

Dear Clients and Friends:

As we approach the close of another year, we want to take a moment to thank you for the trust you have placed in our firm. It's been our pleasure to work with you and help guide your financial journey.

With recent and upcoming changes in tax legislation, our team is here to help you understand how these changes may affect you and to identify strategies that can optimize your tax and financial position. As everyone's tax situation is unique, please do not take action on any of these strategies without consulting with us to determine applicability to your specific situation.

## NEW LEGISLATION

In July 2025, new tax legislation—the One Big Beautiful Bill Act (OBBBA)—was signed into law. This law brings expanded benefits for individuals, families, business owners, and investors, with many provisions now permanent or newly enhanced.

### *Individuals*

#### 1. Permanent Individual Tax Rates and Higher Standard Deduction

- The individual tax brackets (10%–37%) are now permanent, providing long-term certainty for tax planning.
- The standard deduction is significantly increased and indexed for inflation, reducing the need to itemize for many taxpayers. Seniors receive an additional deduction, which phases out at higher incomes.

#### 2. Child Tax Credit and Childcare Benefits

- The Child Tax Credit is permanently increased, with higher phaseout thresholds and improved refundability, offering substantial benefits for families.
- Employer-provided childcare credits and dependent care assistance are expanded, making family-friendly benefits more valuable for both employees and employers.

#### 3. Temporary Expansion of the SALT Deduction Cap

- The State and Local Tax (SALT) deduction cap is temporarily raised to \$40,000 (\$20,000 MFS) for 2025–2029, providing significant relief for taxpayers in high-tax states. This is a limited-time opportunity, so clients should consider timing their payments and deductions accordingly.

#### 4. Charitable Giving Changes

- Starting in 2026, only the portion of your charitable contributions that exceeds 0.5% of your adjusted gross income (AGI) will be deductible if you itemize. In addition, high-income taxpayers will see the value of their itemized deductions—including charitable contributions—reduced by an overall limitation, effectively capping the tax benefit at a 35% rate. Non-itemizers can claim a new above-the-line deduction for certain cash gifts.

#### 5. New Deductions for Tips, Overtime, and Auto Loan Interest

- Wage earners in industries with significant tips or overtime can now deduct up to \$25,000 in tips and \$12,500 (\$25,000 joint) in overtime pay, subject to income phaseouts.
- A new deduction for up to \$10,000 in interest on loans for new U.S.-assembled vehicles is available, with phaseouts for higher incomes.

#### 6. Retirement Planning Enhancements (SECURE Act 2.0)

- The Act raises the age for Required Minimum Distributions (RMDs) from 72 to 73 starting in 2023, and to 75 starting in 2033. This delay allows more time for retirement accounts to grow tax-deferred, which can be beneficial for long-term retirement planning.
- Beginning January 1, 2025, the SECURE 2.0 Act allows individuals aged 60 through 63 to make catch-up contributions up to \$11,250 annually to workplace retirement plans. This amount will be indexed to inflation. Starting in 2026, for individuals who are over 50 years of age and adding contributions above the annual limit of \$23,500, and whose wages exceed \$150,000 in the preceding calendar year, catch-up contributions must be made as Roth contributions.
- 529 plan rollovers to Roth IRAs are now permitted, offering new flexibility for education savings.

#### 7. Annual Gift Exclusion and Estate Planning

- The annual gift exclusion is increased to \$19,000 per recipient for 2025 and 2026.
- The estate and gift tax exemption remains high, but clients should monitor for future changes.

## 8. Disaster Relief and Casualty Losses

- The casualty loss deduction is expanded to include state-declared disasters, and qualified disaster relief payments remain excludable from income.

### *Ways to Save:*

- **Bunch Your Donations:** If you were planning a big gift in 2026, consider making it in 2025 to maximize your deduction under the current rules. A high-income taxpayer can make a contribution to a donor advised fund (DAF) in 2025 and claim the full charitable contribution deduction under the rules in effect before the new 35% benefit cap goes into effect.
- **Donate Appreciated Assets:** Gifts of stocks or real estate let you avoid capital gains taxes while getting a full deduction.
- **Use IRA Distributions:** If you are age 70½ or older, you can make qualified charitable distributions (QCDs) of up to \$108,000 (2026 limit, indexed for inflation) directly from your IRA to eligible charities. These distributions count toward your required minimum distributions and are excluded from taxable income, but are not deductible.
- **Good news for non-itemizers:** Starting in 2026, you can claim an above-the-line deduction of up to \$1,000 (\$2,000 for joint filers) for cash donations to public charities (excluding donor-advised funds and supporting organizations). This deduction is not subject to the 0.5% AGI floor or the overall itemized deduction limitation.

### **Action Items for Individuals:**

- Review withholding and estimated tax payments in light of higher underpayment interest rates.
  - Gather financial records early and communicate any major life changes to your tax advisor.
  - Consider timing of charitable contributions and SALT payments to maximize deductions under the new rules.
  - Evaluate eligibility for new deductions and credits, especially for tips, overtime, and auto loan interest.
  - Investigate if expanded retirement and education savings opportunities apply.
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## ***Business New Provisions & Reforms***

### 1. **Expensing and Depreciation Reforms**

- **Full Expensing for Certain Business Property:** 100% bonus depreciation is made permanent for qualified property acquired after January 19, 2025. Transitional elections allow for reduced percentages in certain cases. This is a major incentive for capital investment planning.
- **Section 179 Expensing Limits Increased:** The Section 179 expensing limit is increased to \$2.5 million, with a phaseout threshold at \$4 million, both indexed for inflation for property placed in service in tax years beginning after December 31, 2024.
- **Special Depreciation for Production Property:** New 100% expensing for certain nonresidential real property used in qualified production activities, with recapture rules.

### 2. **Research and Development**

- **Immediate Expensing of Domestic R&D:** Domestic research and experimental expenditures can now be fully expensed immediately, rather than amortized over five years.

### 3. **Business Interest Deduction**

- **EBITDA Add-Back Restored:** The limitation on business interest expense under Section 163(j) is permanently based on EBITDA, not EBIT, increasing allowable deductions.
- **Coordination with Capitalization:** The business interest limitation applies before capitalization, and disallowed interest is not subject to future capitalization.

### 4. **Information Reporting**

- **1099-MISC/NEC Threshold Increased:** The threshold for requiring information reporting is increased from \$600 to \$2,000, indexed for inflation, for payments made after December 31, 2025.
- **Third-Party Network Transactions:** For 2025, the 1099-K reporting threshold is restored to \$20,000 and 200 transactions, and backup withholding aligns with this threshold.

### 5. **Energy and Green Tax Credits**

- **Termination of Clean Energy Credits:** Credits for clean vehicles, alternative fuel refueling property, energy efficient home improvements, and other green incentives are terminated for property placed in service or acquired after specified 2025/2026 dates.

### 6. **E-Filing and Compliance**

- **E-Filing Threshold Lowered:** Businesses filing 10 or more returns of any type in a calendar year are required to e-file. This includes information returns, employment tax, excise, and income tax returns.

- Recordkeeping and Documentation: Retain all e-file acknowledgments, signed signature documents, and supporting data for at least three years from the due date or extended due date of the return.

#### **Other Notable Provisions**

- Paid Family and Medical Leave Credit Made Permanent: Now includes insurance premiums and clarifies aggregation and state/local paid leave.
- Excess Business Loss Limitation Made Permanent: The limitation on excess business losses for noncorporate taxpayers is now permanent.
- REIT Subsidiary Asset Test: The limit on REIT assets in taxable REIT subsidiaries increased from 20% to 25%.

#### **Action Items for Businesses:**

- Review capital expenditure plans to take advantage of full expensing and increased Section 179 limits.
- Update internal processes for information reporting to reflect new 1099 thresholds and e-filing requirements.
- Reassess eligibility for energy credits and plan for the phase-out of green incentives.
- Consider the impact of international tax changes, especially for multinational businesses.
- Ensure compliance with new charitable deduction floors and reporting requirements.
- For businesses involved in community development, review the new opportunity zone and credit rules.
- Update payroll and benefits administration to reflect changes in child care and paid leave credits.

These changes are effective at various dates, primarily for tax years beginning after December 31, 2024, or December 31, 2025. Businesses should consult with their tax advisors to ensure compliance and to maximize available benefits under the new law.

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### **Remember year-end planning equals fewer surprises on April 15th!**

We recommend you upload, sign, and submit your documents electronically through our secure SafeSend portal on our website: [Secure File Upload | BEE, BERGVALL & CO.](#)

You may also submit your tax documents in person at our Warrington or Richboro offices during regular business hours. If you need to drop them off after hours, our Warrington office has a lockbox available. If you are mailing documents, please use the tracking services offered by USPS or other carriers to ensure safe delivery. Please note, we do **not** recommend sending documents via email or text.

The information in this letter is based on federal and state tax laws in effect as of the publication date of this letter. Please consult with us before implementing any of the above tax strategies. It is always our goal to provide you with timely and professional tax preparation and advisory services.