



One Big Beautiful Bill Year End Planning

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AGENDA

- **General Individual Provisions**
- **General Business Provisions**
- **Targeted Tax Provisions**
- **Planning and Practical Applications**





Individual Tax Provisions

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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 of 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 starting in 2025. [The Big Beautiful Breakdown: No Tax on Social Security? Not So Fast. | Boyum Barendscheer](#)
- Child Tax Credit modified from \$2,000 up to \$2,200 per child
- [The Big Beautiful Breakdown: What's Not Changing in Individual Taxes | Boyum Barendscheer](#)

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)
- [The Big Beautiful Breakdown: The Gamble You Didn't Know You Made | Boyum Barenscheer](#)

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

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

- \$100,000 of income added resulted in \$43,518 increase in tax liability for the year**
- [The Big Beautiful Breakdown: The New SALT Cap and Its Sneaky Phaseout | Boyum Barenscheer](#)

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.
- [The Big Beautiful Breakdown: Vehicle Loan Interest Gets a Deduction | Boyum Barenscheer](#)
- 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 by the family. Employer contributions of \$2,500 per year also allowed.
- [The Big Beautiful Breakdown: What Are Trump Accounts? | Boyum Barenscheer](#)
- Misc itemized deductions remain eliminated, AMT exemption unchanged

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 nonitemizers for cash contributions. \$1,000 for single and \$2,000 for joint. This is a new above the line deduction starting in 2026.
- 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.
- [The Big Beautiful Breakdown: Charitable Giving Gets Complicated | Boyum Barenscheer](#)

INDIVIDUAL TAX PROVISIONS

- SALT Cap Timing of state payments prior to year end is the #1 change
- Charitable Contributions for 2025 vs 2026 is the #2 change
- New deductions for senior, overtime, auto loan interest, tips is the #3 change
- Increasing or decreasing your income prior to the end of the year?
- Safe harbor estimate payments
- Estimating your tax liability for April
- Considering state nonconformity and planning for an extension



Business Tax Provisions

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BUSINESS TAX PROVISIONS

- ~~Bonus Depreciation~~ 100% bonus depreciation allowed for after 19-2025 with no sunset or no phasedown of the bonus depreciation in the future
- 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
- [Big Beautiful Breakdown: Depreciation Showdown Bonus vs Sec 179](#)

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
- [The Big Beautiful Breakdown: QBI and SALT Cap Phaseout Risks | Boyum Barenscheer](#)

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, completed by July 2026.
 - 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
 - [The Big Beautiful Breakdown: Section 174 Fixed? What That Really Means | Boyum Barenscheer](#)
- 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
- [Bonus Depreciation for a New Factory](#)

TARGETED TAX PROVISIONS

- Extension and expansion of Opportunity Zones. Very complex rules related to OZ have become even more complex and permanent.
- 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.
- [Section 1202 expansion explained blog](#)
- 1099-K reporting threshold changed to \$20,000 or 200 transactions in 2026
- 1099-NEC reporting threshold changed to \$2,000 in 2026

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
- [The Big Beautiful Breakdown: Energy Credits Get the Axe | Boyum Barenscheer](#)
- Excise Tax on certain remittance transfers is now 11% 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, BE

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 2021 or Q4 2021 after 1/31/2024 are eligible
 - 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
- [The Big Beautiful Breakdown: ERC Enforcement Heats Up | Boyum Barenscheer](#)

TARGETED TAX PROVISIONS

- No Tax on Tips Allows \$25,000 deduction for taxpayers with MAGI less than \$150,000 (\$300,000 MFJ). Phaseout range of the \$25,000 deduction is \$250,000. So for a single individual it phases out between \$150k and \$400k. IRS has now published a list of qualifying occupations, and beauty industry jobs are included as expected. This is a new above the line deduction in 2025.
- For years 2025 through 2028 (set to expire after that)
- Owners of the salon are eligible
- “Qualified Tip” is taxable to the individual and reported on W-2 or 1099
 - Must be voluntary (service charges and mandatory charges do not count)
 - Cash, Credit Cards, tip sharing arrangements all count
- [The Big Beautiful Breakdown: Understanding the New Non-Tips Deduction | Boyum Barenscheer](#)

TARGETED TAX PROVISION ON OVERTIME

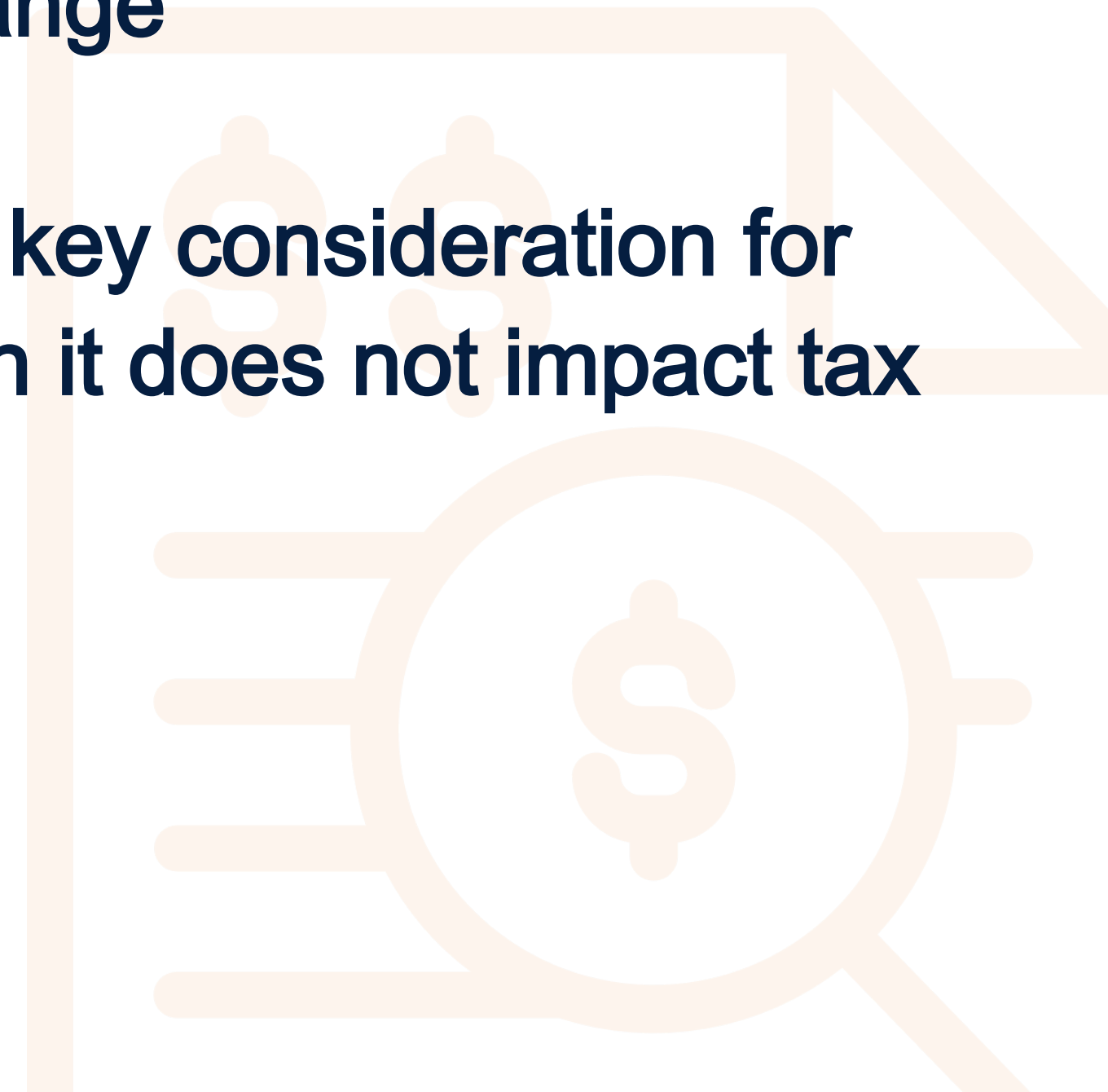
- No Tax on Overtime Allows \$12,500 deduction for taxpayers with MAGI less than \$150,000 (\$300,000 MFJ). The deduction is only on the overtime premium. If employee is paid \$20 hourly base and \$30 for overtime hours. The deduction is only on the \$10 premium.
- Overtime pay is defined by the FLSA And consider your state specific guidance on overtime rates, who is paid hourly vs who is paid salary
- This does not overlap or include any qualified tip income
- Similar to tips, no W2 reporting for 2025, but employers encouraged to provide information to employees
- Wages must be on W2, for 2026 year it will be Box 12 Code TP to indicate the amount of overtime pay
- [Overtime Tax Explained: What You Need to Know | Boyum Barenscheer](#)

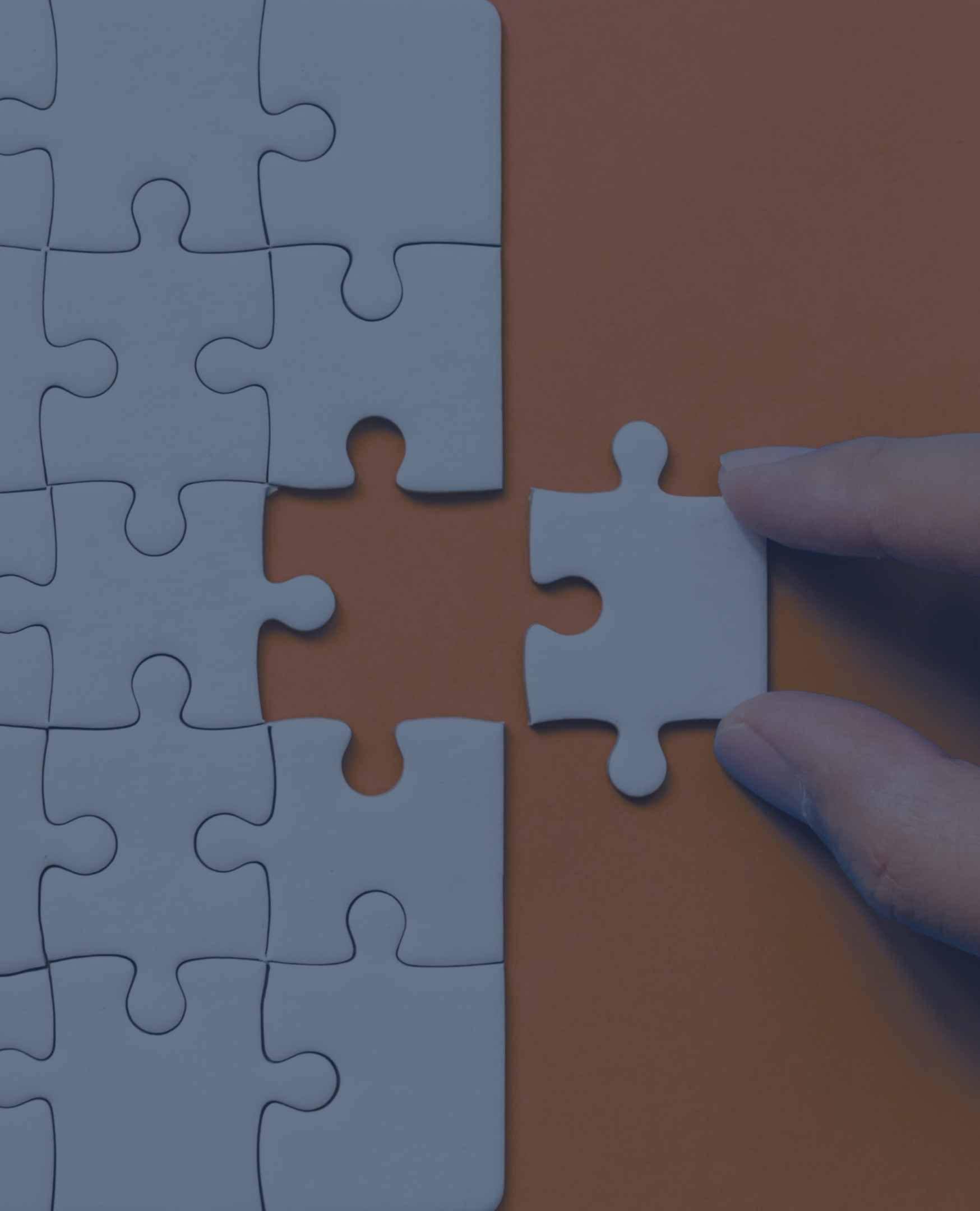
TIP CREDIT

- Claimed on Form 8846 (attached to S Corp / C Corp / Partnership return, or if filing a Schedule C the salon owner includes Form 8846 in their 1040 return).
- The tip credit flows through the entity and into the 1040 on Form 3800. It's in the 1040 where the tax savings are realized.
- Credit is a general business credit realized at the individual level
- Credit is non refundable (if you do not have a tax liability then you do not benefit at all)
- Credit can be carried back 1 year or forward 20 years
- Carryback done on Form 1139 or Form 1045
- Must go back 1 year, then forward the 20 years until it is used up
- [Tip Credit Explained for Beauty Industry Pros | Boyum Barenscheer](#)

BUSINESS TAX PROVISIONS

- Depreciation rules are the #1 change to factor into planning
- Section 174 rules are the #2 change
- Interest Limitation with Sec 163j is the #3 change
- Energy Incentives are the #4 change
- Overtime and tip reporting for employers is a key consideration for January when W-2s are being issued, although it does not impact tax planning directly





Conclusion

RECAP INDIVIDUALS

- Rates and many rules retained
- 5 new above the line deductions
 - Seniors (\$6,000) starting in 2025
 - Vehicle interest (\$10,000) starting in 2025
 - Charitable contributions (\$1,000 / \$2,000) starting in 2026
 - Tip income (\$25,000) starting in 2025
 - Overtime income (\$12,500 / \$25,000) starting in 2025
- 4 changes to itemized deductions
 - SALT Cap (\$40,000 phasedown to \$10,000) starting in 2025
 - .5% floor on charitable contributions starting in 2026
 - 90% of losses limit for gambling starting in 2026
 - Casualty loss rules, mortgage interest, top bracket limitations all retained
- Energy credits eliminated mostly for 2026

RECAP BUSINESS

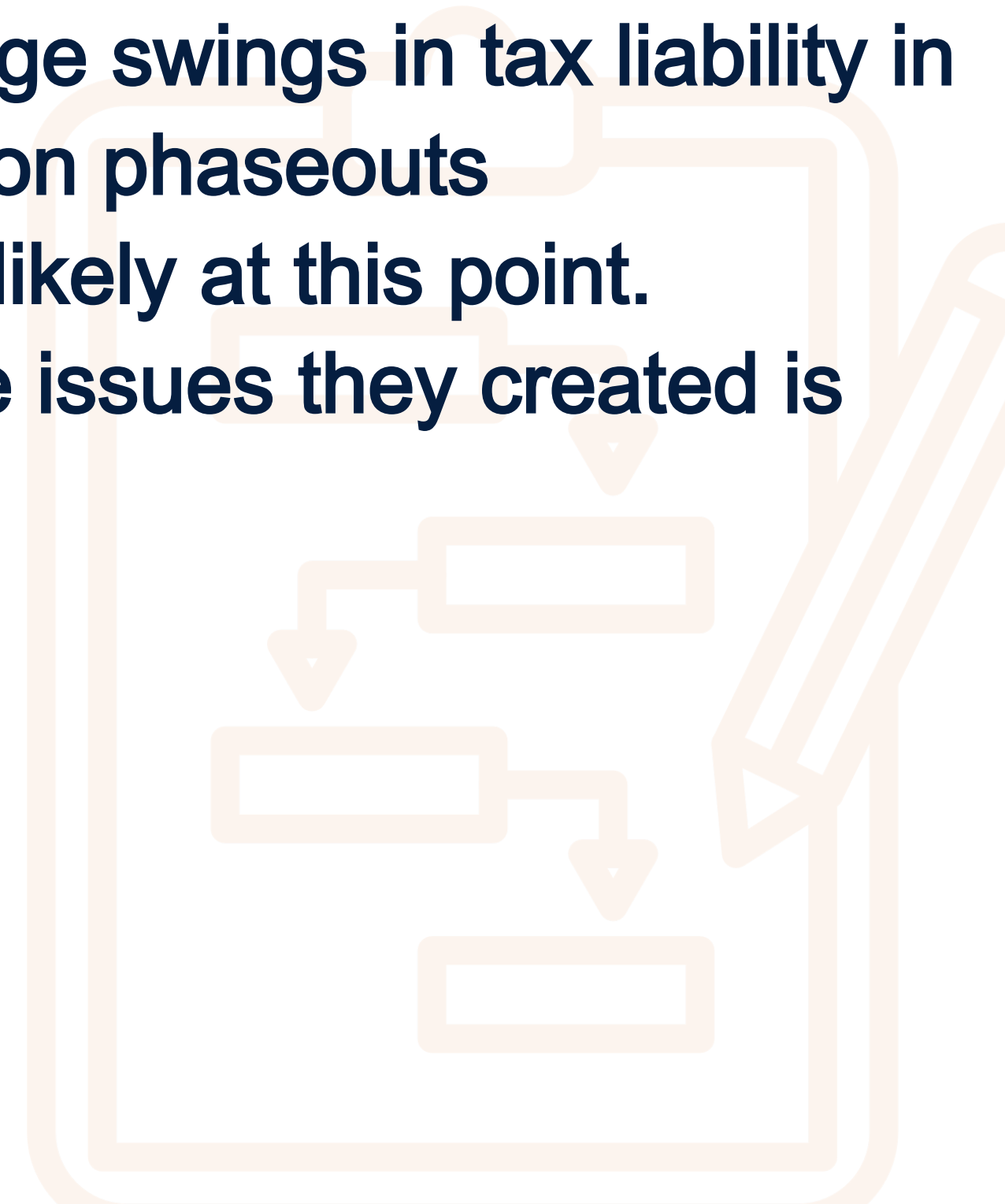
- Bonus depreciation 100% and Section 179 increased for 2025
- Qualified Manufacturing Property newly defined with 100% bonus depreciation
- Section 174 fixed and choices for taxpayers on how to recoup the capitalized amounts for 2025
- QBI phaseout relaxed slightly, but overlapping with SALT phaseout 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 1-1-2025, 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.
- State conformity is a big deal for lots of these individual and business provisions, include that in your planning
 - MN items of nonconformity list is very long, likely not resolved until May or June 2026, so extending returns if the impacts are significant
 - MN Conformity for TCJA was July 2021 impacted 2017, 2018, 2019, 2020 returns, the TCJA passed December 2017
- [Big Beautiful Breakdown: The Hidden Challenge of State Conformity](#)

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
- Second reconciliation bill is possible, although unlikely at this point. Second tax bill for the year to correct, cleanup the issues they created is possible although unlikely.



PLANNING THOUGHTS

- Reconsider how the owners are being paid
- Reconsider your procedures for capturing tip information from the employees and inform them about the new tip deduction
- Reconsider hourly employees and overtime pay
- Work with payroll provider to understand the overtime and tip information so you can provide to employees in January
- What would you do differently if you knew the bonus depreciation was going to offset 100% of your federal income tax? (Retirement plan choices, Roth conversions, recognizing capital gains, how to invest, withholding on your wages, estimated tax payments during the year, charitable contributions, tax deductible choices)

RESOURCES

- Employer and Employee guides to No Tax on Tips can be found on the salon industry page www.salon.cpa
- Slides and recording of this presentation will be posted online
- Reach out with specific questions

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