



CURCHIN

Tax Updates Under The Big Beautiful Bill

**Presented by: Peter Pfister, CPA
December 9, 2025**

BUSINESSES

Part 1

Qualified Business Income Deduction - QBI

Qualified Business Income Deduction: (Start 2025):

- Allows flow through entities to deduct up to 20% of business income.
- Deduction remains the same.
- Minimum \$400 deduction allowed with at least \$1,000 of qualifying income.
(start 2026)

Section 179 & Bonus Depreciation

Bonus Depreciation: (Effective January 19, 2025):

- The 100% bonus depreciation for qualified property is now permanent.
- Effective for property acquired after January 19, 2025
- Can elect to keep 2025 40% bonus election

Section 179 Expensing: (Start 2025):

- Allows for immediate expense of certain qualified business property.
- Expensing threshold increased to \$2,500,000
- Expensing phase-out occurs at \$4,000,000.

Section 179 & Bonus Depreciation (Continued)

Examples of 179 Expense and Bonus Depreciation:

- Property with a recovery period of 20 years or less
- Computer Software
- Office Equipment
- Furniture
- Qualified film, TV and theatrical production costs (Bonus only)
- Certain vehicles
- Assets must be put in service in order to take the deduction
- 179 Expense cannot create a net loss
- Bonus Depreciation can create a loss

Corporate Charitable Deduction Limits

Corporation Charitable Contribution Limitations: (Start 2026):

- A new 1% of taxable income applies.
- Contributions allowed over this new threshold.
- This is in addition to the current 10% of taxable income without the charitable amount.
- Both charitable amounts that are limited carry forward for 5 years
- For C Corporations only

1099 Reporting Requirements

1099 Reporting:

- 1099K – For 2025, the rule retroactively remains as transactions exceeding \$20,000 and aggregate number of transactions exceeding \$200
- Other 1099 reporting (NEC and Miscellaneous), the \$600 reporting floor goes to \$2,000 starting for payments in 2026.
- Indexed for inflation thereafter

INDIVIDUALS

Part 2

Inflation Adjustments & New Senior Deduction

Tax rates\Brackets (Start 2025):

- Current percentages remain the same and made permanent 10%,12%, 22%,24%, 32%, 35% and 37%.
-

Standard Deduction (Start 2025):

- Adjusted for 2025- \$31,500 married-joint; \$15,750 single\married separate; \$23,625 HOH.
- Amounts to be adjusted for inflation going forward.

Senior Deduction (Age 65 and over) (Start 2025):

- Additional \$6,000 per individual.
- Deduction phases-out for taxpayers with AGI between \$150,000-\$250,000 joint filers and \$75,000 - \$175,000 single filers.
- Effective for 2025 through 2028.

Schedule A – SALT & Misc. Deductions

State and Local Tax Deduction (SALT): (Start 2025):

- Raised to \$40,000 maximum.
- Phases down to \$10,000 once gross income exceeds \$500,000.
- Phase out is 30% of gross income in excess of \$500,000.
- Gross income threshold will increase 1% per year through 2029.
- The \$10,000 deduction maximum reverts back in 2030.

Miscellaneous Itemized Deductions: (Start 2025):

- Permanently repealed.
- Examples: tax prep fees, safety deposit box fee & financial advisor fees are not allowed.
- Now does include unreimbursed expenses for eligible educators, (starting 2026).

Sch A – Itemized Limitation & Mortgage Int.

Itemized Deduction Limitation: (Start 2026):

- Limited to the lesser of:
 - A. $\frac{2}{3}$ of the amount of itemized deductions.
 - B. Amount of taxpayer's taxable income that exceeds the 37% bracket.

Home Mortgage Interest Deduction: (Start 2025):

- \$750,000 principal for first and second home purchase is made permanent.
- Eligible loans (equity loans included) must be to buy, build or substantially improve the home.

Schedule A – Gambling Losses & Charity

Gambling Losses: (Start 2026):

- Effective in 2026.
- 90% of losses used to offset winnings.
- Questions arose as to how to apply the 90%, (apply first to losses generated or is it 90% of winnings?)

Charitable Deduction Limits for Itemizers: (Start 2026):

- Charity allowed based on amount that exceeds .5% of Adjusted Gross Income (AGI).
- Example - AGI equals \$400,000; .5% equals \$2,000; amounts in excess of \$2,000 are deductible.

Charitable Deduction for Non-Itemizers

Non-Itemizers Charitable Deduction: (Start 2026):

- Effective in 2026.
- Charitable deduction of \$2,000 joint and \$1,000 single taxpayers.
- Must be cash\check contributions to a public charity.

Sch 1-A – New Car Loan Interest Deduction

New Car Loan Interest: (Start 2025):

- For years 2025-2028-deduct up to \$10,000 per year, (does include more than one loan).
- Debt must be incurred starting in 2025.
- Gross vehicle weight under 14,000 pounds.
- Final vehicle assembly in the U.S.
- VIN number gets reported on tax return.
- Lenders are to provide statements reportable to IRS.

529 Plan – Additional Expenses

Additional Qualified Expenses for 529 Plans - (Start date of enactment 7-4-25):

- More expenses qualify for K-12 expenses.
- Examples: tuition, books and curricular materials, online education materials, tuition for educational classes outside the home, advanced placement exams and college admission exams.
- The annual limit is increased from \$10,000 to \$20,000, (**start 2026**).

Sch 1-A – Qualified Tip Deduction

Qualified Tip Income: (Start 2025):

- Definition - cash tips received in an occupation identified on the official list of occupations that customarily and regularly received tips.
- Cash Tips - payments received via cash, check, debit and gift card and electronic settlement and includes tangible or intangible tokens that are readily exchangeable for cash, ex. casino chips.
- Cash tips DOES NOT include non-cash items, ex. event tickets, meals or digital assets not exchangeable for a fixed cash amount.
- Payments must be voluntary and determined by the payor.
- Mandatory service charges and automatic gratuities are NOT qualified tips unless the customer is explicitly given the option to disregard or modify the amount without consequence.

Sch 1-A – Qualified Tip Deduction (Continued)

- Tips received in Specified Service Businesses are not qualified for the deduction.
- Examples include services such as accounting, health, law, performing arts, consulting and athletics.
- Deduction is limited to \$25,000 per year regardless of filing status.
- Phase-out of deduction begins when adjusted gross income exceeds \$150k for single taxpayers and \$300,000 for joint filers.
- New Tip codes established - Treasury Tipped Occupation Code System (TTOC).
- Reported on W2 starting in 2026.

DRAFT 2026 W-2 FORM

b Employer identification number (EIN)			1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld	
			5 Medicare wages and tips		6 Medicare tax withheld	
			7 Social security tips		8 Allocated tips	
d Control number			9		10 Dependent care benefits	
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a See instructions for box 12
f Employee's address and ZIP code				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b
				14a Other		12c
				14b Treasury tipped occupation code		12d
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

2026

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Copy A—For Social Security Administration. Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

Created 10/7/25

Do Not Cut, Fold, or Staple Forms on This Page

Sch 1-A – Qualified Overtime Deduction

Qualified Overtime Compensation (Start 2025):

- Defined- portion of overtime pay required by the Fair Labor Standards Act.
- That is “time and half” wages for hours worked beyond 40 in a work week.
- Annual deduction capped at \$12,500 (\$25,000 for married).
- Below the line deduction for itemizers and non-itemizers.
- Deduction reduced when adjusted gross income exceeds \$150,000 (\$300,000 married).
- Phases out \$100 for each \$1,000 over the income phaseout.
- Fully phased out at \$275,000 (\$550,000 married).
- Married taxpayers must file a joint return.

Draft 2026 W-2 & Instruction Codes

a Employee's social security number		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
Box 12, code TT – "Qualified overtime compensation" (the FLSA overtime premium that qualifies for the deduction).		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
		9		10 Dependent care benefits	
d Control number		11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial Last name Suff.		13 Statutory employee Retirement plan Third-party sick pay		TT 1467.23	
		14a Other		12b	
		14b Treasury tipped occupation code		12c	
				12d	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

TA—Employer contributions under a section 128 Trump account contribution program paid to a Trump account of an employee or a dependent of an employee.

TP—Total amount of cash tips reported to the employer. The employer is not a specified service trade or business. Use this amount in determining the deduction for qualified tips on Sch. 1-A (Form 1040).

TS—Total amount of cash tips reported to the employer. The employer is a specified service trade or business. Do not use this amount in determining the deduction for qualified tips.

TT—Total amount of qualified overtime compensation. Use this amount in determining the deduction for qualified overtime compensation on Sch. 1-A (Form 1040).

Draft - New 1099-DA (Digital Asset) Reporting

TREASURY/IRS AND OMB USE ONLY DRAFT

Form **8949**

Department of the Treasury
Internal Revenue Service

Sales and Other Dispositions of Capital Assets

File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.
Go to www.irs.gov/Form8949 for instructions and the latest information.

OMB No. 1545-0074

2025

Attachment
Sequence No. **12A**

Name(s) shown on return

Social security number or taxpayer identification number

Before you check Box A, B, C, G, H, or I below, see whether you received any Form(s) 1099-B, Form(s) 1099-DA, or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B or Form 1099-DA. They will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part I **Short-Term.** Transactions involving capital assets you held 1 year or less are generally short-term (see instructions). For long-term transactions, see page 2.

Note: You may aggregate all short-term transactions reported on Form(s) 1099-B and Form(s) 1099-DA showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 1a; you aren't required to report these transactions on Form 8949 (see instructions).

You must check Box A, B, C, G, H, or I below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

- ☐ (A) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)
- ☐ (B) Short-term transactions reported on Form(s) 1099-B showing basis was not reported to the IRS
- ☐ (C) Short-term transactions, other than digital asset transactions, not reported to you on Form 1099-B or Form 1099-DA
- ☐ (G) Short-term transactions reported on Form(s) 1099-DA showing basis was reported to the IRS (see Note above)
- ☐ (H) Short-term transactions reported on Form(s) 1099-DA showing basis was not reported to the IRS
- ☐ (I) Short-term digital asset transactions not reported to you on Form 1099-DA or Form 1099-B

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis See the Note below and see Column (e) in the separate instructions.	Adjustment, if any, to gain or loss If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g).
						(f) Code(s) from instructions	(g) Amount of adjustment	

DRAFT — DO NOT FILE

DRAFT — DO NOT FILE

2026 – required to report basis on certain transactions.
(covered and ones that were in broker account entire time)

7A7A

☐ VOID

☐ CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

Applicable checkbox on Form 8949

OMB No. 1545-2330

2025

Form **1099-DA**

**Digital Asset
Proceeds From
Broker
Transactions**

Copy A

**For
Internal Revenue
Service Center**

For filing
information,
Privacy Act, and
Paperwork
Reduction Act
Notice, see the
**General
Instructions for
Certain
Information
Returns.**

www.irs.gov/Form1099

FILER'S TIN

RECIPIENT'S TIN

RECIPIENT'S name

Street address (including apt. no.)

City or town, state or province, country, and ZIP or foreign postal code

Account number

CUSIP number

5 Check if loss is not
allowed based on
amount in 1f

☐

6 Gain or loss:

☐ Short-term

☐ Ordinary

☐ Long-term

9 Check if digital
asset is a
noncovered
security

☐

10

11c For aggregate reporting of specified
NFTs, aggregate gross proceeds
reported in 1f that are attributable
to first sales by creator or minter

\$

12a Number of units transferred in

12b If transferred in, provide
transfer-in date

13

14 State name

15 State identification no.

16 State tax withheld

\$

\$

Form **1099-DA**

Cat. No. 735671

www.irs.gov/Form1099DA

Department of the Treasury - Internal Revenue Service

Trump Accounts

Beginning July 4, 2026:

- Type of IRA account established for children born between 2025 and 2028.
- Pilot program deposits initial \$1,000 from the US Treasury.
- Maximum contributions from others \$5,000\year.
- Eligible investments from mutual funds or exchange traded funds(ETF).
- Each account requires a trustee (parent).
- Form 4547 establishes the account.
- [Trumpaccounts.gov](https://trumpaccounts.gov)

Child \Dependent Tax Credit

Child Tax Credit (Start 2025):

- Now permanent and increased to \$2,200 (prior \$2,000), per eligible child.
- Phase out begins at \$400,000 adjusted gross income (joint filers) and \$200,000 for others.
- The \$500 partial credit for other dependents is made permanent.

Dependent Care Related

(Start 2026):

- Dependent Care pre-tax exclusion from W2 income rises from \$5,000 to \$7,500.
- Maximum child and dependent care credit increases to 50% from 35%, but income phaseouts apply.

Credits Summary

Code section	Section title	Termination date
25C	Energy efficient home improvement credit	The credit will not be allowed for any property placed in service after December 31, 2025.
25D	Residential clean energy credit	The credit will not be allowed for any expenditures made after December 31, 2025.
25E	Previously-owned clean vehicles credit	The credit will not be allowed with respect to any vehicle acquired after September 30, 2025.
30C	Alternative fuel vehicle refueling property credit	The credit will not be allowed for any property placed in service after June 30, 2026.
30D	New clean vehicle credit	The credit will not be allowed for any vehicle acquired after September 30, 2025.
45L	New energy efficient home credit	The credit will not be allowed for any qualified new energy efficient home acquired after June 30, 2026.
45W	Qualified commercial clean vehicle credit	The credit will not be allowed for any vehicle acquired after September 30, 2025.
179D	Energy efficient commercial buildings deduction	The deduction will not be allowed with respect to any property the construction of which begins after June 30, 2026.

Social Security Numbers

The need for Social Security Numbers:

- Are now needed in order to take certain deductions and credits:
- Claiming the \$500 partial credit for other dependents.
- Claiming the \$6,000 senior deduction.
- Claiming the overtime\tip deduction.
- Claiming Education credits for dependents.
- Trump Accounts.

Casualty Losses

Starting 2026:

- Declared “Qualified Disaster” declared by the President remains in place.
- State declared disasters are now allowed.
- State disaster is declared by the State’s Governor.
- Examples: hurricane, earthquake, storm, tornado, snowstorm, drought.

Estate and Gift Provisions

Starting 2026:

- Estate exemption increased to \$15,000,000.
- Annual exclusion for gifts remains at \$19,000 for 2025 and 2026.

Qualified Opportunity Funds (QOF)

- Program is preserved per the bill.
- QOF- are entities that hold at least 90% of their assets in IRS designated Qualified Opportunity Zones with the goal of rebuilding low-income communities.
- Gains deferred through QOF made prior to January 1, 2027, are taxable the earlier of the sale date or December 31, 2026.
- New program for QOFs made after December 31, 2026.

Example 1

- **Example 1** - Assume married taxpayers have adjusted gross income (AGI) and modified adjusted gross income (MAGI) of \$1 million for 2025 and 2026. For 2025 and 2026 their itemized deductions consist of the following, state and local taxes \$45,000, deductible mortgage interest \$15,000 and charity of \$75,000.
- For 2025, state and local taxes to deduct are the maximum \$10,000 (due to phase out), mortgage interest \$15,000 and charity \$75,000, totaling \$100,000.
- For 2026, total itemized deductions change based on the tax law changes mentioned above. First, state and local taxes will phase down to the minimum of \$10,000 as the AGI is \$1million, but the phase out ends at \$600,000.

Example 1 – (Continued)

- Second, charitable contributions are reduced by .5% of adjusted gross income. In this example \$5,000 (\$1 million x .5%). Total charity is now \$70,000 (\$75,000-\$5,000).
- Third, the limitation on itemized deductions occurs. Total itemized deductions after applying the state tax and charity reductions equals \$95,000 (\$10,000 state and local tax, \$15,000 mortgage interest and \$70,000 adjusted charity). MAGI in excess of the 37% bracket totals \$231,300 (\$1 million-\$768,700). Applying this limitation, $\frac{2}{37} \times \$95,000$ equals \$5,135. The lesser amount to apply is \$5,135.
- For 2026, the total itemized deductions are now \$89,865, previous \$95,000 adjusted less the itemized deduction reduction calculation of \$5,135.
- As a summary, itemized deductions for 2025 under current law total \$100,000 and 2026 under new law total \$89,865. The difference of \$10,135 at 37% causes a potential tax increase of \$3,750.

Example 2

- **Example 2** - Assume a single taxpayer has adjusted gross income (AGI) and modified adjusted gross income (MAGI) of \$550,000 for 2025 and 2026. For 2025 and 2026 their itemized deductions consist of the following, state and local taxes \$45,000, deductible mortgage interest \$15,000 and charity of \$75,000.
- For 2025, state and local taxes to deduct are \$20,000 as the MAGI is \$550,000 but the phase out ends at \$600,000 and therefore a 50% phase out, mortgage interest \$15,000 and charity \$75,000, totaling \$110,000.
- For 2026, total itemized deductions change based on the tax law changes mentioned above. First, state and local taxes will phase down to \$20,000 as the MAGI is \$550,000, but the phase out ends at \$600,000 and therefore a 50% phase out.

Example 2 (Continued)

- Second, charitable contributions are reduced by .5% of AGI. In this example \$2,750 ($\$550,000 \times .5\%$). Total charity is now \$72,250 ($\$75,000 - \$2,750$).
- Third, the limitation on itemized deductions occurs. Total itemized deductions after applying the state tax and charity reductions equals \$107,250 (\$20,000 state and local tax, \$15,000 mortgage interest and \$72,250 adjusted charity). AGI in excess of the 37% bracket totals \$-0- since the income is below the 37% bracket starting point (\$550,000 v \$640,600) Applying this limitation, $2/37 \times \$107,250$ equals \$5,797. The lesser amount to apply is \$-0-.
- For 2026, the total itemized deductions remain at \$107,250.
- As a summary, itemized deductions for 2025 under current law total \$110,000 and 2026 under new law total \$107,250. The difference of \$2,750 at 35% (taxpayer did not reach 37%) causes a potential tax increase of \$963.

Planning

- Bunch 2026 donations into 2025 to avoid the 2026 floor.
- If 70 1/2 or older consider Qualified Charitable Contributions(QCD) paid directly from your IRA – directly reduces adjusted gross income.
- Maximize HSA and 401k contributions to reduce adjusted gross income.

Questions? / Open Discussion

Thank you for joining us today!