



One Big Beautiful Bill

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Agenda

General Individual Provisions

General Business Provisions

Targeted Tax Provisions

Planning and Practical Applications

Individual Tax Provisions

- Existing Individual Tax Rates are extended permanently, top rate of 37%. These are the joint tax brackets for 2025.
- 10% on the taxable income between \$0 and \$24k
- 12% on the taxable income between \$24k and \$97k
- 22% on the taxable income between \$97k and \$207k
- 24% on the taxable income between \$207k and \$394k
- 32% on the taxable income between \$394k and \$501k
- 35% on the taxable income between \$501k and \$751k
- 37% on the amount over \$751k taxable income

Individual Tax Provisions

- Standard Deduction will be \$15,750 for individuals and \$31,500 for joint taxpayers in 2025 (key changes to charitable contributions and the SALT cap will determine whether people itemize or claim the standard deduction)
- Personal Exemptions remain eliminated
- Senior deduction created that is \$6,000 for anyone over 65. Income phase out on that senior deduction at \$150k joint. Fully phased out at \$250k joint income. This is the “no tax on social security” idea. This is a new above the line deduction.
- Child Tax Credit modified from \$2,000 up to \$2,200 per child

Individual Tax Provisions

- Estate tax exemption increased to \$15M and indexed for inflation
- Mortgage interest limitation will remain at \$750k of qualified mortgage interest, mortgage insurance premiums are allowed as part of the deduction
- Extension of the limitations on casualty losses, but expanding the definition to include that state governors can declare disaster is eligible for casualty loss deduction.
- Gambling Losses were changed to only permit 90% of losses can be claimed. Gambling winnings of \$100k during some sessions and gambling losses of \$100k in other sessions will result in \$100k of income, and \$90k of losses being deducted as part of the itemized deduction. (MN AMT will also frequently apply to MN residents)

Individual Tax Provisions

- State and Local Tax Deduction was \$10,000 and it's increased to \$40,000 but with limitations. The \$40,000 deduction is phased back down to \$10,000 for taxpayers with modified AGI over \$500,000. At \$600,000 of modified AGI the taxpayer is back to the \$10,000 limit. Indexed for inflation over time.

Example

Wages	\$500,000	Wages	\$600,000
AGI	\$500,000	AGI	\$600,000
RE taxes	-\$10,000	RE taxes	-\$10,000
State income tax	-\$30,000	State income tax	-\$30,000
Mortgage Interest	-\$25,000	Mortgage Interest	-\$25,000
Total Itemized incurred	-\$65,000	Total Itemized incurred	-\$65,000
Itemized allowed	-\$65,000	Itemized allowed	-\$35,000
Taxable Income	\$435,000	Taxable Income	\$565,000
Tax Liability	\$93,326	Tax Liability	\$136,844
Effective Rate	21.45%	Effective Rate	24.22%
Marginal Rate	32% bracket	Marginal Rate	35% bracket

\$100,000 of income added resulted in \$43,518 increase in tax liability for the year

Individual Tax Provisions

- Deducting vehicle loan interest up to \$10,000 deduction for interest on loans used to acquire new domestically produced vehicles in 2025 or later. Phased out of taxpayers with MAGI over \$200,000 (\$100,000). This is not an itemized deduction, but a new above the line deduction.
- Trump accounts are an account for eligible children. Government will fund \$1,000 for children born after 12/31/24 and before 1/1/29. Contributions of \$5,000 per year can be made.
- Misc itemized deductions remain eliminated, limitation on itemized deductions for the 37% bracket taxpayers remains, AMT exemption remains
- Dependent Care Credit amount improved

Individual Tax Provisions

- Tax credit for contributions to scholarship granting organizations. \$1,700 contribution yields a \$1,700 credit for the individual taxpayer. Starting in 2027.
- 529 plan improvements included expanding the definition of qualified expenses for elementary and secondary school and expanding to include post secondary credentials like the CPA exam.
- Charitable deduction allowed for non-itemizers for cash contributions. \$1,000 for single and \$2,000 for joint. This is a new above the line deduction.
- Charitable deduction for those who do itemize now has a .5% of AGI floor starting in 2026 on the ability to deduct those contributions. \$200,000 AGI means the first \$1,000 of charitable contributions do not produce any benefit when itemizing. Similar to the 7.5% of AGI floor on medical expenses.

Business Tax Provisions

- Bonus Depreciation – 100% bonus depreciation allowed for after 1-19-2025
- Section 179 is now allowed up to \$2.5M per year for businesses with less than \$4M of new purchases
- Business Interest Limitation – Allows depreciation addback for ATI calc through 12/31/29.
- Business loss limitations under Section 461l retained, \$626k the maximum loss allowed for 2025, indexed for inflation

Business Tax Provisions

- Qualified Business Income (QBI) deduction was extended and remains at 20%. Phaseout range increased from \$100k to \$150k. The phaseout range only applies to an SSTB's ability to claim the QBI. Minimum deduction of \$400 added for business owners who materially participate.

Example

Business Income SSTB	\$500,000	Business Income SSTB	\$600,000
AGI	\$500,000	AGI	\$600,000
Itemized incurred	-\$65,000	Itemized incurred	- \$65,000
Itemized allowed	-\$65,000	Itemized allowed	-\$35,000 (lose \$30,000 SALT with higher income)
QBI tentative	-\$100,000	QBI tentative	-\$120,000
QBI allowed	-\$73,333 (phaseout started)	QBI allowed	- \$0 (fully phased out)
Taxable Income	\$361,667	Taxable Income	\$565,000
Tax Liability	\$72,494	Tax Liability	\$136,844
Effective Rate	20.04%	Effective Rate	24.22%
Marginal Rate	24% bracket	Marginal Rate	35% bracket

\$100,000 of income added resulted in \$64,350 increase in tax liability for the year

Targeted Tax Provisions

- Section 174 fix – Domestic research and experimentation expenditures are currently deductible in 2025. Foreign expenses still have a 15 year amort.
 - For small businesses (\$31M sales and less) they are allowed a retroactive fix for all impacted years. They can go back and file amended returns for 2022 and 2023 and 2024 if already filed. Election is required to choose this route.
 - All businesses have the choices of deducting the previously capitalized amounts in 2025 or splitting it and claiming half in 2025 and half in 2026.
 - All businesses could just let the 5 year amortization run its course
- Qualified Production Property (manufacturing property) – bonus depreciation for nonresidential real property used as an integral part of a qualified production activity. 100% deduction. Construction commenced after 1/19/25 before 1/1/29 and placed in service by before 1/1/31. Must be original use property, but it appears it could be an expansion of current manufacturing facility. *Further definition of what is qualifying property needed from IRS

Targeted Tax Provisions

- Extension and expansion of Opportunity Zones. Very complex rules related to OZ have become even more complex.
- Slight change to the definition of residential construction contracts for those using the Percentage of Completion accounting method could help multifamily construction builders in particular
- Qualified Small Business Stock Section 1202 improved and expanded for newly acquired stock. Asset limit for the company increased to \$75M. Initial investment limit went up to \$15M. 3 year holding yields a 50% exclusion. 4 year hold yields a 75% exclusion. 5 year hold yields a 100% exclusion.
- 1099-K reporting threshold changed to \$20,000 or 200 transactions
- 1099-NEC reporting threshold changed to \$2,000

Targeted Tax Provisions

- No Tax on Tips – Allows \$25,000 deduction for taxpayers with MAGI less than \$150,000 (\$300,000 MFJ). IRS to determine which industries have customarily received tips and publish the list. This is a new above the line deduction. *
Unclear if a joint couple would each have a \$25,000 exclusion or if it would be \$25,000 total between the two.
- Tip Credit expanded to include the beauty industry (barbering and hair care, nail care, esthetics, body and spa treatments). Previously tip credit only available to the food service industry.
- No Tax on Overtime – Allows \$12,500 deduction for taxpayers with MAGI less than \$150,000 (\$300,000 MFJ). The deduction is only on the overtime premium. If employee is paid \$20 hourly base and \$30 for overtime hours. The deduction is only on the \$10 premium.

Targeted Tax Provisions

- Energy Incentives terminated early, most are ok for 2025, but gone after that.
 - Section 179D terminated for any construction after June 30th 2026
 - 30% credit for solar or geothermal on your house gone starting in 2026
 - Residential energy credit for windows, doors gone starting in 2026
 - Clean vehicle credits
 - Clean vehicle production credits
 - New energy efficient home credit
- Excise Tax on certain remittance transfers is now 1%. This is transfers of money from non US residents to people in the US, some exceptions apply.
- Handful of tax changes for foreign situations including FTC, FDII, GILTI, BEAT

Targeted Tax Provisions

- Employee Retention Credit changes
 - Penalties for noncompliance increased
 - Statute of limitations increased to 6 years from date of refund or date of filing
 - No claims for Q3 or Q4 2021 after 1/31/2024 are eligible (moratorium is still in place anyways)
 - March 20th IRS released 3 FAQ on ERC
 - Reaffirmed the wage reduction should be in the year of the wages
 - If wages were not reduced, they can reduce in the year the ERC was received (tax benefit rule)
 - If wages reduced, claim later denied, taxpayer can amend or claim expense in the year of the denial

RECAP Individuals

- Rates and many rules retained
- 5 new above the line deductions
 - Seniors (\$6,000)
 - Vehicle interest (\$10,000)
 - Charitable contributions (\$1,000 / \$2,000)
 - Tip income (\$25,000)
 - Overtime income (\$12,500 / \$25,000)
- 4 changes to itemized deductions
 - SALT Cap (\$40,000 phasedown to \$10,000)
 - .5% floor on charitable contributions
 - 90% of winnings limit for gambling losses
 - Casualty loss rules, mortgage interest, top bracket limitations all retained
- Energy credits eliminated

RECAP Businesses

- Bonus depreciation 100% and Section 179 increased
- Qualified Manufacturing Property newly defined with 100% bonus depreciation
- Section 174 fixed and choices for taxpayers on how to recoup the capitalized amounts
- QBI phaseout relaxed slightly, but overlapping with SALT phaseout now
- QSBS stock expanded and made permanent
- Raising the thresholds for 1099-K and 1099-NEC reporting
- Increased ERC enforcement

Planning Thoughts

- Pay close attention to the dates the provisions begin or the tax provisions are eliminated. Some are 1-1-2025, some 1-19-2025, some 1-1-2026, some 6-30-2026 or 1-1-2027. Variety of implementation dates for all these changes.
- “Permanent” simply means until Congress changes the rules again. Inflation Reduction Act from July 2023 credits were permanent and now they’re all gone 2 years later.
- MN nonconformity is a big deal for lots of these individual and business provisions, include that in your planning for any MN residents

Planning Thoughts

- Be especially careful about any individual taxpayer that's going to be in the \$500k to \$600k range of income, there can be huge swings in tax liability in that range with QBI phaseouts and SALT deduction phaseouts
- Plan now in the summer and pay special attention to the changes that will impact you, then update / finalize the plan later in the year when you have a better financial projection. For those who plan once a year, this is the time to plan twice a year.
- Second reconciliation bill in the fall a possibility to address other issues? Second tax bill for the year to correct, cleanup the issues they created.



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