



# The One, Big, Beautiful Bill

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# Today's Presenter

- Lawrence Pon
  - Lawrence Pon is a Certified Public Accountant, Personal Financial Specialist, Certified Financial Planner, Enrolled Agent, United States Tax Court Practitioner, and Accredited Estate Planner in Redwood Shores, CA
  - Mr. Pon has been in practice since 1986 and speaks regularly to tax professionals on the latest tax planning and preparation topics nationally.
  - Mr. Pon teaches Income Tax at College of San Mateo
  - Mr. Pon received his BS in Business Administration from UC Berkeley and MS in Taxation from Golden Gate University in San Francisco

# The One, Big, Beautiful Bill

- House Ways & Means Committee voted on May 14, 2025 to pass the Bill and goes to the full House of Representatives
  - Markup began on May 13, 2025
- Bill advanced solely by GOP
  - Every Democrat on the committee voting NO
  - All Democratic amendments rejected
  - Need 218 votes in the House
    - Republicans 220-213 majority
    - Senate – Republicans 53-47 majority
- Senate Finance Committee has not yet unveiled their version of the bill

# The One, Big, Beautiful Bill

- On the evening of Sunday, May 18, 2025
  - House Budget Committee voted 17-16
  - Next step – House Rules Committee
  - Hearing started at 1:00 am May 21, 2025
  - “Why not debate this bill in prime time when most of the American people can watch? It’s 1 o’clock in the morning, I think it’s prime time in Guam”
  - Rep Jim McGovern (D-MA)
  - Rules Committee needed 22 hours and 8-4 procedural vote to move the bill to the floor

# The One, Big, Beautiful Bill

- House of Representatives voted 215-214 to pass The One, Big, Beautiful Bill (May 22, 2025)
  - 2 Republicans voted NO and one voted Present
- Senate Majority Leader John Thune (R-SD) would like to avoid a revolt Medicaid cuts as the Senate works on the bill
  - 53-seat majority
    - Expect at least one NO – Sen Rand Paul (R-KY)
      - Increases debt ceiling
- Concern – Medicaid reforms
  - Limits states' ability to receive more federal Medicaid funding through health care provider taxes and it if requires more working-class people to pay more into the program



# The One, Big, Beautiful Bill

- Subtitle A – Make American Families and Workers Thrive Again
  - Pages 2 – 135
- Subtitle B – Make Rural America and Main Street Grow Again
  - Pages 136 – 216
- Subtitle C – Make America Win Again
  - Pages 216 – 389
- Subtitle D – Increase in Debt Limit
  - Page 389

# The One, Big, Beautiful Bill

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO COMMITTEE PRINT  
PROVIDING FOR RECONCILIATION  
OFFERED BY MR. SMITH OF MISSOURI**

Strike title XI and insert the following:

1 **TITLE XI—COMMITTEE ON WAYS**  
2 **AND MEANS, “THE ONE, BIG,**  
3 **BEAUTIFUL BILL”**

4 **SEC. 110000. REFERENCES TO THE INTERNAL REVENUE**  
5 **CODE OF 1986, ETC.**

6 (a) REFERENCES.—Except as otherwise expressly  
7 provided, whenever in this title, an amendment or repeal  
8 is expressed in terms of an amendment to, or repeal of,  
9 a section or other provision, the reference shall be consid-  
10 ered to be made to a section or other provision of the In-  
11 ternal Revenue Code of 1986.

12 (b) CERTAIN RULES REGARDING EFFECT OF RATE  
13 CHANGES NOT APPLICABLE.—Section 15 of the Internal  
14 Revenue Code of 1986 shall not apply to any change in  
15 rate of tax by reason of any provision of, or amendment  
16 made by, this title.

# The One, Big, Beautiful Bill

<b>Title XI – Committee on Ways and Means .....</b>	<b>6</b>
<b>Subtitle A – Make American Families and Workers Thrive Again .....</b>	<b>6</b>
<b>Part I – Permanently Preventing Tax Hikes on American Families and Workers .....</b>	<b>6</b>
Sec. 110001. Extension of modification of rates. ....	6
Sec. 110002. Extension of increased standard deduction and temporary enhancement. ....	6
Sec. 110003. Termination of deduction for personal exemptions.....	7
Sec. 110004. Extension of increased child tax credit and temporary enhancement. ....	7
Sec. 110005. Extension of deduction for qualified business income and permanent enhancement. ....	7
Sec. 110006. Extension of increased estate and gift tax exemption amounts and permanent enhancement. ....	8
Sec. 110007. Extension of increased alternative minimum tax exemption and phase-out thresholds.....	9
Sec. 110008. Extension of limitation on deduction for qualified residence interest. ....	9
Sec. 110009. Extension of limitation on casualty loss deduction.....	9
Sec. 110010. Termination of miscellaneous itemized deduction. ....	9
Sec. 110011. Limitation on tax benefit of itemized deductions. ....	9
Sec. 110012. Termination of qualified bicycle commuting reimbursement exclusion. ....	10
Sec. 110013. Extension of limitation on exclusion and deduction for moving expenses. ....	10
Sec. 110014. Extension of limitation on wagering losses. ....	10
Sec. 110015. Extension of increased limitation on contributions to ABLE accounts and permanent enhancement. ....	10
Sec. 110016. Extension of savers credit allowed for ABLE contributions. ....	11
Sec. 110017. Extension of rollovers from qualified tuition programs to ABLE accounts permitted. ....	11
Sec. 110018. Extension of treatment of certain individuals performing services in the Sinai Peninsula and enhancement to include additional areas. ....	11
Sec. 110019. Extension of exclusion from gross income of student loans discharged on account of death or disability.....	11
<b>Part 2 – Additional Tax Relief for American Families and Workers .....</b>	<b>11</b>
Sec. 110101. No tax on tips.....	11
Sec. 110102. No tax on overtime.....	12
Sec. 110103. Enhanced deduction for seniors.....	12
Sec. 110104. No tax on car loan interest.....	13

Sec. 110105. Enhancement of employer-provided child care credit.....	13
Sec. 110106. Extension and enhancement of paid family and medical leave credit. ..	14
Sec. 110107. Enhancement of adoption credit. ....	14
Sec. 110108. Recognizing Indian tribal governments for purposes of determining whether a child has special needs for purposes of the adoption credit. ....	15
Sec. 110109. Tax credit for contributions of individuals to scholarship granting organizations. ....	15
Sec. 110110. Additional elementary, secondary, and home school expenses treated as qualified higher education expenses for purposes of 529 accounts. ....	15
Sec. 110111. Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts.....	16
Sec. 110112. Reinstatement of partial deduction for charitable contributions of individuals who do not elect to itemize.....	16
Sec. 110113. Exclusion for certain employer payments of student loans under educational assistance programs made permanent and adjusted for inflation. ....	16
Sec. 110114. Extension of rules for treatment of certain disaster-related personal casualty losses.....	16
Sec. 110115. MAGA accounts. ....	17
Sec. 110116. MAGA accounts contribution pilot program. ....	18
<b>Part 3 – Investing in Health of American Families and Workers.....</b>	<b>18</b>
Sec. 110201. Treatment of health reimbursement arrangements integrated with individual market coverage. ....	18
Sec. 110202. Participants in CHOICE arrangement eligible for purchase of Exchange insurance under cafeteria plan. ....	18
Sec. 110203. Employer credit for CHOICE arrangement.....	19
Sec. 110204. Individuals entitled to Part A of Medicare by reason of age allowed to contribute to health savings accounts. ....	19
Sec. 110205. Treatment of direct primary care service arrangements. ....	19
Sec. 110206. Allowance of bronze and catastrophic plans in connection with health savings accounts. ....	19
Sec. 110207. On-site employee clinics.....	20
Sec. 110208. Certain amounts paid for physical activity, fitness, and exercise treated as amounts paid for medical care. ....	20
Sec. 110209. Allow both spouses to make catch-up contributions to the same health savings account. ....	20
Sec. 110210. FSA and HRA terminations or conversions to fund HSAs. ....	20
Sec. 110211. Special rule for certain medical expenses incurred before establishment of health savings account.....	20
Sec. 110212. Contributions permitted if spouse has health flexible spending arrangement. ....	21
Sec. 110213. Increase in health savings account contribution limitation for certain individuals. ....	21
Sec. 110214. Regulations.....	21
<b>Subtitle B – Make Rural America and Main Street Grow Again.....</b>	<b>21</b>

<b>Part 1 – Extension of Tax Cuts and Jobs Act Reforms for Rural America and Main Street</b>	<b>21</b>
Sec. 111001. Extension of special depreciation allowance for certain property.....	21
Sec. 111002. Deduction of domestic research and experimental expenditures.....	21
Sec. 111003. Modified calculation of adjusted taxable income for purposes of business interest deduction.....	22
Sec. 111004. Extension of deduction for foreign-derived intangible income and global intangible low-taxed income.....	22
Sec. 111005. Extension of base erosion minimum tax amount. ....	23
<b>Part 2 – Additional Tax Relief for Rural America and Main Street.....</b>	<b>23</b>
Sec. 111101. Special depreciation allowance for qualified production property.....	23
Sec. 111102. Renewal and enhancement of opportunity zones. ....	24
Sec. 111103. Increased dollar limitations for expensing of certain depreciable business assets.....	25
Sec. 111104. Repeal of revision to de minimis rules for third party network transactions.....	26
Sec. 111105. Increase in threshold for requiring information reporting with respect to certain payees. ....	26
Sec. 111106. Repeal of excise tax on indoor tanning services. ....	26
Sec. 111107. Exclusion of interest on loans secured by rural or agricultural real property.....	27
Sec. 111108. Treatment of certain qualified sound recording productions. ....	27
Sec. 111109. Modifications to low-income housing credit.....	27
Sec. 111110. Increased gross receipts threshold for small manufacturing businesses.....	28
Sec. 111111. Global intangible low-taxed income determined without regard to certain income derived from services performed in the Virgin Islands.....	28
Sec. 111112. Extension and modification of clean fuel production credit.....	29
<b>Part 3 – Investing in the Health of Rural America and Main Street.....</b>	<b>29</b>
Sec. 111201. Expanding the definition of rural emergency hospital under the Medicare program.....	29
<b>Subtitle C – Make America Win Again.....</b>	<b>29</b>
<b>Part 1 – Working Families Over Elites.....</b>	<b>29</b>
Sec. 112001. Termination of previously-owned clean vehicle credit. ....	29
Sec. 112002. Termination of clean vehicle credit. ....	30
Sec. 112003. Termination of qualified commercial clean vehicles credit.....	30
Sec. 112004. Termination of alternative fuel vehicle refueling property credit.....	30
Sec. 112005. Termination of energy efficient home improvement credit.....	30
Sec. 112006. Termination of residential clean energy credit. ....	31
Sec. 112007. Termination of new energy efficient home credit.....	31
Sec. 112008. Phase-out and restrictions on clean electricity production credit.....	31
Sec. 112009. Phase-out and restrictions on clean electricity investment credit.....	32
Sec. 112010. Repeal of transferability of clean fuel production credit. ....	33
Sec. 112011. Restrictions on carbon oxide sequestration credit.....	33
Sec. 112012. Phase-out and restrictions on zero-emission nuclear power production credit. ....	34

Sec. 112013. Termination of clean hydrogen production credit. ....	34
Sec. 112014. Phase-out and restrictions on advanced manufacturing production credit. ....	35
Sec. 112015. Phase-out of credit for certain energy property. ....	35
Sec. 112016. Income from hydrogen storage, carbon capture added to qualifying income of certain publicly traded partnerships treated as corporations. ....	36
Sec. 112017. Limitation on amortization of certain sports franchises. ....	36
Sec. 112018. Limitation on individual deductions for certain State and local taxes, etc. ....	37
Sec. 112019. Excessive employee remuneration from controlled group members and allocation of deduction. ....	37
Sec. 112020. Expanding application of tax on excess compensation within tax-exempt organizations. ....	37
Sec. 112021. Modification of excise tax on investment income of certain private colleges and universities. ....	38
Sec. 112022. Increase in rate of tax on net investment income of certain private foundations. ....	38
Sec. 112023. Certain purchases of employee-owned stock disregarded for purposes of foundation tax on excess business holdings. ....	39
Sec. 112024. Unrelated business taxable income increased by amount of certain fringe benefit expenses for which deduction is disallowed. ....	39
Sec. 112025. Name and logo royalties treated as unrelated business taxable income. ....	39
Sec. 112026. Exclusion of research income limited to publicly available research. ....	39
Sec. 112027. Limitation on excess business losses of noncorporate taxpayers. ....	40
Sec. 112028. 1-percent floor on deduction of charitable contributions made by corporations. ....	40
Sec. 112029. Enforcement of remedies against unfair foreign taxes. ....	40
Sec. 112030. Reduction of excise tax on firearms silencers. ....	41
Sec. 112031. Modifications to de minimis entry privilege for commercial shipments. ....	41
Sec. 112032. Limitation on drawback of taxes paid with respect to substituted merchandise. ....	41
<b>Part 2 – Removing Taxpayer Benefits for Illegal Immigrants. ....</b>	<b>42</b>
Sec. 112101. Permitting premium tax credit only for certain individuals. ....	42
Sec. 112102. Certain aliens treated as ineligible for premium tax credit. ....	42
Sec. 112103. Disallowing premium tax credit during periods of Medicaid ineligibility due to alien status. ....	42
Sec. 112104. Limiting Medicare coverage of certain individuals. ....	42
Sec. 112105. Excise tax on remittance transfers. ....	42
Sec. 112106. Social Security number requirement for American opportunity and lifetime learning credits. ....	43
<b>Part 3 – Preventing Fraud, Waste, and Abuse. ....</b>	<b>43</b>
Sec. 112201. Requiring Exchange verification of eligibility for health plan. ....	43

Sec. 112202. Disallowing premium tax credit in case of certain coverage enrolled in during special enrollment period.....	43
Sec. 112203. Eliminating limitation on recapture of advance payment of premium tax credit. ....	44
Sec. 112204. Implementing artificial intelligence tools for purposes of reducing and recouping improper payments under Medicare.....	44
Sec. 112205. Enforcement provisions with respect to COVID-related employee retention credits.....	44
Sec. 112206. Earned income tax credit reforms. ....	44
Sec. 112207. Task force on the termination of Direct File.....	45
Sec. 112208. Postponement of tax deadlines for hostages and individuals wrongfully detained abroad.....	45
Sec. 112209. Termination of tax-exempt status of terrorist supporting organizations.	46
Sec. 112210. Increase in penalties for unauthorized disclosures of taxpayer information. ....	46
Sec. 112211. Restriction on regulation of contingency fees with respect to tax returns, etc.....	46
<b>Subtitle D – Increase in Debt Limit.....</b>	<b>46</b>
Sec. 113001. Modification of limitation on the public debt. ....	47

# Individual Tax Provisions

- Personal income tax rates and brackets permanent beginning in 2026
  - No mention of higher tax brackets
- Capital gains
  - Same capital gains rates will apply
  - Brackets will be adjusted
- Standard deduction
  - Temporary additional increase of \$1,500 in the first year
    - \$1,000 in future years
  - Only for four years beginning in 2025



**Tax rates:** The bill would make the TCJA tax rates permanent. It would also modify the inflation adjustment mechanism for the various brackets.

The staff of the JCT projects that, for 2026, under the proposal the income tax brackets for single individuals would be:

Rate	On income of
10%	Up to \$12,375
12%	Over \$12,375 but not over \$50,275
22%	Over \$50,275 but not over \$107,200
24%	Over \$107,200 but not over \$204,700
32%	Over \$204,700 but not over \$259,925
35%	Over \$259,925 but not over \$639,275
37%	Over \$639,275

Source: Joint Committee on Taxation, *Description of the Tax Provisions of the Chairman's Amendment* (JCX-21-25) (May 12, 2025), p. 6.

# Individual Tax Provisions

- Additional standard deduction – over age 65
  - \$4,000 beginning in 2025
    - Expire 2028
  - Phases out with income over \$150,000 for MFJ
    - \$75,000 for all other taxpayers
  - Nod to Trump's pledge to end federal taxes on Social Security
    - Not in draft bill

# Individual Tax Provisions

- Personal Exemptions
  - Personal exemptions would be permanently repealed
- Mortgage interest deduction
  - The lower mortgage cap that was set to expire is made permanent
  - \$750,000 limit
  - Exclusion of home-equity indebtedness from the definition of qualified residence interest
  - §163(h)(3) limit on the treatment of mortgage insurance premiums as qualified residence interest

# Individual Tax Provisions

- State and Local Tax Deductions (SALT)
  - \$10,000 cap boosted to \$30,000 for MFJ & \$15,000 for unmarried
    - Only available to those with MAGI of up to \$400,000
    - Still negotiating SALT provision
      - \$60,000 cap?
  - Modify §275 which denies deductions for certain taxes (“specified taxes”)
    - PTET to avoid SALT cap
      - AICPA called the PTET changes “unfair” to affected businesses

# SALT Cap

- Agreement - \$40,000
  - Cap would start phasing down once income reaches \$500,000
    - Income threshold to grow 1% annually
- No expiration

# Individual Tax Provisions

- Casualty & Theft Losses
  - Limitation for losses attributable to a federal disaster area would be made permanent
  - Broaden definition of “qualified disaster area”
- Miscellaneous Itemized Deductions
  - Miscellaneous itemized deductions would be permanently eliminated
- Pease Limitations
  - Eliminated permanently
  - Value of itemized deductions would be limited to 35 cents on the dollar

# Individual Tax Provisions

- Bicycle Expense Reimbursements
  - No exclusion for reimbursements – taxable
- Moving Expense Reimbursements
  - Only members of the armed forces can exclude employer reimbursements for moving expenses due to a change in employment
    - No change
- Gambling Losses
  - Gambling losses cannot exceed winnings
  - No change

# Individual Tax Provisions

- Alternative Minimum Tax
  - Increased AMT exemption rate and phaseout thresholds would be made permanent
- Student Loans
  - Student loans discharged due to death or disability would qualify for an exclusion from gross income
    - No change
  - Repeal provision in ARPA which included discharges of certain student loans after 12/31/20 and before 1/1/26



# Individual Tax Provisions

- Child Tax Credit
  - Increase the credit to \$2,500 per child for four years
  - Credit drop back to \$2,000
  - Require a valid Social Security number (current law)
    - Both parents have a valid Social Security number
- Credit for Other Dependents
  - Credit would no longer exist

# Individual Tax Provisions

- Federal Estate Taxes
  - Exemption boost made permanent
  - Exclusion for 2026 = \$15,000,000
    - Adjusted for inflation thereafter

# Individual Tax Provisions

- Paid family and medical leave credit
  - §45S amended to make the employer credit for paid family and medical leave permanent
    - Was to expire in 2025
- Adoption credit
  - §23 up to \$5,000 of adoption credit refundable

# Individual Tax Provisions

- Section 529 Plans
  - Elementary, secondary, and homeschool expenses
    - Considered qualified higher education expenses for purposes of 529 plans
  - Postsecondary credentialing expenses as qualified higher education expenses for purposes of §529
  - Changes to apply to distributions after the date of enactment

# Individual Tax Provisions

- Partial charitable contribution deduction for nonitemizers
  - Reinstate §170(p) – available only for 2021
  - Maximum allowed \$150 for non married and \$300 for joint returns
    - Add to standard deduction
- 2025-2025

# Individual Tax Provisions

## Exclusion for certain employer payments of student loans

- Make permanent §127 exclusion from income of educational assistance provided by an employer to an employee
- Maximum exclusion = \$5,250
  - Adjusted for inflation after 2026

# Business Tax Provisions

- Pass-Through Entities
  - Qualified Business Income Deduction (§199A) made permanent
  - Increase from 20% to 23% beginning in 2026
  - Extend eligibility to certain interest dividends paid by qualified business development companies (BDC)
    - Made an election under §851 to be treated as a regulated investment company
  - 199A threshold amounts would be indexed for inflation after 2025

# Business Tax Provisions

- GILTI and Other Foreign Income Provisions
  - Tax break for offshore profits (Global Intangible Low-Taxed Income or GILTI deduction) would be made permanent
    - Taxing foreign profits of American corporations half as much as domestic profits
  - Foreign derived intangible income (FDII) and base erosion and anti-abuse tax (BEAT) rates would also be made permanent



# Business Tax Provisions

- Research and Development
  - Domestic R&D expenses would be immediately deductible for tax years 2025 through 2029
  - Proposal would not provide full expensing for foreign R&D expenses

# Business Tax Provisions

- Bonus depreciation
  - Extend and modify §168 additional first year (bonus) depreciation deduction through 2029
    - 2030 for longer-production-property and certain aircraft
  - 100% bonus depreciation for property acquired and placed in service after January 19, 2025 and before January 1, 2030
    - Jan 1, 2031 for longer-production-property and certain aircraft
      - As well as for specified plants planted or grafted after 1/29/25 and before 1/1/30

# Business Tax Provisions

- Increased §179 expensing limitation
  - Maximum = \$2.5 million
  - Increases phaseout threshold amount to \$4 million

# Business Tax Provisions

- Third-party network transaction reporting threshold
  - Revert to prior rule for Form 1099-K
    - \$20,000 transactions
    - Aggregate number > 200
- Form 1099 reporting threshold
  - Increase from \$600 to \$2,000
  - Index for inflation after 2026

# Non-Profit and Tax-Exempt Provisions

- **Higher Taxes for Colleges**

- Under TCJA, some colleges subject to 1.4% tax on the net investment income from their endowments
- Rate would climb as high as 21%
  - Depending on size of endowment

- **Higher Taxes for Private Foundations**

- 1.39% tax on net investment income, depending on their assets
- Rate would climb to 10% - depending on assets
  - 10% apply to foundations with assets of \$5 billion or more

# New Tax Provisions

- **Money Accounts for Growth and Advancement (MAGA accounts)**
  - New §530A
  - New tax-favored account to benefit children under age eight
  - Parents would be able to contribute up to \$5,000 per year to the account
    - Money could not be withdrawn before the beneficiary turns 18.
    - Money can be used:
      - Pay for college
      - First-time home purchase
      - Start a business
  - Withdrawals taxed a favorable capital gains tax rates
  - No \$5,000 checks for new babies
  - \$1,000 for government deposits for qualifying children born between December 31, 2024 and January 1, 2029

# New Tax Provisions

- **No Tax on Tips**
  - Tip income would be temporarily deductible
    - New §224
      - W-2, 1099-K, 1099-NEC, and Form 4137
  - Above-the-line deduction
  - For years 2025 through 2028
  - For individuals in traditionally and customarily tipped industries who do not itemize
  - Highly compensated employees would be excluded
    - >\$160,000 in 2025

# New Tax Provisions

## No Tax on Overtime

- New §225
- Workers who receive qualified overtime would not have to pay taxes on that extra compensation
  - Overtime compensation under the Fair Labor Standards Act, Section 7
- Above-the-line deduction
- Only for taxpayers who do not itemize
- Temporary
  - 2025-2028



# New Tax Provisions

## **Senior bonus deduction**

- Age 65 or older and for spouses who meet certain criteria in the case of a joint return
- \$4,000
- Phase out for AGI > \$75,000 or >\$150,000 for MFJ
- Claim senior bonus amount whether they claim the standard deduction or itemize
- 2025-2028

# New Tax Provisions

## **No Taxes on Car Loan Interest**

- Car loan interest was deductible until 1986
- Only for cars assembled in the US
- 2025-2028
- Deduction limited to \$10,000
  - Subject to phase-outs
    - \$100,000 for singles
    - \$200,000 for MFJ

# New Tax Provisions

## **Employer-provided childcare credit**

- Increase §45F employer-provided childcare credit from 25% to 40% of qualified childcare expenditures
  - 50% for eligible small businesses
- In addition to 10% of qualified referral expenses under present law
  - Credit limit increase to \$500,000
    - \$600,000 for small businesses
- Adjusted for inflation

# Pay Fors

- **Cuts to Medicaid**
  - CBO estimates 10.3 million people losing coverage
    - 7.6 million people becoming uninsured
  - Save \$625 billion
  - Work requirement for able bodied
    - Work, volunteer or attend school for 80 hours per month
    - Pay for some of their coverage
  - More frequent eligibility checks
  - Block federal funds for Medicaid recipients whose citizenship or immigration status is unverified
    - Stop federal funds to facilities that provide abortion services
  - Slow down growth vs. cuts
  - Energy and Commerce committee

# Pay Fors

## Inflation Reduction Act

- Full repeal?
  - Generate jobs and investment in rural Republican regions
- Claw back \$6.5 billion in unspent funds from Inflation Reduction Act
- Electric vehicles
  - Phase out and terminate \$7,500 EV credit for new cars, \$4,000 EV credit for used cars, and commercial EV credit
  - Terminate at end of 2025
  - New EV credit through 2026 reinstating the 200,000 cap on vehicles per manufacturer (most already hit)
- Repeal clean energy credits for homes at end of 2025, including for contractors that build energy-efficient homes
- Phase out credits for wind, solar and other renewables starting in 2029

# Clean Energy Provisions

## Termination

- §25E – previously owned EV after 2025
- §30D – EV after 2026
- §45W – qualified commercial clean vehicles credit acquired after 2025
  - Except for those place in service before 2033 under a written binding contract entered into before May 12, 2025
- §30C – alternative fuel vehicle refueling property credit after 2025
- §25C – energy-efficient home improvement credit after 2025
- §25D – residential clean-energy credit after 2025
- §45L – new energy-efficient home credit after 2025

# Clean Energy Provisions

## **Phaseout and restrictions**

- §45Y – clean electricity production credit after date of enactment
- §48E – clean electricity investment credit
- §45Q – carbon oxide sequestration credit
- §45U – zero-emission nuclear power production credit
- §45X – advanced manufacturing production credit
- §48 – credit for certain energy property

## **Repeal**

- Transferability of the clean fuel production credit
- §45V - Clean hydrogen production credit

# Health Care Provisions

## **Health savings accounts**

- Allow individuals who qualify for Medicare by reason of age
  - But only enroll in Medicare Part A
  - Still eligible to contribute to HSAs

## **Individual coverage HRAs**

- Permit employers to offer individual coverage HRAs
  - Rename as Custom Health Option and Individual Care Expense (CHOICE) arrangements
    - Without violating the group health plan requirements of the Public Health Service Act, PL 78-410



# Pay Fors

## **Transportation Committee**

- Increase tonnage fee paid by ships that come to US from foreign port
- Two new annual fees for car owners – Highway Trust Fund
  - \$250 for electric vehicle
  - \$100 for a hybrid vehicle
  - No fee for gasoline cars (Was going to be \$20, but too much blowback)
  - \$38 billion over 10 years

## **Energy and Commerce Committee**

- Wireless-spectrum auctions -- Raise \$88 billion

# Pay Fors

## **Judiciary Committee**

- Long list of new fees for individuals going through immigration system
  - \$1,000 for new asylum applications
  - \$100 annual fee for asylum applications still pending
  - \$5,000 for anyone prepared to take custody of an unaccompanied migrant child
- Raise \$77 billion over 10 years

## **Education and Workforce Committee**

- Changes to federal student-loan repayment program
- Save \$350 billion over 10 years

# Pay Fors

## Oversight Committee

- Increase the amount of money federal workers are required to contribute to retirement accounts
  - Save \$30.7 billion over 10 years
  - Currently contribute .8% toward retirement accounts
  - Require 4.4% for workers who were hired after 2013

# What's Not in the Draft Bill

- No reduction in corporate tax rates
- No mention of taxing the carried interest income earned by private fund managers at ordinary income tax rates
  - Instead of capital gains rates
  - Previous attempts
- Medicaid
  - Changes to the minimum share the federal government pays for Medicaid
    - Pay lower percentage for wealthier states such as California or for able-bodied Medicaid recipients who joined under ACA expansion

# What's Not in the Draft Bill

- No increase in top individual tax rate
  - 39.6%, 40%
- No Estate Tax Repeal
- No Elimination of tax on Social Security
- No tax on bonuses
- No C-SALT

# Reactions From Congress

“It’s not beautiful yet” – Sen. Lisa Murkowski (R-AK)

“It’s like this was designed in a lab to piss off the maximum number of people” – Rep. Brian Schatz (D-HI)

“There’s still a lot of work to do” – Rep. Nick LaLota (R- NY)

“If everybody draws a red line, you end up with a maze” – Sen. Bernie Moreno (R-OH)

Factions: Deficit hard-liners, Medicaid defenders, SALT caucus, IRA protectors

# Timeline

- Pass by Memorial Day
- Measure goes to Senate
- Trumps wants to sign the law by July 4th

# Senate passes No Tax on Tips Act

- Unanimous Senate passed No Tax on Tips Act (S 129)
- Allow taxpayers to claim an above-the-line deduction of up to \$25,000 in qualified tips beginning in 2025
  - Cash tips received by an individual in the course of their employment in an occupation that traditionally and customarily received tips prior to 2024.
    - Occupations to be determined by the Secretary of the Treasury
- Highly compensated not eligible
  - >\$160,000 in 2025



# Senate passes No Tax on Tips Act

- Expand the Employer Tax Credit for FICA paid on tip income to apply to tips provided to beauty service workers
  - Barbering and hair care
  - Nail care
  - Esthetics
  - Body and spa treatments
- Similar to House version
  - There is a cap on the amount of the deduction
  - No Social Security number requirement
  - No sunset clause

# Increase in Debt Limit

## **Subtitle D—Increase in Debt Limit**

### **SEC. 113001. MODIFICATION OF LIMITATION ON THE PUBLIC DEBT.**

The limitation under section 3101(b) of title 31, United States Code, as most recently increased by section 401(b) of Public Law 118–5 (31 U.S.C. 3101 note), is increased by \$4,000,000,000,000.

# Resources

The One, Big, Beautiful Bill (389 pages)

- [https://waysandmeans.house.gov/wp-content/uploads/2025/05/SMITMO\\_017\\_xml.pdf](https://waysandmeans.house.gov/wp-content/uploads/2025/05/SMITMO_017_xml.pdf)

Joint Committee on Taxation (JXC-22-25R (May 13, 2025)

- Estimated Revenue Effects of Provisions to Provide for Reconciliation of the Fiscal Year 2025 Budget (432 pages)
- <https://www.jct.gov/publications/2025/jcx-22-25r/>
- <https://drive.google.com/file/d/1o9RCIgp0Fg8wU4KB7q48D6AzyoalAmZI/view>

Ways & Means Summary – Section by section (47 pages)

- <https://waysandmeans.house.gov/wp-content/uploads/2025/05/The-One-Big-Beautiful-Bill-Section-by-Section.pdf>

# Resources

- Manager's Report from Rules Committee (42 pages)
  - [https://amendments-rules.house.gov/amendments/RCP\\_119-3\\_Managers\\_xml%20\(002\)250521201648156.pdf?\\_gl=1\\*1yc9bfp\\*\\_ga\\*MTY4NTMzODU0NS4xNzM3NzQzNTQz\\*\\_ga\\_N4RTJ5D08B\\*czE3NDc4NzUxMzQkbzYkZzEkdDE3NDc4NzUxNDYkajAkbDAkaDA](https://amendments-rules.house.gov/amendments/RCP_119-3_Managers_xml%20(002)250521201648156.pdf?_gl=1*1yc9bfp*_ga*MTY4NTMzODU0NS4xNzM3NzQzNTQz*_ga_N4RTJ5D08B*czE3NDc4NzUxMzQkbzYkZzEkdDE3NDc4NzUxNDYkajAkbDAkaDA)

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