ONE BIG BEAUTIFUL BILL - INDIVIDUALS

Deduction for Cash Tips

New in 2025: You can now exclude up to $25,000 in reported cash tips from your taxable income - no itemizing required. This applies to tips from eligible occupations defined by the IRS.

Deduction for Overtime Pay

Claim a break on your 2025 return for qualifying overtime wages - up to $25,000 (married) or $12,500 (single) can be deducted above the line.

Deduction for Seniors

If you are 65 or older, you'll benefit from a new $6,000 standard deduction beginning with the 2025 tax year - available even if you don't itemize.

Deduction for Car Loan Interest

Beginning in 2025, you may write off up to $10,000 in interest on eligible personal-use car loans, offering a deduction for new vehicles without the need to itemize.

Trump Accounts

A new savings initiative offers $1,000 seed funding for children born between Jan. 1 2025 - Dec. 31, 2028. Designed to support youth savings, education, and retirement readiness.

WINTERS MEIER & LARSON, LLC
Accounting & Tax

This highlights key provisions of the new law and does not cover all details. Tax situation vary, please contact us for questions or advice specific to your situation

ONE BIG BEAUTIFUL BILL - BUSINESS

Bonus Depreciation

Businesses can fully expense qualified property with 100% bonus depreciation starting in 2025, providing long-term certainty for capital investment.

SALT Dedcution

The SALT cap rises to $40,000 in 2025 with annual adjustments through 2029, before reverting to $10,000 in 2030; income limits and PTE workarounds still apply.

Charitable Contributions

Starting in 2026, corporations can only deduct contributions exceeding 1% of taxable income, while the 10% overall cap remains. Carryforward rules and FIFO ordering also apply.

QBI

Higher income thresholds and a new $400 minimum deduction will make the 20% QBI deduction more accessible for small and mid-sized businesses, with inflation adjustments starting in 2027.

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WINTERS MEIER & LARSON, LLC
Accounting & Tax

July 21, 2025

Dear Client,

We are excited to share important updates with you following the recent passage of the "One Big Beautiful Bill." This new bill introduces significant changes to both personal and business tax rules, which may affect your planning strategies for the upcoming years.

The purpose of this letter is to inform you about these new provisions, explain how they may impact you, and help you take advantage of new opportunities. These changes include new deductions for individuals, enhancements to family savings, updates to charitable contributions, and permanent business incentives.

We encourage you to review this information carefully and contact us with any questions. Our team is ready to help you navigate these updates and incorporate them into your tax and financial planning.

This summary highlights key provisions of the new law and does not cover all details. Tax situations vary, and additional rules or exceptions may apply to your circumstances. Please contact us if you have questions or would like advice specific to your situation.

Thank you for trusting us with your accounting and tax needs.

Sincerely,

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NEW: Deduction for Cash Tips

Beginning with tax year 2025, taxpayers may benefit from a new deduction for certain cash tips, available without the need to itemize. Eligible individuals include employees and self-employed workers in occupations where tipping was customary prior to 2025, as defined by an upcoming IRS list. To qualify, tips must be properly reported on forms such as W-2, 1099-NEC, or Form 4137, and the taxpayer must provide a valid Social Security Number on their return. The deduction allows up to $25,000 in tips per year, with phaseouts starting at a modified adjusted gross income (MAGI) of $150,000 for single filers and $300,000 for married couples filing jointly. The deduction is reduced by $100 for every $1,000 over the threshold and, for self-employed individuals, cannot exceed business profits. Qualifying tips include cash, card-based payments, and tip-sharing arrangements, provided they are voluntary and not negotiated. Certain professional service jobs, such as law or consulting, may be excluded unless the individual is an employee of a non-SSTB (Specified Service Trade or Business). This provision applies to tax years 2025 through 2028, and the FICA tip credit has been expanded to include beauty services such as salons, nail care, and spas.

NEW: Deduction for Overtime Pay

Starting with the 2025 tax year, taxpayers can take advantage of a new above-the-line deduction for eligible overtime pay, without the need to itemize deductions. This deduction covers overtime wages earned for hours worked beyond the standard workweek at an overtime rate. To qualify, overtime earnings must be properly reported—either on Form W-2 or another approved information return. Self-employed individuals must accurately reflect overtime pay in their records. The deduction is capped at $12,500 for single filers and $25,000 for those filing jointly. Phaseout thresholds begin at $150,000 MAGI for single filers and $300,000 for joint filers, with the deduction reduced by $100 for every $1,000 over these limits. To ensure eligibility, W-2 and 1099 forms must clearly itemize overtime pay separately from regular wages.

NEW: Deduction for Seniors

Beginning in 2025, taxpayers aged 65 or older will be eligible for a new above-the-line deduction of $6,000, even without itemizing deductions. Each qualifying individual may claim the deduction, meaning joint filers can receive up to $12,000 if both spouses meet the age requirement by the end of the tax year. To qualify, a valid Social Security Number must be included on the return. The deduction begins to phase out at a modified adjusted gross income (MAGI) of $75,000 for single filers and $150,000 for joint filers, decreasing by 6% of the amount over these thresholds. This provision also offers a retroactive benefit that may allow some taxpayers to receive additional refunds in 2025 based on prior Social Security income. The deduction applies to tax years 2025 through 2028.

NEW: Deduction for Car Loan Interest

For tax years 2025 through 2028, a new temporary provision allows taxpayers to deduct interest on qualifying personal-use vehicle loans. To qualify, the loan must be originated after December 31, 2024, secured by a first lien on the vehicle, and the vehicle's VIN must be reported on your tax return. Refinanced loans may also qualify, but only up to the original loan amount. This deduction is not available for loans on fleet or commercial-use vehicles, leased vehicles, salvage-title vehicles, vehicles intended for scrap or parts, or loans from related parties. The deduction is capped at $10,000 of interest per year and phases at $100,000 MAGI ($200,000 for joint filers), reducing the deduction by $200 for every $1,000 over the limit. To qualify, the vehicle must be new (the original use must begin with the taxpayer) and primarily manufactured for use on public roads. Eligible vehicles include cars, SUVs, minivans, vans, pickup trucks, and motorcycles with at least two wheels, a GVWR under 14,000 pounds, compliance with Clean Air Act motor vehicle standards, and final assembly in the United States. This deduction is available to both itemizers and non-itemizers as an above-the-line adjustment. It applies to tax years starting after December 31, 2024, and before January 1, 2029.

Limitations for State and Local Taxes (SALT)

Starting in 2025, the SALT (State and Local Tax) deduction cap will increase to $40,000, rising to $40,400 in 2026 and adjusting annually by 1% for 2027–2029. However, the cap will return to $10,000 in 2030 and beyond. The enhanced cap is subject to a MAGI limit: for 2025, taxpayers with MAGI over $500,000 ($250,000 MFS) cannot claim the higher deduction. These limits increase slightly each year through 2029. The deduction will never fall below the original $10,000 ($5,000 MFS), even for high-income taxpayers. Additionally, the pass-through entity tax (PTE) election remains available, allowing certain partnerships and S corporations to deduct state-level taxes at the entity level, providing a workaround to the SALT cap. These changes apply to tax years beginning after December 31, 2024.

Child Tax Credit

The Child Tax Credit, originally set at $2,000 per qualifying child under the Tax Cuts and Jobs Act (TCJA), has now been made permanent. Beginning in tax year 2025, the credit will increase to $2,200 per child. This adjustment ensures continued support for families with dependent children, providing a higher benefit moving forward.

New: Trump Accounts

Beginning in 2025, a new savings vehicle called “Trump Accounts” will be available to promote long-term financial security and retirement readiness. These accounts can be funded by various sources, including parents, employers, charities, and government contributions. Employers may make tax-free contributions on behalf of minor employees, providing additional support for young savers. A special provision allows a one-time $1,000 deposit for children born on or after January 1, 2025. Accounts require a 12-month waiting period after opening before additional contributions can be made. This program is designed to encourage early saving and help families build financial stability over time.

Charitable Contributions

Starting with tax years beginning after December 31, 2025, new rules will apply to charitable contribution deductions. A 0.5% adjusted gross income (AGI) floor is introduced, meaning only contributions exceeding 0.5% of your AGI are deductible (for example, with an AGI of $100,000, the first $500 of donations would not qualify). The existing 60% AGI limit for cash contributions to public charities remains unchanged. Additionally, the deduction for non-itemizers becomes permanent, allowing up to $1,000 for single filers and up to $2,000 for married couples filing jointly. These changes aim to maintain charitable giving incentives while standardizing deduction thresholds.

Bonus Depreciation

Full expensing through bonus depreciation has now been made permanent, eliminating the prior phase-out schedule under the TCJA. These rules apply to qualified property acquired and placed in service after January 19, 2025. For tax year 2025, a transition election is available, allowing 40% bonus depreciation for general property and 60% for longer production period property or aircraft. A special provision applies to production property: construction must begin on or after January 20, 2025, and the asset must be placed in service by December 31, 2030. The property must also be integral to production activities. Additionally, a 10-year recapture rule applies if the property is converted to a non-qualifying use. These changes provide businesses with long-term certainty for capital investment planning.

Business Charitable Contributions

Beginning with tax years after December 31, 2025, new rules apply to corporate charitable contribution deductions. Corporations may now only deduct contributions exceeding 1% of taxable income, while the overall deduction limit remains capped at 10% of taxable income. Updated carryforward provisions allow excess contributions above the 10% cap to be carried forward for up to five years. However, amounts disallowed due to the 1% floor cannot be carried forward unless the 10% cap was also exceeded. A first-in, first-out (FIFO) method applies, meaning the oldest contributions are deducted first. Additionally, charitable contributions cannot be used to increase net operating losses. These changes establish stricter guidelines for corporate charitable deductions while maintaining the existing 10% cap.

QBI Deduction Enhancements

Starting in 2026, the Qualified Business Income (QBI) deduction under §199A will be enhanced to provide greater benefits to business owners. The income thresholds for applying wage and property limitations will increase, giving more taxpayers the opportunity to claim the full 20% deduction before phase-ins begin. In addition, a new provision guarantees a minimum QBI deduction of $400 for eligible taxpayers with at least $1,000 in qualified business income from an actively managed business. Beginning in 2027, both the $400 minimum and $1,000 income requirement will be adjusted annually for inflation. The QBI deduction will continue to be unaffected by itemized deduction limitations, and these changes apply to tax years beginning after December 31, 2025.