



Dear Clients,

On July 4, 2025, the One Big Beautiful Bill Act was signed into law. It includes sweeping tax changes for both individuals and business owners. Below is a breakdown of the most impactful updates—with practical tips on how to take advantage of them in 2025 and beyond.

You will want to check our website at level-cpa.com for additional information, 2026 changes and any updates made to the One Big Beautiful Bill.

INDIVIDUAL TAX UPDATES

Higher Standard Deduction



- Single Filers: \$15,750
- Married Filing Jointly: \$31,500

This means more income is tax-free for most filers.

New Above-the-Line Deductions

You can take these even if you don't itemize.



Tip Income Deduction (New)

If you earn income from tips—such as servers, stylists, hotel staff, or delivery workers—you can now deduct up to **\$25,000 of reported tip income from your taxable income**.

- Applies to W-2 employees and self-reporting individuals (e.g., gig workers)
- You must report the tip income to claim the deduction
- Phaseout begins at \$150,000 (single) / \$300,000 (joint) AGI

Example: If you earn \$10,000 in tips and meet the income criteria, that \$10,000 is deductible, reducing your taxable income dollar-for-dollar.



Overtime Pay Deduction (New)

If you are a W-2 employee who works overtime, you may deduct up to **\$12,500 of overtime wages** from your taxable income.

- Applies only to wages earned at an overtime rate (i.e. the "half" portion of time and a half)
- No need to itemize
- Phaseout thresholds: \$150,000 (single) / \$300,000 (joint) AGI

Example: A manufacturing worker earns \$8,000 in overtime pay. If under the AGI limits, the full \$8,000 may be deducted.



Car Loan Interest Deduction (NEW)

Vehicle loan interest of up to \$10,000 is an above the line deduction in addition to the standard deduction, so you don't need to itemize.

- New not used vehicle
- Assembled in the US
- Phases out starting at \$100,000 (single) / \$200,000 (married)

Increased Child Tax Credit



The Child Tax Credit **increases to \$2,200 per qualifying child**, up from \$2,000 in 2024.

Extra Deduction for Seniors



If you (or your spouse) are age 65+, you can now deduct an additional **\$6,000 per filer**, on top of the standard deduction. Phases out at \$75,000 (single) or \$150,000 (joint).

Note: Social Security Is Still Taxable

Social Security benefits remain taxable if your income exceeds certain thresholds. (Unchanged from prior years.)

Expanded SALT Deduction



The cap on state and local tax (SALT) deductions increased from \$10,000 to \$40,000, providing major relief to taxpayers in high-tax areas.

Energy & EV Credits Ending



- EV credit ends Sept. 30, 2025
- Home energy credits (windows, insulation, etc.) end Dec. 31, 2025. Plan purchases accordingly.

New: Trump Accounts for Children



Tax-deferred savings accounts for children under 18:

- **Up to \$5,000/year in contributions** (indexed for inflation)

Parents, relatives, employers (up to \$2,500), nonprofits, and government entities may contribute

- **\$1,000 contribution from Treasury** for children born 2025–2028

• IRS will automatically create accounts if not established by parents for children born 2025–2028

• Earnings grow tax-deferred until withdrawal (typically after age 18)

• There are restrictions on access to funds up to age 30, please seek advice prior to contributing to these accounts.

These accounts are not Roth IRAs and do not offer a deduction

—but they are a long-term tool for children's financial growth.



BUSINESS TAX UPDATES

Bonus Depreciation Permanently Restored



100% bonus depreciation is back—allowing full write-off of qualifying assets placed in service after Jan. 19, 2025 (e.g., vehicles, equipment, barns, trees, vines).

You may elect 40% for 2025 if preferred.

Expanded Business Interest Deductions

- 30% deduction limitation now calculated before depreciation and amortization
- Floor plan financing interest deductions now include campers and trailers

R&D Expenses Now Fully Deductible

U.S.-based research expenses can now be fully deducted again (no longer amortized over 5 years).

Small business can apply this retroactively to 2022; large businesses can accelerate past deductions.

Enhanced Employer-Provided Child Care Credit

- Increased to 40% of qualifying child care expenses
- Cap increased from \$150,000 to \$500,000 (or \$600,000 for small businesses)

Business Meals

- Full deduction remains only for fishing boats and fish processors.
- Most other businesses still follow the 50% rule through 2025.
- There will be no deduction for "on site" meals for employees after December 31, 2025.

Section 179 Expensing Doubled

- New deduction cap: \$2.5 million
- Phaseout starts at: \$4 million
- Applies to qualifying property placed in service after 2024. Indexed for inflation after 2025.

Gain from the Sale or Exchange of Farmland Property to Qualified Farmers

- Must consult with tax preparer prior to sale to properly structure sale
- Seller may elect to pay capital gains tax in four equal installments
- Land must be subject to covenant that it will be used only for farming for 10 years
- Purchaser must be a qualified farmer (actively engaged in farming)

These accounts are not Roth IRAs and do not offer a deduction

—but they are a long-term tool for children's financial growth.

100% Depreciation for Qualified Production Property

If your business is in manufacturing, agriculture, or chemical production, you may qualify for full write-off of eligible facility improvements.

Construction must begin between Jan. 20, 2025 and Dec. 31, 2028

Placed in service before Jan. 1, 2031

Property must be used strictly for production-related activity

Must be first use by the taxpayer

Subject to 10-year usage rule (or depreciation recapture applies)

These accounts are not Roth IRAs and do not offer a deduction

—but they are a long-term tool for children's financial growth.

These changes create valuable opportunities for tax savings if you:

- Receive tip or overtime income
- Are planning major equipment or vehicle purchases
- Own a business or farm
- Have children or employees with children
- Want to take advantage of tax credits before they sunset

We strongly recommend a tax planning session before year-end. We're here to guide you through it.

As always, thank you for trusting us with your financial future. Let us know if you would like to schedule a tax planning meeting or get a personalized projection based on these new rules.

Warm regards,

Zack Conner and the Level CPAs & Advisors Team

Level CPAs and Advisors, P.C., Tipton, IN 46072
(765) 675-7021

levelcpas.com
CPAs and Advisors