TaxBrief

Keeping you informed

Mid-year

2025 is shaping up to be an eventful year for federal actions that may impact our clients in the coming year and in the future. To help our clients stay on top of the changes coming out of Washington, we have assembled a mid-year tax update to provide brief explanations of the changes that may affect you or your business. Feel free to reach out to us for more information on any of the items that could affect your tax situation.

President signs 'One Big Beautiful Bill Act'

On July 4, President Trump signed legislation known as the *One Big Beautiful Bill Act* (OBBBA), which included a variety of tax changes that will impact both individual and business taxpayers. The legislation made the temporary tax code changes included in the *2017 Tax Cuts and Jobs Act* (TCJA) permanent, but also made a number of other significant changes to the tax law, including:

- Temporary $6,000 deduction for seniors
- Increased the cap on the state and local income tax (SALT) deduction
- No taxes on qualified tips through 2028
- No taxes on overtime through 2028
- Increased child tax credit
- No taxes on car loan interest through 2028
- Trump savings accounts for kids under 18
- Earlier phase-outs for tax credits related to wind and solar projects
- Termination of certain clean energy tax credits

If you have any questions about how these or other changes to the tax law that were included in the OBBBA will impact you or your business, please reach out to us.

IRS staff cuts likely to impact taxpayer services

Taxpayers who are depending on receiving their 2025 tax refunds in early 2026 or need to resolve tax issues with the IRS before filing season, should get an early start on their returns this year. IRS staff reductions, plus cuts to the funding that had been earmarked for improving taxpayer services, likely mean the IRS will be less responsive to taxpayer inquiries. It may also mean longer waits for refund checks, increased processing times for returns and slower resolution of taxpayer disputes.

IRS to stop processing paper checks

The U.S. Treasury Department will stop issuing paper checks to most taxpayers at the end of September, which means your 2024 tax refund may mark the last time taxpayers receive a paper refund check from the IRS. The IRS will also stop accepting paper checks from most taxpayers.

According to the executive order mandating the move to electronic funds transfer (EFT) methods, the federal government's continued use of paper-based payment systems imposed unnecessary costs, delays and security risks. As a result of the change, most taxpayers will be required to receive their refunds electronically through direct deposit, debit card or other methods of digital payment. Payments will need to be made through the IRS's Direct Pay system or using other approved electronic payment options.

The executive order provides for limited exceptions to the electronic payment rules for taxpayers who lack access to electronic payment methods and in certain emergencies. The Treasury Department is expected to issue guidance on how to apply for the exceptions.

Domestic exemption for BOI reporting

The Treasury Department has given relief to most domestic entities that were required to file beneficial ownership information (BOI) reports with the Financial Crimes Enforcement Network (FinCEN) in 2025. It announced that the agency would not enforce any penalties or fines against domestic reporting companies or U.S. persons for failure to file BOI reports.

The BOI reports were required under the *Corporate Transparency Act* (CTA) for most entities formed by filing with a secretary of state, unless they were otherwise exempt. However, shortly before entities created prior to 2024 were required to file their reports, the Treasury Department announced that it will not enforce penalties or fines for failing to file BOI reports against domestic reporting companies and U.S. persons. Foreign entities that must file BOI reports under the CTA still must file, but are not required to name any beneficial owners who are U.S. persons.

The exemptions were announced shortly before the Treasury Department's filing deadline for entities formed prior to 2024 and after the reporting deadline for most businesses formed during 2024; therefore, many entities had already filed their BOI reports. While there is no way to remove previously filed reports from FinCEN's system, domestic entities that had previously filed reports are not required to update their reports. Under the CTA, FinCEN is authorized to share BOI reporting information with the IRS for the purposes of tax administration.

Secure digital access to Social Security numbers

The Social Security Administration (SSA) has announced that it is providing secure digital access to the Social Security numbers (SSNs) of account holders. Digital access is being offered as a modern, secure alternative to the traditional SSN card for situations where account holders must display their SSN for reasons other than handling Social Security matters. SSNs may be securely viewed online via the Social Security portal using their computer or mobile device.

IRS's crypto-broker reporting rule nullified

Recently enacted federal legislation has nullified digital asset reporting for decentralized cryptocurrency exchanges that are often referred to as "DeFi brokers." The legislation eliminated the IRS's rule that would treat trading front-end service providers interacting directly with customers on digital asset transactions as brokers that must report customer information to the agency. The IRS rule requiring reporting by DeFi brokers was scheduled to take effect in 2026.

Student loan collections restarting

The Department of Education has restarted collection efforts for student loan borrowers who have defaulted on their loans. It is estimated that as many as 10 million borrowers have not made a student loan payment in more than 180 days, including five million who have not made payments in almost a year. The Department of Education has already begun alerting borrowers who are in default that their federal benefits, including Social Security payments, will be subject to garnishment in 30 days. Most collection activities on federal student loans have been paused since March 2020 to help provide relief to borrowers who were struggling during the COVID-19 pandemic.

Employers who want to help their employees who are struggling to repay their student loans may implement a tax-advantaged student loan matching contribution program. Sponsors of 401(k), 403(b), SIMPLE IRA or governmental 457(b) plans may provide matching contributions based on eligible student loan payments made by participating employees.

Beware of these tax scams

Tax scams often seek access to your personal information to file fraudulent returns on your behalf or access your financial accounts, but they can have other objectives. The IRS is warning taxpayers to beware of the following:

- **Phishing and spearphishing.** Phishing texts or emails are fake communications that appear to come from legitimate tax organizations, such as the IRS or state tax authorities to con victims into providing personal and financial information that can be used for identity theft. Spearphishing is a tailored phishing attempt targeting a specific individual or group.
- **Fraudulent form filing and bad advice.** Social media can be a source of inaccurate or misleading tax information. The IRS has recently seen an increase in schemes that encourage people to submit false or inaccurate information in the hopes of getting a refund or tax credit for which the taxpayer does not qualify.
- **Bogus self-employment tax credit.** Some social media sources are recommending that taxpayers claim a so-called "self-employment tax credit" that does not exist. The tax credit being promoted is often the credit for sick leave and family leave for which few taxpayers qualify.
- **Online account help scams.** Taxpayers will be contacted by a "helpful" third party who is offering to create an online account for them with the IRS. However, the real goal is to steal personal information. Taxpayers should access their accounts directly through IRS.gov.

Reminder: some RMD penalties may be waived

Most individuals who have reached age 73 must begin taking required minimum distributions (RMDs) from their traditional IRA, SEP IRA, SIMPLE IRA and retirement plan accounts. Failure to withdraw the entire RMD amount by the due date is subject to a 25% excise tax on the amount not withdrawn, which drops to 10% if the RMD is corrected within two years. However, the IRS may waive the penalty if the account owner establishes that the shortfall in distributions was due to reasonable error and that reasonable steps are being taken to remedy the shortfall. To qualify for the relief, the account holder must file Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, along with an attached letter of explanation.

Still have questions? Contact us

If you have any questions regarding how these changes or other items might impact you or your business, please reach out to us. We are here to help.