)

- No Tax on Tips and Overtime (Temporarily)!

For those in tipped industries, the bill proposes making tip income tax-deductible for tax years 2025 through 2028. The premium portion of overtime pay would also be deductible during this period. Just imagine, more money for that extra avocado toast!

- Deduction for American-Made Auto Loan Interest:

This is a new one – a temporary deduction for auto loan interest on American-made cars for 2025 through 2028. Because nothing says "tax cut" like encouraging car purchases.

What This Means for YOU

As with anything "political" there are perceived "winners" and "losers" – depending on how dizzying the spin is. However, with taxes, everyone pays eventually so, let's break down where the big impacts are.

- For Individuals:

The extended lower tax rates and bigger standard deduction mean most of you will keep more of your hard-earned cash. The Child Tax Credit increase is a win for families, and the no-tax-on-tips rule is a boon for service workers.

- For Business Owners:

The restoration of 100% bonus depreciation and R&D expensing is like finding a coupon for free tax deductions. The potential corporate tax rate cut could be icing on the cake, but only if you manufacture domestically. Pass-through business owners, you're still enjoying that 20% Qualified Business Income (QBI) deduction, but it's set to expire in 2033 unless Congress acts again.

- For High Earners:

The top 1% (those earning over \$1.1 million) are getting about 23.5% of the tax cuts' benefits, according to the Tax Policy Center. But there's a twist—some Republicans are debating raising the top tax rate to 39.6% for millionaires to make the bill more "fiscally responsible." Stay tuned, because this could be a plot twist worthy of a blockbuster.

- Middle-Income Households:

You get a tax cut, too! The average middle-income household will see about \$1,300 less in taxes, or 1.7% of after-tax income. Not quite yacht money, but maybe a nice weekend getaway.

- Estate Planners:

The estate tax exemption jumps to \$15 million and is indexed for inflation. If you're planning to leave a legacy (or that curated collection of Barbie dolls and Hot Wheel cars) this is your big moment.

- New York, New Jersey, and California Taxpayers:

The bill raises the State and Local Tax (SALT) deduction cap from \$10,000 to \$30,000 for those earning under \$431,000. But it also cracks down on the pass-through entity tax (PTET) workaround, which could mean higher taxes for high-earning professionals in these states. If you're a lawyer, accountant, or doctor in New York, you might want to keep the moving boxes handy.

What Happens Next?

- Senate Showdown:

The House bill faces an uncertain future in the Senate, where Democrats are expected to oppose it en masse and some Republicans will need strong convincing to support the bill. Negotiations, amendments, and dramatic speeches are all but guaranteed. C-SPAN ratings may finally go up AND, the cure for insomnia is a given!

- Deficit Drama:

The bill could add up to \$4.5 trillion to the deficit over the next decade unless spending cuts materialize. If you're worried about the national debt, now's a good time to invest in antacids.

- Potential for More Changes:

The bill is over 1,000 pages long, and last-minute changes are common. The final version could look different, especially if Senate moderates get their way.

Final Thoughts. . .Here to Help

The Republican tax bill is a big, bold and - depending on your point of view - either a windfall or a headache. As always, we at *The Pierson Firm* are here to help you navigate the chaos, maximize your savings and, explain it all with only a moderate number of puns, jokes and movie references.

Remember:

Stay tuned, stay flexible and don't panic.....yet (*just kidding*).

The political process is a bit like a roller coaster ride with ups, downs and unexpected twists and turns. We will keep you updated as things make their way into law. If you have questions about how to best navigate these new and dynamic changes, *please reach out to us*.

And, as always, *we are committed to help you keep as much of your money as possible!*

About The Pierson Firm

Conroe-based The Pierson Firm offers a comprehensive range of tax-related services to individuals and businesses alike; and have been doing so for over 30 years. From Tax Planning, Preparation & Representation to Business Operations, Advisory and Compliance, the firm provides personalized solutions to those around the block or around the globe. Additional company information can be found by visiting www.thepiersonfirm.com.



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