



October 28, 2025

Dear Tideline Client:

We are writing to report to you about the significant new tax legislation (the Act), formerly known as the One Big Beautiful Bill or OBBB, which was signed into law on July 4, 2025. The Act includes numerous changes that affect individual taxation. Navigating these changes can be complex, and their impact on your specific tax situation will vary.

We encourage you to review this list, which highlights some of the key provisions, and contact us at your earliest convenience to discuss the impact of these changes and develop a plan tailored to your situation.

- **Reduced Income Tax Rates:** The Act makes permanent the lower individual income tax rates and wider tax brackets introduced by the Tax Cuts and Jobs Act (TCJA), preventing a scheduled tax-rate increase after 2025. For example, the top individual rate will remain at 37% (instead of reverting to 39.6%), and the marriage penalty relief for most brackets continues. This means that married couples filing jointly will typically not face higher taxes compared to what they would have paid as singles.
- **Increased Standard Deduction:** The standard deduction has been increased for 2025 and beyond. For 2025, the amounts are \$31,500 for joint filers and surviving spouses, \$23,625 for heads of household, and \$15,750 for singles and marrieds filing separately. These amounts will be adjusted for inflation after 2025. Because these higher amounts mean fewer taxpayers will benefit from itemizing, consider bunching itemized deductions into a single year to exceed the standard deduction, then take the standard deduction in alternate years.
- **Child Tax Credit:** The child tax credit (CTC) has been made permanent and increased to \$2,200 per qualifying child for 2025. This amount will be adjusted for inflation after 2025. However, no credit is allowed unless the taxpayer includes a social security number (SSN) for both the qualifying child and the taxpayer (or for at least one spouse in the case of a joint return).

- **Child and Dependent Care Credit:** The child and dependent care credit will become more valuable for many families starting in 2026. The maximum credit rate will increase to 50% of eligible expenses, up to \$3,000 for one qualifying individual or \$6,000 for two or more. The full 50% rate will apply to families with adjusted gross income (AGI) up to \$15,000 and gradually phase down to 35% for AGI up to \$75,000 (\$150,000 for joint filers). The credit rate is further phased down to 20% for AGI up to \$105,000 (\$210,000 for joint filers). To maximize your benefit, keep thorough records of all qualifying expenses and coordinate with any employer-provided dependent care benefits to avoid missing out on the full credit potential.
- **Adoption Credit:** Starting in 2025, the adoption credit is enhanced to include a refundable portion of up to \$5,000 per child (indexed for inflation). This means eligible taxpayers can receive up to \$5,000 as a refund even if they owe no tax, making the credit more valuable for lower-income families. To maximize this benefit, keep detailed records of all qualified adoption expenses, ensure you have a taxpayer identification number for the child, and file Form 8839 in the year the adoption is finalized.
- **Credit for Contributions to Scholarship-Granting Organizations:** For tax years ending after Dec. 31, 2026, individual taxpayers can claim a new income tax credit of up to \$1,700 per year for cash contributions to qualifying scholarship-granting organizations (SGOs) in participating states. To maximize this benefit, confirm your state's participation and ensure the SGO is on the IRS-approved list before contributing.
- **American Opportunity and Lifetime Learning Credits:** Starting in 2026, you must include your SSN on the return when claiming these education credits. If you are claiming the credit for a student other than you or your spouse, you must also include the student's name and SSN. An SSN for these purposes means one that is valid for employment and was issued before the due date of the return. When claiming the American Opportunity Credit, you must include the employer identification number (EIN) only for institutions to which you paid qualified tuition and related expenses for which the credit is claimed. To avoid losing these valuable credits, make sure all SSNs are issued before the tax return deadline and that you have the EIN for each institution. Double-check that these numbers are entered correctly on your return, as missing or incorrect information will result in IRS denying the credit.

- **Deduction for Taxpayers Age 65 or Older:** For tax years 2025-2028, individuals age 65 or older can claim a new \$6,000 senior deduction. The deduction is available to both itemizers and non-itemizers. Married taxpayers must file a joint return to claim this deduction. Both spouses on a joint return can claim the deduction if they qualify. The deduction is reduced by 6% of any excess of the taxpayer's modified adjusted gross income (MAGI) above \$75,000 (single) or \$150,000 (joint). To maximize this benefit, seniors should aim to keep their MAGI below those amounts. Be sure to include the correct SSN for each qualifying individual to avoid disallowance of the deduction.
- **Individual SALT Limitation:** The state and local tax (SALT) deduction cap is temporarily increased to \$40,000 for 2025 (\$40,400 in 2026, with 1% annual increases through 2029), before reverting to \$10,000 in 2030. For those with MAGI above \$500,000 in 2025, the deduction phases out by 30% of the excess over the threshold, but will not drop below \$10,000. Managing income and deductions to stay below the phaseout threshold, or timing large transactions to occur in years with a higher cap, can help maximize your tax benefit during this limited window.
- **Car Loan Interest Deduction:** For tax years 2025-2028, individuals can deduct up to \$10,000 per year in interest paid on loans for new personal-use vehicles even if they don't itemize deductions. The deduction phases out for single filers with MAGI over \$100,000 and joint filers over \$200,000. To qualify, the loan must be for a new, U.S.-assembled car, SUV, van, pickup, or motorcycle (under 14,000 pounds), secured by a first lien, with the taxpayer as the original owner, and the vehicle's VIN reported on the tax return. If you're planning to buy a new vehicle, consider timing your purchase and loan to maximize deductible interest within the eligible years, and manage your income to stay below the phase-out thresholds for the largest benefit.
- **Deduction for Qualified Residence Interest:** The deduction for mortgage interest on home acquisition debt is now permanently capped at \$750,000 (\$375,000 if married filing separately), rather than increasing to \$1 million in 2026 as previously scheduled. If you are considering buying a home, refinancing, or taking out a new mortgage, be aware that interest on debt above \$750,000 will not be deductible.
- **Individuals' Charitable Deductions:** Beginning in 2026, the Act makes permanent the 60% ceiling for cash gifts to 50% charities, and provides that a contribution of cash to a 50% charity is deductible to the extent that the total amount of contributions of cash to 50% charities doesn't

exceed the excess of: (a) 60% of the taxpayer's contribution base for the tax year, over (b) the total amount of contributions to 50% charities for the tax year. To maximize your deduction, prioritize cash donations to 50% charities.

- **Casualty Loss Deduction:** The rule that limits the casualty loss deduction to losses from disasters has been made permanent. However, starting in 2026, losses from certain state-declared disasters, as well as from federally-declared disasters, will be deductible. A separate Act provision extends the rule that allows the an individual's standard deduction to be increased by the individual's net disaster loss. This rule now applies to disasters occurring up to July 4, 2025, the date of enactment of the Act. These losses will be deductible for taxpayers who do not itemize. If you experience a loss due to a qualifying disaster, be sure to document your losses and insurance claims, and consider filing an amended return if you missed claiming a qualified loss in a prior year.
- **Wagering Losses:** Starting in 2026, only 90% of your wagering losses can be deducted against your winnings, even if your losses equal or exceed your winnings. To maximize your deductions, consider realizing wagering losses in 2025 before the new rule takes effect, and keep detailed records of all activity.
- **Deduction and Exclusion for Moving Expenses:** Moving expenses are now permanently nondeductible for most taxpayers, and any employer reimbursement for moving costs is fully taxable as income. If you expect to relocate for work, consider negotiating with your employer to cover the additional taxes you'll owe. Only active-duty military members moving under orders and, starting in 2026, certain intelligence community employees remain eligible to deduct or exclude qualified moving expenses. These individuals should track and document all eligible costs for tax purposes.
- **Miscellaneous Itemized Deductions; Educator Expenses:** The Act permanently eliminates miscellaneous itemized deductions for individual taxpayers. Thus, formerly deductible items such as unreimbursed employee business expenses, investment expenses, and tax determination expenses are permanently disallowed. However, starting in 2026, the Act adds a new educator expense deduction that will allow K-12 teachers, counselors, coaches, and aides who work at least 900 hours per year to deduct unreimbursed classroom expenses, such as books, supplies, and equipment. This new deduction won't be classified as a miscellaneous itemized deduction.

- **Pease Limitation:** The Pease limitation, which reduced overall itemized deductions for high earners, is permanently repealed. Instead, starting in 2026, high-income taxpayers will see a much smaller 2/37 reduction apply to the lesser of their itemized deductions or the amount by which their taxable income exceeds the 37% tax bracket threshold. With this change, bunching deductible expenses into a single year can be effective, since the reduction is generally less severe than under the old Pease rules.
- **New Tax-Deferred Investment Accounts for Children:** Taxpayers can open a new tax-deferred investment account for children, called a "Trump account," for each eligible child. Taxpayers can contribute up to \$5,000 per year in after-tax dollars for each child. Funds must be invested in a diversified U.S. equity index fund. For children born between Jan. 1, 2025, and Dec. 31, 2028, the federal government will automatically contribute \$1,000 to each account. Taxpayers should open the account before their child turns 18 to maximize contributions and secure the government benefit if eligible.
- **K-12 Expenses for 529 Accounts:** Changes to 529 savings plans allow families to use tax-free distributions for a much broader range of K-12 education expenses, including not just tuition, but also curriculum, books, online materials, tutoring, standardized test fees, dual enrollment, and educational therapies for students with disabilities. Starting in 2026, the annual limit for K-12 distributions doubles from \$10,000 to \$20,000 per beneficiary. To maximize tax savings, consider timing 529 withdrawals to match qualified expenses within the same tax year, and coordinate with other education tax credits to avoid overlap.
- **Postsecondary Expenses for 529 Accounts:** 529 plan distributions can now be used tax-free for a wider range of education expenses, including not only college costs but also "qualified postsecondary credentialing expenses." This means you can use 529 funds for tuition, fees, books, supplies, and equipment required for enrollment in recognized certificate, licensing, or apprenticeship programs even if they are not traditional degree programs.
- **ABLE Accounts:** The Act permanently provides for additional contributions to Achieving a Better Life Experience (ABLE) accounts for employed individuals with disabilities. It also adjusts the base limit amount by one year for inflation. The Act also permanently allows beneficiaries who make qualified contributions to their ABLE account to qualify for the Saver's Credit. To maximize tax benefits, ensure the designated beneficiary personally makes contributions by year-end to

qualify for the Saver's Credit, which is now permanently available for ABLE contributions and will increase to a maximum of \$2,100 starting in 2027.

- **Alternative Minimum Tax Exemption Amounts:** The alternative minimum tax (AMT) exemption amounts are permanently increased for 2026 and beyond, but the phaseout rate for higher-income taxpayers doubles from 25% to 50%. Taxpayers should review their AMT exposure and consider strategies such as timing income or exercising options in lower-income years to avoid unexpected AMT liability.
- **Estate & Gift Tax Exclusion Amount:** The basic exclusion amount for federal estate and gift tax will increase to \$15 million (indexed for inflation) for estates of decedents dying and gifts made after Dec. 31, 2025. Review and update estate plans and consider making large lifetime gifts to take advantage of this higher exclusion.
- **Remittance Transfers:** Starting in 2026, a new 1% excise tax will apply to remittance transfers from U.S. senders to recipients in foreign countries. Transfers funded with cash or through non-U.S. payment apps may be subject to the tax, so plan ahead and whenever possible use the exempt methods (i.e., the remittance transfer is withdrawn from a financial institution governed by Title 31, Chapter 53 or funded with a U.S.-issued debit or credit card) to minimize your tax liability on international money transfers. This provision is effective for transfers made after Dec. 31, 2025, so review your remittance practices before year-end to take advantage of these exceptions and avoid unnecessary taxes.
- **Eligibility to Enroll in Qualified Health Plan:** Starting in tax years after 2027, you will only be able to claim the premium tax credit (PTC) for months when the health insurance Exchange has verified that you are eligible to enroll in a qualified health plan (QHP) and to receive advance PTC payments. To avoid losing your credit, be sure to file your federal tax return on time each year. Promptly report any changes in income, family size, or other circumstances to the Marketplace within 30 days, and respond quickly to any requests for information.

These are just some steps that can be taken to save taxes. Please contact us via email or 843-972-3767 so that we can tailor a plan that will work best for you.

Very truly yours,

Tideline CPA Group, LLC