

August 6, 2025

Dear Client:

We are writing to inform you of significant developments in federal tax legislation. On July 4, 2025, President Trump signed into law the [One Big Beautiful Bill Act](#) (OBBBA), a reconciliation package that includes a broad array of tax provisions affecting individuals, businesses and international taxpayers. This letter highlights the key provisions of OBBBA. We will continue to closely monitor any potential regulatory guidance as it is developed from the IRS and update you accordingly.

Individual income tax provisions

- **Permanent extension of lower tax rates and brackets:** The OBBBA generally makes the tax rates enacted in 2017 in the Tax Cuts and Jobs Act (TCJA) permanent.
- **Standard deduction:** The nearly doubled standard deduction is made permanent.
- **Child Tax Credit:** The nonrefundable child tax credit increases to \$2,200 per child beginning in 2025 and the credit amount is indexed for inflation.
- **Estate and gift tax exemption:** The increased exemption is made permanent and raised to \$15 million per individual (\$30 million for married couples) in 2026, indexed for inflation.
- **SALT deduction cap:** Beginning in 2025, the state and local tax (SALT) deduction cap is increased to \$40,000 per household and would be phased out for taxpayers with modified adjusted gross income (MAGI) over \$500,000. In 2030, the deduction will revert to \$10,000.
- **Charitable deduction for non-itemizers:** An above-the-line deduction is added for charitable contributions, beginning in 2026 (\$1,000 for single filers, \$2,000 for joint filers).
- **No tax on tips and overtime:** For 2025–2028, above-the-line deductions are created for qualified tips (in certain occupations) and for overtime premium pay, subject to income and occupation limitations.
- **Enhanced deduction for seniors:** For 2025–2028, a \$6,000 deduction is available for seniors (age 65+) with income below \$75,000 (\$150,000 for joint filers).
- **Car loan interest deduction:** For 2025–2028, up to \$10,000 of interest on loans for U.S.-assembled **new** passenger vehicles may be deducted, subject to income phaseouts, and certain other limits.
- **Moving expense deduction:** The deduction is permanently terminated except for those in the Armed Forces and the U.S. Intelligence Community.
- **Home mortgage interest and insurance premiums:** The \$750,000 limit on the treatment of mortgage insurance premiums as qualified residence interest is made permanent.
- **Casualty loss deduction for personal casualties:** The limitation on personal casualty loss deductions is made permanent, however a provision is added to include state-declared disasters.
- **Other deductions and credits:** Several other deductions and credits, including the adoption credit, employer-provided childcare credit, paid family and medical leave credit, and education-related benefits are made permanent.

Business tax provisions

- **QBI deduction:** The qualified business income (QBI) deduction is made permanent and the deductible amount for each qualified business would remain at 20%.
- **Bonus depreciation:** 100% expensing (bonus depreciation) for qualified property is restored for property placed in service after **Jan. 19, 2025**.
- **Sec. 179 expensing:** The maximum amount a business may expense for qualifying expenses is increased to \$2.5 million, with the phaseout threshold raised to \$4 million, both indexed for inflation after 2025.
- **R&E expenditures:** Immediate deduction of domestic research or experimental expenses paid or incurred in 2025 is allowed. However, research or experimental expenses attributable to research that is conducted outside the United States will continue to be capitalized and amortized over 15 years.
- **Excess business loss permanency:** The excess business loss limitation is made permanent, and the existing treatment of loss carryforwards is maintained.
- **Business interest deduction:** The interest expense limitation is now calculated using earnings before interest, taxes, depreciation and amortization (EBITDA), rather than earnings before interest and taxes (EBIT).
- **Third-party network transaction reporting threshold:** Form 1099-K, *Payment Card and Third Party Network Transactions*, reporting reverts back to previous rules where reporting is required if transactions exceed \$20,000 and the aggregate number of transactions exceeds 200.
- **Form 1099 reporting threshold:** The information reporting threshold for payments for services increases to \$2,000 in a calendar year (up from \$600) for payments made after 2025, and the threshold amount will be indexed annually for inflation starting in 2027.
- **Clean energy and IRS credits:** Several clean energy credits from the Inflation Reduction Act (IRA) are terminated.

We will continue to monitor developments closely and provide updates and guidance as new details become available. Our goal is to ensure you are informed, prepared, and supported — every step of the way. Please do not hesitate to contact us with any questions or to schedule a consultation.

Sincerely,

Didawick & Company, P.C.