



HBE

10 Minute Tuesdays

Webinar Series

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**Understanding the Tax Provisions
in the One Big Beautiful Bill**

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Broad Overview

- Even with tight majorities in the House/Senate, Republicans managed to get the Bill passed quickly in President Trump's second term
 - Passed the House on May 22nd
 - Passed the Senate on July 1st with some notable changes from the House version
 - Re-Passed the House on July 3rd
 - Signed by the President on July 4th
- Overall, there are a lot of positives for taxpayers in this legislation – many of the TCJA rules have been made permanent, and there are some additional tweaks that taxpayers can benefit from
 - There was concern of tweaks to Pass-Through Entity Tax (PTET), but the final Bill leaves this alone!

Temporary Provisions

- While most of the Bill focused on making tax law permanent, there are some important temporary provisions to be aware of, impacting 2025 through 2028:
 - Deduction for Tips/Overtime Pay
 - Allows an income tax deduction for Tip & Overtime Income
 - Overtime appears to only be the differential in pay, not full amount earned on overtime (so, if you're paid time and a half, the half would be eligible)
 - Limited to \$25,000 benefit per taxpayer for tips, \$12,500 per taxpayer for overtime; phases out for higher income taxpayers
 - Income tax deduction, so no reduction in FICA taxes & full amount still reported on W-2
 - Deduction for Car Loan Interest
 - Deduction of up to \$10,000 in car loan interest, even if you are not itemizing
 - Loan must be taken out on a new car with final assembly in the US between 2025 and 2028 to qualify; phases out at higher incomes
 - Additional Deduction for Seniors
 - \$6,000 additional deduction for seniors 65 & older; phases out at higher incomes
 - Replaces original suggestion of no tax on Social Security Income
- SALT Limitation for Itemized Taxpayers
 - For 2025 through 2029, \$10,000 limit is increased on \$40,000
 - Phases down to \$10,000 as income rises above \$500,000

Key Individual Provisions - Permanent

- Tax Rates & Tax Brackets
 - Lower rates (37% top bracket) and wider brackets
- Standard Deductions
 - Slight bump for 2025 to \$15,750 (Single) & \$31,500 (Married), inflation adjusted thereafter
 - Taxpayers who take the standard deduction can deduct up to \$1,000 (Single) or \$2,000 (Married) of cash charitable contributions, starting in 2026
- Itemized Deduction Changes
 - Limitation on Itemized Deductions for taxpayers in the top tax bracket
 - Casualty losses are allowed for both Federal & State Declared Disaster Areas – Previously had to be Federal
 - Only charitable contributions more than .5% of AGI are deductible
- Child Tax Credit
 - Raises from \$2,000 to \$2,200 in 2025; inflation adjusted thereafter
- Estate & Gift Tax Limitations
 - \$15 million exemption per person for 2025, inflation adjusted thereafter

Key Business Provisions - Permanent

- QBI Deduction
 - Made permanent, remains at 20%
 - Modifications to the phase-out rules for certain businesses, including many service businesses
- Bonus Depreciation
 - Restored to 100% for assets acquired AFTER January 19, 2025
 - Made permanent for the first time since Bonus was introduced
- Section 179 Depreciation
 - Increased deduction from \$1,160,000 to \$2,500,000 on up to \$4,000,000 of purchases
- R&D Expenditures
 - Restores permanently the ability to deduct domestic R&D costs when incurred
 - Small businesses can amend 2022 through 2024 to remove amortization (questions remain on details)
 - All entities can deduct remaining amortization on either 2025 return or split on 2025/2026 returns

Key Business Provisions - Permanent

- Tip Credit Expansion
 - Employers in the beauty industry now qualify for the Tip Credit
 - Previously, only restaurants qualified for the credit
- Employee Retention Credit
 - This Bill effectively ends the ERC as of 1/31/2024 – any claims filed after date that will not be paid
- 1099 Reporting Requirements
 - Removes new rules that would have made it much easier to have to get a 1099 for income from sites like Venmo, PayPal, Etsy, etc.
 - Also, raises the 1099 threshold from the current \$600 to \$2,000 beginning in 2026 and adjusted by inflation thereafter

Phase-Down of Energy Credits

- While most of the law was beneficial for taxpayers, a variety of energy-related credits are being cut short through this Bill
- Electric Vehicle Credits
 - Vehicles purchased after September 30, 2025 will NOT qualify
- Home Energy Efficiency Credits
 - Expenditures after December 31, 2025 will NOT qualify
- Business Credits for Solar/Wind Projects
 - In many cases, projects must be In Service by December 31, 2027 for credit

Awaiting Guidance

- A variety of the major topics in the legislation will guidance from the IRS/Treasury Department – including many items that impact 2025 (tips/overtime deduction, car loan interest, additional senior deduction, R&D amortization fix for smaller entities, etc)
- Timing of guidance remains unclear – some of these items directed the IRS to give guidance within 90 days, or by October 2nd
- Generally, many questions will remain until guidance is provided



Contact Information



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