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# How Beautiful Is the One Big Beautiful Bill? Understanding Major Tax Law Changes

Presented by:  
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## ... What is the One Big Beautiful Bill Act (H.R. 1)?

- Often Referred to as the *One Big Beautiful Bill Act (OBBBA)*
- Signed into Law on July 4, 2025, by President Donald J. Trump
- Intended to Provide Income Tax Relief to American Workers, Seniors and Businesses
- The Legislation Extends and Enhances Many of the Tax Provisions Created by the 2017 Tax Cuts and Jobs Act (TCJA)
- Introduces Several New Temporary Tax Provisions Promised by President Trump on his Campaign Trail

# Individual Tax Provisions

## Permanent TCJA Individual Tax Rates

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>The TCJA Temporarily Changed Individual Income Tax Brackets</li> <li>Lowered Rates               <ul style="list-style-type: none"> <li>2017 and prior: 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%</li> <li>2018 - 2025: 10%, 12%, 22%, 24%, 32%, 35%, and 37%</li> </ul> </li> <li>Adjusted Income Thresholds               <ul style="list-style-type: none"> <li>Several of the Income Thresholds for Each Bracket Were Adjusted to Increase Income Thresholds for a Specified Rate</li> </ul> </li> <li>Was Set to Expire 12/31/2025</li> </ul>	<ul style="list-style-type: none"> <li>H.R. 1 Permanently Extends the Temporary Brackets, Rates and Income Breakpoints Beginning in 2026</li> </ul>

## ••• Increased Standard Deduction & Suspension of Personal Exemptions

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"><li>• TCJA Increased Standard Deductions<ul style="list-style-type: none"><li>• \$12k – Single</li><li>• \$24k – Married Filing Jointly</li><li>• \$18k – Head of Household</li></ul></li><li>• Indexed Annually for Inflation<ul style="list-style-type: none"><li>• 2024 Standard Deductions<ul style="list-style-type: none"><li>• \$14.6k – Single</li><li>• \$29.2k – Married Filing Jointly</li><li>• \$21.9k – Head of Household</li></ul></li></ul></li><li>• Personal Exemptions Suspended for 2018 - 2025</li></ul>	<ul style="list-style-type: none"><li>• Permanent Extension of TCJA Standard Deductions<ul style="list-style-type: none"><li>• \$15.75k – Single</li><li>• \$31.5k – Married Filing Jointly</li><li>• \$23.625k – Head of Household</li></ul></li><li>• Base Year for Indexed Inflation using the Chained Consumer Price Index (CPI) Changed to 2024 Tax Year (Previously 2017 Tax Year)</li><li>• New temporary \$6k exemption for seniors aged 65+</li></ul>

## ... State & Local Tax Deduction (SALT)

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• TCJA Created State &amp; Local Tax (SALT) Deduction for Tax Years 2018 – 2025</li> <li>• \$10,000 for Single, Married Filing Jointly, and Head of Household Filers</li> <li>• \$5,000 for Married Filing Separately Filers</li> <li>• Significantly Reduced Number of Taxpayers Itemizing Deductions (Especially Those in High Tax States like New York)</li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Increases the Individual SALT Deduction Cap               <ul style="list-style-type: none"> <li>• 2025 - \$40,000</li> <li>• 2026 - \$40,400</li> </ul> </li> <li>• 1% Increases for 2027, 2028, 2029</li> <li>• Phase out of Deduction for Taxpayers with Modified Adjusted Gross Income (MAGI) Exceeding               <ul style="list-style-type: none"> <li>• 2025 - \$500,000 (\$600k Full Phaseout)</li> <li>• 2026 - \$505,000 (\$605k Full Phaseout)</li> <li>• 1% Increases for 2027, 2028, 2029</li> </ul> </li> </ul>

## ... Unified Credit Extension & Enhancement

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"><li>• Pre-2017 Amounts \$5 Million &amp; Less</li><li>• TCJA Doubled Exclusion Amounts Beginning in 2018</li><li>• Set to Expire and Revert Back to Pre-2018 Amounts After 2025</li></ul>	<ul style="list-style-type: none"><li>• Permanent Extension of Increased Unified Estate &amp; Gift Tax Exemptions</li><li>• \$15 Million Per Person (\$30 Million for MFJ)</li><li>• Effective 1/1/2026</li><li>• Indexed for Inflation After 2026</li></ul>

## ... Mortgage Interest Deduction Extension

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"><li>• TCJA Introduced Limitation on Deductible Home Equity Interest (Buy, Improve, Expand the Home)</li><li>• TCJA Capped Deductible Interest When Acquisition Indebtedness Exceeded \$750,000 (\$375,000 for MFS Filers)</li><li>• Set to Revert Back to Pre-TCJA Amounts in 2026 (\$1,000,000 Acquisition Indebtedness)</li></ul>	<ul style="list-style-type: none"><li>• \$750,000 Acquisition Indebtedness Cap Made Permanent</li><li>• Permanently Allows Mortgage Insurance Premiums on Acquisition Indebtedness to be Deductible as Qualified Residence Interest</li></ul>

## ••• Pease Limitation Eliminated, New Limitation Created for High Earners

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• Pre-TCJA           <ul style="list-style-type: none"> <li>• Limitation on Itemized Deductions for Taxpayers with AGI Over               <ul style="list-style-type: none"> <li>• \$261,500 for Single Filers</li> <li>• \$313,800 for MFJ</li> </ul> </li> <li>• Limitation was <b>Lesser</b> of:               <ul style="list-style-type: none"> <li>• 3% of AGI in Excess of Applicable Threshold or;</li> <li>• 80% of Total Itemized Deductions</li> </ul> </li> </ul> </li> <li>• TCJA Eliminated the Pease limitations for Tax Years 2018 - 2025</li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Permanently Repeals the Pease Limitations and Creates New Limitation on Itemized Deductions for High Earners</li> <li>• New Limitation Under Code Sec. 68 for Taxpayers in the 37% Marginal Bracket           <ul style="list-style-type: none"> <li>• Limits <b>Total</b> Itemized Deductions by 2/37ths of <b>Lesser</b> of:               <ul style="list-style-type: none"> <li>• Total Itemized Deductions</li> <li>• Taxable Income Exceeding the Dollar Amount at Which 37% Rate Begins</li> </ul> </li> </ul> </li> <li>• Effective 1/1/2026</li> </ul>

## Individual Alternative Minimum Tax (AMT) Exemption

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>Pre-TCJA (2017 Tax Year) AMT Exemption Thresholds               <ul style="list-style-type: none"> <li>\$54,300 - \$120,700 for Single Filers</li> <li>\$84,500 - \$160,900 for Married Filers</li> </ul> </li> <li>TCJA Temporarily Increased AMT Exemptions Amounts, for the 2024 Tax Year AMT Exemptions were:               <ul style="list-style-type: none"> <li>\$85,700 - \$609,350 for Single Filers</li> <li>\$133,300 - \$1,218,700 for Married Filers</li> </ul> </li> <li>Excess of Alternative Minimum Taxable Income (AMTI) over Threshold Reduces Exemption by 25%</li> </ul>	<ul style="list-style-type: none"> <li>Permanently Increases the Individual AMT Exemption Amounts</li> <li>Phaseouts Revert back to 2018 Levels or:               <ul style="list-style-type: none"> <li>\$500,000 for Single Filers</li> <li>\$1,000,000 for Married Filers</li> </ul> </li> <li>Effective 1/1/2026</li> </ul>

## Permanent Suspension of Miscellaneous Itemized Deductions

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• Pre-TCJA               <ul style="list-style-type: none"> <li>• Taxpayers Itemizing Deductions were Allowed Deductions Exceeding a 2% AGI Floor for:                   <ul style="list-style-type: none"> <li>• Investment Fees</li> <li>• Unreimbursed Employee Business Expenses</li> <li>• Tax Preparation Fees</li> </ul> </li> </ul> </li> <li>• TCJA Suspended These Deductions for Tax Years 2018 – 2025</li> <li>• Unreimbursed Educator Expenses Were Allowed as Deduction Above-the-Line               <ul style="list-style-type: none"> <li>• \$300 Per Spouse if Both Taxpayers Were Qualified Educators</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Permanently Suspends Miscellaneous Itemized Deductions Under Code Sec. 67(g)</li> <li>• Act Moves Deduction for Unreimbursed Employee Expenses for Eligible Educators to Itemized Deductions (<b><u>No Longer Above-The-Line</u></b>)               <ul style="list-style-type: none"> <li>• Eligible for Teachers, Instructors, Counselors, Interscholastic Sports Administrators &amp; Coaches, Principals, Aides with at Least 900 Hours Per Year in School</li> <li>• Cap is Removed</li> </ul> </li> <li>• Effective 1/1/2026</li> </ul>

## ... Limitation on Wagering Losses

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• Pre-TCJA               <ul style="list-style-type: none"> <li>• Losses from Wagering Transactions were Deductible Only to the Extent of Gains from Such Transactions</li> <li>• Professional Gamblers Allowed to Create Net Operating Losses (NOLs) from Non-Wagering Business Expenses</li> </ul> </li> <li>• TCJA               <ul style="list-style-type: none"> <li>• No Provision Changes Relating to Casual Gambling</li> <li>• Code Sec. 165(d) Amended to Limit the Deduction of Non-Wagering Business Expenses to the Extent they Exceed Gambling Gains</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Implements 90% Rule               <ul style="list-style-type: none"> <li>• All Gambling Winnings are Still Reportable</li> <li>• Only 90% of Losses are Deductible</li> <li>• Example, If a Taxpayer has \$10,000 or Gambling Winnings and \$10,000 of Gambling Losses, they will have \$1,000 of "Phantom Taxable Income"</li> </ul> </li> <li>• Effective 1/1/2026</li> </ul>

## ... New Deduction for Tip Income

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• Pre &amp; Post TCJA               <ul style="list-style-type: none"> <li>• All Tips Received are Taxable Income</li> <li>• Employees Required to Report Tips to Employer who then Withhold Income &amp; Payroll Taxes</li> <li>• Employers Pay Their Share of FICA Taxes on Reported Tips</li> <li>• FICA Tip Credit for Food &amp; Beverage Establishments Under Code Sec. 45(B)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Creates a Temporary Deduction for both Itemizers and Non-Itemizers Who Receive Tip Income</li> <li>• Deduction is up to \$25,000 Per Year Per Taxpayer</li> <li>• Deduction Phases out \$100 for Every \$1,000 of MAGI above:               <ul style="list-style-type: none"> <li>• \$150,000 for Single Filers</li> <li>• \$300,000 for Married Filers</li> </ul> </li> <li>• Married Taxpayers Must File Jointly to Claim IRS to Publish List of Occupations that Customarily Receive Tips</li> <li>• Effective 1/1/2025 – 12/31/2028</li> </ul>

## ... New Deduction for Qualified Overtime Pay

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>Pre &amp; Post TCJA               <ul style="list-style-type: none"> <li>Overtime Pay-Defined Compensation for Hours Worked Beyond 40 in a Workweek was <b><u>Fully Taxable</u></b></li> <li>Employees Pay Regular Income &amp; Payroll Taxes on all Wages, Including Overtime</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>H.R. 1 Implements New Temporary Deduction for Both Itemizers &amp; Non-Itemizers Who Receive “Qualified Overtime Compensation”</li> <li>Deduction Amount               <ul style="list-style-type: none"> <li>\$12,500 for Single Filers</li> <li>\$25,000 for Married Filers</li> </ul> </li> <li>Deduction Phases out \$100 for Every \$1,000 of MAGI Above:               <ul style="list-style-type: none"> <li>\$150,000 for Single Filers</li> <li>\$300,000 for Married Filers</li> </ul> </li> <li>Married Taxpayers Must File Jointly to Claim</li> <li>Effective 1/1/2025 – 12/31/2028</li> </ul>

## ... New Deduction for Qualified New Vehicle Loan Interest

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• Pre &amp; Post TCJA           <ul style="list-style-type: none"> <li>• Personal Interest is Non-Deductible</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Deduction up to \$10,000 Annually</li> <li>• Debt <b><u>Must</u></b> be Incurred After 12/31/2024 on New Personal Use Vehicle</li> <li>• Vehicle <b><u>Must</u></b> Weigh Less than 14,000 Pounds and Final Assembly Must be in U.S.</li> <li>• Phaseouts Begin After MAGI Exceeds:           <ul style="list-style-type: none"> <li>• \$100,000 for Single Filers</li> <li>• \$200,000 for Married Filers</li> </ul> </li> <li>• Effective 1/1/2025 Through 12/31/2028</li> </ul>

## ... New Trump Savings Accounts

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>First Presidential Savings Account of its Kind</li> </ul>	<ul style="list-style-type: none"> <li>Tax-Deferred Investment Accounts</li> <li>Nondeductible Contributions from Parents, Relatives and Friends up to \$5,000 Annually</li> <li>Parent's Employer can Contribute up to \$2,500 Annually Tax Free</li> <li>Governmental Entities and 501(c)(3) Organizations may Contribute Unlimited Funds with Certain Restrictions (Provided to all within Qualified Group)</li> <li>Contributions Allowed Until Child Turns 18</li> </ul>

## ... Trump Savings Accounts, cont.

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Citizens Born Between 2025 - 2028 with a Valid SSN are Eligible to Receive a One-Time \$1,000 Contribution by the Government</li> <li>Contributions <b><u>Must</u></b> be Invested in Mutual Funds or Exchange-Traded Funds Composed Primarily of U.S. Equities</li> <li>At Age 18, the Account Effectively Becomes an IRA with Penalty Free Distributions at 59 ½</li> <li>Nondeductible Contributions can be Withdrawn Tax Free (Parents, Relatives &amp; Friends)</li> <li>Tax Free Contributions and Investment Earnings are Taxable to Recipient</li> </ul>

## ... Trump Savings Accounts, cont.

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"><li>N/A</li></ul>	<ul style="list-style-type: none"><li>Qualifying Distributions can be made without 10% Penalty if Distributed Prior to Age 59 ½ and Funds are used for Education or First Time Home Purchase</li><li>First Date Contributions can be made is July 4, 2026</li></ul>

# Business Tax Provisions

## ... Qualified Business Income (QBI) Deduction Extension

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• TCJA Created Code Sec. 199A</li> <li>• Owners of Pass-Throughs (Partnerships &amp; S Corporations) &amp; Sole Proprietorships Entitled to 20% Deduction of QBI</li> <li>• Deduction also Applied to Certain Real Estate Investment Trusts (REITs) and Publicly Traded Partnerships (PTPs)</li> <li>• Set to Expire in 2025</li> </ul>	<ul style="list-style-type: none"> <li>• Permanent Extension of Code Sec. 199A</li> <li>• New Minimum Deduction for Active QBI (\$400)               <ul style="list-style-type: none"> <li>• To Claim Taxpayer Must Have a Minimum of \$1,000 of QBI</li> </ul> </li> <li>• Act Increases Phase-In Thresholds for QBI Limitations &amp; Owner's of Specified Service Trade or Businesses (SSTBs)</li> <li>• Effective 1/1/2026</li> </ul>

## Code Sec. 179 Enhancement

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>Code Sec. 179 Allows for Immediate Expensing of Qualifying Tangible Business Property</li> <li>2024 Expensing Limit - \$1,220,000</li> <li>2024 Spending Cap (Phase-Out Threshold)               <ul style="list-style-type: none"> <li>Dollar for Dollar Reduction</li> <li>\$3,050,000 - \$4,270,000</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>H.R. 1 Increases Both the Expensing Limit &amp; the Spending Cap</li> <li>2025 Expensing Limit - \$2,500,000</li> <li>2025 Spending Cap (Phase-Out Threshold)               <ul style="list-style-type: none"> <li>\$4,000,000 – 6,500,000</li> </ul> </li> <li>Adjusted Annually for Inflation</li> </ul>

# 100% Bonus Depreciation Returns

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• TCJA Permitted 100% Bonus Depreciation on Qualifying Property for Tax Years 2018 - 2022</li> <li>• For Tax Years 2023 – 2026 the Deduction Phases Down 20% Each Year</li> <li>• Deduction was set to Expire in 2027</li> <li>• Certain Nonresidential Commercial Property was Eligible for Bonus Depreciation (Qualified Improvement Property)</li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Permanently Reinstates 100% bonus Depreciation for Qualified Property</li> <li>• Property <b><u>Must</u></b> be Placed in Service On or After January 19, 2025</li> <li>• New Code Sec. 168(n) Allows 100% Deduction for Qualified Production Property (QPP) <ul style="list-style-type: none"> <li>• QPP is Nonresidential Real Property Used as Integral Part of a Qualified Production Activity (QPA)</li> <li>• QPP Construction Must Start Between 1/20/2025 &amp; 12/31/2029 and be Placed in Service by 1/1/2031</li> </ul> </li> </ul>

## Code Sec. 174 Research & Experimental (R&E) Expenditures Changes

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>Pre-TCJA &amp; TCJA Through 2021 Tax Year               <ul style="list-style-type: none"> <li>Flexibility in Treatment of Domestic R&amp;E Expenditures                   <ul style="list-style-type: none"> <li>Eligible for Immediate Expensing or;</li> <li>Amortizable Over 5 Years</li> </ul> </li> </ul> </li> <li>Beginning in 2022, Taxpayer's are Required to Capitalize and Amortize all R&amp;E Expenditures               <ul style="list-style-type: none"> <li>Domestic – 5 Years</li> <li>Foreign – 15 years</li> </ul> </li> <li>2022 Change Created “Phantom Income” for Taxpayer's Performing R&amp;E Activities</li> </ul>	<ul style="list-style-type: none"> <li>Permanent &amp; Immediate Expensing of Domestic R&amp;E Starting in 2025 (Automatic Change)</li> <li>Small Business Taxpayers (Avg. Annual Gross Receipts <b>Less Than</b> \$31M after 2021)               <ul style="list-style-type: none"> <li>May Amend 2022 – 2024 Tax Returns by 7/4/2026 or;</li> <li>Take Catch-Up Deductions for Unamortized Costs from 2022 – 2024 over a 1 or 2-Year Period Beginning in 2025</li> </ul> </li> <li>Large Business Taxpayers (Avg. Annual Gross Receipts <b>Over</b> \$31M after 2021)               <ul style="list-style-type: none"> <li>May Accelerate Remaining Amortization from 2022 – 2024 over a 1 or 2-Year Period Beginning in 2025</li> </ul> </li> </ul>

## Code Sec. 163(j) Business Interest Limitation

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• TCJA Amended Code Sec. 163(j) to Limit the Deduction of Business Interest Expense</li> <li>• Tax Years 2018 – 2021             <ul style="list-style-type: none"> <li>• Business Interest Expense Capped at the Sum of Taxpayer's Business Interest Income Plus 30% of Adjusted Taxable Income (ATI) Plus any Floor Plan Financing Interest</li> <li>• ATI Computed by Adding Back Depreciation &amp; Amortization Deductions to Taxable Income (EBITDA Based Formula)</li> </ul> </li> <li>• Tax Years 2022 – 2024             <ul style="list-style-type: none"> <li>• ATI Computed without Regard to Deduction for Depreciation and Amortization</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Permanently Reinstates EBITDA Based Formula</li> <li>• ATI Computed Without Regard to Deduction for Depreciation, Amortization, or Depletion</li> <li>• Applicable to Tax Years Beginning After 12/31/2025</li> <li>• Act Also Modifies Definition of Motor Vehicles to Include any Trailer or Camper Designed to Provide Temporary Living Quarters so that Interest Expense Related to these Motor Vehicles is Classified as "Floor Plan Financing Interest"</li> </ul>

# ... Qualified Small Business Stock (QSBS) Expansion

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>Excludes from Gross Income Gain on Sale or Exchange of QSBS Held for More than 5 Years</li> <li>100% Exclusion for Stock Acquired After 9/27/2010</li> <li>50% or 75% Exclusion for Stock Acquired Before 9/27/2010 (Date Dependent)</li> <li>Corporate Level Eligibility               <ul style="list-style-type: none"> <li>Assets Less Than \$50 Million</li> <li>Must be C Corporation</li> </ul> </li> <li>Eligible Gain Exclusion Could Not Exceed Greater of:               <ul style="list-style-type: none"> <li>\$10 Million or;</li> <li>10X Taxpayer's Aggregate Adjusted Basis</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>H.R.1 Creates Tiered System for Holding Period &amp; Applicable Exclusion               <ul style="list-style-type: none"> <li>3+ years – 50% Exclusion</li> <li>4+ years – 75% Exclusion</li> <li>5+ years – 100% Exclusion</li> </ul> </li> <li>Increases Gain Exclusion to \$15 Million if Stock Acquired After July 4, 2025</li> <li>Corporate Level Eligibility               <ul style="list-style-type: none"> <li>Increases Asset Limitation to \$75 Million</li> <li>Still Must be a C Corporation</li> </ul> </li> <li>Gain Exclusion to be Adjusted for Inflation</li> </ul>

# Corporate Charitable Deduction Modification

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"><li>Corporations are Eligible to Deduct Charitable Contributions up to 10% of Taxable Income</li><li>Contributions over 10% may be Carried Forward up to 5 Years</li><li>10% Limitation Applies to Carried Forward Contributions</li></ul>	<ul style="list-style-type: none"><li>H.R. 1 Implements New 1% Taxable Income Floor for Deducting Corporate Charitable Contributions</li><li>10% Limitation Stays in Affect</li><li>Contributions Disallowed Due to 1% Floor or 10% Ceiling may be Carried Forward to Next 5 Taxable Years</li><li>Effective 1/1/2026</li></ul>

# ... Qualified Opportunity Zone (QOZ) Program

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• TCJA Created “Opportunity Zones” to Provide Tax Benefits to Investors Investing in Distressed Communities</li> <li>• Temporary Deferral of Tax by Investing Gains into a Qualified Opportunity Fund (QOF) (180 Days)</li> <li>• QOFs are Businesses Organized Specifically to Invest in QOZ Property (Must have 90% Invested in QOZ)</li> <li>• Gain Deferred Until Earlier of QOF Investment Sold/Exchanged or 12/31/2026</li> <li>• QOF Holding Period               <ul style="list-style-type: none"> <li>• 5 Years – 10% Reduction in Deferred Gain</li> <li>• 7 Years – 15% Reduction in Deferred Gain</li> <li>• 10 Years – Full Exclusion</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Permanently Extends QOZs</li> <li>• New Rolling QOZ Designations Effective for 10 Years Each (State Governors to Propose QOZ Designations)</li> <li>• New Designations Begin 7/1/2026</li> <li>• Deferred Gain Recognized After 5 Years</li> <li>• 10% Basis Step up at 5 Years and Full Gain Exclusion at 10 Years Remain</li> <li>• 15% Basis Step up at 7 years is Eliminated</li> </ul>

## Section 461(l) Excess Business Loss Deduction

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• TCJA Created Code Sec. 461(l)</li> <li>• Applies to Noncorporate Taxpayers</li> <li>• Amount by Which the Total Deductions Attributable to all a Taxpayer's Trades or Businesses Exceed Their Gross Income and Gains Attributable to Those Businesses Plus Specified Amount               <ul style="list-style-type: none"> <li>• \$250,000 for Single Filers</li> <li>• \$500,000 for Married Filers</li> </ul> </li> <li>• Excess Losses Disallowed Treated as NOL Carryforward to Next Tax Year</li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Makes Excess Business Loss Provisions Permanent</li> <li>• Effective for Taxable Years Beginning After 12/31/2026</li> <li>• 2025 Specified Amounts are               <ul style="list-style-type: none"> <li>• \$313,000 for Single Filers</li> <li>• \$626,000 for Married Filers</li> </ul> </li> <li>• Act Changes the Inflation Adjustment Calculation for the Specified Amount to use "2024" Tax Year Rather than "2017" Tax Year</li> </ul>

# Changes in Tax Credits

## ... Child Tax Credit Enhancements

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• TJCA Temporarily Doubled the Maximum Credit from \$1,000 to \$2,000</li> <li>• Must Meet Qualifying Child Rules to be Claimed</li> <li>• Eligible to be Refunded (up to \$1,400) for Portion of Credit Exceeding the Taxpayers Tax Liability if Taxpayer had Earned Income Greater Than \$2,500</li> <li>• Credit Begins Phasing Out at MAGI of:             <ul style="list-style-type: none"> <li>• \$200,000 for Single, HOH, &amp; MFS Filers</li> <li>• \$400,000 for Married Filing Jointly Filers</li> </ul> </li> <li>• Set to Revert Back to Pre-TCJA Rules after 2025</li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Permanently Extends the CTC</li> <li>• Increases Nonrefundable Portion of the Credit to \$2,200 per Child</li> <li>• Makes Permanent the Refundable Portion of Credit and Increases it to \$1,700 (Adjusted Annually for Inflation)</li> <li>• SSN Requirement for both Taxpayer (Spouse) and Qualifying Child</li> <li>• Effective 1/1/2025</li> </ul>

## Child Tax Credit (CTC) Summary

	2017 & Prior	2018-2024	After H.R. 1 (2025 & Beyond)
CTC Amount Per Qualifying Child	\$1,000	\$2,000	\$2,200
Maximum Refundable Credit Amount	\$1,000	\$1,400	\$1,700
Earned Income Threshold	\$3,000	\$2,500	\$2,500
MAGI threshold	Joint: \$110,000 Single/HOH: \$75,000 MFS: \$55,000	Joint: \$400,000 Others: \$200,000	Joint: \$400,000 Others: \$200,000
SSN?	Not Required	Must Include Qualifying Child's SSN	Must Include Qualifying Child's SSN

## ... Credit for Other Dependents

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>TJCA Created a \$500 Nonrefundable Credit for “Other Dependents” not Qualifying for the Child Tax Credit (Children Over Age 17, Children With no SSN, and Qualified Dependents Who Aren’t Children)</li> <li>To be Eligible, Dependent must be a U.S. Citizen, U.S. National, or U.S. Resident Alien and Have a Valid SSN or ITIN</li> <li>Credit Begins Phasing Out at MAGI of:             <ul style="list-style-type: none"> <li>\$200,000 for Single, HOH, &amp; MFS Filers</li> <li>\$400,000 for Married Filing Jointly Filers</li> </ul> </li> <li>Was Set to Expire 12/31/2025</li> </ul>	<ul style="list-style-type: none"> <li>H.R. 1 Permanently Extends the Credit</li> <li>Credit Will Continue to <b><u>Not</u></b> be Adjusted for Inflation</li> </ul>

## ... Child & Dependent Care Credit

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>Taxpayer's With One or More Qualifying Individuals may Claim a Credit for Employment-Related Expenses for Child/Dependent Care</li> <li>Credit is Calculated by Multiplying Amount of Qualifying Expenses (Below) by Applicable Credit Rate</li> <li>Qualifying Expenses               <ul style="list-style-type: none"> <li>One Child - \$3,000</li> <li>Two or More Children - \$6,000</li> </ul> </li> <li>Credit Rate Ranges from 35% to 20%, Decreasing as AGI Increases</li> </ul>	<ul style="list-style-type: none"> <li>H.R. 1 Increases the Maximum Credit Rate to 50%</li> <li>50% Rate Applies for AGI Less Than:               <ul style="list-style-type: none"> <li>\$15,001 for Single &amp; Joint Filers</li> </ul> </li> <li>50% to 35% Rate Applies for AGI Between:               <ul style="list-style-type: none"> <li>\$15,001 - \$45,000 for Single &amp; Joint Filers</li> </ul> </li> <li>35% to 20% Rate Applies for AGI Between:               <ul style="list-style-type: none"> <li>\$75,001 - \$105,000 for Single Filers</li> <li>\$150,001 - \$210,000 for Joint Filers</li> </ul> </li> <li>20% Rate for AGI Over:               <ul style="list-style-type: none"> <li>\$105,000 for Single Filers</li> <li>\$210,000 for Joint Filers</li> </ul> </li> <li>Effective 1/1/2026</li> </ul>

## ... Contributions to Scholarship-Granting Organizations

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• No Federal Tax Credit for Contributions to SGOs</li> <li>• Contributions to Qualified 501(c)(3) Public Charities Count Towards Itemized Deductions on Schedule A</li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Implements a New Tax Credit (Code Sec. 25F) for Cash Contributions to Approved Scholarship-Granting Organizations (SGOs)</li> <li>• SGOs <b>Must</b> be 501©(3) Public Charities, Maintain Separate Accounts, and Only Fund In-State Scholarships &amp; Must be Registered with IRS as an SGO</li> <li>• Maximum Amount of Credit is \$1,700 Per Taxpayer Per Year</li> <li>• Cannot be Used as Itemized Deduction if Claiming the Credit</li> <li>• Effective 1/1/2027</li> </ul>

## Termination of Several Energy Credits

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"> <li>• <u>Clean Vehicle and Used Clean Vehicle Credits (IRC Sec. 30D and 25E)</u> <ul style="list-style-type: none"> <li>• Individuals Purchasing Qualifying New or Pre-Owned Electric Vehicles Could Qualify for Credit of \$7,500 or \$4,000 with Certain Limitations</li> </ul> </li> <li>• <u>Commercial Clean Vehicle Credit (IRC Sec. 45W)</u> <ul style="list-style-type: none"> <li>• Businesses Purchasing Qualifying Electric Vehicles Could Qualify for \$7,500 credit for Light Vehicles or \$40,000 for Heavy Vehicles</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• H.R. 1 Eliminates the Clean Vehicle and Used Clean Vehicle Credit as well as the Commercial Clean Vehicle Credit for Electric Vehicles Purchased after September 30, 2025</li> </ul>

## ... Termination of Several Energy Credits

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"><li>• <u>Residential Clean Energy Credit (IRC Sec. 25D)</u><ul style="list-style-type: none"><li>• Individuals may Claim a Tax Credit for 30% of Costs for New Clean Energy Property. This Includes Solar Electric Property, Solar Water Heating Property, Small Wind Energy Property and Several Other Clean Energy Property.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• H.R. 1 Eliminates the Residential Clean Energy Credit for any Expenditure After December 31, 2025</li></ul>

## ... Termination of Several Energy Credits

Pre H.R. 1	After H.R. 1
<ul style="list-style-type: none"><li>• <u>Alternative Fuel Vehicle Refueling Property Credit (IRC Sec. 30C)</u><ul style="list-style-type: none"><li>• Individuals and Businesses may Claim a Tax Credit for Installing Property to Store or Dispense Clean-Burning Fuel or Electric Vehicle Rechargers if the Property is Installed in a Qualifying Location.</li><li>• For Individuals the Credit is 30% of the Cost of the Property up to a Maximum Credit of \$1,000 Per Item</li><li>• For Businesses the Credit is 30% of the Cost of the Property up to a Maximum Credit of \$100,000 Per Item if Certain Wage &amp; Apprenticeship Requirements are Met and 6% of the Cost if Not Met</li></ul></li></ul>	<ul style="list-style-type: none"><li>• H.R. 1 Eliminates the Alternative Fuel Vehicle Refueling Property Credit for Property Purchased After June 30, 2026</li></ul>

# Questions





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