Taxland Newsletter
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UPCOMING DEADLINES:
3rd QTR ESTIMATED TAX PAYMENTS DUE: 09-15-25
2024 Tax Deadline for those on Extension: 10-15-25

Signed into law on July 4, 2025, One Big Beautiful Bill Act (OBBBA), officially called "An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14.", changes funding for various federal programs, raises the debt ceiling, and makes numerous revisions to the Internal Revenue Code.

New tax law changes impacting in 2025

Revised Standard Deduction for 2025:

Filing status	Deduction amount
Single	$15,750.
Married filing separately	$15,750.
Head of household	$23,625.
Married filing jointly	$31,500.
Qualified Surviving spouses	$31,500.

Personal Exemptions:

The new law permanently terminates the personal exemption deduction, with an exception of a temporary deduction for seniors.

For tax years 2025 through 2028, the deduction is $6,000 for each qualified individual. Who is a qualified individual is:

1. The taxpayer, if the taxpayer has attained age 65 before the close of the tax year, and
2. In the case of a joint return, the taxpayer's spouse, if the spouse has attained age 65 before the close of the tax year.

The $6,000 amount is reduced by 6% of the taxpayer's modified adjusted gross income (MAGI) that exceeds $75,000 ($150,000 for MFJ).

Federal income tax deduction for qualified overtime:

Effective for tax years 2025 - 2028, a deduction is allowed equal to the qualified overtime compensation received during the year that is included on statements furnished to the taxpayer by the payee. The amount allowed as a deduction for any tax year is limited to $12,500 ($25,000 for MFJ). Taxpayers do not have to itemize to claim the deduction.

The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds $150,000 ($300,000 for MFJ).

Qualified overtime compensation means overtime compensation paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate at which the individual is employed.

Employers must separately account for the amount of qualified overtime compensation paid to the employee.

Federal income tax deduction for qualified tips:

Effective for tax years 2025 - 2028, a deduction is allowed equal to the qualified tips received during the tax year that are included on statements furnished to the taxpayer by the employer (or payee if the recipient is not an employee) or reported by the taxpayer on Form 4137. The amount allowed as a deduction for any tax year is limited to $25,000. Taxpayers do not have to itemize to claim the deduction.

The deduction begins to phase-out when the taxpayer's modified adjusted gross income exceeds $150,000 ($300,000 for MFJ).

If the taxpayer is self-employed, the deduction is limited to the net profit from the taxpayer's trade or business that received the tips.

Qualified tips means cash tips (including credit card transactions) received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024. Qualified tips do not include amounts received in a specified service trade or business (same definition as used for the qualified business income deduction).

Termination of Clean Vehicle and Energy Efficient Credits:

The new law accelerates the expiration dates of the tax credits enacted under the Infla- tion Reduction Act of 2022 for purchasing electric vehicles and making energy efficient improvements to buildings. The expiration dates are amended as follow:

- The Previously-Owned Clean Vehicle Credit under IRC section 25E expires for vehicles acquired after *September 30, 2025*.
- The new Clean Vehicle Credit under IRC section 30D expires for vehicles acquired after *September 30, 2025*.
- The Qualified Commercial Clean Vehicle Credit under IRC section 45W expires for vehicles acquired after *September 30, 2025*.
- The Alternative Fuel Vehicle Refueling Property Credit under IRC section 30C expires for property placed in service after *June 30, 2026*.
- The Energy Efficient Home Improvement Credit under IRC section 25C expires for property placed in service after *December 31, 2025*.
- The Residential Clean Energy Credit under IRC section 25D expires with respect to any expenditures made after *December 31, 2025*.
- The energy efficient commercial buildings deduction under IRC section 179D expires for property construction that begins after *June 30, 2026*.
- The new Energy Efficient Home Credit under IRC section 45L expires for homes ac- quired after *June 30, 2026*.

IF YOU ARE INTERESTED IN LEARNING MORE, CONTACT OUR OFFICE TO SCHEDULE A TELEPHONE CALL OR MEETING. WE ARE HERE TO HELP YOU.

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