ANTHONY & DODGE, PC

Certified Public Accountants

For Individual Tax Returns

On July 4, 2025, an extensive Federal income tax bill, the One Big Beautiful Bill Act (OBBBA), was signed into law. The Act has numerous additions, terminations and amendments to the Federal income tax code for individuals.

The impact on individual tax planning will need to be approached carefully as some implementation dates of the changes impact return filings right away, in 2025, and some changes are not effective until 2026. Recognizing the timing for implementation is important to a tax plan that is unique to every individual return.

The chart below will help identify some of the significant changes to be found in 2025 and beyond. You're encouraged to review this chart and then be in contact with us to discuss the impact on your tax plan.

Topic Law	***Law Prior OBBBA***	***New Law Under OBBBA***
Estates, Gifts, & Trusts Extended with Amendments		
Estate & Gift Tax Exemption Amount	Temporarily increased the estate and gift tax exclusion amount to $10M for decedents dying and gifts made after Dec. 31, 2017, and before Jan. 1, 2026, indexed annually for inflation	Permanently increases the estate and gift tax exemption amount to $15M, indexed annually for inflation. Effective Date: **Applies to estates of decedents dying and gifts made after Dec. 31, 2025.**
Individuals Provisions with Amendments		

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Child & Dependent Care Credit	Allowed a credit for child and dependent care expenses, equal to 35% of qualified expenses reduced (not below 20%) by 1% for each $2,000 (or fraction thereof) by which adjusted gross income (AGI) exceeded $15,000.	Increases credit amount from 35% to 50% of child and dependent care expenses, reduced (not below 35%) by 1% for each $2,000 by which AGI exceeds $15,000, and further reduced (not below 20%) by 1% for each $2,000 ($4,000 joint) by which AGI exceeds $75,000 ($150,000 joint). Effective Date: **Applies to taxable years beginning after Dec. 31, 2025.**
American Opportunity and Lifetime Learning Credits	Allowed permanent American Opportunity and Lifetime Learning credits, subject to identification requirements	Requires valid taxpayer, spouse, and student Social Security numbers to claim credits. Requires school EIN to claim American Opportunity Tax Credit. Treats noncompliant returns as having a mathematical error, allowing IRS to automatically remove the credit. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025.**
Tax Benefit of Itemized Deductions	Temporarily suspended the Pease limitation for individual taxpayers itemizing deductions through 2025.	Repeals Pease itemized deduction limitation and creates a new calculation. Reduces itemized deductions by 2/37 of the lesser of: (i) itemized deduction amount; or (ii) amount of taxable income exceeding §1(j) threshold for 37% tax bracket. Revised limitation does not apply to §199A qualified business income deduction. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025.**

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
529 Account Disbursements for Elementary, Secondary, and Homeschooling Expenses	Treated certain primary and secondary education expenses as qualified higher education expenses.	Amends definition of "qualified higher education expense" to include certain expenses in connection with enrollment in or attendance at an elementary or secondary public, private, or religious school. For tax years beginning after Dec. 31, 2025, increases the annual aggregate per-beneficiary distribution limitation from $10,000 to $20,000. Effective Date: **Applies to distributions made after July 4, 2025**
Individuals Provisions Extended		
Individual Income Tax Rates	Temporarily decreased income tax rates and thresholds for individuals, estates, and trusts through 2025.	Makes permanent TCJA income tax rate and threshold decreases for individuals, estates, and trusts. Applies inflation adjustment to 10%, 12%, and 22% brackets. Effective Date: **Applies to tax years beginning after Dec. 31, 2025.**
Savers Credit for ABLE Accounts	Temporarily limited the credit for contributions made to an ABLE account by eligible individuals to $2,000 for a taxable year before 2026	Permanently extends the credit for ABLE account contributions by the account's designated beneficiary. Increases credit amount to $2,100. Effective Date: **Extension applies to taxable years ending after Dec. 31, 2025; increase applies to taxable years beginning after Dec. 31, 2026.**
Student Loans Discharged for Death or Disability	Temporarily excluded student loan discharge from gross income for amounts discharged in 2021 through 2025	Permanently extends exclusion from gross income for student and private education loans discharged on account of death or disability. Effective Date: **Applies to discharges after Dec. 31, 2025**.

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Moving Expenses	Temporarily suspended the qualified moving expense reimbursement exclusion and the deduction for moving expenses (excluding active -duty military who moved pursuant to a military order) through 2025	Permanently extends the moving expense deduction limitation and employer-reimbursed moving expense exclusion. Creates an exception for intelligence community members similar to existing military exception (§217(g)). Effective Date: **Applies to taxable years beginning after Dec. 31, 2025.**
Mortgage Interest Deduction	Temporarily limited the deduction for mortgage interest to interest for acquisition indebtedness to $750,000 or less ($375,000 for married individuals filing separately) through 2025	Permanently disallows mortgage interest deduction for home equity indebtedness and limits mortgage interest deductions for acquisition indebtedness to $750,000 ($375,000 for married filing separately). Treats certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025**.
Casualty Loss Deduction	Temporarily limited personal casualty losses to losses incurred as the result of federally declared disasters (except to the extent of personal casualty gains) through 2025.	Permanently extends casualty loss deduction limitation and expands the limitation to include state-declared disasters. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025**
Wagering Losses	Temporarily included actual cost of wagers and deductible expenses incurred with gambling activity in deductible wagering losses through 2025	Includes otherwise-allowable deductions incurred in carrying on a wagering transaction within "losses from wagering transactions." Limits deduction to 90% of losses and to the extent of gains from wagering transactions. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025**.

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Rollovers – Qualified Tuition Accounts to ABLE Accounts	Temporarily allowed taxpayers to rollover §529 plan distributions to ABLE accounts through 2025.	Permanently extends rollovers from qualified tuition accounts to ABLE accounts. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025**
Disaster Related Personal Casualty Losses	Eased qualified disaster related personal casualty loss rules: waived the 10% AGI threshold for a taxpayer's net disaster loss, raised per casualty floor to $500, allowed addition of the loss amount to the standard deduction, and exempted that addition from AMT	Extends the special rules for qualified disasterrelated personal-casualty losses under the Taxpayer Uncertainty and Disaster Relief Act of 2020 (Pub. L. No. 116-260, Div. EE, §304(b)). Effective Date: **Applies until Aug. 2, 2025.**
Individuals Provisions Extended with Amendments		
Child Tax Credit	Allowed a child tax credit of $2,000 per qualifying child (up to $1,400 refundable per child) and a $500 credit for other dependents, with a phaseout threshold of $400,000 for joint filers ($200,000 for single filers) through 2025	Increases the child tax credit to $2,200 per qualifying child, indexed annually for inflation. Makes permanent the refundable portion and higher phaseout thresholds. Tightens Social Security number reporting rules. Effective Date: **Applies to taxable years beginning after Dec. 31, 2024.**
Alternative Minimum Tax Exemption and Phaseout	Temporarily increased exemption and phaseout amounts for the alternative minimum (AMT) exemption for noncorporate taxpayers at certain income levels for taxable years 2018 through 2025	Permanently extends the increased AMT exemption amounts from a previous sunset of 2025, increases phaseout amount from 25% to 50%, and modifies the inflation adjustment. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025**

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Standard Deduction	Temporarily increased the standard deduction through 2025.	Permanently increases standard deduction from $12,000 to $15,750 for individuals and from $18,000 to $23,625 for head of household. Effective Date: **Applies to taxable years beginning after Dec. 31, 2024**
State & Local Tax (SALT) Cap	Temporarily limited the deduction for state and local sales, income, and property taxes to $10,000 through 2025.	Increases limitation on SALT deduction to $40,000 for 2025 and $40,400 for 2026, increasing to 101% of previous year's cap for 2027, 2028, and 2029, and reverting to $10,000 for 2030 and beyond. MAGI phaseout begins at $500,000 for 2025 and $505,000 for 2026, increasing to 101% of the previous year's threshold for 2027, 2028, and 2029 (half of those amounts for married filing separately). Phaseout cannot reduce deduction below $10,000. Effective Date: **Applies to taxable years beginning after Dec. 31, 2024**
Limitation on Contributions to ABLE Accounts	Temporarily allowed designated beneficiaries to make ABLE account contributions beyond the annual gift exclusion amount through 2025	Permanently extends the increased contribution limitation and modifies the inflation adjustment for ABLE accounts. Effective Date: **Applies to contributions made after Dec. 31, 2025. Inflation adjustment applies to taxable years beginning after Dec. 31, 2025**.
Individuals Provisions Added		

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Scholarship Granting Organizations	**New**	Allows a credit of up to $1,700 for cash contributions to organizations that grant scholarships for qualified elementary or secondary education expenses. Allows carry forward of credit up to five years. Creates income exclusion for qualified elementary and secondary education scholarships from scholarship-granting organizations. Effective Date: Credit applies **to taxable years ending after Dec. 31, 2026. Exclusion applies to amounts received after Dec. 31, 2026.**
Enhanced Deduction for Seniors	**New**	Creates a deduction for seniors (age 65 before the end of the taxable year) equal to $6,000 reduced (not below zero) by 6% of AGI exceeding $75,000 ($150,000 joint). Requires valid SSN. Requires married taxpayers to file a joint return. Treats incorrect SSNs as mathematical or clerical errors. Effective Date: **Applies to taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2029**

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Interest on Loans for Rural or Agricultural Real Property	**New**	Creates income exclusion for 25% of interest on qualified loans secured by rural or agricultural real estate. Changes §265 coordination from allowing no deduction for interest paid on qualified loans to no deduction for 25% of interest on qualified loans and by treating 25% of adjusted basis as adjusted basis of a tax-exempt obligation. Effective Date: **Applies to loans made after July 4, 2025.**
Auto Loan Interest Deduction	**New**	Excludes from the definition of "personal interest" indebtedness interest incurred to purchase an applicable passenger vehicle (excludes campers and RVs), with final assembly in the U.S. Limits the amount of interest taken into account to $10,000, phased out by $200 for every $1,000 of the taxpayer's modified AGI in excess of $100,000 for single filers or $200,000 for joint filers. VIN required. Allows deduction for non-itemizers. Requires payees to provide information returns to payors and Treasury with respect to certain loans. Effective Date: **Applies to indebtedness incurred after Dec. 31, 2024, for taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2029**

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
0.5% Floor on Deduction for Charitable Contributions Itemizers	**New**	Limits itemized charitable contribution deduction by imposing a floor equal to 0.5% of the taxpayer's contribution base for the taxable year. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025.**
Deduction for Tip Income	**New**	Creates deduction of up to $25,000 for qualified tips for individuals in traditionally and customarily tipped industries. Excludes highly compensated employees by phasing out deduction for joint filers with AGI over $300,000 ($150,000 for others). Extends FICA tax tip credit to tips received in connection with food service and beauty and barber services. Does not require spouse's Social Security number. Deduction available to both itemizers and non-itemizers. Effective Date: **Applies to taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2029**
Deduction for Overtime Pay	**New**	Creates deduction for qualified overtime compensation (not including qualified tips), excluding highly compensated employees, for taxable years 2025 through 2028. Limits deduction to $12,500 of qualified overtime income ($25,000 for joint returns). Deduction available to itemizers and non-itemizers. Effective Date: **Applies to taxable years beginning after Dec. 31. 2024, and before Jan. 1, 2029**

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
529 Account Disbursements for Postsecondary Credentialing Expenses	**New**	Amends the definition of “qualified higher education expense” to include qualified postsecondary credentialing expenses, and provides definitions related to postsecondary credentialing. Effective Date: **Applies to distributions made after July 4, 2025**
Trump Accounts	**New**	Provides for tax-exempt "Trump accounts" for qualifying children; accounts are treated akin to individual retirement accounts (IRAs) under IRC 408(a). Annual contributions are limited to $5,000, indexed annually for inflation, with exceptions for certain exempt contributions. Excludes employer contributions to Trump accounts from employee gross income. Excludes qualified contributions to a Trump account from beneficiary’s gross income. Credits established accounts for U.S. citizens born after Dec. 31, 2024, but before Jan. 1, 2029, with an initial government contribution of $1,000. Imposes penalty for improper Trump account credit claims: $500 for negligently improper claim and $1000 for fraudulently improper claim. Treats incorrect SSN as mathematical or clerical error. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025.**

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Treatment of Capital Gains from Sale of Certain Farmland Property	**New**	Provides election to pay portion of net income tax from the sale or exchange of qualified farmland property to a qualified farmer in four equal annual installments, beginning on the tax return due date for the taxable year in which the sale or exchange occurs, when gain results from the sale or exchange. Effective Date: **Applies to sales or exchanges in taxable years beginning after July 4, 2025**
Individuals Provisions Reinstated		
Charitable Contribution Deduction for Non-Itemizers	Provided a temporary charitable contribution deduction of up to $300 ($600 for joint returns) for cash contributions by nonitemizers.	Permanently reinstates the non-itemizer partial charitable contribution deduction and increases it to a maximum of $1,000 ($2,000 for joint returns). Effective Date: **Applies to tax years beginning after Dec. 31, 2025**
De Minimis Rules for Third Party Network Transactions	Provided a $600 de minimis exception to the threshold for third-party settlement organizations required to issue Form 1099-K.	Reinstates exception for de minimis payments by third-party settlement organizations for aggregate number of transactions not exceeding 200 with an aggregate amount not exceeding $20,000. Amends backup withholding rules to reflect de minimis rule. Reinstatement of exception for de minimis payments applies as if included in §9674 of the American Rescue Plan Act of 2021. Effective Date: **Applies to calendar years beginning after Dec. 31, 2024**
Individual Provisions Terminated		

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Energy Efficient Home Improvement Credit	Allowed a credit for amounts paid or incurred for qualified energy efficiency improvements installed, residential energy property expenditures, or home energy audits, for qualified property placed in service before Jan. 1, 2033	Eliminates the energy efficient home improvement credit. Effective Date: **Applies to property placed in service after Dec. 31, 2025.**
Residential Clean Energy Credit	Allowed a nonrefundable personal residential clean energy credit for qualified clean energy expenditures, set to expire for property placed in service after 2034	Eliminates the residential clean energy credit. Effective Date: **Applies to any expenditures made after Dec. 31, 2025**
Previously Owned Clean Vehicle Credit	Allowed a credit for qualified buyers who placed in service a previously-owned clean vehicle acquired before Jan. 1, 2033.	Eliminates the previously-owned clean vehicle credit. Effective Date: **Applies to vehicles acquired after Sept. 30, 2025**
Clean Vehicle Credit	Allowed a credit for new clean (electric) vehicles meeting certain standards, including final assembly in North America, for vehicles placed in service before Jan. 1, 2033.	Eliminates the clean vehicle credit. Effective Date: **Applies to vehicles acquired after Sept. 30, 2025**
New Energy Efficient Home Credit	Allowed a credit for a qualified new energy efficient home acquired before Jan. 1, 2033, for the taxable year in which the home was constructed by an eligible contractor and was acquired by a person from such eligible contractor for use as a residence during the taxable year	Eliminates the credit for qualified new energy efficient homes. Effective Date: **Applies to homes acquired after June 30, 2026**

Topic Law	*Law Prior OBBBA*	*New Law Under OBBBA*
Miscellaneous Itemized Deductions	Temporarily suspended miscellaneous itemized deduction for taxable years through 2025	Permanently extends suspension of miscellaneous itemized deductions from previous sunset of 2025 but allows miscellaneous itemized deduction for unreimbursed educator expenses. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025**
Bicycle Commuting Reimbursement	Temporarily suspended the income tax exclusion for qualified bicycle commuting reimbursement through 2025.	Eliminates the qualified bicycle commuting reimbursement exclusion. Effective Date: **Applies to taxable years beginning after Dec. 31, 2025**
Personal Exemptions	Temporarily set the amount of the deduction for personal exemptions at zero through 2025	Eliminates personal exemption deduction. Effective Date: **Applies to taxable years beginning after Dec. 31, 2024**

These are important changes to most tax returns for individuals. Please be in contact with us. We can tailor a particular plan that will work best for you.

Best regards,

Anthony & Dodge, PC