



One Big Beautiful Bill Act

2025 Tax Law Changes

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January 13, 2026

Introductions



By the Numbers

11 OFFICES

30 PARTNERS

\$36M NET REVENUE

65+ CPAs

FOUNDED **1956**

190+ EMPLOYEES

10,000+ CLIENTS

HAWKINS | **ASH**
CPAs

Locations



Wisconsin

- Brookfield
- Green Bay
- La Crosse
- Manitowoc
- Marshfield
- Medford
- Mequon
- Neenah



Minnesota

- Rochester
- St.Charles
- Winona

Est.  1956

Topics

- Individual Income Tax
- Business Tax
- Estate Tax
- Landing Page:
 - One Big Beautiful Bill Resources - Hawkins Ash CPAs



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One Big Beautiful Bill Act

- Signed into law July 4, 2025
- Also known as:
 - OBBBA
 - OB3
 - H.R. 1
 - P.L. 119-21
 - 2025 Reconciliation Bill
- Approx. 100 tax provisions included



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Individual Income Tax



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Individual Income Tax Extenders

- Existing provisions made permanent:
 - Reduced income tax rates (top marginal tax rate of 37%).
 - Elimination of personal exemptions.
 - Elimination of miscellaneous itemized deductions (i.e. unreimbursed employee expenses, investment advisory fees, tax prep fees, etc.)
 - Lower limitation (\$750,000 of acquisition indebtedness) on the deduction for mortgage interest.
 - Mortgage insurance premiums now allowed as deductible mortgage interest.
 - Alternative Minimum Tax (AMT) increased exemption levels.
 - Casualty loss deductions must be attributable to federally declared disaster. Expanded to include some state-declared disasters beginning in 2026.
 - Unreimbursed educator expense deduction – unlimited starting in 2026
 - Itemized deduction starting in 2026 (above the line deduction for 2025)



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No Tax on Tips

- Effective for tax years 2025-2028
- Maximum deduction of \$25,000 per year
- Phase out limit when adjusted gross income exceeds \$150,000 single (\$300,000 joint)
- Begins to phase out by \$100 for each \$1,000 exceeding the limit
- 2026 W-2 changes- box 12 code TP
- [Tipped-Occupations-Detailed-8-27-2025.pdf](#)



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No Tax on Overtime

- Effective for tax years 2025-2028
- Maximum deduction \$12,500 single (\$25,000 joint)
- Phase out limit when adjusted gross income exceeds \$150,000 single (\$300,000 joint)
- Begins to phase out by \$100 for each \$1,000 exceeding the limit
- Applies to those who receive qualified OT under the FLSA
 - FLSA exempts ag labor from OT (Federal rule), even if state law requires OT pay, it likely will not qualify for this exemption
- 2026 W-2 changes- box 12 code TT.



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Deduction for Seniors

- Effective for tax years 2025-2028
- Deduction of \$6,000 single (\$12,000 MFJ)
- Age 65 or older
- Phaseout begins when MAGI exceeds \$75,000 single (\$150,000 MFJ)



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Auto Interest Deduction

- Valid from 1/1/25 until 12/31/28
- Deduct up to \$10,000 worth of loan interest PRE-AGI
- Specific requirements to deduct:
 - Vehicle must be New and Newly Purchased on 1/1/25 or later
 - Pre-owned vehicles do not qualify, even if new to you
 - Leased vehicles do not qualify
 - Personal use only – no commercial use, resale, or parting out
 - Must be assembled in the US – VIN required on return to confirm
 - First Lien only – no multiple loans on the vehicle
- Deduction phases out from \$100k-\$150k for single taxpayers and \$200k-\$250k for Married filing Joint
- Tax reporting document - Form 1098-VLI
 - Transitional relief for 2025 for lenders (IRS Notice 2025-57)



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IRS Form 1040 – Schedule 1-A

- New Form for 2025
 - No tax on tips
 - No tax on OT
 - No tax on car loan interest
 - Senior deduction
- 2025 Schedule 1-A (Form 1040)



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Standard Deduction

- Higher standard deduction levels remain in place, starting with the following amounts for 2025:
 - Single and married filing separately (\$15,750).
 - Married filing jointly (\$31,500)
 - Head of household (\$23,625)
- Additional standard deduction for legally blind taxpayers
 - +\$2,000 Single & Head of Household (HoH)
 - +\$1,600 per individual spouse for both Married Filing Joint or Married filing Separately or as Qualifying Widower
- Amounts will be indexed for inflation after 2025.



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Itemized Deduction Limits

- Unchanged for tax year 2025. “Pease” limitation previously set to return in 2026 was scrapped from the tax bill, but there is a catch:
 - A new itemized deduction limitation was created, beginning in 2026, for taxpayers in the 37% marginal tax bracket.
 - New limit for taxpayers in 37% bracket reduced all itemized deductions (including SALT) by $2/37$ ths of the *lesser of*:
 - Total itemized deductions
 - Amount of taxable income exceeding the 37% bracket threshold
- This essentially limits the tax benefit for itemized deductions to 35%.



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State and Local Tax (SALT) Deduction

- Temporary increase of the SALT cap to \$40,000 for 2025, with a 1% increase each year through 2029.
- In 2030, the cap reverts back to \$10,000.
- Cap is subject to income phaseout starting at modified adjusted gross income (MAGI) of \$500,000 for 2025.
 - Deduction is reduced by 30% of the income over the \$500,000.
 - Cannot phase out below the original \$10,000 cap.
 - Like the cap, the income phaseout increases by 1% each year through 2029.
- Biggest benefit to taxpayers with MAGI just under \$500,000.
- Partnerships and S-corporations still can make state entity-level tax election – taxes paid not subject to SALT cap.



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Charitable Contributions

- No specific changes for 2025
- Changes for itemized filers 2026 and thereafter:
 - Itemizers will be subject to an additional 0.5% adjusted gross income (AGI) floor in which charitable amounts exceeding this floor are deductible.
 - NOTE: In prior periods of tax law, donation deduction limitations have generally excluded NOL carrybacks. It appears that this is unchanged.
 - Carryforwards allowable only if 0.5% AGI floor is satisfied.
- New allowable charitable deduction amounts for taxpayers claiming the standard deduction
 - \$1,000 for single filers and \$2,000 for joint filers starting in 2026 and thereafter.
 - Cash donations only to qualified charities. Donor advised fund donations or to supporting organizations are NOT allowed for this deduction.
 - Available only to those claiming the standard deduction.
 - Deduction is taken as an additional standard deduction for non-itemizers.



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Gambling Losses

- 2025: Losses deductible on Sch A to extent of gambling winnings
 - Example 1 (Break-Even): \$30,000 losses vs \$30,000 winnings → Net offset
 - Example 2 (Bad Year): \$30,000 losses vs \$25,000 winnings → \$25,000 loss deductible, \$5000 excess loss disallowed
 - Example 3 (Good Year): \$25,000 losses vs \$30,000 winnings → \$25,000 loss deductible, results in \$5000 net winnings
- 2026 and thereafter: General rule: 90% of losses deductible to extent of winnings and can create “phantom income”.
 - Example 1 (Break-Even): \$30,000 losses vs \$30,000 winnings
 - \$27,000 losses deductible → results in \$3,000 taxable winnings
 - Example 2 (Bad Year): \$30,000 losses vs \$25,000 winnings
 - \$27,000 loss cap ($\$30,000 * 90\%$), but capped by \$25,000 winnings
 - Additional \$2,000 over winnings unusable
 - Example 3 (Good Year): \$25,000 losses vs \$30,000 winnings
 - \$22,500 losses deductible ($\$25,000 * 90\%$) → results in \$7,500 taxable winnings



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Child Tax Credit

- Credit amount increased from \$2,000 to \$2,200 per qualifying child under age 17, starting with 2025.
- Credit is subject to inflation adjustments after 2025.
- Requires at least one parent and the qualifying child to have valid Social Security numbers.
- Existing income phaseout remains beginning at \$200,000 (single) and \$400,000 (married filing jointly).
- Refundable amount of the credit is \$1,700, and phases in with earned income, meaning some lower income families may receive a reduced credit or no credit at all.



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Green Energy Tax Credits

- Energy Efficient Home Improvement Credit no longer available after 12/31/2025.
 - 30% qualified expenditures
 - Max of \$1,200 per year.
- Residential Clean Energy Credit gone after 12/31/2025.
 - Solar electric, fuel cells, wind energy, geothermal, etc.
- Clean Vehicle Credits end on 9/30/2025.
 - New vehicle \$7,500 credit.
 - Used vehicle \$4,000 credit
- Various other credits eliminated in 2025 or 2026.



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Other Individual Tax Credits

- Child and Dependent Care Credit (Daycare Credit)
 - Increase from 35% to 50%.
 - Phase out still in place.
- Adoption credit
 - Portion now refundable – up to \$5,000.
- Health Insurance Premium Assistance Credit
 - Marketplace Premium Tax Credit.
 - Several changes made to eligibility and administration of credit.
 - Limited eligibility, limiting enrollment periods, etc.
 - Timeline for changes: 2026 to 2034.
 - Will likely raise premiums for most and may lead to many losing health coverage.



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Scholarship Granting Organizations (SGOs)

- Tax years beginning after 12/31/2026
- Tax credit for certain charitable contributions
 - Made in cash by US Citizen or resident individual
 - Made to qualified SGO issuing scholarships to students in K-12 schools
- Credit is limited to \$1,700
- Available whether itemizing or not
- Contributions used for credit cannot also be charitable deduction (no double-dipping!)
- Scholarships received from SGO are excluded from gross income if funded by these contributions



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Trump Accounts for Newborns

- Initial and Continuing Contributions
 - US Citizens with valid SSN for both parents and child born after 12/31/24 and before 1/1/29 will be automatically enrolled and receive one time \$1,000 deposit from the Federal government into a newly established account
 - After 7/4/26 (one year after signing of bill), parents or others can contribute up to \$5,000 into this account annually, indexed for inflation
 - Contributions are not tax deductible unless from employer
 - Employer can contribute \$2,500 annually as tax free benefit to employee but will need to modify their written plan to allow it
 - 2026 W-2 change- box 12 code TA
 - NO contributions allowed after beneficiary's 18th birthday



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Trump Accounts (cont.)

- While money is in the account
 - Funds will grow tax free
 - Investment types limited by statute – certain mutual funds or Exchange-traded funds with tracked returns and low annual fees
 - FUNDS CANNOT BE WITHDRAWN UNTIL BENEFICIARY IS 18
- When taking money from account
 - Neither earnings nor principal can be withdrawn until beneficiary's 18th birthday.
 - Withdrawals essentially treated like a traditional IRA
 - Subject to 10% penalty if < 59 ½
 - No withdrawal requirement until age 75
 - Withdrawn funds are treated with "common pot" rule exclusive of any other accounts
 - Individual/family contributions not taxable
 - Government funds contributed are taxable
 - Earnings are taxable
 - Employer contributions are taxable



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Trump Accounts (cont.)

- When taking money from account (cont.)
 - Qualified withdrawals not subject to 10% penalty
 - Qualified expenses include post-secondary education, certain post-secondary credentialing programs, certain small business expenditures, first time home purchase for beneficiary
 - Appears to qualify for Roth conversion
 - No state credits (better withdrawal options)
 - Does not impact financial aid
 - MAJOR GUIDANCE STILL NEEDED



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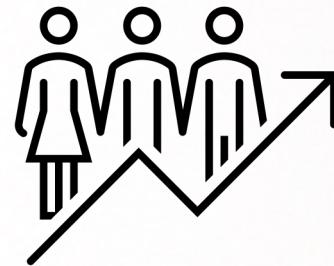
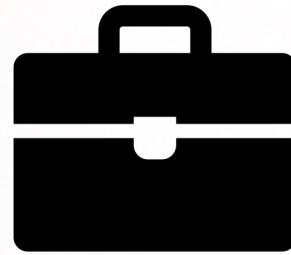
Section 529 Plans

- Applicable to distributions after July 4, 2025
 - Expansion of qualified education expenses for elementary and/or secondary schools
 - Certain postsecondary credentialing expenses
- For Tax Years beginning after December 31, 2025
 - Annual limit for expenses to attend elementary and/or secondary schools increases from \$10,000 to \$20,000



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Business Tax



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Bonus Depreciation

- Bonus Depreciation has been reinstated to 100% (old law was set for 40% for 2025) for all qualifying assets purchased after January 19, 2025.
 - All qualifying assets purchased before January 20, 2025, are subject to the 40% bonus depreciation limit.
- Assets must meet certain criteria (typically assets with a MACRS recovery period of 20 years or less) to qualify for 100% bonus depreciation. This would include computers, equipment, furniture, fixtures and certain land and leasehold improvements.
- A special rule is in place for assets placed in service after January 19, 2025, with a written binding contract to purchase dated prior to January 19, 2025, they are not eligible for 100% bonus depreciation. These assets would be eligible for the 40% bonus depreciation in 2025.
- Wisconsin and Minnesota (and some other states) do not follow the Federal tax law for bonus depreciation.



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Section 179

- The Section 179 dollar limitation is increased to \$2.5 million with the investment phaseout beginning at \$4 million for tax years beginning after December 31, 2024.
 - Formerly, this amount was \$1,250,000, so a nice increase.
- New and used equipment qualify for the deduction as long as the company has modified business income for the year.
- Generally, Section 179 is more flexible than bonus depreciation.
- Wisconsin and Minnesota follow the Federal Section 179 rules.



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Research and Experimental Expenditures

- Defined as any expense paid for research or experimental products in connection with the taxpayer's trade or business
- Effective January 1, 2025, domestic research and experimental expenditures may be immediately expensed
- Taxpayers may elect to amortize domestic research and experimental expenditures over a minimum of 60 months
 - Beginning on month benefit is recognized
 - Election made by due date of return (including extensions) and applies to all subsequent years
- Foreign research and experimental expenditures must be capitalized and amortized over 15 years
- 2022-2024 R&E costs can amortize over 2025 & 2026 – no Form 3115 (change in accounting method) needed



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Qualified Business Income Deduction

- Deduction is made permanent by the OBBBA
- Deduction limit phase-in limits increasing
 - From \$50,000 to \$75,000 for single and HOH filers
 - From \$100,000 to \$150,000 for married filing joint taxpayers
- For tax years beginning after 12/31/2025 there is a new inflation adjusted minimum QBI deduction of \$400 for taxpayers with a minimum of \$1,000 of QBI income.
- State Entity-Level workaround still allowed (SALT Cap).



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Business Interest Deduction Limit

- Beginning in 2025 the Adjusted Taxable Income (ATI) for the business interest deduction limitation is the earning before interest, taxes, depreciation and amortization (EBIDA).
- Previously, the ATI was based on earnings before interest and taxes (EBIT)
- Any interest that was required to be capitalized and subsequently written off is not treated as business interest for purposes of this limitation.



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Excess Business Losses

- The OBBBA made the excess business loss limitation permanent.
- Any unallowed loss is treated as a Net Operating Loss (NOL) and required to be carried to the next tax year.
- Excess business loss is calculated as follows:

Aggregate gross income or gain for the tax year
+ \$313,000 (Single or HOH) or \$626,000 (MFJ)
- Aggregate deductions for the year from trade or business activities
(Taken without regard to disallowed losses, QBI, and losses from the
sale of capital assets)
Excess Business Loss



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Work Opportunity Tax Credit

- Available to employers for wages paid to individuals who are certified as members of one of several targeted groups.
 - Credit is generally 40% of wages up to \$6,000.
 - Maximum credit of \$2,400.
- Credit set to expire December 31, 2025.
- Talks of extending this during the reconciliation process in Congress.
- The Bill does not address the credit, it was not discussed in Congress, thus it will expire at 12/31/2025.



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Business Meals

- Current law – 50% deduction:
 - Meals with clients, prospects, employees, etc., business travel meals, and employer provided meals – for the convenience of the employer (includes on site cafeterias).
- Current law - 100% deduction:
 - Company wide parties, picnics, etc. – social events and meals provided to the public. Meals included in employee compensation.
- New law (after 2025) - 100% deduction:
 - No change.
- New law (after 2025) - not deductible:
 - Employer provided meals (convenience of the employer), also includes on site cafeterias.
 - Few exceptions – food & beverage operations (restaurants & catering), fishing vessels, etc.
- Tracking and General Ledger coding of expenses.
 - De minimis – coffee, doughnuts, soda, etc.
 - Occasional meals vs. non-deductible: when do you cross the line?



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Business Meals & Entertainment

- New law regarding meals – follows TCJA rule for entertainment – nondeductible.
- Important to break out meals vs. entertainment on bills and receipts- otherwise all could be deemed entertainment.
- All expenses must have a business purpose and be considered ordinary and necessary (and not lavish) to deduct.
 - General rule for all business owners for all business expenses, not just meals and entertainment.



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1099 Reporting

- 1099-K reporting threshold increased to \$20,000 and 200 transactions – starting in 2025.
- 1099-NEC/MISC reporting threshold increased from \$600 to \$2,000 for years after 2025.



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Estate Tax



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Estate Tax Exemption

- Tax Cuts and Jobs Act super charged the estate tax exemption and in 2025 the estate tax exemption is \$13.99 million per person. This increased exemption was scheduled to sunset at the end of 2025.
- OBBBA made this increase permanent and for 2026 the estate tax exemption will be \$15 million per person. This will be adjusted annually for inflation.
- No changes to the annual exclusion. For 2025 the annual exclusion is \$19,000 per recipient and this is indexed annually for inflation.



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Other items in the news

- Paper check phase out
 - IRS looking to stop sending refunds via paper check – effective 9/30/2025
 - SSA
 - Veteran's Benefits
 - Income Tax Refunds
 - IRS to stop accepting paper payments from taxpayers – as soon as practicable – more details to come
- Paper Check Phase Out: What You Need to Know - Hawkins Ash CPAs



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In Summary

- Facts and Circumstances may impact you and your business in different ways when it comes to tax law changes.
- Consult your accountant.
- Research items before acting.
- State conformity – to be determined.



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Conclusion

- Thanks for your time!
- Any questions?
- One Big Beautiful Bill Resources - Hawkins Ash CPAs



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