



TAX PLANNING 2025

To our Clients, Colleagues and friends:

July 4, 2025, had delivered fireworks beyond the Fourth of July: Congress has passed a monumental new tax law—informally known as the “One Big Beautiful Bill Act.” While the official name was removed for procedural reasons, this massive bill is set to become the defining tax legislation of the decade.

KEY HIGHLIGHTS: WHAT CHANGED?

1. MAJOR INDIVIDUAL TAX CUTS MADE PERMANENT

- **Lower Tax Brackets Stay:** The 10%, 12%, 22%, 24%, 32%, 35%, and 37% brackets—first introduced in 2018—will not expire. Most Americans avoid a tax hike.
- **Higher Standard Deduction:** For 2025, the standard deduction rises to \$31,500 (married/joint), \$23,625 (head of household), and \$15,750 (single or separate). This will continue to be indexed to inflation.
- **Personal Exemption:** The personal exemption remains eliminated, but a new \$6,000 deduction for seniors 65+ is in place from 2025–2028, phased out for high earners.
- **Mortgage & Casualty Loss Rules:** Deductibility of mortgage insurance premiums is now permanent; educators can deduct classroom expenses as a miscellaneous itemized deduction.

2. SALT CAP GETS TEMPORARY RELIEF

One of the most controversial TCJA features was the \$10,000 limit on deducting state and local taxes (SALT), hitting taxpayers in high-tax states the hardest. For 2025, this cap soars to \$40,000, with 1% annual increases through 2029, then dropping back to \$10,000 in 2030. However, high earners (over \$500,000 AGI for 2025) will see the cap reduced by 30% of the excess income.



Quick Take: Lawmakers from high-tax states pushed hard for a full repeal but accepted this compromise.

3. EXPANDED CHILD TAX CREDIT

- **Now \$2,200 Per Child:** The child tax credit rises from \$2,000 to \$2,200, indexed for inflation.
- **Refundable Portion Capped:** The refundable part (for low-income families) is capped at \$1,400.
- **Eligibility:** Claimants (including the child) must have Social Security numbers.

4. ESTATE AND GIFT TAX EXCLUSION

- **Exclusion Set at \$15 Million:** For decedents dying in 2026 or later, the exclusion increases to \$15 million (indexed for inflation). This protects most families from federal estate tax.

5. EXCITING NEW TAX BREAKS FOR INDIVIDUALS

NO TAX ON TIPS

- **Deduction for Tips Up to \$25,000:** Employees can deduct up to \$25,000 in tip income annually—no itemizing needed. Begins to phase out at \$150,000 AGI (\$300,000 joint). Available 2025–2028.
- **Expanded Employer Credit:** Beauty industry employers now join restaurants in claiming a Social Security tax credit on employee tips.

NO TAX ON OVERTIME

Deduct Up to \$12,500 in Overtime Pay: All taxpayers can deduct up to \$12,500 of overtime pay, phasing out at \$100,000 AGI (\$200,000 joint). Also, sunsets after 2028.

Car Loan Interest Deduction

- **Deduct Up to \$10,000:** For new car purchases after 2024, deduct up to \$10,000 in car loan interest (2025–2028).



“TRUMP ACCOUNTS” FOR NEWBORNS

- **\$1,000 Tax-Favored Account at Birth:** Every newborn child receives a \$1,000 account, growing tax-advantaged under rules like IRAs but designed for children.

OTHER NEW BREAKS

- **529 Plan Expansion:** Now covers elementary, secondary, and home-school expenses.
- **Charity Deduction for Non-Itemizers:** Revives the COVID-era “above the line” deduction for charitable donations.

SMALL BUSINESS & CORPORATE PROVISIONS

100% Bonus Depreciation—Permanent!

- Businesses can fully expense qualifying capital investments right away, encouraging growth and modernization. Applies to property acquired after January 19, 2025.

Research & Experimental Expenses

- Full immediate deduction of domestic R&D expenses is back—retroactive for small businesses to 2022.

Qualified Business Income Deduction

- The popular 20% QBI deduction for pass-throughs (S-corps, partnerships, sole props) is now permanent and expanded.

Section 179 Expensing

- The maximum deduction for small businesses buying equipment is increased.

International Business Changes

- The law makes TCJA’s international provisions permanent but tweaks the rates (FDII at 33.34%, GILTI at 40% after 2025—higher than scheduled under the original TCJA but lower than current law).
- Base Erosion Minimum Tax (BEAT) drops slightly from 12.5% to 10.5% after 2025.



Green Energy: Major Rollbacks

To offset the bill's \$5 trillion cost, most "green" energy tax credits are *eliminated or sharply limited*, including:

- Clean vehicle credits (new and used)
- Alternative fuel refueling property credit.
- Energy efficient home improvement and residential clean energy credits

SOME PROJECTS ALREADY UNDER CONSTRUCTION MAY STILL QUALIFY FOR LIMITED TIME EXTENSIONS, BUT THE OVERALL SHIFT IS AWAY FROM CONSUMER GREEN ENERGY INCENTIVES.

IRS AND ADMINISTRATIVE CHANGES

- **IRS Direct File Program Ends:** The pilot program is terminated within 30 days. IRS will study new public-private partnerships for free filing.
- **Lower Penalties for ERC Scheme Promoters:** Penalties set at \$1,000 per infraction for failing due diligence on fraudulent ERC claims, with no total cap.
- **Other Tweaks:** Various updates to IRS procedures, fraud prevention, and compliance.

WHO WINS? WHO LOSES?

WINNERS:

- **Middle-Class Taxpayers:** Lower rates, higher deductions, bigger credits stay in place.
- **Small Businesses & Investors:** Permanent expensing, QBI deduction, and immediate R&D write-offs mean more cash to reinvest.
- **Service Industry Workers:** Big deductions for tips and overtime.
- **High Net Worth Families:** Estate tax exemption stays historically high.



LOSERS:

- **Green Energy Advocates:** Most consumer credits and subsidies end.
- **High-Income Households in High-Tax States:** SALT relief is limited and temporary.
- **Fraudulent ERC Promoters:** Lower—but still notable—penalties.

WHAT SHOULD YOU DO NOW?

- **Review your 2025–2026 tax planning** now—especially if you are a business owner, investor, or family with changing life events.
- **Consider timing purchases and investments** (equipment, vehicles, R&D) to maximize new deductions.
- **Evaluate your charitable giving, estate plans, and education funding**—rules have changed!

BOTTOM LINE

This tax reform locks in the 2017 tax cuts, adds new deductions, and rolls back green energy incentives. The changes touch almost every taxpayer and business in America. Staying proactive, informed, and working with us is more important than ever. Please contact us if you have questions, want more information, or would like us to help in evaluating your best business tax planning options for 2025.