

# SUMMARY OF SIGNIFICANT CHANGES IN TAX LAWS UNDER OBBBA



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# TODAY'S PRESENTERS



**Hannah Shaffer** – Hannah has a Masters Degree from Ball State University and is currently working towards completing her CPA credentials by December 2025. Hannah has worked with Bollenbacher & Associates since 2022.



**Emily Meyer** – Emily has a Masters Degree in Accounting from Edgewood College (Wisconsin) and is currently studying to earn her CPA credentials. Emily began her employment with Bollenbacher & Associates in May 2025. Emily's fiancé is Andrew Balko, Sports Reporter for the Commercial Review.



**Brayden Collins** – Brayden is a Jay County graduate and is currently studying for his Bachelors in Accounting from Ball State University. His goal is to obtain his Masters in Accounting and earn his CPA credentials.



**Karen Bollenbacher CPA, EA** – Karen has a Bachelor of Science in Business from Purdue Fort Wayne University. She has been an Enrolled Agent since 2022 and earned her CPA in 2025. Karen has worked with Bollenbacher & Associates since 2019.

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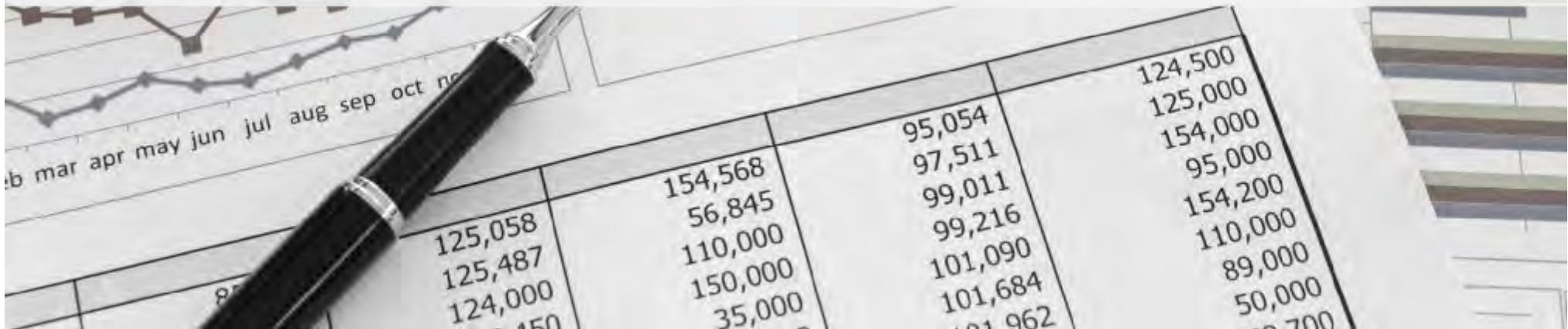
# BEFORE WE BEGIN!

**Tax legislation often intersects with broader policy discussions and can naturally prompt political viewpoints. However, the purpose of this presentation is to provide a factual overview of the new tax law—the One Big Beautiful Bill Act (OBBA).**

**To maintain a respectful and informative environment, we kindly ask that all questions and comments remain focused on the content of the law itself and avoid political commentary.**

**Thank you for your understanding and cooperation.**

# INTRODUCTION TO TRUMP ACCOUNT



# WHAT IS A TRUMP ACCOUNT?

## Purpose and Eligibility

Trump Accounts support long-term savings for U.S. children born between 2025 and 2028 with a federal \$1,000 seed contribution.

## Account Setup and Trustees

Parents or trustees establish the account; the U.S. Treasury may set defaults and assign trustees if none exists.

## Contribution Limits and Sources

Annual contributions cap at \$5,000, indexed for inflation; contributions can come from family, employers, or others except government deposits.

## Goal and Benefits

The account aims to promote tax-efficient growth and encourage community investment in children's futures.



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# FUNCTIONALITY AND TAX TREATMENT

## WHAT ARE QUALIFIED WITHDRAWALS

Once the beneficiary **turns 18**, withdrawals from Trump Accounts are allowed for the following qualified purposes:

## **Higher Education Expenses - Tuition, fees, books, and other qualified education costs.**

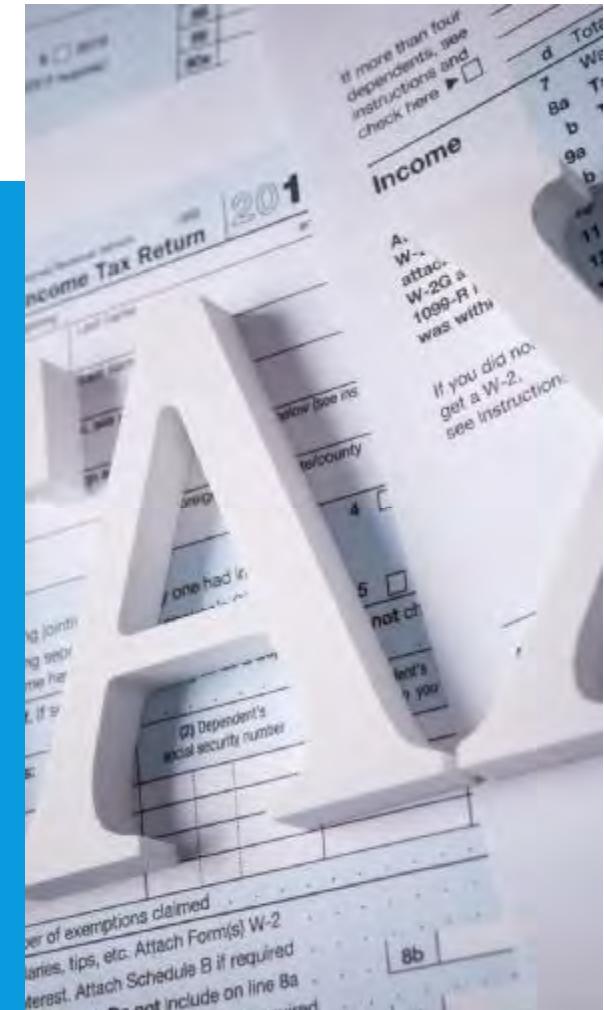
**First-Time Home Purchase** - Up to **\$10,000** can be withdrawn penalty-free for purchasing a first home.

## **Medical Expenses** - Qualified unreimbursed medical expenses.

**Disability Expenses** - If the beneficiary becomes disabled, withdrawals can be made without penalty.

**Purchase of a Business** - While not explicitly listed in the law, this may fall under broader IRA rules if the purchase is related to self-employment or qualified investment purposes. *Further guidance may be needed.*

**Other IRA-Qualified Exceptions** - Includes health insurance premiums during unemployment, qualified birth or adoption expenses, and more.



# HOW TRUMP ACCOUNTS WORK

## Contribution Limits and Sources

Annual contributions up to \$5,000 from multiple sources exclude government and pilot deposits, with inflation adjustments starting 2026.

## Tax-Advantaged Withdrawals

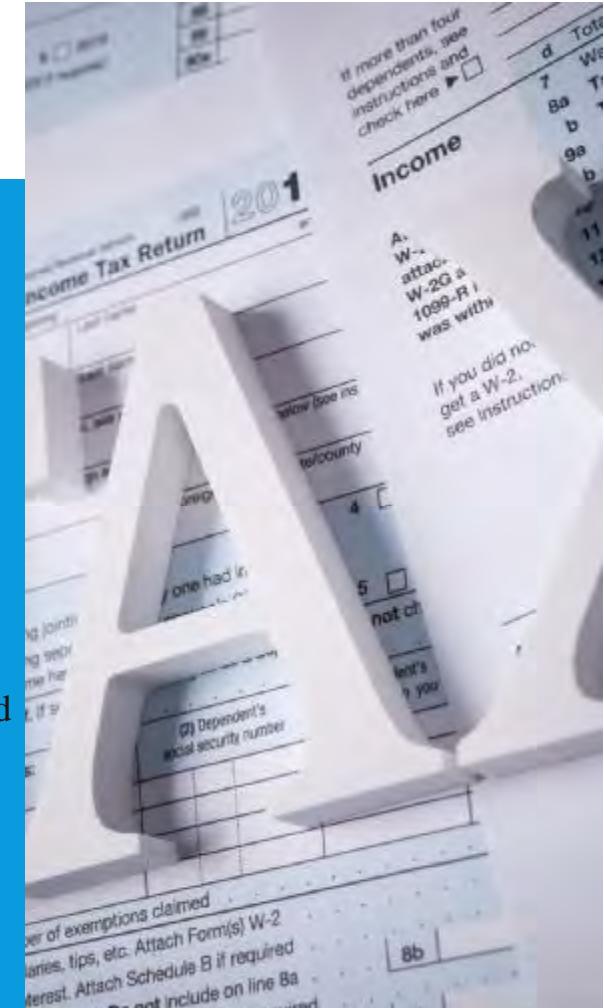
Withdrawals have a three-tier tax structure: tax-free principal return, preferential rates for qualified expenses (capital gains rates), and penalties for non-qualified use.

## Regulatory Oversight and Compliance

Treasury defines qualified expenses and requires trustee reporting to ensure transparency and adherence to regulations.

## Penalties and Account Rules

Excess contributions incur excise taxes, duplicate accounts risk invalidation, promoting responsible financial planning.





## EXAMPLE AND PLANNING CONSIDERATIONS

# EXAMPLE & PLANNING TIPS

## Account Setup and Contributions

Emma receives an initial \$1,000 deposit at birth and parents contribute up to \$5,000 annually until age 18.

## Qualified Withdrawals

Withdrawals for qualified expenses like college tuition benefit from tax-free principal and favorable tax rates on earnings.

## Planning and Compliance Tips

Avoid exceeding contribution caps, monitor IRS updates, start early contributions, and prevent penalties from non-qualified withdrawals.

## Account Termination and Rollovers

Accounts end at age 31; rollovers between accounts for the same beneficiary are allowed while avoiding duplicates.



# INTRODUCTION TO 529 PLANS

# What Is a 529 Plan?

## **Tax Advantages**

Contributions grow tax-deferred and withdrawals for education expenses are usually tax-free at federal and state levels.

## **Flexible Account Control**

Account owners retain control and can change beneficiaries to support multiple family members strategically.

## **State Tax Incentives**

Many states offer tax credits or deductions to encourage contributions, enhancing savings benefits.

## **Education Expense Planning**

529 Plans help families prepare for rising education costs through structured and tax-efficient savings.



# Qualified Expenses and Legislative Updates

## Broad Qualified Expenses

529 Plans cover diverse educational costs, including tuition, books, tutoring, and room and board.

## Legislative Expansion

From July 2025, 529 Plan distributions include online materials and dual enrollment fees for expanded educational support.

## Increased K-12 Limits

Starting after 2025, annual K-12 expense limits increase to \$20,000, giving families greater financial flexibility.

## Rollover to Roth IRA

New rules allow rollover of unused 529 funds to Roth IRAs for enhanced long-term financial planning. – However, Indiana does not follow the rollover to a Roth yet, so we do not recommend it.



# Qualified Expenses and Legislative Updates

## Indiana 529 Tax Credit

**Indiana allows for a 20% nonrefundable tax credit for contributions of up to \$7,500 per year. Contributions can be made as late as April 15<sup>th</sup>, but earlier contributions are encouraged.**

# 2025 TAX PLANNING: QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs)



Strategies to  
optimize charitable  
giving and tax  
benefits



## WHAT IS A QUALIFIED CHARITABLE DISTRIBUTION (QCD)?

### Definition of QCD

QCD allows individuals 70½+ to transfer IRA funds directly to charities without federal income tax.

### Tax Benefits

QCD reduces taxable income, counts toward RMD, and helps lower AGI and related tax impacts.

### Broader Accessibility

QCDs benefit taxpayers even without itemizing deductions, making it widely accessible.

# ELIGIBILITY AND COMPLIANCE GUIDELINES

## **Age and Eligibility Requirements**

Taxpayers must be at least 70½ years old to qualify for a Qualified Charitable Distribution in 2025.

## **Annual QCD Limits**

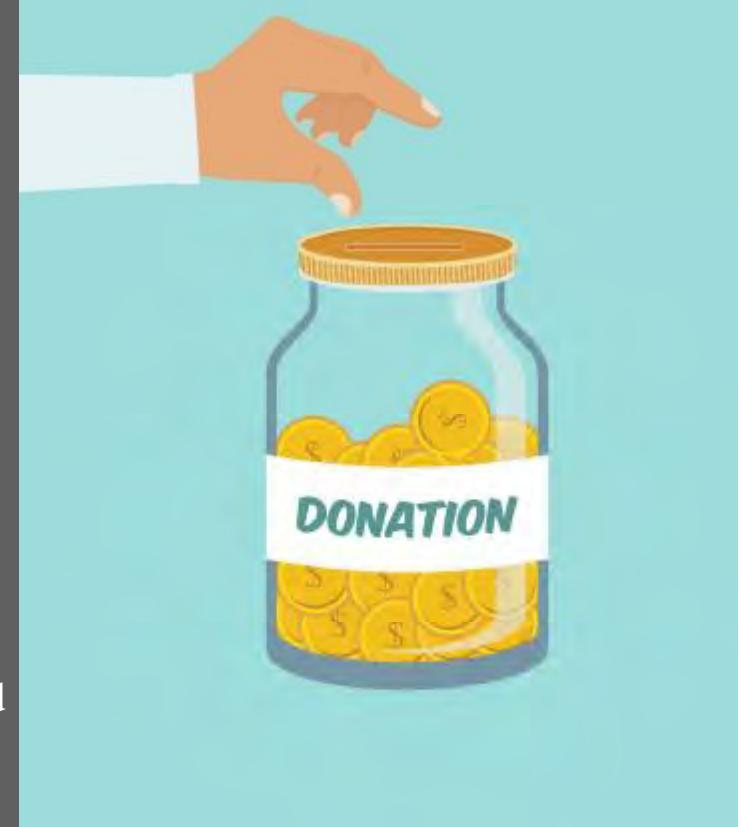
The annual QCD limit for 2025 is \$108,000 per person, indexed for inflation and doubled for married couples.

## **Direct Transfer Requirement**

Funds must be transferred directly from the IRA custodian to the qualified charity to qualify as a QCD.

## **Qualified Charities Only**

Only donations to qualified 501(c)(3) organizations qualify; donor-advised funds and private foundations are excluded.



## ILLUSTRATIVE EXAMPLE AND STRATEGIC CONSIDERATIONS

Option	Taxable Income Impact	Tax Due (22%)
<b>Regular RMD</b>	+\$10,000	\$2,200
<b>QCD</b>	\$0	\$0

UPDATED TAX BENEFITS  
DESIGNED FOR  
INDIVIDUAL AND SENIORS

# PERSONAL EXEMPTION CHANGES & NEW SENIOR DEDUCTION



## SENIOR DEDUCTION DETAILS (2025–2028)

### Eligibility Criteria

Seniors aged 65 or older and their spouses filing jointly qualify for a \$6,000 deduction per individual from 2025 to 2028.

### Income Phaseout Rules

Deduction phases out starting at \$75,000 AGI for singles and \$150,000 for joint filers at a 6% reduction rate.

### Deduction Duration

The senior deduction is temporary and expires after December 31, 2028, requiring timely tax planning.

## EXAMPLE: MARRIED COUPLE AGE 65+, \$100K INCOME

DEDUCTION TYPE	WITHOUT OBBBA	WITH OBBBA	DIFFERENCE
<b>Standard Deduction</b>	\$13,500	\$31,500	+\$18,000
<b>Additional Over 65</b>	\$3,200	\$3,200	—
<b>OBBA Senior Deduction</b>	—	\$12,000	+\$12,000
<b>Total Deduction</b>	\$16,700	\$46,700	+\$30,000
<b>Tax Savings @ 22% Rate</b>	\$3,674	\$10,274	+\$6,600



QUESTIONS?

# IRS PAYMENT OPTIONS AND REFUND INSTRUCTIONS FOR INDIVIDUAL TAXPAYERS

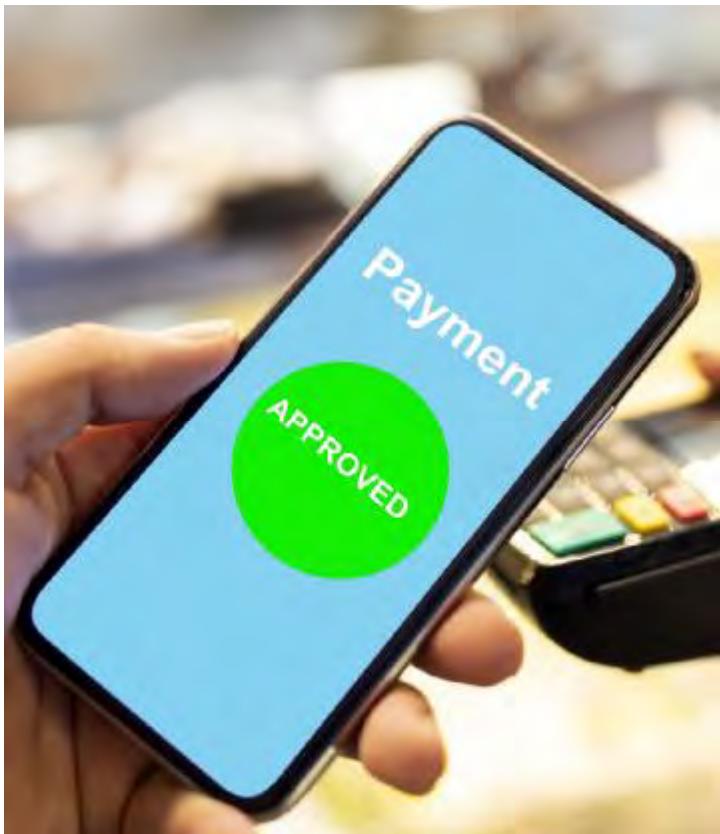
Understanding payment methods and refund processes





# IRS PAYMENT METHODS

# ONLINE PAYMENT OPTIONS



## **IRS Direct Pay**

IRS Direct Pay allows direct, fee-free payments from bank accounts with a reliable and straightforward process.

## **Card and Digital Wallet Payments**

Payments via debit, credit cards, and digital wallets are accepted though they may have processing fees.

## **Electronic Funds Withdrawal**

Set up during e-filing, this method automatically deducts taxes from bank accounts for convenience.

## **EFTPS and Mobile App**

EFTPS enables scheduled payments requiring enrollment, and IRS2Go app offers secure mobile tax payments.

# FORMS SUPPORTED FOR ONLINE PAYMENT

## **Form 1040 Online Payments**

Form 1040 can be paid electronically through multiple IRS platforms, simplifying individual income tax payments.

[IRS Direct Pay With Bank Account](https://www.irs.gov/payments/direct-pay-with-bank-account) - <https://www.irs.gov/payments/direct-pay-with-bank-account>

[EFTPS: The Electronic Federal Tax Payment System](https://www.irs.gov/payments/eftps-the-electronic-federal-tax-payment-system) - <https://www.irs.gov/payments/eftps-the-electronic-federal-tax-payment-system>

[Pay Your Taxes by Debit or Credit Card or Digital Wallet](https://www.irs.gov/payments/pay-your-taxes-by-debit-or-credit-card) - <https://www.irs.gov/payments/pay-your-taxes-by-debit-or-credit-card>

[IRS2Go Mobile App](https://www.irs.gov/help/irs2goapp) - <https://www.irs.gov/help/irs2goapp>

## **Role of Form 1040-V**

Form 1040-V is mostly obsolete but its data still supports online payment processing for paper check submissions.

## **Estimated Taxes via Form 1040-ES**

Form 1040-ES enables estimated quarterly tax payments electronically through IRS Direct Pay and other methods.

## **Benefits of Online Payments**

Electronic payments reduce processing times, enhance security, and simplify tax obligations for taxpayers.



## TRANSITION AWAY FROM PAPER CHECKS



## Why Paper Checks Are No Longer Accepted

### End of Paper Checks

According to the Executive Order 14247, IRS was scheduled to stop accepting paper checks for tax payments and refunds starting September 2025 to modernize financial processes. Tax payments for individuals by check will still be accepted until 2027. (Per August 14, 2025, news release by the Bureau of the Fiscal Service), however, refunds will only be issued by electronic means.

### Risks of Paper Checks

Paper checks are 16 times more vulnerable to theft, loss, and fraud compared to electronic payments.

### Cost and Efficiency Benefits

Processing paper checks costs over \$657 million annually while electronic payments are faster, cheaper, and more secure.

### Limited Exceptions

Exceptions include those without bank access, emergencies, and specific national security situations.



**DIRECT DEPOSIT  
FOR REFUNDS**

## Direct Deposit Overview

Direct deposit is the fastest and safest way to receive tax refunds directly into bank accounts.

### Required Information

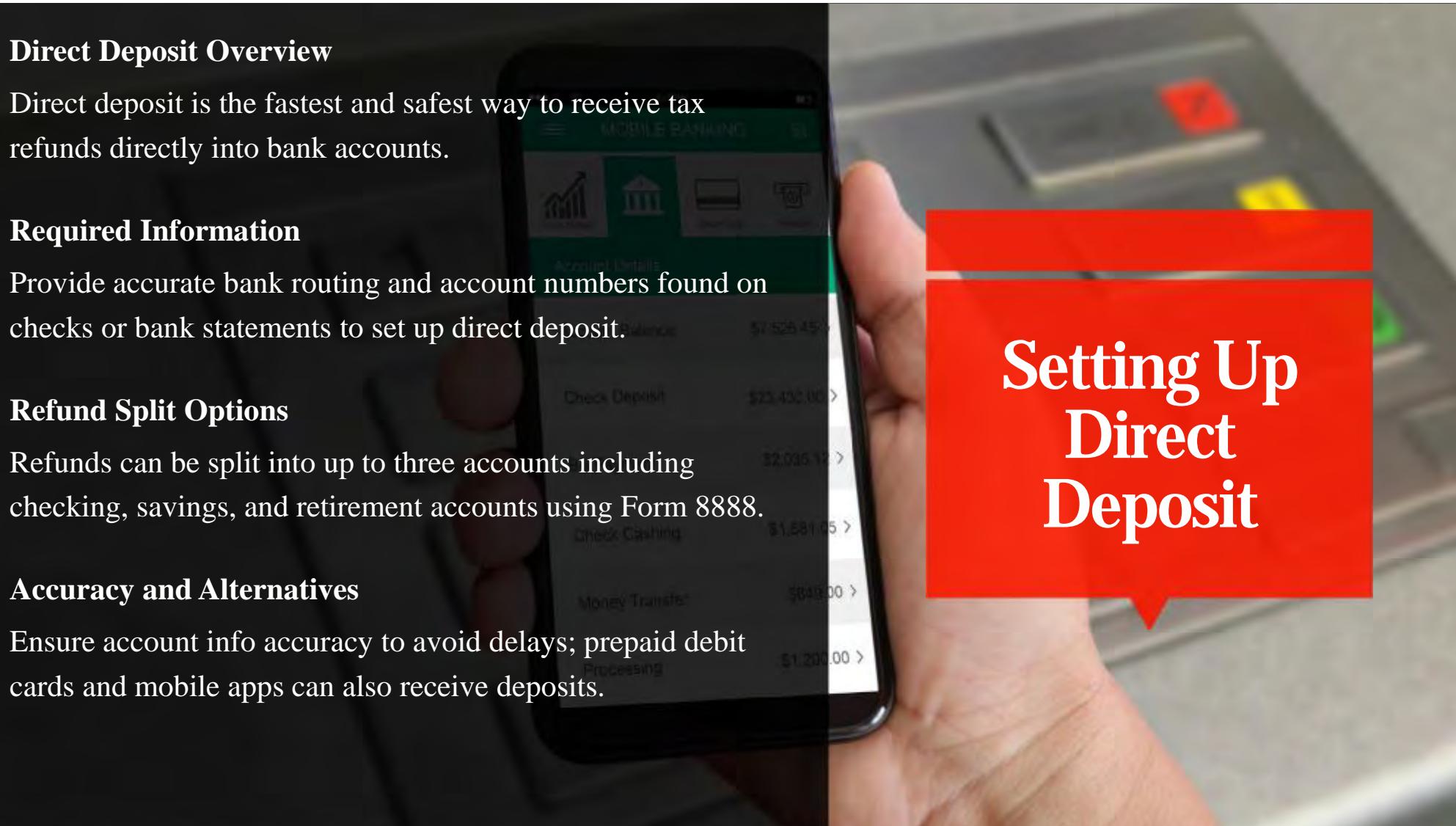
Provide accurate bank routing and account numbers found on checks or bank statements to set up direct deposit.

### Refund Split Options

Refunds can be split into up to three accounts including checking, savings, and retirement accounts using Form 8888.

### Accuracy and Alternatives

Ensure account info accuracy to avoid delays; prepaid debit cards and mobile apps can also receive deposits.



Setting Up  
Direct  
Deposit



## Providing Information to Tax Preparers

### Provide Accurate Bank Details

Sharing correct bank routing and account numbers with tax preparers ensures faster and secure refund direct deposits.

### Verify Account Compatibility

Confirm accounts accept direct deposits, especially joint or prepaid debit accounts, to avoid refund delays.

### Set Up Electronic Payments

Establish electronic payment options early to comply with mandates and prevent last-minute tax filing issues.

### Use IRS Tracking Tools

Utilize IRS tools like 'Where's My Refund?' and IRS2Go app to monitor refund and payment status efficiently.

# NO TAX ON TIPS: SUMMARY OF OBBBA PROVISION FOR 2025 TAX PLANNING



# BACKGROUND AND INTRODUCTION TO OBBBA



## **Prior Tax Law on Cash Tips**

Cash tips were fully taxable income, subject to FICA taxes paid by both employees and employers.

## **FICA Tip Credit for Employers**

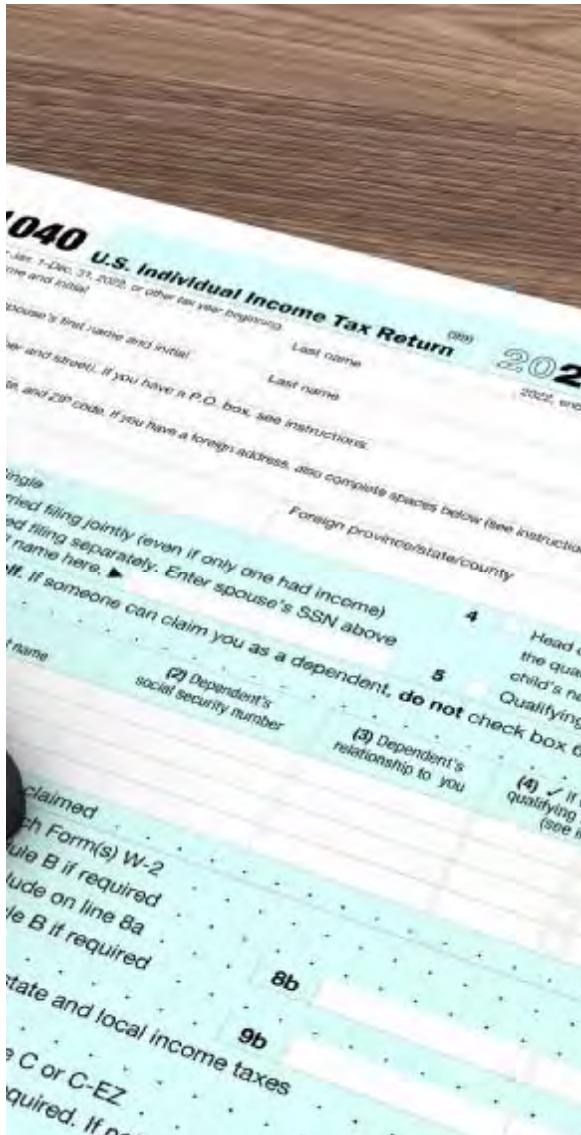
Employers in food and beverage could claim a FICA tip credit to reduce payroll tax liability.

## **OBBA Tax Deduction Introduction**

Starting in 2025, OBBBA allows a temporary federal deduction for qualified cash tips for the first time.

## **Targeted Relief for Tipped Workers**

The provision aims to provide tax relief recognizing the unique income challenges of tipped professions.



# KEY HIGHLIGHTS AND ELIGIBILITY CRITERIA

## Deduction Overview

Taxpayers can deduct up to \$25,000 annually in qualified cash tips from taxable income under the OBBBA tip deduction.

## Eligibility Requirements

Eligible taxpayers must have occupations with customary tipping before 2025 and valid Social Security Numbers, and married filers must file jointly.

## Income Phase-Out

The deduction phases out for single filers above \$150,000 MAGI and joint filers above \$300,000 MAGI, with a \$100 reduction per \$1,000 excess income.

## Additional Considerations

The deduction is available to non-itemizers but deducted tips are excluded from Qualified Business Income calculations impacting other tax benefits.

# FICA TIP CREDIT EXPANSION AND REPORTING REQUIREMENTS

## Expansion to Beauty Services

Starting 2025, the FICA Tip Credit extends to beauty services like bartering, nail care, and spa treatments where tipping is customary.

## Enhanced Reporting Requirements

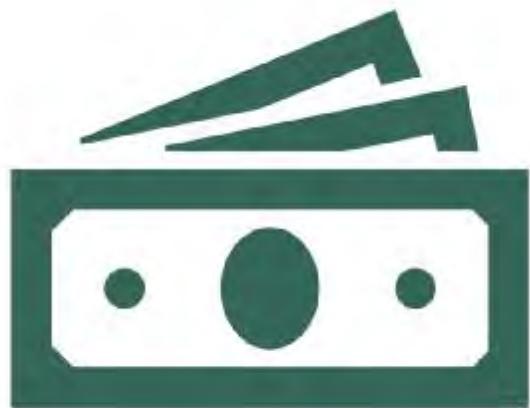
Employers and digital platforms must report designated cash tips and occupations on W-2, 1099, and 1099-K forms starting 2025.

## Compliance and Planning

Taxpayers and employers should maintain documentation and update payroll systems to comply with new credit and reporting rules.

## Effective Dates and Deadlines

The provision applies from tax years after 2024 through 2028, requiring timely adaptation for maximum benefits.



**NO TAX ON OVERTIME**



## KEY FEATURES OF THE DEDUCTION

### Effective Dates

Allows individuals to claim an income tax deduction for qualified overtime pay received in tax years 2025 through 2028.

### Deduction Overview

The deduction is capped at \$12,500 per year (\$25,000 for joint filers).

### Income Phase-out

The deduction begins to phase out when modified adjusted gross income exceeds \$150,000 (\$300,000 for joint filers).



# REQUIREMENTS OF TAXPAYER

## **Form W-2 and Form 1099-NEC**

Qualified overtime pay must be reported on Form W-2 (for employees) or Form 1099-NEC (for nonemployees), and the deduction is only available if the taxpayer's social security number is included on their tax return.

## **Form 1040**

The deduction is available to both itemizers and non-itemizers, and is expected to be claimed on a new line of Form 1040.

## **Employment Taxes**

This deduction does not apply to FICA or FUTA taxes—overtime pay is still subject to those employment taxes.

# Extension and Enhancement of the Paid Family & Medical Leave Credit

# KEY HIGHLIGHTS OF THE CREDIT

## Permanent Status

The employer credit for paid family and medical leave (Code Sec. 45S) is now permanent, effective for tax years beginning after December 31, 2025.

## Wages Paid or Insurance Premiums

Starting in 2026, employers can claim the credit for either wages paid to qualifying employees on leave or for insurance premiums that provide paid family and medical leave.



# CALCULATING THE CREDIT

## **State or Local Law Required Payments**

Paid leave required by state or local law will count toward the amount of leave provided by the employer, but not in calculating the credit amount itself.

## **Credit Ranges**

The credit ranges from 12.5% to 25% of eligible wages or premiums, depending on the percentage of normal wages paid during leave.

## **Form 8994**

Employers claim the credit on Form 8994, and the credit reduces the employer's wage deduction.



## INDIVIDUAL SALT DEDUCTION LIMITATION – TEMPORARY EXPANSION UNDER OBBBA

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RECENT CHANGES AFFECTING STATE AND  
LOCAL TAX DEDUCTIONS

# BACKGROUND AND INTRODUCTION TO SALT DEDUCTION

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## SALT Deduction Limits Under TCJA

TCJA capped the SALT deduction at \$10,000 for individuals and \$5,000 for married filing separately through 2025.

## Temporary Nature of SALT Cap

The \$10,000 cap on SALT deductions was set to expire on December 31, 2025, creating a temporary limitation.

## OBBBA's Expansion of SALT Deduction

The OBBBA temporarily increases the SALT deduction cap starting in tax year 2025, aiding high-tax state taxpayers.

## Importance for Tax Planning

Understanding SALT changes is crucial for optimizing tax strategies and managing income and deductions effectively.



# EXPANDED DEDUCTION LIMITS AND PHASEOUT RULES



## Increased Deduction Caps

The SALT deduction cap rises from \$10,000 to \$40,000 in 2025, with gradual increases until 2029 before reverting in 2030.

## Phaseout Mechanism

High-income taxpayers face a deduction phaseout starting at \$500,000 MAGI.

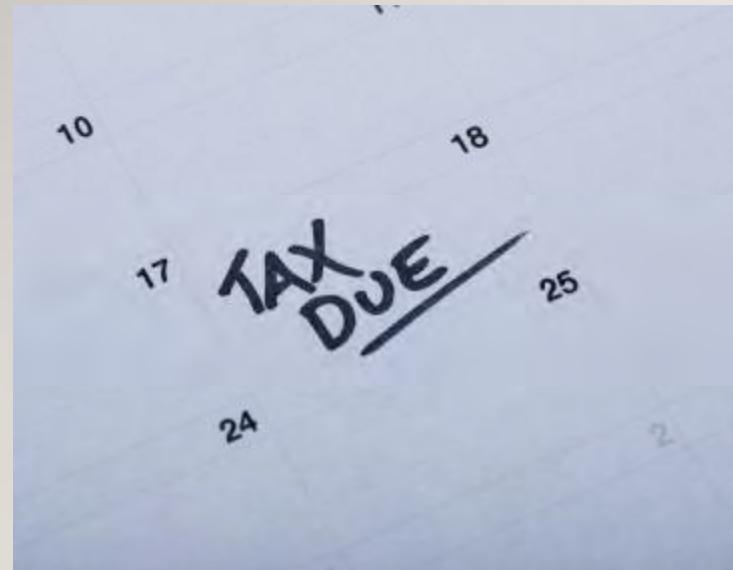
## Minimum Deduction Guarantee

The deduction cannot drop below \$10,000, ensuring all taxpayers retain a minimum level of SALT relief despite phaseouts.

## Taxpayer Considerations

Taxpayers should review income and SALT payments carefully to understand impacts on their tax liabilities under the new rules.

# TAX PLANNING STRATEGIES AND IMPLEMENTATION TIMELINE



## Temporary SALT Deduction Expansion

The SALT deduction cap is temporarily increased from 2025 to 2029, allowing higher deductible state and local taxes.

## Accelerated Deduction Strategies

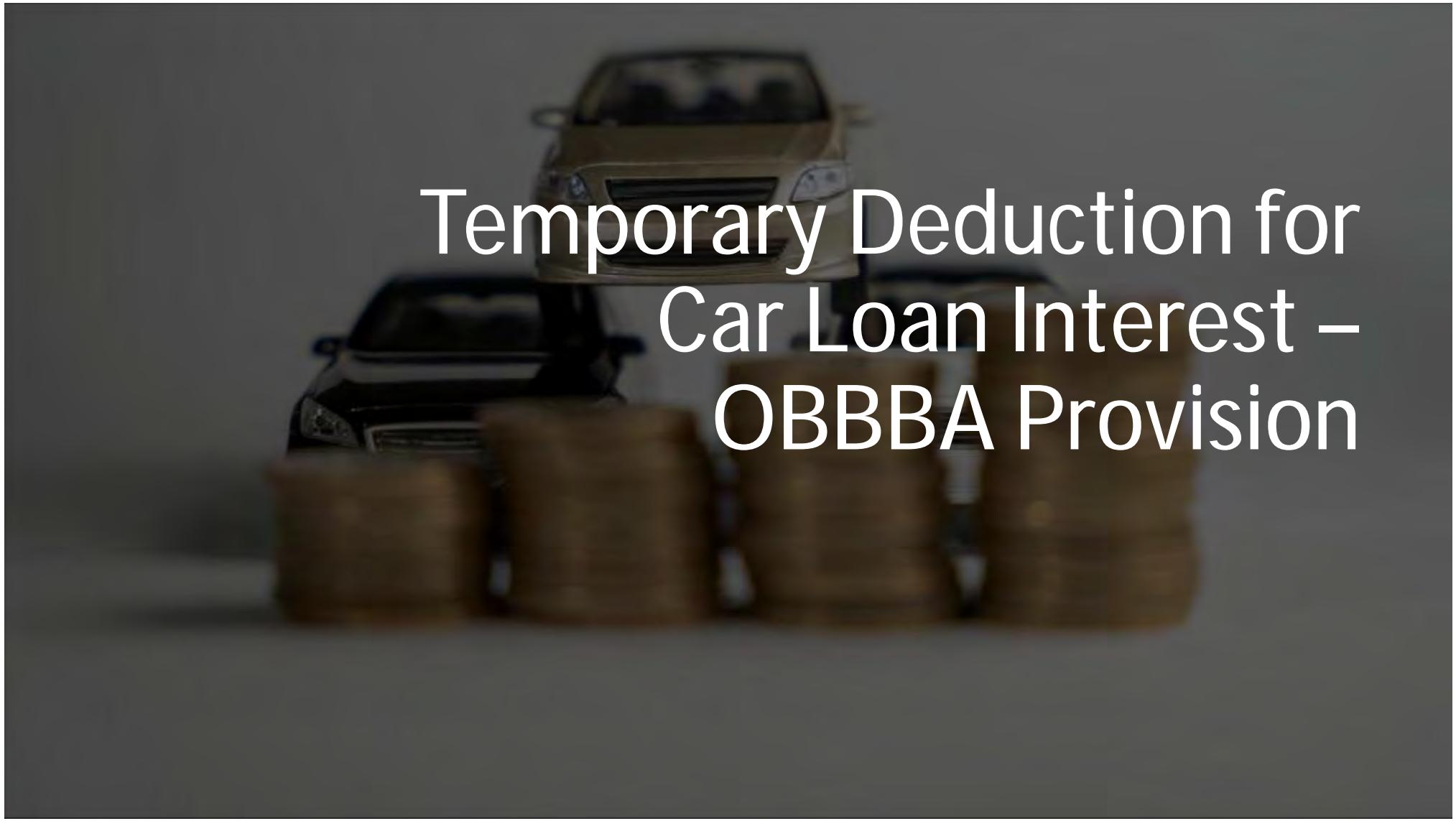
Taxpayers can prepay property taxes and accelerate deductions during the expanded cap period to maximize benefits.

## Managing MAGI Phaseout

High-income individuals should consider income deferral and increased retirement contributions to manage MAGI and preserve deductions.

## Compliance and Monitoring

Monitoring IRS updates and documenting early preparation are essential for optimizing tax planning during this period.



# Temporary Deduction for Car Loan Interest – OBBA Provision

# Background and New Provision

## Previous Tax Law Restrictions

Earlier tax laws prohibited deduction of interest on loans for personal-use vehicle purchases, including motorcycles (*Harley Davidson!*).

## New Temporary Deduction Provision

The OBBBA allows temporary deductions on interest paid for loans on new personal-use passenger vehicles from 2025 to 2028.

## Impact on Taxpayers

This policy shift offers financial relief to individuals financing eligible new vehicles for personal use during the limited window.



# Key Features and Eligibility Criteria

## Deduction Limits and Qualification

Individuals can deduct up to \$10,000 yearly for qualified personal car loan interest from loans after December 31, 2024.

## Eligible Vehicles Criteria

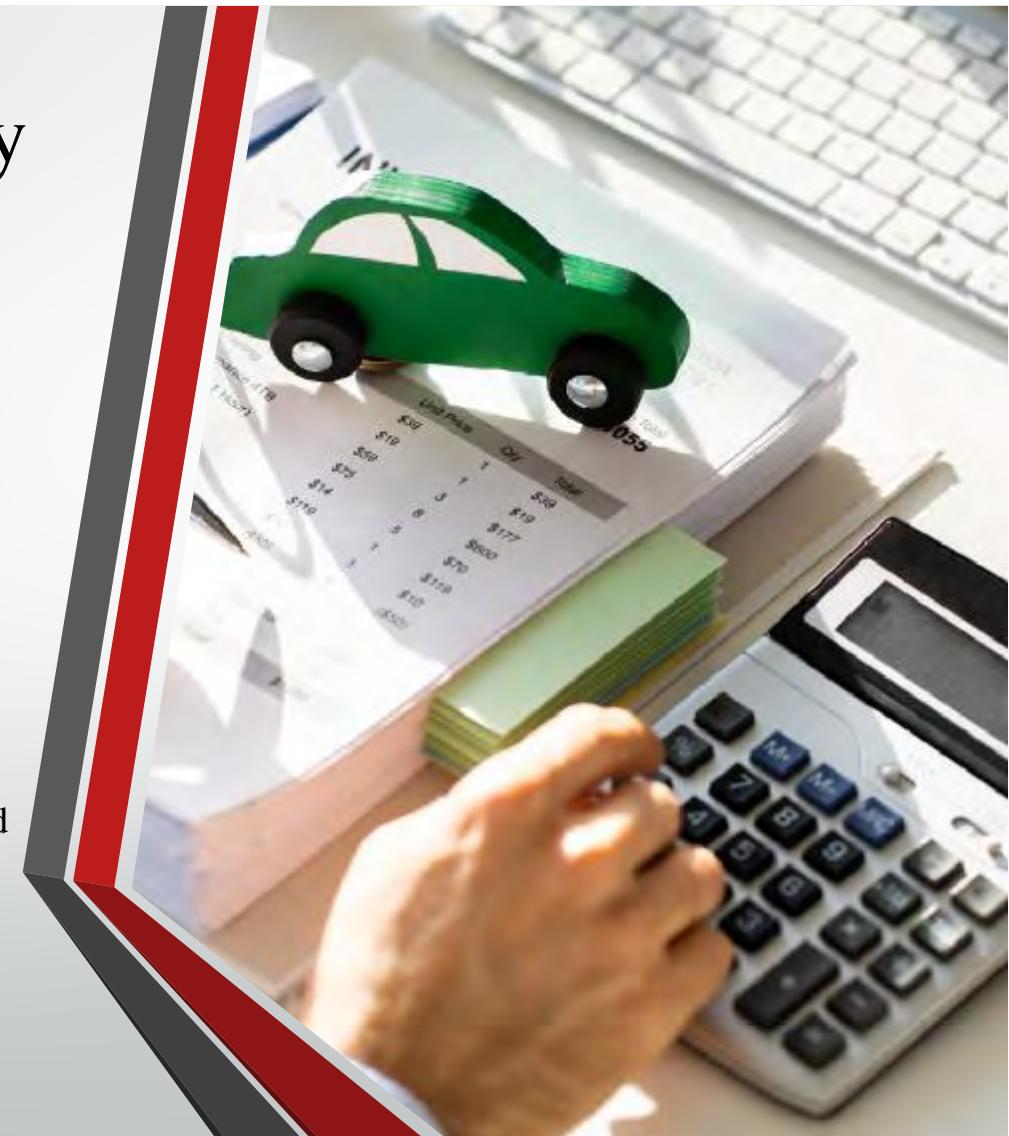
Eligible vehicles include new personal-use vehicles under 14,000 pounds assembled in the United States.

## Income Phase-Out Thresholds

Deduction phases out starting at \$100,000 MAGI for singles and \$200,000 for joint filers, reducing eligibility gradually.

## Documentation and Compliance

Taxpayers must report VIN, provide purchase and interest payment documents, and lenders file IRS information returns.





# Planning Considerations and Effective Dates



## Purchase Timing Strategy

Strategically timing vehicle purchase and financing maximizes benefits under the temporary car loan interest deduction.

## Eligibility Criteria

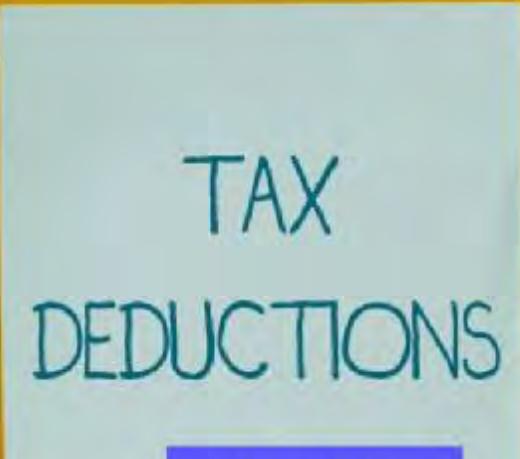
Eligibility requires loan after December 31, 2024, U.S.-assembled vehicle, and proper purchase and interest documentation.

## Income Phase-Out Limits

High-income filers face deduction phase-out beyond \$100,000 single or \$200,000 joint MAGI thresholds.

## Effective Period

Deduction applies to qualified interest on new vehicles purchased after Dec 31, 2024, expiring Dec 31, 2028.



Don't forget!



Permanent Charitable Deduction  
for Non-Itemizers – OBBBA  
Provision

# BACKGROUND & NEW PROVISION



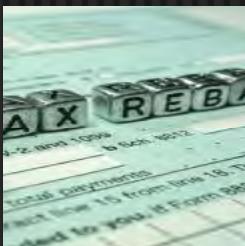
## Previous Deduction Rules

Before OBBBA, only taxpayers who itemized deductions could deduct charitable contributions.



## Impact on Non-Itemizers

Taxpayers taking standard deduction could not claim charitable donation deductions previously.



## New Provision Introduced

Starting 2026, OBBBA allows non-itemizers to deduct charitable contributions, expanding tax benefits.

# KEY FEATURES OF THE DEDUCTION

## **Deduction Limits**

The deduction limits are \$1,000 for singles and \$2,000 for joint filers, encouraging charitable giving.

## **Qualified Contributions**

Contributions must be cash donations to qualified public charities meeting IRS Section 170(p) requirements.

## **Below-the-line Deduction**

This deduction subtracts from adjusted gross income, benefiting taxpayers who do not itemize deductions.

## **Increased Philanthropic Activity**

The deduction encourages more taxpayers to give, broadening charitable contributions and reducing tax liabilities.

# PLANNING CONSIDERATIONS & EFFECTIVE DATE

## New Charitable Deduction

Permanent charitable deduction benefits non-itemizers starting in tax year 2026 under the OBBBA.

## Donation Requirements

Donations must be cash and made to qualified public charities with proper documentation for eligibility.

## Tax Impact

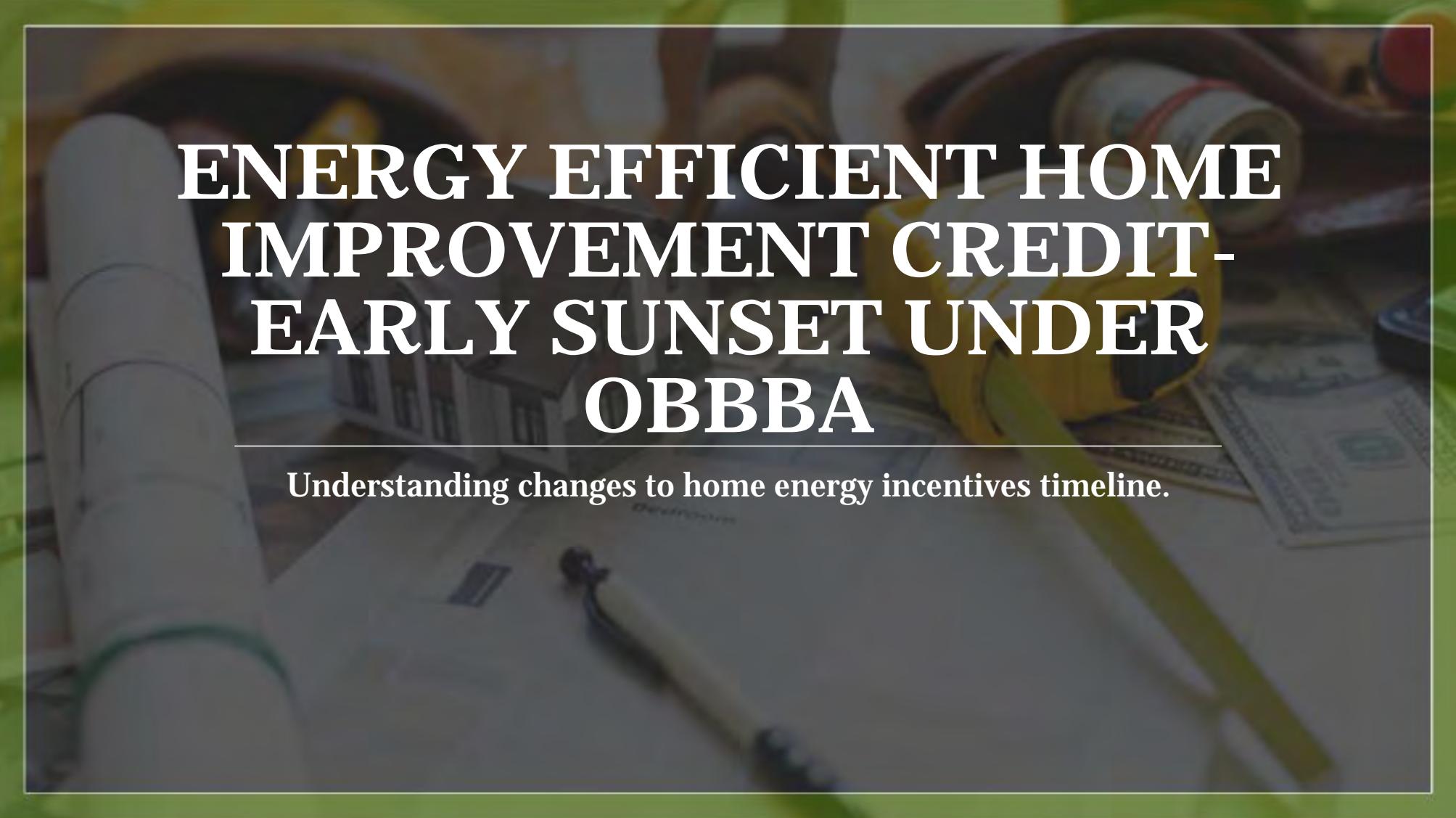
Deduction reduces adjusted gross income, directly lowering taxable income for non-itemizers.

## Financial Planning Advice

Taxpayers should incorporate charitable giving into strategies to maximize tax benefits under the new provision.



QUESTIONS?



# ENERGY EFFICIENT HOME IMPROVEMENT CREDIT- EARLY SUNSET UNDER OBBA

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Understanding changes to home energy incentives timeline.



## Background of the Energy Efficient Home Improvement Credit

### Tax Credit Overview

A 30% nonrefundable tax credit was available for qualified energy-efficient home upgrades, incentivizing homeowners financially.

### Qualified Energy Improvements

Eligible improvements included insulation, energy-efficient windows and doors, HVAC systems, and home energy audits.

### Credit Limit and Duration

The credit was capped at \$1,200 annually and was set to last until December 31, 2032 for long-term planning.

# Key Details of the OBBBA Update



## Accelerated Expiration Date

OBBBA shortens the Energy Efficient Home Improvement Credit availability to properties placed by **December 31, 2025.**

## Credit Features Remain

Credit remains at 30% of qualified expenses with an annual cap of \$1,200 for eligible home improvements.

## Eligible Improvements

Eligible upgrades include insulation, energy-efficient windows, doors, HVAC systems, and home energy audits.



# Strategic Planning and Implementation Timeline

## Urgent Upgrade Planning

Homeowners must plan energy-efficient upgrades to finish by **December 31, 2025**, before the credit expires.

## Documentation and Scheduling

Scheduling installations and securing documentation are vital to claim the tax credit successfully.

## Adjusting Energy Programs

Energy-efficiency programs must revise strategies as the credit's availability shortens.



# RESIDENTIAL CLEAN ENERGY CREDIT – EARLY TERMINATION UNDER OBBBA

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Understanding impacts of recent  
policy changes on credits

# Background and OBBBA Update

## Previous Tax Credit Benefits

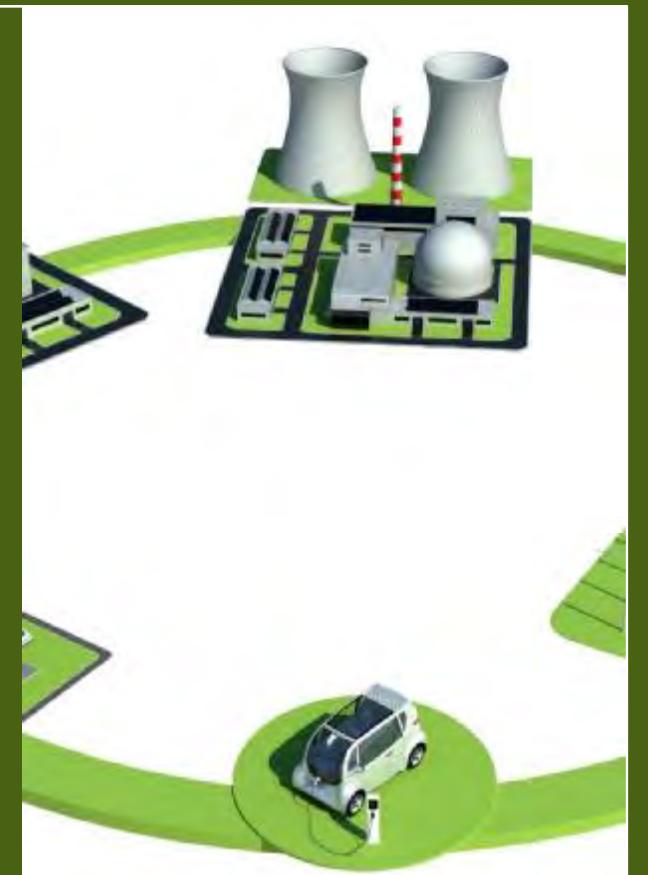
Before OBBBA, taxpayers could claim a 30% credit on qualified residential clean energy installations.

## Types of Eligible Systems

Eligible systems included solar panels, solar water heating, fuel cells, wind turbines, geothermal pumps, and battery storage.

## OBBA Timeline Change

*The tax credit validity shortened to expenditures before December 31, 2025, reducing eligibility by seven years.*

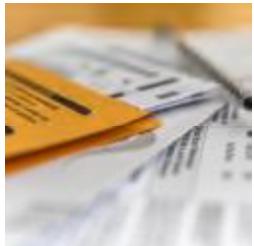


# Key Details of the Credit



## Credit Rate and Eligibility

The credit rate remains at 30% for qualified clean energy expenditures including solar, geothermal, wind, fuel cells, and storage.



## Credit Carryforward Feature

Unused credits can be carried forward to future tax years, allowing taxpayers to maximize their benefits over time.



## Expiration Date Change

The credit now expires on December 31, 2025, a significant reduction from the previous 2032 deadline.

# Planning Considerations and Effective Date

## Early Termination Impact

The Residential Clean Energy Credit ends early, requiring quick action to secure the 30% tax benefit before 2025.

## Investment Prioritization

Homeowners should prioritize installing qualifying clean energy technologies to maintain eligibility for tax credits.

## Tax Planning Recommendations

Consulting tax advisors and documenting expenditures is essential for ensuring credit qualification and financial planning.





# **CLEAN VEHICLE CREDITS – EARLY TERMINATION UNDER OBBBA**

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Understanding policy impacts on clean vehicle incentives

# Background and Credit Overview

## **Tax Credit Eligibility Criteria**

Buyers qualify if the vehicle is two model years older, costs under \$25,000, and is bought from a licensed dealer.

## **Tax Credit Calculation**

Credit equals lesser of \$4,000 or 30% of sale price, nonrefundable, incentivizing clean vehicle purchases.

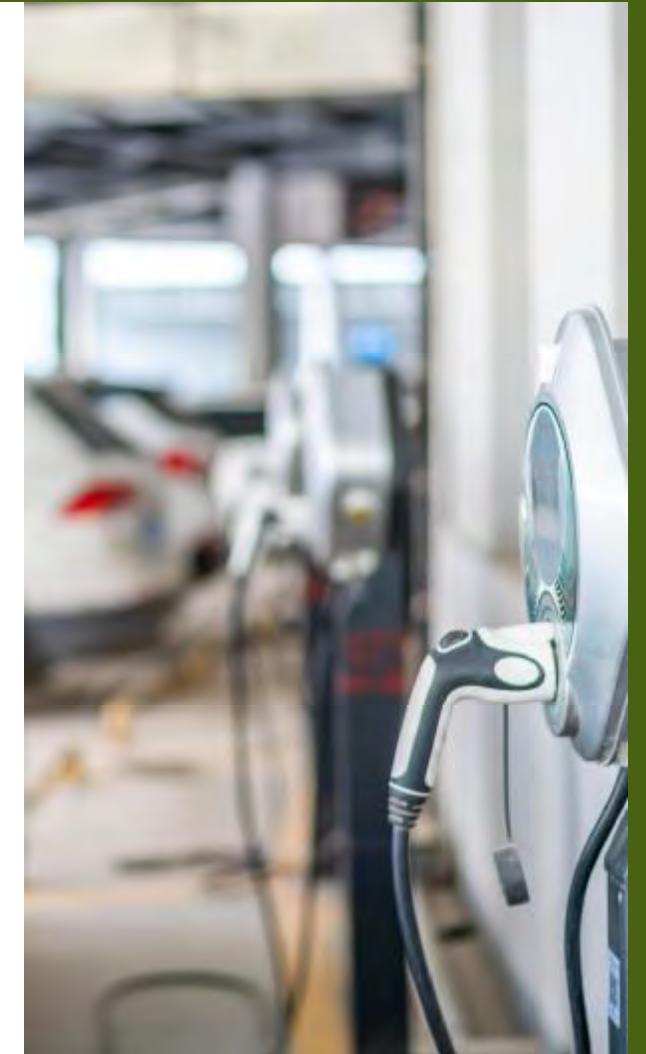
# OBBBA Changes and Planning Implications

## Accelerated Credit Expiration

The Previously Owned Clean Vehicles Credit expired on September 30, 2025

## Impact on Buyers

Buyers must have completed the purchases before October 1, 2025 to qualify, affecting vehicle affordability and buying decisions.



# Background and Credit Structure

## Tax Credit Overview

Taxpayers could claim a nonrefundable credit up to \$7,500 for new clean vehicle purchases including electric and hydrogen models.

## Credit Components

The credit was split into \$3,750 for critical mineral sourcing and \$3,750 for battery component manufacturing standards.

## Eligibility Criteria

Eligibility depended on vehicle price, buyer's income, and final assembly location for the clean vehicle credit.

## Credit Timing

Credit *was* based on the vehicle's delivery date, not the purchase agreement, and valid through December 31, 2032.

# OBBBA Changes and Strategic Considerations

## **Shortened Credit Availability**

OBBBA ended Clean Vehicle Credit eligibility for vehicles acquired after **September 30, 2025**.

**This credit has expired for purchases after September 30, 2025**

Buyers must have acquired and placed the vehicle in service by the deadline of **September 30, 2025**, to qualify for the credit under OBBBA.

<https://fueleconomy.gov/feg/taxused.shtml>





# QUESTIONS?

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# CHANGES TO QUALIFIED BUSINESS INCOME (QBI)



# BACKGROUND AND OVERVIEW

## Prior to OBBBA

- „ The Qualified Business Income (QBI) deduction lets eligible business owners deduct up to 20% of their business income from certain types of businesses

## Example

- „ Business makes \$50,000 net income at December 31, 2025

$\$50,000 * 20\% = \$10,000$  QBI deduction

$\$50,000 - \$10,000$  QBI deduction =  $\$40,000$  Taxable Income

- „ Applies to sole proprietors, partnerships, S corporations, and some trusts and estates
- „ Not available for income earned as an employee or from certain service businesses if income is above set limits



## QBI Before and After OBBBA

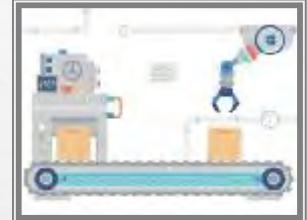
Feature	Before OBBBA	After OBBBA (OBBA Updates)
Expiration	Ends after 2025	Permanent
Minimum Deduction	None	\$400 minimum (inflation-adjusted)
Material Participation	Not required	Required for minimum deduction
Calculation	Up to 20% of QBI	No change to basic calculation
Threshold Amounts (2025 example)	MFJ: \$394,600; Single: \$197,300	Same, inflation-adjusted annually
Phase-In Ceiling (2025 example)	MFJ: \$494,600; Single: \$247,300	Same, inflation-adjusted annually
SSTB Limitation	Phased in from above row	Modified phase-in and calculation

# DEPRECIATION AND BONUS DEPRECIATION



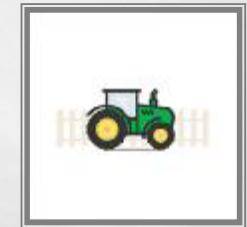
# What is Depreciation?

- Depreciation is the process of gradually deducting the cost of an expensive asset



# What is Bonus Depreciation?

- § 168 Bonus Depreciation is an election that allows a larger percentage of depreciation expense for an asset in the year of purchase
- Tax Cut and Jobs Act made Bonus Depreciation effective for years 2017-2025
  - Total percentage of Bonus Depreciation decreased each year until its end in 2027
- Example:
  - A business purchased \$100,000 of new machinery on January 10, 2025. The bonus depreciation rate for property acquired before January 20, 2025, and placed in service in 2025 is 40%. The business can immediately deduct \$40,000 as bonus depreciation ( $\$100,000 * 40\% = \$40,000$ ). The remaining \$60,000 of cost is depreciated over the asset's regular recovery period.



<b>Topic</b>	<b>Pre-OBBA Treatment</b>	<b>OBBA Changes</b>
Bonus Depreciation Rate	Phased down (100%→80%→60%→40%→20%)	100% permanent for qualified property
Real Property Used for Production	39-year MACRS, no full deduction	100% deduction for qualified property
Used Property Eligibility	Limited, strict original use rules	Expanded eligibility for used property
Election Window	No special election for real property	Election for 100% deduction (2025-2029)
Recapture Rules	Section 1250 for real property	Section 1245 recapture if use changes

# 100% DEPRECIATION ELECTION FOR REAL PROPERTY

- Previous rules did not allow for depreciation of real property
- Buildings were usually depreciated over 20-39 years
- New OBBBA rules allow for Bonus Depreciation to manufacturing, real property
  - That means 100% deduction for buildings now!
- Buildings that have manufacturing and other purposes (ex: office or sales rooms), cost is allocated between sections
- Drawback: There is a 10-year recapture period if the property is sold or of no longer of qualifying use



# 1099 REPORTING THRESHOLD FOR CERTAIN PAYEES



# Prior rules: Form 1099 Reporting

- General reporting requirement
  - Businesses were required to file an information return (e.g., Form 1099-MISC or 1099-NEC) for payments totaling \$600 or more made during the calendar year for specified types of income
  - Example 1: A business paying \$700 in rent to a landlord in 2024 would need to file a Form 1099-MISC for the landlord
- Similar reporting requirements applied for payments totaling \$600 or more made as remuneration for services to non-employees
  - Example 2: A business paying \$1,200 to a consultant for services in 2025 would need to file a Form 1099-NEC for the consultant



# OBBA Changes



- Increased Reporting Threshold starting after December 31, 2025
  - From \$600 to \$2,000
  - Example: A business paying \$1,000 to a freelancer for services in 2026 would NOT need to file a Form 1099-NEC for the freelancer
- Inflation Adjustment beginning in 2027
- Backup Withholding rules are revised to reflect new inflation-adjusted threshold for payments after December 31, 2025
  - Payments subject to backup withholding increased from \$600 to \$2,000

# De minimis payments by third party settlement organizations

- Original rules:

- Form 1099-K is issued when a participating payee has
  - Gross payments that exceed \$20,000 or
  - Total number of transactions is more than 200

- Rules under OBBBA

- Gross amount of the payments in settlement of third-party network transactions with the payee is more than \$20,000 AND
- The total number of the payee's transactions is more than 200





**GAIN FROM SALE OR EXCHANGE OF  
QUALIFIED FARMLAND PROPERTY**

# New rule from OBBBA

- u Taxpayers can make the election to pay tax in installments on sale or exchange of qualified farmland property allowed

Aspect	Prior Law	OBBA Provision
Capital gains on farmland	Taxed in full in year of sale	Can be paid in 4 equal annual installments
Eligibility	No special installment option for farmland	Applies to farmland used 10+ years and restricted for 10 years post-sale
Deficiency Handling	Full amount due upon assessment	Prorated unless due to fraud/negligence

A farmer sells land for \$400,000 gain in 2024

Entire capital gains tax (e.g., \$80,000) is due with the 2024 return

After OBBBA using the same example but in 2025

Farmer elects installment method. Pays \$20,000 each year from 2025-2028, assuming no missed payments

# Eligibility criteria

## u Qualified Farmland Property

- u U.S. real property used as a farm or leased to a qualified farmer
- u Must have been used substantially for farming for the 10 years preceding the sale
- u Must remain subject to non-farm use restrictions for 10 years after the sale

## u Qualified Farmer

- u Defined under the Food Security Act of 1986 as someone actively engaged in farming
- u Applies to sales or exchanges in tax years beginning after July 4, 2025, when the bill became law



# How the Installment works

## 4 Equal Tax Payments

- The first payment is due with the tax return for the year of sale
- The remaining three payments are due with returns for the next three years

## Missed Payment Consequences

- If a payment is missed, the entire remaining balance becomes due immediately

## Special Situations

- If the taxpayer dies (individual) or liquidates (C Corp, trust, estate), all unpaid installments are due with the final return
- If the IRS assesses a deficiency, it is prorated across remaining installments- unless due to negligence or fraud





## Exceptions from Limitations on Deduction of Business Meals

# Business Meals Deduction Changes

OBBBA has eliminated some meals eligible for deduction

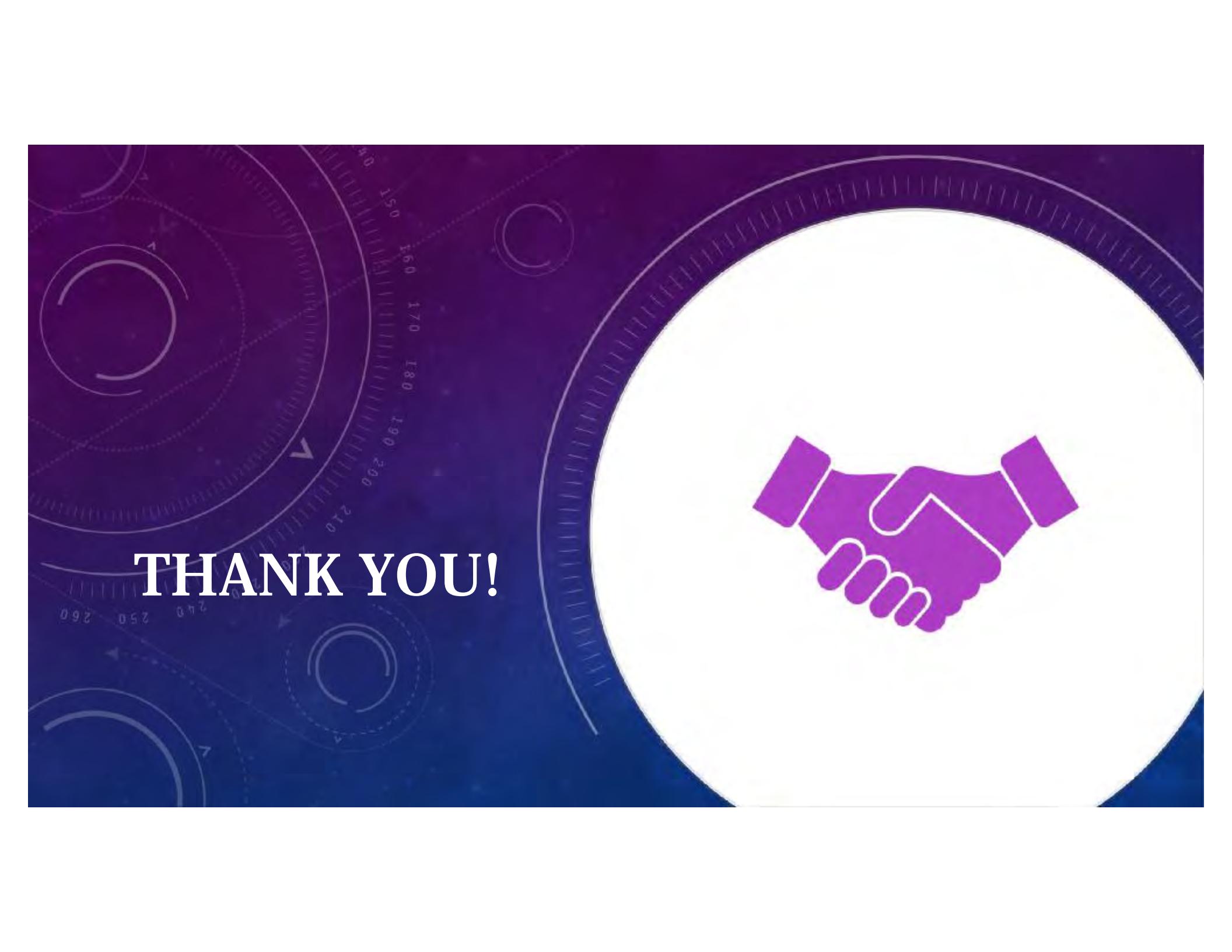
- §119 Meals for the convenience of the employer
- Example: Acme Hospital provides emergency medical services and has a written policy that employees must be available for all emergency calls during work hours.
- Because emergencies can and do occur during meal periods, Acme furnishes food and beverages to employees without charge in a cafeteria on its premises and excludes the food and beverages from employee's income as meals provided for the convenience of the employer.
- Acme may only deduct 50% of the employee cafeteria expenses.

# Business Meals Deduction Changes

## OBBBA has eliminated some meals eligible for deduction

- §132(a)(4) De minimis fringe benefit
- Example: an employer provides occasional meals or meal money to employees working overtime to enable them to work an unusual, extended schedule
- Other example would include occasional coffee, doughnuts, or soft drinks provided in an office breakroom
- Key to de minimis benefits is small values, occasional/infrequent expenses, and usually non-cash.

# QUESTIONS?



THANK YOU!

