



OBBBA- Tax Provision Analysis and Insights There's a Little Bit of Something for Everyone

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Tax Provisions

Provision	Cushing & Dolan Comments	Effective Date	Expiration
<p>SALT Cap (State and Local Income Tax Deduction Limitation)</p> <p>This increases the itemized deduction to a maximum of \$ 40,000 but reverts to \$10,000 in 2030. It phases out for taxpayers for modified adjusted gross income (MAGI) over \$ 500,000 and ends entirely at MAGI \$ 600,000.</p>	<ul style="list-style-type: none">- This SALT cap increase will require applicable taxpayers to reexamine itemized deductions vs the standard deduction since taxpayers don't get both.- Notwithstanding this new SALT cap, pass- through entities in Massachusetts are still able to deduct 0.5% of the business taxable income on the federal income tax return, also known as the PTE tax.- See MGL ch. 63D.	<p>January 1, 2025 <i>Retroactive</i></p>	<p>December 31, 2029</p>

<p>Qualified Business Income (QBI) Deduction/Sec 199A:</p> <p>(20% deduction)</p>	<ul style="list-style-type: none"> - This 20% deduction was designed to bring the business income tax on pass-through entities closer to the permanent 21% rate for C-corporations resulting in an effective maximum rate of 29.6%. - Efforts to increase this to 23% were unsuccessful 	<p>January 1, 2018</p> <p><i>TCJA, Trump 1</i></p>	<p>Permanent</p>
<p>Estate, Gift, and GST Tax Exemptions</p> <p>Increased to \$15M per person and \$30M per married couple, for deaths and gifts occurring on or after January 1, 2026.</p>	<ul style="list-style-type: none"> - Portability remains unchanged. - Massachusetts still will allow only a \$2M exemption per person but has no gift tax and does not allow for portability. - With the increased federal estate and gift tax exemption, estate planning has become income tax planning to obtain a step-up in basis under Code Section IRC Sec. 1014. (IRC § 1014 Step-Up in basis provisions were not changed). 	<p>January 1, 2026</p> <p><i>Permanently extended past 2025.</i></p>	<p>Permanent & Indexed based upon the Cost of Living Adjustment.</p>
<p>Extension of the Tax Cuts and Jobs Act (TCJA) Rates & Brackets</p> <p>Rates remain: 10%, 22%, 24%, 32%, 35%, and 37%</p>	<ul style="list-style-type: none"> - For 2025, the top rate applies to single taxpayers with taxable income over ~\$626,350, married filing jointly with taxable income over ~\$751,600k. 	<p>January 1, 2026</p>	<p>Permanent & Indexed</p>

<p>Section 179 Expensing</p> <p>Annual cap of \$2.5 M provided expenditures do not exceed \$4 M. The \$2.5 M is reduced for every dollar invested over \$4M.</p>	<ul style="list-style-type: none"> - Don't run out and buy lots of equipment without consulting your CPA. - The §179 expense can generate a federal tax loss. Also, deductible for Massachusetts income tax. 	<p>Placed in service after December 31, 2024</p> <p><i>Retroactive</i></p>	<p>Permanent & Indexed</p>
<p>100% Bonus Depreciation</p> <p>Currently, the bonus depreciation is equal to 60% of the cost of the qualifying assets.</p> <p>Businesses can continue to fully deduct the cost of qualifying assets in the year the property is placed in service and is unlimited by dollar amount and unaffected by Sec. 179. (See IRC Sec. 168(k))</p>	<ul style="list-style-type: none"> - The 100% bonus depreciation cannot generate a tax loss and is not allowed for Massachusetts income tax purposes. 	<p>Property acquired after Jan 19, 2025,</p> <p><i>Retroactive</i></p>	<p>Permanent</p>
<p>Special Depreciation Allowance– Qualified Production Property (QPP) (manufacturing property)</p> <p>An elective 100% depreciation allowance for QPP through 2030.</p>	<ul style="list-style-type: none"> - This new provision incredibly allows 100% depreciation of the adjusted basis of non-residential real estate used in manufacturing (excluding the cost of the land). - Unclear if real estate needs to be owned by the manufacturing company. 	<p>According to the statute, this applies to construction on Qualified Production Property which commences after the enactment of this statute on July 4, 2025 through January 1, 2029, and which is placed in service on or before January 1, 2031.</p>	<p>Applies for property before Jan 1, 2029, placed in service by Jan 1, 2031</p>

<p>Research & Development Expenses (domestic) ¹</p> <p>Taxpayers can immediately deduct expenses incurred in the 2025 tax year and on.</p>	<ul style="list-style-type: none"> - All taxpayers that made R & D expenditures after December 31, 2021, and before January 1, 2025, will be permitted to accelerate the remaining deductions for those expenditures over a one- or two-year period. 	<p>January 1, 2025 <i>Retroactive</i> (Exception for small businesses (gross receipts <\$31M), applicable to tax years 2022-2025 as well)</p>	<p>Permanent</p>
<p>“No tax” on Tips</p> <p>This provision created an above-the-line deduction which allows employees who regularly receive tips to deduct up to \$25k in tips from their income subject to federal income tax. This benefit phases out above \$150k/\$300k MAGI.</p>	<ul style="list-style-type: none"> - “No tax” moniker is deceptive because it’s really a limited deduction. 	<p>January 1, 2025, <i>Retroactive</i></p>	<p>December 31, 2028</p>
<p>No Tax on Overtime & Overtime Deduction</p> <p>This provides an above-the-line deduction to workers earning qualified overtime pay under Sec.7 of the <i>Fair Labor Standards Act</i> can deduct up to \$12.5k (single) or \$25K (married). This benefit phases out above \$150k/\$300k MAGI.</p>	<ul style="list-style-type: none"> - “No tax” moniker is deceptive because it’s really a limited deduction. 	<p>January 1, 2025, <i>Retroactive</i></p>	<p>December 31, 2028</p>
<p>Limitation on Business Interest Expense</p> <p>EBITDA-based cap reinstated (30%)</p>		<p>January 1, 2025, <i>Retroactive</i></p>	<p>Permanent</p>

¹ Foreign R&D still amortized.

Excess Business Loss Limitation Thresholds for 2025 (indexed): \$313,000 (single) and \$626,000 (MFJ).	- Losses exceeding these thresholds, incurred by non-corporate taxpayers are not deductible in the current year.	January 1, 2025, <i>Retroactive</i>	Permanent & Indexed
Extension of increased standard deduction 2025 Standard Deductions: Single: \$ 15,750 MFJ: \$ 31,500 HOH: \$ 23,625	- This provision makes permanent the nearly doubled standard deduction created by the Tax Cuts and Jobs Act. The provision further increases the standard deduction by including an extra year of inflation adjustment.	January 1, 2026	Permanent & Indexed
Deduction for Seniors (\$6k) For taxpayers 65 or older Phase out when income exceeds 75k (single) or 150k (MFJ).	- In addition to the extra standard deduction amount, for taxpayers 65 and older.	January 1, 2025, <i>Retroactive</i>	December 31, 2028
Enhanced Child and Dependent Care Tax Credit Refundable child tax credit, raised to 1.4k. The phaseout threshold rises to 200k (single) and 400k (married).	- The non-refundable child tax credit increases to 2k/child. Phaseout threshold previously stated applies. - The non-refundable credit for non-child dependents remains \$500.	January 1, 2025, <i>Retroactive</i>	December 31, 2028
Itemized Deductions Limitation Generally, two new reduction formulas would apply to taxpayers with AGI above the threshold for the top marginal tax rate (currently 37%).	- Computing your allowable itemized deductions is more complicated than completing your own return. - Other than educator expenses, miscellaneous itemized deductions are terminated. - Benefit of itemized deductions for the top tax bracket limited to 35 cents on the dollar.	January 1, 2026	Permanent

<p>Extension of Limitation on Casualty Loss Deduction</p> <p>Applies only to personal losses from federally declared disasters.</p>	<ul style="list-style-type: none"> - Expanded definition of state and federal declared disasters. 	January 1, 2026	Permanent
<p>Mortgage Interest Deduction</p> <p>This applies to acquisition indebtedness for primary residence only.</p> <p>(limit \$750K)</p>	<ul style="list-style-type: none"> - Excludes home equity loans. - No change but makes the limitation permanent. 	January 1, 2026, (permanently lowers levels)	Permanent
<p>Miscellaneous itemized deductions</p> <p>Examples of misc. itemized deductions: tax prep fees, investment expenses.</p>	<ul style="list-style-type: none"> - Permanently disallowed for all except certain unreimbursed educator expenses. - This change does not affect the deductibility of certain expenses in connection with a fiduciary income tax return. - See IRS Regulation 1.67-4, costs relating to all estate and generation skipping transfer tax returns, fiduciary income tax returns, and the decedents final income tax returns remain deductible. The costs are preparing all other tax returns (for example, gift tax returns are costs commonly and customarily incurred by individuals, and thus are subject to the 2% floor, i.e. an itemized miscellaneous deduction). - Bundled trustees' fees must be broken down between investment advisory fees (not deductible) and general trustees fees. 	January 1, 2025, <i>Retroactive</i>	Permanently terminated

Moving Expense Deduction	- Exception for members of the armed forces.	January 1, 2025, <i>Retroactive</i>	Permanently eliminated
Wagering Losses Deductions (90% of losses allowed on a deduction)	- Deductions incurred from wagering should be limited to the extent of winnings.	January 1, 2026	Permanently limited
Car loan interest deduction Individuals can deduct up to \$10k in interest on new vehicle loans. This phases out for AGI above \$100k (single) and \$200k (married).	- This deduction only is allowable if the final manufacturing takes place in the United States. - This applies to passenger vehicles.	Indebtedness incurred after December 31, 2024 <i>Retroactive</i>	December 31, 2028
Dependent care assistance programs Exclusion for employer-provided assistance increased to \$7.5k (\$3,750 for MFS) from \$5k (\$2,500 for MFS))	- Expenses used for the tax-free exclusion cannot also be used to claim child tax credit.	January 1, 2026	Unclear/may align with 2028
Charitable deduction for non-itemizers Permanent deduction up to \$ 1,000 single and \$ 2,000 married for charitable contributions made by nonitemizers.	- If you itemize, this provision imposes a 0.5% floor on the deduction.	January 1, 2026	December 31, 2028