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Tax Moves to Make Before Year End

Planning Strategies for 2025

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Estate Planning & Business Law Attorneys

- Estate Planning
- Probate & Estate Administration
- Business Succession Planning
- Asset Protection
- Charitable Planning
- Business Law
- Entity Formation
- Employment Law
- Mergers & Acquisitions
- Commercial Real Estate

Presenters

Paula Clarkson Chamberlain

Paula Clarkson manages Merhab Robinson & Clarkson’s Estate Planning practice and has more than 25 years of Estate Planning experience. She is a Certified Specialist in Estate Planning, Probate, and Trust Law as designated by the State Bar of California Board of Legal Specialization and has an LL.M. in Taxation.

James C. Kieckhafer, CPA

As a founding partner of Kieckhafer Schiffer, LLP, Jim has created a thriving accounting practice that provides customized tax, audit, and business advisory solutions to a diverse set of clients. His clients includes organizations of all sizes and stages of the business lifecycle, with a concentration on strategic and financial planning for closely held businesses, partnership taxation, private placements, acquisitions/dispositions, estate planning, and succession planning.

Webinar Topics Overview

- Overview of the One Big Beautiful Bill 2025 (H.R.1.)
- Estate, Gift, and Generation-Skipping Transfer (GST) Tax Updates
- Permanent Tax Brackets and Senior Tax Benefits
- State and Local Tax (SALT) Deduction Cap Increase
- Bonus Depreciation Updates
- Energy and Electric Vehicle (EV) Tax Credits
- New Deductions: Tips, Overtime, and Auto Loan Interest

Understanding OBBB Legislation

Major Provisions and Legislative Journey

One Big Beautiful Bill (H.R.1.)
Signed into law July 4, 2025.

Tax Reform Provisions

A comprehensive, 900-plus-page legislation that significantly impacts tax, budget, and employee benefit programs. These changes affect individuals and businesses.

Estate, Gift, and Generation-Skipping Transfer (GST) Tax Updates

Estate Tax Exemption Increases: $15M (Individual), $30M (Couple) Starting 2026

Increased Estate Tax Exemptions

Beginning in 2026, individuals can exempt up to $15 million from estate tax, couples up to $30 million. The current exemptions are $13,999,000 per person.

Impact on Estate Planning

Higher exemptions will require adjustments in estate planning to optimize tax liabilities and asset distribution.

Importance of Continued Estate & Gift Planning

Proactive Planning Necessity

Continuous estate and gift planning is essential to adapt to changing exemption limits and laws. Do you need to simplify your plan, review it for growing values, change beneficiaries or how they received the assets?

Tax Benefits Optimization

Effective planning helps maximize tax exemptions and minimize tax liabilities on wealth transfer.

Smooth Wealth Transfer

Proper estate planning ensures beneficiaries receive assets efficiently without legal complications.

Strategic Considerations

Maximizing Tax Advantages

Strategically timing gifts and transfers helps optimize tax benefits by leveraging current exemption amounts.

- Gift to move appreciation to child during your lifetime
- Gift to take advantage of discounts in valuation at death
- Gift to reduce income taxes (charitable gifts)

Gift Limits

Lifetime Gifts:

$19,000 per year gift tax free to anyone

- Unlimited for education*
- Unlimited for medical expenses*

*Must pay to provider

- If the gift exceeds $19,000 in calendar year, amount reduces lifetime exemption

Transfers at Death:

$15m (2026) minus lifetime gifts exceeding annual exemption

Example:

$15,000,000	Lifetime Exemption
1,000,000	2026 gift to Child 1
(19,000)	Gift tax free portion
1,000,000	2026 gift to Child 2
(19,000)	Gift tax free portion

$13,038,000	Available to gift at death

Trump Accounts

Planning Opportunities

The federal government will make a one-time contribution of $1,000 to a private investment account for each newborn American baby born in 2025-2028.

- Accounts will be open to additional contributions from family, friends, churches, employers and private foundations. Max $5,000/yr total contributions.
- The account grows tax-deferred until account owners make withdrawals, which can only start at age 18, and the account at that point essentially follows the rules in place for individual retirement accounts (IRAs): withdrawals made before age 59 ½ are subject to regular income tax and a 10 percent penalty, with exceptions including for college tuition (unlimited) and for a first-time home purchase (up to $10,000).
- Opportunity to add $5,000 gift tax free to account to grow to use for college or retirement.
- Compare to other savings vehicles: 529 Plans, HSA Accounts, Roth IRA, etc.

Permanent Tax Brackets and Senior Tax Benefits

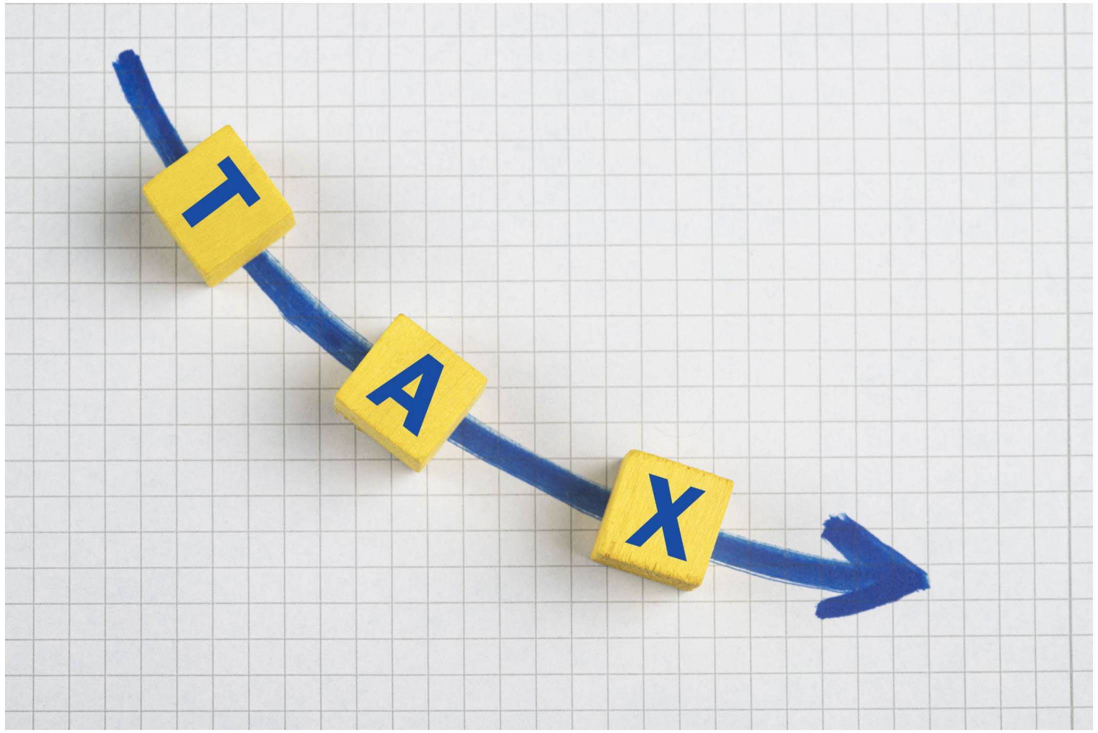
Introduction of Permanent Tax Brackets

Permanent Tax Brackets Concept

The bill establishes permanent tax brackets to create consistent taxation rules over time.

Taxpayer Stability and Predictability

Permanent brackets reduce uncertainty, helping taxpayers plan finances confidently.



Tax Brackets

Tax rate	Single	Head of household	Married filing jointly or qualified surviving spouse	Married filing separately
10%	$0 to $11,925	$0 to $17,000	$0 to $23,850	$0 to $11,925
12%	$11,925 to $48,475	$17,000 to $64,850	$23,850 to $96,950	$11,925 to $48,475
22%	$48,475 to $103,350	$64,850 to $103,350	$96,950 to $206,700	$48,475 to $103,350
24%	$103,350 to $197,300	$103,350 to $197,300	$206,700 to $394,600	$103,350 to $197,300
32%	$197,300 to $250,525	$197,300 to $250,500	$394,600 to $501,050	$197,300 to $250,525
35%	$250,525 to $626,350	$250,500 to $626,350	$501,050 to $751,600	$250,525 to $375,800
37%	$626,350 or more	$626,350 or more	$751,600 or more	$375,800 or more

Senior Bonus Deduction

Deduction for Seniors

- **New deduction:** Effective for 2025 through 2028, individuals who are age 65+ may claim an additional deduction of $6,000 in addition to the current additional standard deduction for seniors under existing law.
  - $6,000 per eligible individual/ $12,000 total for a married couple where both spouses qualify.
  - Deduction phases out for taxpayers with modified adjusted gross income over $75,000 ($150,000 for joint filers).
- **Qualifying taxpayers:** To qualify for the additional deduction, a taxpayer must attain age 65 on or before the last day of the taxable year.
- **Taxpayer eligibility:** Deduction is available for both itemizing and non-itemizing taxpayers.
  - include the Social Security Number of the qualifying individual(s) on the return, and
  - file jointly if married, to claim the deduction.

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State and Local Tax (SALT) Deduction Cap Increase

SALT Deductions Changes

Higher cap:

- Temporarily Increases the individual SALT deduction cap from $10,000 to **$40,000** for 2025-2029
- Raises to **$40,400** in 2026 ($20,000 married individuals filing separately)
- Adds a **1% annual increase** in 2027, 2028, and 2029

Expiration: Cap reverts to **$10,000** in 2030

Phaseouts for high earners:

- Starts phasing out the deduction for MAGI over **$500,000** in 2025 for single and joint filers ($250,000 for married filing separately)
- Threshold rises to **$505,000** in 2026, then increases 1% annually
- Deduction is reduced by **30% of the excess income** above the threshold
- Minimum deduction allowed: **$10,000**
- High-income taxpayers (above $600,000 MAGI) will still be capped at $10,000.

Taxpayer Strategies

Plan Expenses Strategically

Careful timing of expenses can help maximize deductions under the expanded SALT cap benefit period.

Optimize Payment Timing

Scheduling payments during the expanded window allows taxpayers to increase deductible SALT expenses.

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Bonus Depreciation Updates

Changes in Bonus Depreciation Rules

Permanent 100% Bonus Depreciation: 100% bonus depreciation for Qualified Production Property constructed after January 19, 2025 and before January 1, 2029, as long as the property is placed in service before January 1, 2031.

Qualifying Property: applies to most new and used tangible personal property with a recovery period of 20 years or less, such as machinery, equipment, and qualified improvement property (QIP). The act also introduces Qualified Production Property (QPP), allowing 100% bonus depreciation on certain non-residential real property used in qualified production activities, a change from previous limitations.

Acquisition Date: To qualify for the 100% rate, property must be acquired under a written binding contract executed on or after January 20, 2025.

Electing Out: Businesses can elect out of bonus depreciation or elect a reduced percentage.

Coordination with Section 179: The OBBB Act also increased the Section 179 expensing limit. While both allow for immediate deductions, Section 179 has a dollar limit and is restricted to the taxpayer's taxable income, unlike bonus depreciation. Taxpayers typically use Section 179 first, followed by bonus depreciation.

Implications for Business Investments

Investment Decisions Impact

Market changes directly affect how businesses decide where and when to invest their resources.

Cash Flow Management

Effective cash flow management ensures liquidity to meet operational and investment needs in changing markets.

Long-term Financial Planning

Businesses must plan finances over the long term to remain sustainable amid evolving economic conditions.

The OBBB Act makes bonus depreciation a powerful tool for businesses, providing predictable deductions and incentivizing investment. Businesses should assess the qualifying criteria and consider their overall tax strategy in conjunction with other provisions like Section 179.

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Energy and Electric Vehicle (EV) Tax Credits

Expiration Deadlines for EV and Energy Credits

Upcoming Credit Expirations

EV Credits: The credit under IRC 30D will expire for vehicles acquired after Sept. 30, 2025. The used EV credit (25E) and commercial EV credit (45W) follow similar timelines. The 30C EV charging credit terminates for charging equipment placed in service after June 30, 2026.

Importance of Planning

Understanding expiration dates helps consumers plan purchases to maximize financial benefits from credits.

Expiration Deadlines for EV and Energy Credits cont.

The following energy credits are revoked by the OBBB, as of the expiration date listed:

Source: The National Law Review
August 18, 2025
Volume XV, Number 230

Section	Credit Name	Expiration Date
25E	Previously Owned Clean Vehicle Credit	September 30, 2025
30D	Clean Vehicle Credit	September 30, 2025
45W	Qualified Commercial Clean Vehicle Credit	September 30, 2025
30C	Alternative Fuel Vehicle Refueling Property Credit	June 30, 2026
25C	Energy Efficient Home Improvement Credit	December 31, 2025
25D	Residential Clean Energy Credit	December 31, 2025
45L	New Energy Efficient Home Credit	June 30, 2026
45V	Clean Hydrogen Production Credit	January 01, 2028

Strategies for Qualifying Purchases and Improvements

Timing of Purchases

Strategically timing purchases helps taxpayers maximize available tax credits and deductions.

Leveraging Tax Credits

Utilizing available tax credits fully reduces overall tax liabilities and improves financial outcomes.

Reducing Tax Liabilities

Effective purchase strategies contribute to lowering total taxes owed through smart financial planning.

New Deductions: Tips, Overtime, and Auto Loan Interest

Tip Income Deduction

For 2025-2028, employees and self-employed individuals may deduct qualified tips received in occupations that are listed by the IRS as customarily and regularly receiving tips on or before December 31, 2024, and that are reported on a Form W-2, Form 1099, or other specified statement furnished to the individual or reported directly by the individual on Form 4137.

- "Qualified tips" are voluntary cash or charged tips received from customers or through tip sharing.
- Maximum annual deduction is $25,000; for self-employed, deduction may not exceed individual's net income (without regard to this deduction) from the trade or business in which the tips were earned.
- Phases out for taxpayers with modified adjusted gross income over $150,000 ($300,000 for joint filers).

- **Taxpayer eligibility**: Available for both itemizing and non-itemizing taxpayers.
    - Self-employed individuals in a Specified Service Trade or Business (SSTB) under section 199A are not eligible. Employees whose employer is in an SSTB also are not eligible.
    - Taxpayers must:
        - include their Social Security Number on the return and
        - file jointly if married, to claim the deduction.
- **Reporting**: Employers and other payors must file information returns with the IRS (or SSA) and furnish statements to taxpayers showing certain cash tips received and the occupation of the tip recipient.

Overtime Pay Deduction

New deduction: 2025 through 2028, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay – such as the "half" portion of "time-and-a-half" compensation -- that is required by the Fair Labor Standards Act (FLSA) and that is reported on a Form W-2, Form 1099, or other specified statement furnished to the individual.

  - Maximum annual deduction is $12,500 ($25,000 for joint filers).
  - Deduction phases out for taxpayers with modified adjusted gross income over $150,000 ($300,000 for joint filers).

- **Taxpayer eligibility**: Deduction is available for both itemizing and non-itemizing taxpayers.
  - Taxpayers must:
    - include their Social Security Number on the return and
    - file jointly if married, to claim the deduction.
- **Reporting**: Employers and other payors are required to file information returns with the IRS (or SSA) and furnish statements to taxpayers showing the total amount of qualified overtime compensation paid during the year.

Auto Loan Interest Deduction

Effective for 2025 through 2028, individuals may deduct interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets other eligibility criteria. (Lease payments do not qualify.)

- Maximum annual deduction is $10,000.
- Deduction phases out for taxpayers with modified adjusted gross income over $100,000 ($200,000 for joint filers).

- **Qualified interest**: The interest must be paid on a loan that is:
  - originated after December 31, 2024,
  - used to purchase a vehicle, the original use of which starts with the taxpayer (used vehicles do not qualify),
  - for a personal use vehicle (not for business or commercial use) and
  - secured by a lien on the vehicle.
- If a qualifying vehicle loan is later refinanced, interest paid on the refinanced amount is generally eligible for the deduction.

Auto Loan Interest Deduction cont.

- **Qualified vehicle**: A qualified vehicle is a car, minivan, van, SUV, pick-up truck or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds, and that has undergone final assembly in the United States.
- **Final assembly in the United States**: The location of final assembly will be listed on the vehicle information label attached to each vehicle on a dealer's premises. Alternatively, taxpayers may rely on the vehicle's plant of manufacture as reported in the vehicle identification number (VIN) to determine whether a vehicle has undergone final assembly in the United States.
  - The VIN Decoder website for the National Highway Traffic Safety Administration (NHTSA) provides plant of manufacture information. Taxpayers can follow the instructions on that website to determine if the vehicle's plant of manufacture was located in the United States.
- **Taxpayer eligibility**: Deduction is available for both itemizing and non-itemizing taxpayers.
  - The taxpayer must include the Vehicle Identification Number (VIN) of the qualified vehicle on the tax return for any year in which the deduction is claimed.
- **Reporting**: Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year.

Conclusion

Stay Informed on Tax Laws

Keeping up to date with recent tax law changes is essential for effective tax planning and compliance.

Implement Proactive Planning

Proactive tax planning strategies help optimize tax outcomes for the years 2025 and 2029.

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