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One Big Beautiful Bill Act — Working Families Tax Cut Act

Welcome

TaxAct Professional OBBBA Overview

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Welcome

Ann Campbell CPA CIA
Sr Education Specialist



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New Tax Law

The technical name for OBBBA (One Big Beautiful Bill Act) is "Public Law 119-21," which is the formal designation given to the legislation after its enactment.

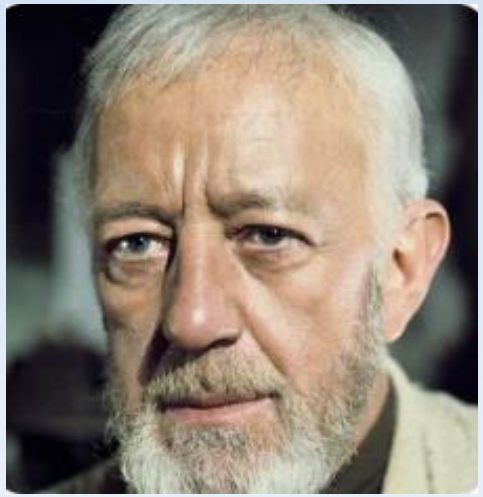
In legislative terms, it was originally introduced as H.R. 1 and is officially titled "An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14" in the United States Congress.

The law is commonly referred to as the "One Big Beautiful Bill Act" or "OBBBA" in summaries and commentary, but its technical name is Public Law 119-21 (H.R. 1))

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Public Law 119-21 *aka* OBBBA







OB3

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Major Provisions

General
Permanent Extension of Key TCJA Tax Structures & Brackets

Form 1040
Checkbox for 301.9100-2, Deceased, Main Home in US > ½ Year, HoH/QSS Child Not Dependent
Dependents Section Expanded
Changes on Form 1040 including Kiddie Tax and Retirement QCDs and Rollovers

Schedule 1-A
Deduction for Qualified Tips and Qualified Overtime Pay
Deduction for Qualified Passenger Vehicle Loan Interest
Enhanced Deduction for Seniors

Gambling
Gambling Loss Cap – 90% of winnings

Disaster & Casualty Losses
Personal Casualty Loss Deduction
Disaster-Related Personal Casualty Losses

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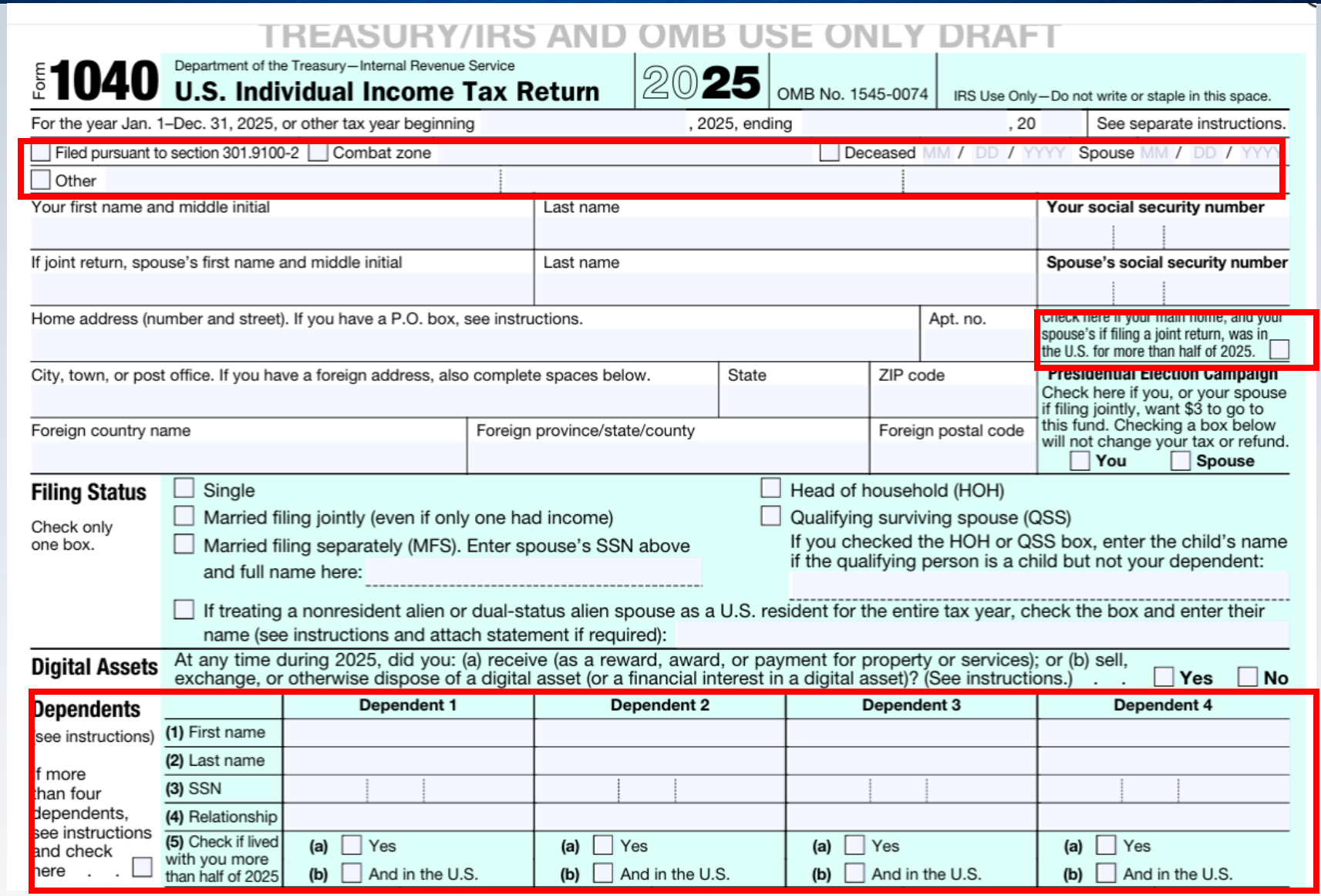
Major Provisions, cont'd

Itemized & Standard Deductions
Home Mortgage Interest Deduction
The SALT deduction cap is elevated to $40,000 for taxpayers making under $500,000 but reverts after five years.
Limitation on Itemized Deductions is back
Charitable Contributions Limitations
Moving Expense Deductions Expanded for Some

Other Taxes and Credits and Miscellaneous
The Child Tax Credit increases to $2,200 per child, indexed for inflation beginning in 2026.
Estate Tax
AMT Exemption Amounts
Savers Credit becoming Savers Match
Adoption Credit
Child and Dependent Care Credit

Student Loan Debt Discharge

Form 1040



TREASURY/IRS AND OMB USE ONLY DRAFT

Form 1040 Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** 2025 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial | Last name | **Your social security number**

If joint return, spouse's first name and middle initial | Last name | **Spouse's social security number**

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. ☐

City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code | **Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ **You** ☐ **Spouse**

Foreign country name | Foreign province/state/county | Foreign postal code

Filing Status Check only one box.

☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:
☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

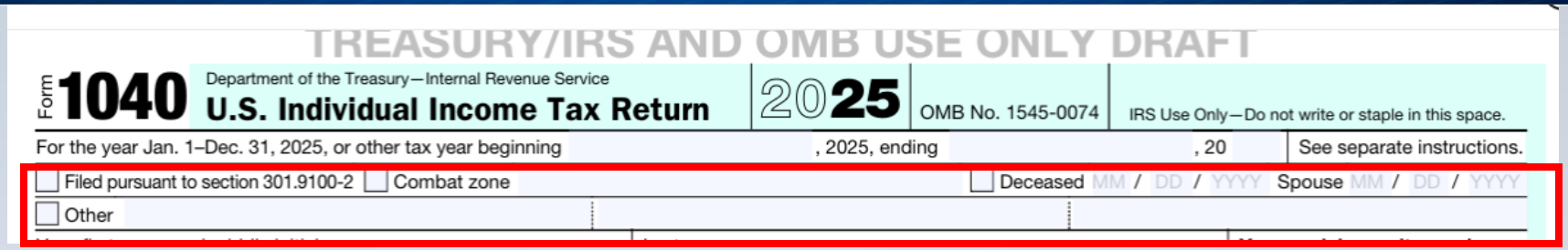
Digital Assets At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) . . ☐ **Yes** ☐ **No**

Dependents (see instructions) If more than four dependents, see instructions and check here . . ☐

	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name				
(2) Last name				
(3) SSN				
(4) Relationship				
(5) Check if lived with you more than half of 2025	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.

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Form 1040 301.9100-2


TREASURY/IRS AND OMB USE ONLY DRAFT

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For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Section 301.9100-2 of the Treasury Regulations provides for automatic extensions of time for taxpayers to make certain regulatory and statutory elections. The section is designed to allow taxpayers who have missed the deadline for making specific elections to correct their oversight without needing to request a private letter ruling or pay a user fee, provided they meet certain requirements.

There are Two Automatic Extensions Available: 12 Month and 6 Month.

Example 1: If a taxpayer fails to make an eligible election when filing a return, they may file an amended return with the election within 12 months of the original or extended due date.

Example 2: For elections not listed for the 12-month extension, a taxpayer who timely filed the return may file an amended return with the election within 6 months of the original due date.

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Form 1040 301.9100-2

Automatic 12-Month Extension

Eligibility: Certain regulatory elections listed in §301.9100-2(a)(2) are eligible for an automatic 12-month extension from the due date for making the election.

Due Date Definition: The due date for making the election is the extended due date of the return if the taxpayer obtained an extension to file the return.

List of Eligible Elections: The following elections are eligible:

Election to use a taxable year other than the required year under IRC §444.

Election to use the LIFO inventory method under IRC §472.

15-month rule for filing exemption applications for certain organizations under IRC §§505 and 508.

Election to be treated as a homeowners association under IRC §528.

Election to adjust basis on partnership transfers and distributions under IRC §754.

Estate tax election to specially value qualified real property under IRC §2032A(d)(1) (if the IRS has not begun an examination).

Certain chapter 14 gift tax elections under IRC §2701(c)(3)(C)(i) and (ii).

Corrective Action: The taxpayer must take corrective action within the 12-month period, which generally means filing the appropriate form or statement as required by the relevant statute or regulation, often by filing an amended return with the election attached if the election is made with a return.

Form 1040 301.9100-2

Automatic 6-Month Extension

Eligibility: An automatic 6-month extension is available for other regulatory or statutory elections whose due dates are the due date of the return or the due date of the return including extensions, provided the taxpayer timely filed the return for the year the election should have been made.

Exclusions: This extension does not apply to elections that must be made by the due date of the return excluding extensions.

Corrective Action: The taxpayer must take corrective action within the 6-month period, similar to the 12-month extension.

Corrective Action Requirements

Definition: Corrective action means taking the steps required to file the election in accordance with the relevant statute, regulation, or published IRS guidance.

For Elections Filed with a Return: This includes filing an original or amended return for the year the election should have been made and attaching the appropriate form or statement.

Consistency Requirement: Taxpayers must file their returns in a manner consistent with the election for the year the election should have been made and for all affected years. Failure to do so may result in the IRS invalidating the election.

Due Diligence

Know Your Clients!

Are you verifying information on NEW clients?

Government Issued IDs	Birth Certificates	Marriage Licenses
Social Security Cards	Green Cards	Passports

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SSN & ITIN /OBBBA

Under OBBBA effective for 2025, To claim CTC or ACTC, taxpayer and child must have valid SSN (valid for employment) issued by SSA before the due date of the tax return including extensions. No more ITIN or ATIN.

If a required SSN is omitted or incorrect, the IRS will treat this as a mathematical or clerical error, allowing the IRS to disallow the credit without a formal audit.

To claim ODC, taxpayer must have valid SSN/ITIN before the due date of the tax return including extensions. Dependent must have SSN, ITIN, ATIN.

Dependents

Foreign country name | Foreign province/state/county | Foreign postal code | will not change your tax or refund. ☐ You ☐ Spouse

Filing Status

Check only one box.

- ☐ Single
- ☐ Married filing jointly (even if only one had income)
- ☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
- ☐ Head of household (HOH)
- ☐ Qualifying surviving spouse (QSS)

If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

Digital Assets

At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Dependents (see instructions)

If more than four dependents, see instructions and check here . . ☐

	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name				
(2) Last name				
(3) SSN				
(4) Relationship				
(5) Check if lived with you more than half of 2025	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.	(a) ☐ Yes (b) ☐ And in the U.S.
(6) Check if	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled
(7) Credits	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents

☐ Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 31	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions). Enter type and amount:	1h	
i	Nontaxable combat pay election (see instructions)	1i	

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Return Review – DD1

Do not skip due diligence!

Child(ren) Head of Household Income (Schedule C)

Paid tax return preparers who prepare returns or claims for refund claiming the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), Credit for Other Dependents (ODC), American Opportunity Tax Credit (AOTC), or Head of Household (HOH) filing status are subject to strict due diligence requirements under Internal Revenue Code § 6695(g) and Treasury Regulation § 1.6695-2. One of the four due diligence requirements is recordkeeping. The law and regulations, as well as IRS guidance, specify exactly what documents must be kept, for how long, and in what manner.

Due Diligence – Brief Recap

1. **Completion and Submission of Form 8867 (Paid Preparer's Due Diligence Checklist):**
    1. The form must be completed based on information provided by the taxpayer or otherwise reasonably obtained or known by the preparer.

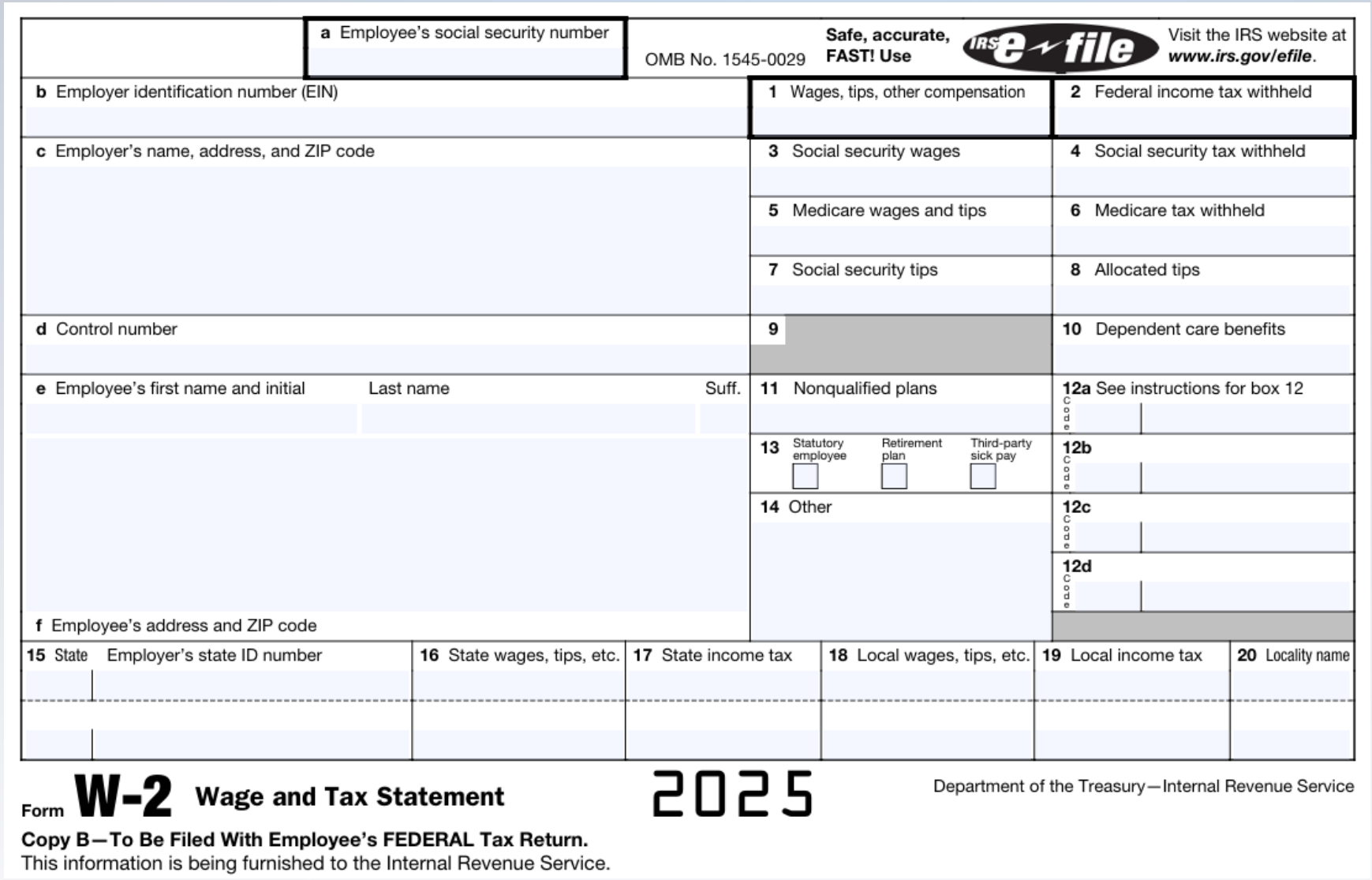
2. **Computation of Credits**
    1. The computation must be based on information provided by the taxpayer or otherwise reasonably obtained or known by the preparer

3. **Knowledge Requirements**
    1. The preparer must *not* know, or have reason to know, that any information used to determine eligibility for, or the amount of, the credit(s) or HOH status is incorrect.
    2. The preparer may not ignore the implications of information furnished or known and must make reasonable inquiries if a reasonable and well-informed preparer would conclude that the information appears to be incorrect, inconsistent, or incomplete.
    3. The preparer must contemporaneously document in their files any inquiries made and the responses received

4. **Retention of Records**
    1. Complete and keep a completed Form 8867 and related documents for three years.

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Form W2



a Employee's social security number

OMB No. 1545-0029

Safe, accurate, FAST! Use IRS e-file

Visit the IRS website at www.irs.gov/efile.

b Employer identification number (EIN)

1 Wages, tips, other compensation

2 Federal income tax withheld

c Employer's name, address, and ZIP code

3 Social security wages

4 Social security tax withheld

5 Medicare wages and tips

6 Medicare tax withheld

7 Social security tips

8 Allocated tips

d Control number

9

10 Dependent care benefits

e Employee's first name and initial Last name Suff.

11 Nonqualified plans

12a See instructions for box 12 Code

13 Statutory employee Retirement plan Third-party sick pay

12b Code

14 Other

12c Code

12d Code

f Employee's address and ZIP code

15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement 2025

Department of the Treasury—Internal Revenue Service

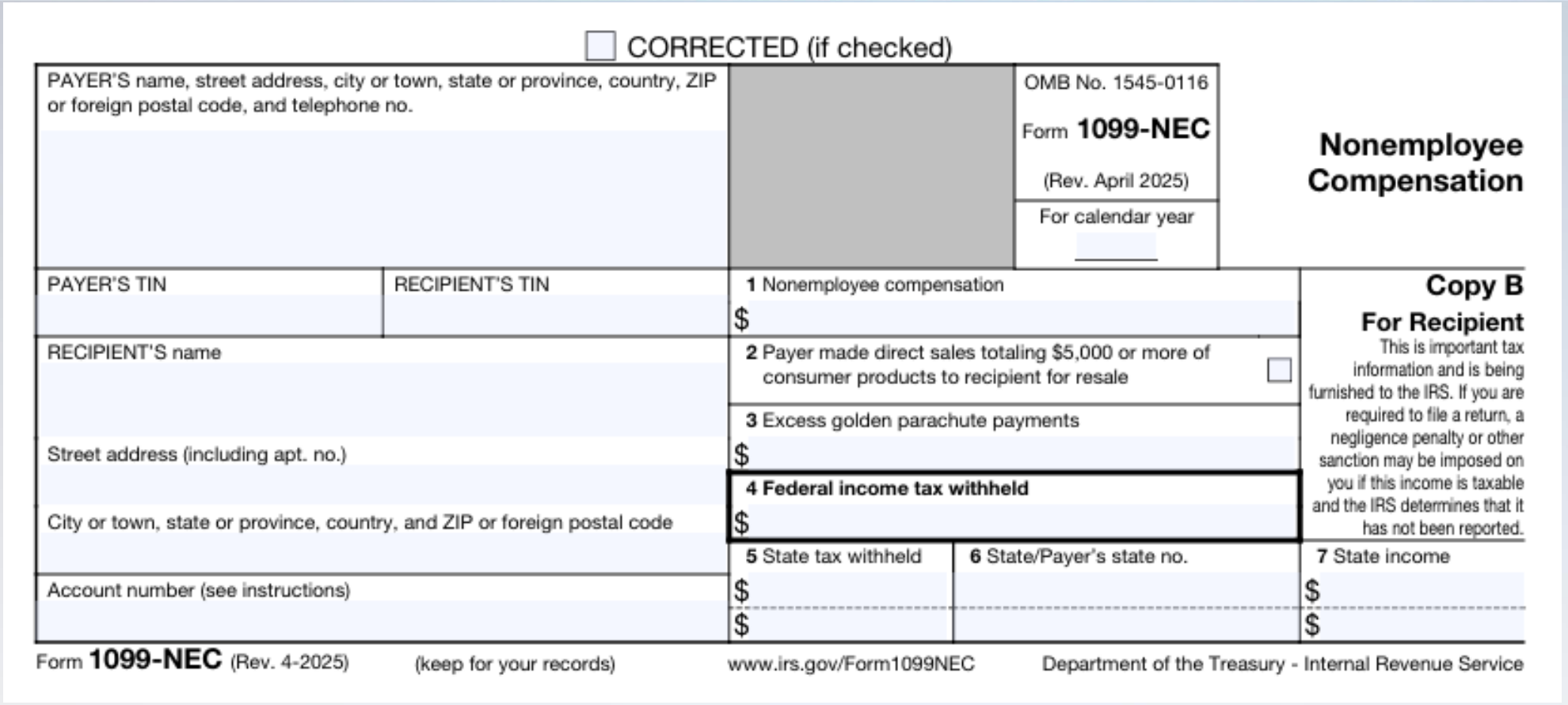
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

What about OBBBA Tips and Overtime Premiums…???

For 2025, employers must continue to report tips and overtime as wages on the W-2, but must also comply with new OBBBA requirements to separately report the occupation of the tip recipient and the total amount of qualified tips and qualified overtime compensation.

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Form 1099-NEC



☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0116

Form **1099-NEC**

(Rev. April 2025)

For calendar year _____

Nonemployee Compensation

PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation	Copy B For Recipient
		$	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name		2 Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale ☐	
		3 Excess golden parachute payments	
Street address (including apt. no.)		$	
		4 Federal income tax withheld	
City or town, state or province, country, and ZIP or foreign postal code		$	
		5 State tax withheld / 6 State/Payer's state no. / 7 State income	
Account number (see instructions)		$ / $ / $	
		$ / $ / $	

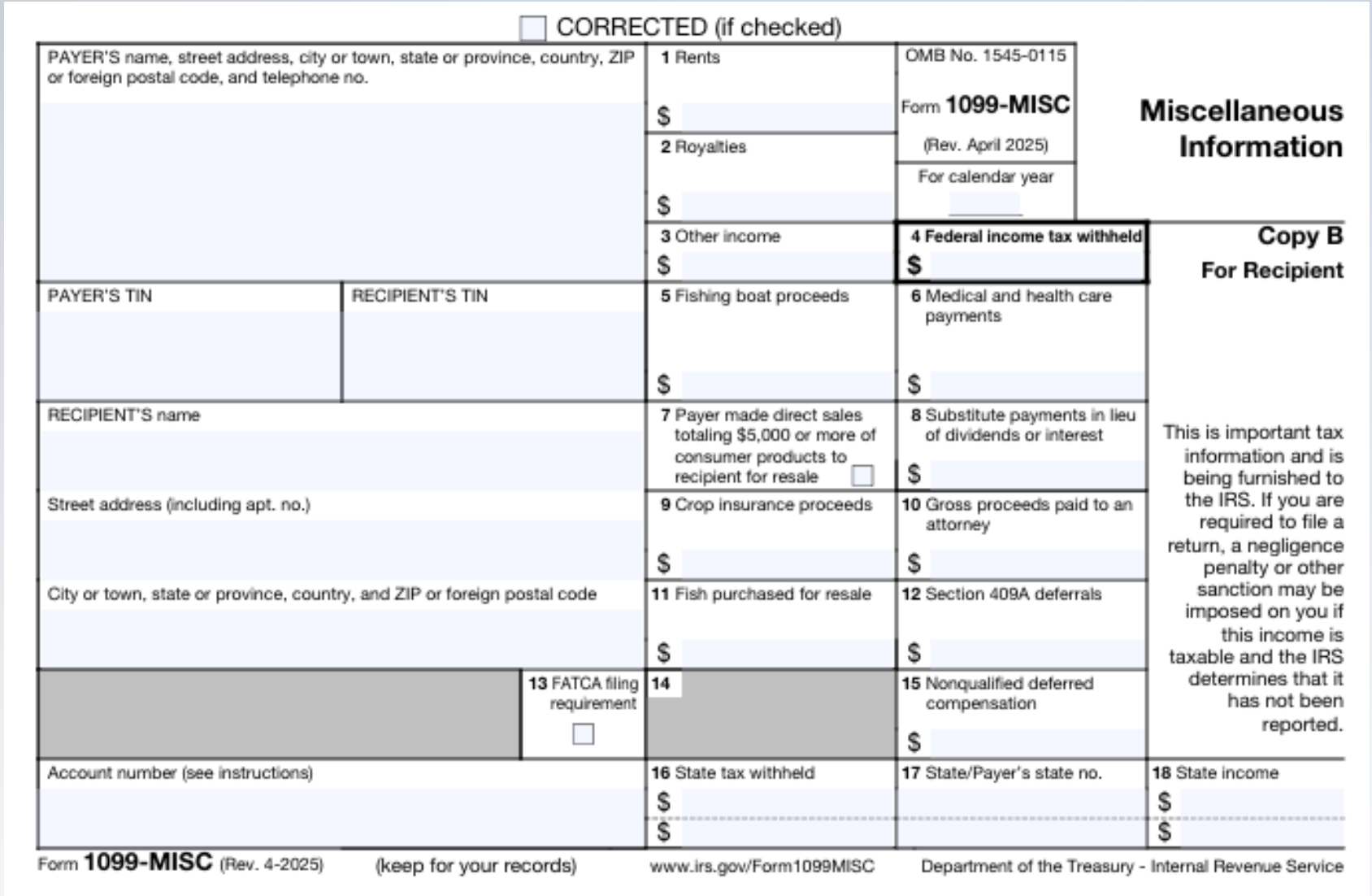
Form **1099-NEC** (Rev. 4-2025) (keep for your records) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

OBBBA changes reporting threshold from $600 to $2000 starting for tax year 2026.

$2000 limit will be adjusted for inflation in future years.

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Form 1099-MISC



CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	1 Rents $	OMB No. 1545-0115 Form 1099-MISC (Rev. April 2025) For calendar year	Miscellaneous Information
	2 Royalties $		
	3 Other income $	4 Federal income tax withheld $	Copy B For Recipient
PAYER'S TIN / RECIPIENT'S TIN	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name	7 Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale ☐	8 Substitute payments in lieu of dividends or interest $	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.)	9 Crop insurance proceeds $	10 Gross proceeds paid to an attorney $	
City or town, state or province, country, and ZIP or foreign postal code	11 Fish purchased for resale $	12 Section 409A deferrals $	
13 FATCA filing requirement ☐	14	15 Nonqualified deferred compensation $	
Account number (see instructions)	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

Form 1099-MISC (Rev. 4-2025) (keep for your records) www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

OBBBA changes reporting threshold from $600 to $2000 starting for tax year 2026.

$2000 limit will be adjusted for inflation in future years.

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Form 1099-K

1099-K Reporting Thresholds May Increase The Number of Clients with **Schedule C** or **Schedule E**

Back and Forth Rules up through tax year 2024...

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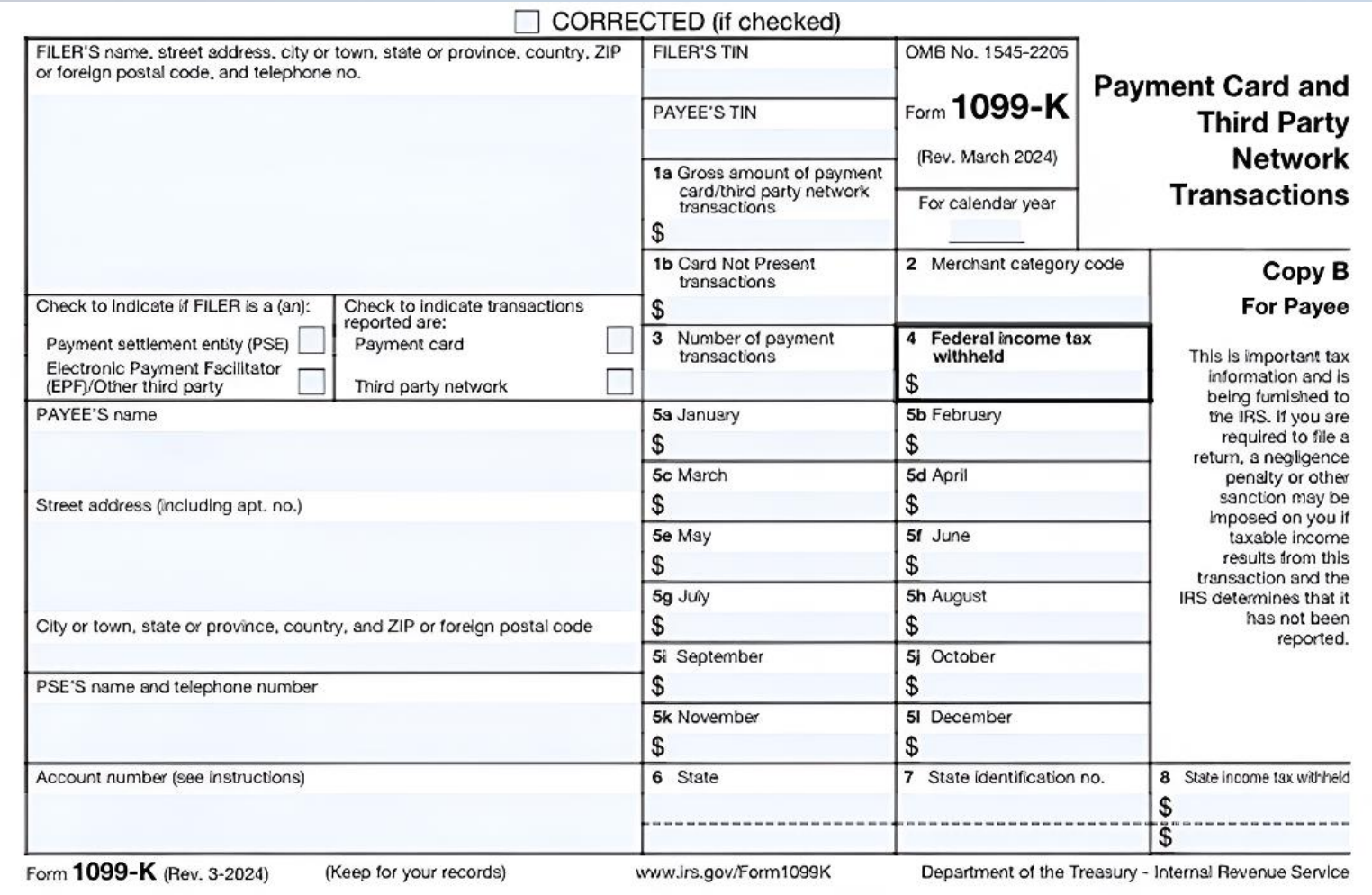
Form 1099-K

1099-K Reporting Thresholds

After 2024, OBBBA reverts reporting to
$20,000 or more and
at least 200 transactions in calendar year.

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Form 1099-K



☐ CORRECTED (if checked)

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	FILER'S TIN	OMB No. 1545-2205 Form **1099-K** (Rev. March 2024) For calendar year	**Payment Card and Third Party Network Transactions**
	PAYEE'S TIN		
	1a Gross amount of payment card/third party network transactions $		
Check to indicate if FILER is a (an): Payment settlement entity (PSE) ☐ Electronic Payment Facilitator (EPF)/Other third party ☐	1b Card Not Present transactions $	2 Merchant category code	**Copy B** **For Payee**
Check to indicate transactions reported are: Payment card ☐ Third party network ☐	3 Number of payment transactions	4 **Federal income tax withheld** $	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
PAYEE'S name	5a January $	5b February $	
Street address (including apt. no.)	5c March $	5d April $	
	5e May $	5f June $	
City or town, state or province, country, and ZIP or foreign postal code	5g July $	5h August $	
PSE'S name and telephone number	5i September $	5j October $	
	5k November $	5l December $	
Account number (see instructions)	6 State	7 State identification no.	8 State income tax withheld $ $

Form **1099-K** (Rev. 3-2024) (Keep for your records) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

The amount in box 1a is the **total** dollar amount of total reportable payment transactions *without regard to any adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or any other amounts*. The dollar amount of each transaction is determined on the date of the transaction

Used to report Payment Card and Third Party Network transactions. Generally gets reported on Schedule C or Schedule E.

Schedule C

Professional Gamblers

OBBBA will limit gambling deductions to 90% of losses, only to the extent of gains.

IRC §165(d) effective 2025

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Depreciation - OBBBA

- IRC §179(b): Limit increased to $2.5 million, phaseout at $4 million, with inflation adjustments. *§179 before §168!*

- IRC §168(k): 100% expensing (bonus depreciation) for qualified business property made permanent, with transitional options for reduced percentages in 2025.

Schedule C – QBI

- QBI – Qualified Business Income
- QBID – Qualified Business Income Deduction
  - Form 8995 – Simplified Method
  - Form 8995-A - Regular Method
- OBBBA increased eligibility and made QBI permanent, effective 2026.
- OBBBA initiated a minimum $400 deduction for taxpayers with at least $1,000 from a qualified business in which they materially participate.

Data Entry

Itemized Deductions

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Data Entry – Itemized Deductions

Generally Itemized Deductions remain as before, but there are some specific OBBBA changes for 2025 and future.

Permanent Suspension of Miscellaneous Itemized Deductions (Except Educator Expenses)

•**Prior Law:** Miscellaneous itemized deductions subject to the 2% AGI floor (e.g., unreimbursed employee expenses, tax preparation fees) were suspended for 2018–2025 under IRC §67(g).

•**OBBBA Change:** The suspension is made permanent. However, educator expenses (expanded to include coaches and certain nonathletic supplies) remain deductible as itemized deductions, not subject to the 2% floor. The definition of educator expenses is broadened to include interscholastic sports administrators or coaches and nonathletic supplies for health or physical education courses. *No more above-the-line deduction.*

- **Statute:** IRC §67(g), as amended by OBBBA §70110.

Data Entry – Itemized Deductions

New Limitation on the Tax Benefit of Itemized Deductions (Modified Pease Limitation)

•**Prior Law:** The Pease limitation, which reduced itemized deductions for high-income taxpayers, was suspended.

•**OBBBA Change:** A new formula reduces itemized deductions by 2/37 of the lesser of (a) the total itemized deductions or (b) the amount by which taxable income (plus itemized deductions) exceeds the threshold for the 37% tax bracket. This limitation applies after all other itemized deduction limitations.

- **Statute:** IRC §68, as amended by OBBBA §70111.

Permanent $750,000 Cap on Qualified Residence Interest Deduction, w/ Mortgage Insurance Premiums Treated as Interest

•**Prior Law:** The deduction for mortgage interest was limited to interest on up to $750,000 of acquisition indebtedness for 2018–2025.

•**OBBBA Change:** The $750,000 cap is made permanent. Additionally, mortgage insurance premiums are treated as interest for purposes of the deduction.

- **Statute:** IRC §163(h)(3)(F), as amended by OBBBA §70108.

Data Entry – Itemized Deductions

Permanent Limitation on State and Local Tax (SALT) Deduction, with Temporary Increase

•**Prior Law:** The SALT deduction was capped at $10,000 ($5,000 MFS) through 2025.

•**OBBBA Change:** For 2025, the cap is increased to $40,000 ($20,000 MFS), indexed for inflation through 2029, with a phase-down for high-income taxpayers. After 2029, the cap reverts to $10,000.

- **Statute:** IRC §164(b)(6)-(7), as amended by OBBBA §70120.

Permanent Limitation on Casualty Loss Deduction, Expanded to State-Declared Disasters

•**Prior Law:** Personal casualty loss deductions were limited to losses attributable to federally declared disasters.

•**OBBBA Change:** The limitation is made permanent and expanded to include state-declared disasters, as determined by the governor and the Secretary of the Treasury.

- **Statute:** IRC §165(h)(5), as amended by OBBBA §70109

Data Entry – Itemized Deductions

Permanent Floor on Charitable Contribution Deductions

•**Individuals:** Only charitable contributions exceeding 0.5% of AGI are deductible, with carryforward rules for excess contributions.

- **Statute:** IRC §170(b)(1)(I), as amended by OBBBA §70425.

•**Corporations:** Only contributions exceeding 1% of taxable income are deductible, up to 10%, with carryforward rules.

- **Statute:** IRC §170(b)(2), as amended by OBBBA §70426.

Permanent and Expanded Above-the-Line Charitable Deduction for Non-Itemizers

•**Prior Law:** Temporary above-the-line deduction of $300 ($600 joint) for non-itemizers.

•**OBBBA Change:** Increased to $1,000 ($2,000 joint) and made permanent.

- **Statute:** IRC §170(p), as amended by OBBBA §70424

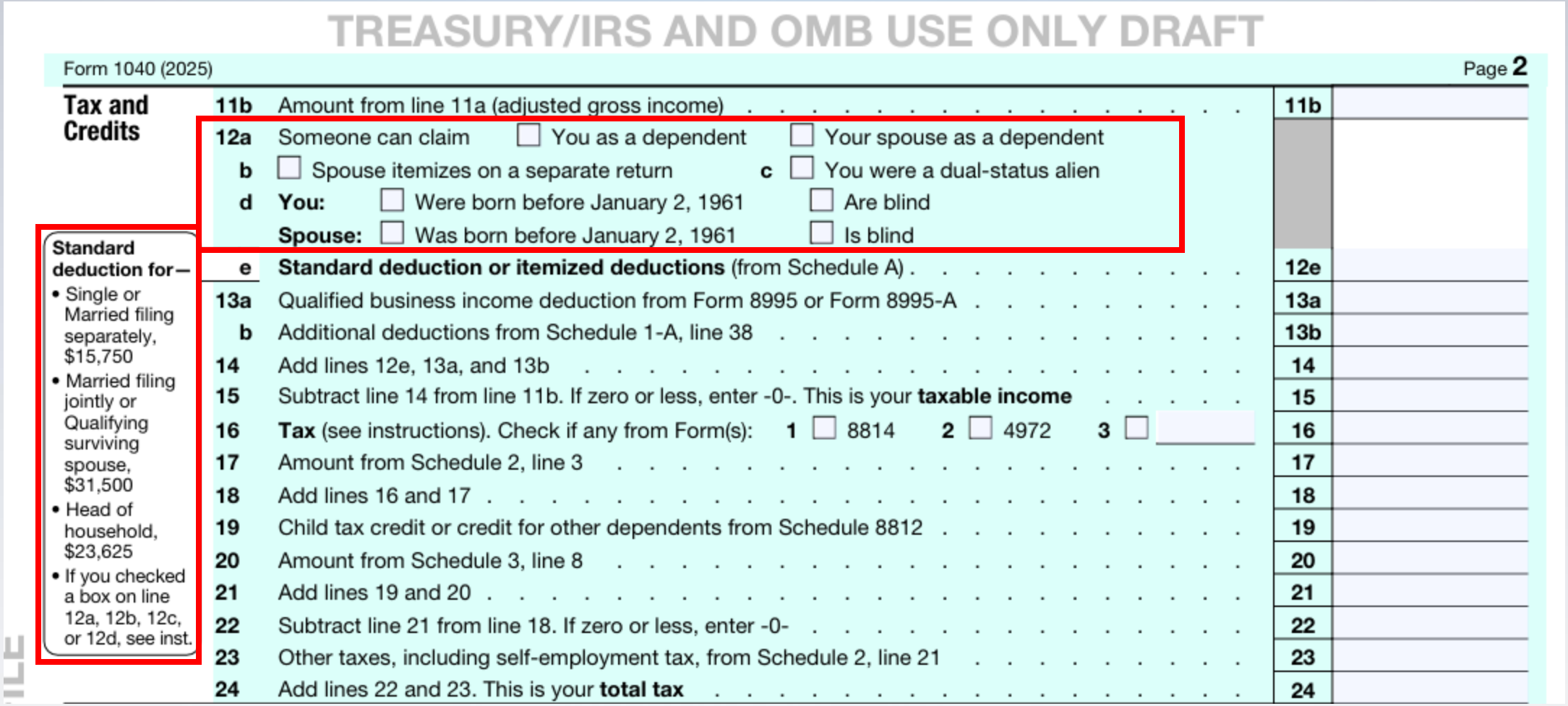
Data Entry – Standard Deduction

Filing Status	2025 Standard Deduction (OBBBA)	2025 Standard Deduction (Old Rules)	Additional Standard Deduction (OBBBA & Old Rules)	Additional Senior Deduction (OBBBA, new)	Dependent Standard Deduction (OBBBA & Old Rules)
Single	$15,750	$14,600	$2,000 (age 65+ or blind)	$6,000 (age 65+)	Greater of (a) earned income + $450 (min $1,350, max $15,750)
Married Filing Jointly	$31,500	$29,200	$1,600 per spouse (age 65+ or blind)	$6,000 per spouse (age 65+)	Greater of (a) earned income + $450 (min $1,350, max $31,500)
Married Filing Separately	$15,750	$14,600	$1,600 (age 65+ or blind)	$6,000 (age 65+)	Greater of (a) earned income + $450 (min $1,350, max $15,750)
Head of Household	$23,625	$21,900	$2,000 (age 65+ or blind)	$6,000 (age 65+)	Greater of (a) earned income + $450 (min $1,350, max $23,625)
Qualifying Surviving Spouse	$31,500	$29,200	$1,600 (age 65+ or blind)	$6,000 (age 65+)	Greater of (a) earned income + $450 (min $1,350, max $31,500)

OBBBA increased the standard deduction amounts for 2025 and beyond.

The additional Senior Deduction is allowed even if they itemize. Income phaseouts apply at $75k. Years 2025-2028.

Data Entry – Standard Deduction



TREASURY/IRS AND OMB USE ONLY DRAFT

Form 1040 (2025) Page 2

Tax and Credits

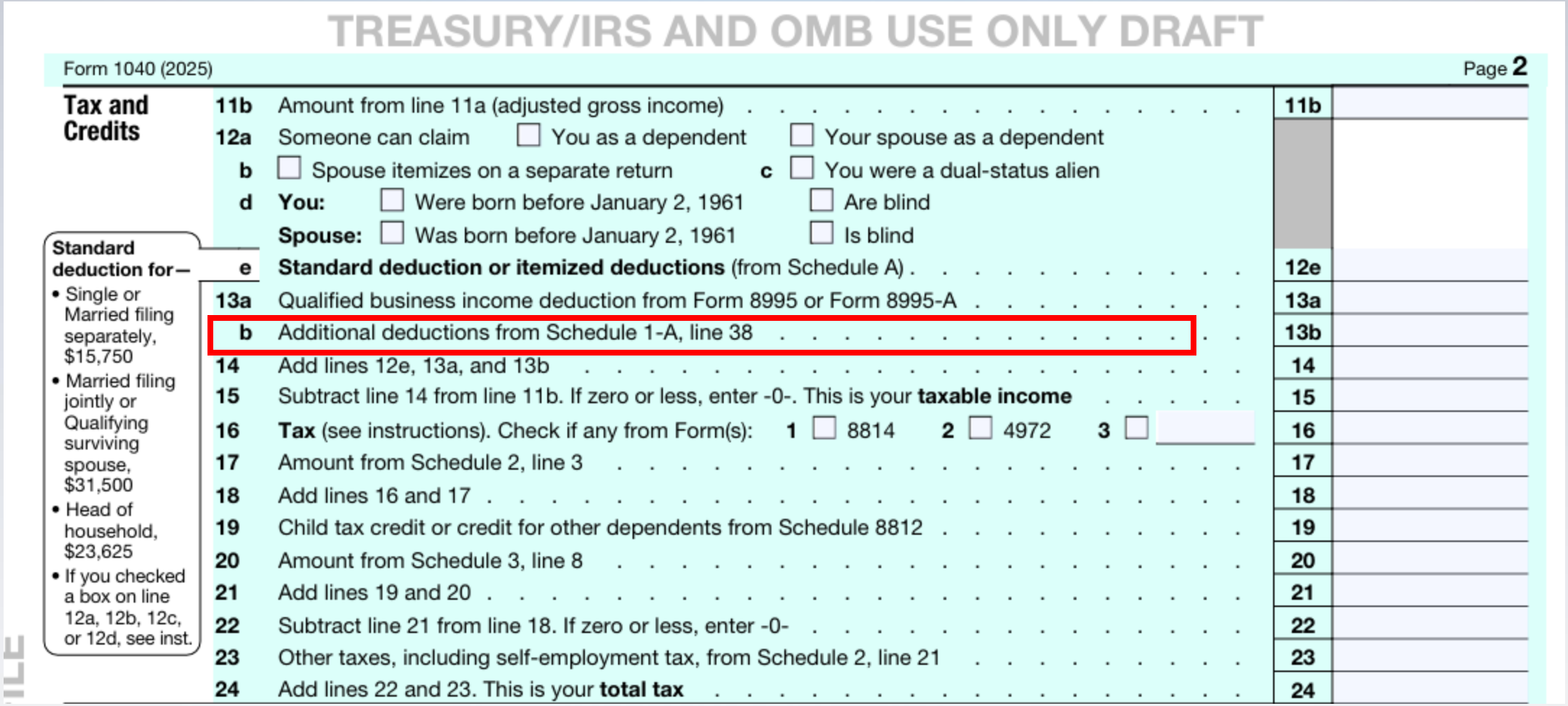
11b	Amount from line 11a (adjusted gross income)	11b	
12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent		
b	☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien		
d	**You:** ☐ Were born before January 2, 1961 ☐ Are blind		
	Spouse: ☐ Was born before January 2, 1961 ☐ Is blind		
e	**Standard deduction or itemized deductions** (from Schedule A)	12e	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a	
b	Additional deductions from Schedule 1-A, line 38	13b	
14	Add lines 12e, 13a, and 13b	14	
15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your **taxable income**	15	
16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	
19	Child tax credit or credit for other dependents from Schedule 8812	19	
20	Amount from Schedule 3, line 8	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	
24	Add lines 22 and 23. This is your **total tax**	24	

Standard deduction for—

- Single or Married filing separately, $15,750
- Married filing jointly or Qualifying surviving spouse, $31,500
- Head of household, $23,625
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

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Data Entry – Schedule 1-A



TREASURY/IRS AND OMB USE ONLY DRAFT

Form 1040 (2025) Page 2

Tax and Credits

11b	Amount from line 11a (adjusted gross income)		11b
12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent		
b	☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien		
d	**You:** ☐ Were born before January 2, 1961 ☐ Are blind		
	Spouse: ☐ Was born before January 2, 1961 ☐ Is blind		
e	**Standard deduction or itemized deductions** (from Schedule A)		12e
13a	Qualified business income deduction from Form 8995 or Form 8995-A		13a
b	Additional deductions from Schedule 1-A, line 38		13b
14	Add lines 12e, 13a, and 13b		14
15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your **taxable income**		15
16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐		16
17	Amount from Schedule 2, line 3		17
18	Add lines 16 and 17		18
19	Child tax credit or credit for other dependents from Schedule 8812		19
20	Amount from Schedule 3, line 8		20
21	Add lines 19 and 20		21
22	Subtract line 21 from line 18. If zero or less, enter -0-		22
23	Other taxes, including self-employment tax, from Schedule 2, line 21		23
24	Add lines 22 and 23. This is your **total tax**		24

Standard deduction for—

- Single or Married filing separately, $15,750
- Married filing jointly or Qualifying surviving spouse, $31,500
- Head of household, $23,625
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

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Schedule 1-A

Schedule 1-A (Form 1040) for 2025 is a new IRS form that allows taxpayers to claim certain additional deductions on their individual income tax return (Form 1040, 1040-SR, or 1040-NR). The form is divided into several parts, each providing a specific deduction, subject to eligibility and income limitations.

Part I: Modified Adjusted Gross Income (MAGI) Amount

- Calculates your MAGI by starting with your adjusted gross income (AGI) from Form 1040 and adding back certain excluded foreign income and other adjustments. This MAGI is used to determine eligibility and phaseouts for the deductions in later parts.

Part II: No Tax on Tips

- Allows a deduction for qualified tips received as an employee or in the course of a trade or business, up to $25,000.
- The deduction phases out for taxpayers with MAGI over $150,000 ($300,000 if married filing jointly).
- Only available if you (and your spouse, if married) have a valid Social Security number and file jointly if married.

Schedule 1-A

Part III: No Tax on Overtime

- Allows a deduction for qualified overtime compensation included in wages or self-employment income, up to $12,500 ($25,000 if married filing jointly).
- The deduction phases out for MAGI over $150,000 ($300,000 if married filing jointly).
- Only available if you (and your spouse, if married) have a valid Social Security number and file jointly if married.

Part IV: No Tax on Car Loan Interest

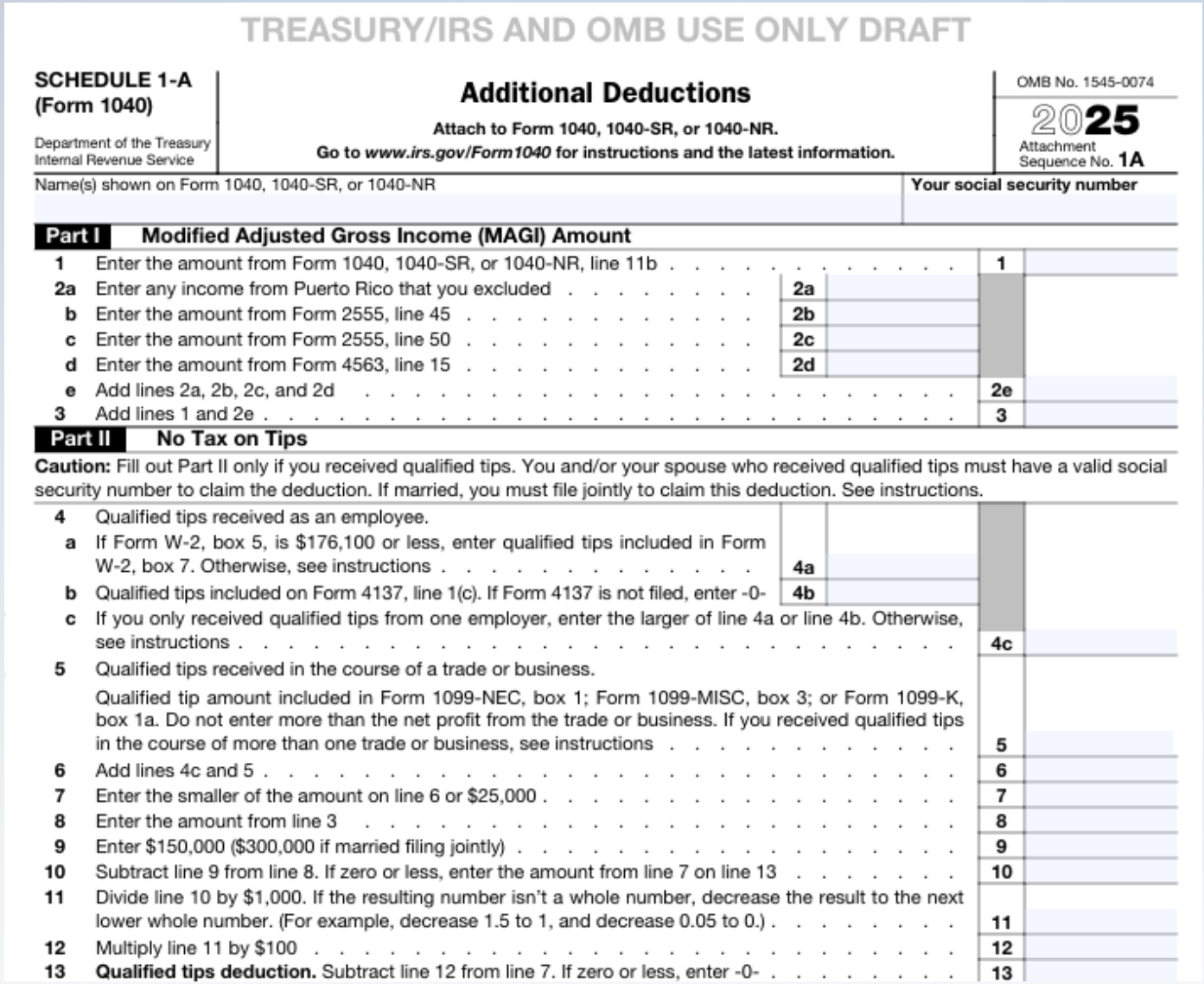
- Allows a deduction for interest paid or accrued on a qualified passenger vehicle loan, up to $10,000.
- The deduction phases out for MAGI over $100,000 ($200,000 if married filing jointly).
- Only certain vehicles and loans qualify; see instructions for details.

Part V: Enhanced Deduction for Seniors

- Provides an additional deduction of up to $6,000 for taxpayers (and spouses, if married filing jointly) who were born before January 2, 1961, and have a valid Social Security number.
- The deduction phases out for MAGI over $75,000 ($150,000 if married filing jointly).

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Schedule 1-A



TREASURY/IRS AND OMB USE ONLY DRAFT

SCHEDULE 1-A (Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Deductions

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2025

Attachment Sequence No. **1A**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Modified Adjusted Gross Income (MAGI) Amount

1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b			1
2a	Enter any income from Puerto Rico that you excluded	2a		
b	Enter the amount from Form 2555, line 45	2b		
c	Enter the amount from Form 2555, line 50	2c		
d	Enter the amount from Form 4563, line 15	2d		
e	Add lines 2a, 2b, 2c, and 2d			2e
3	Add lines 1 and 2e			3

Part II No Tax on Tips

Caution: Fill out Part II only if you received qualified tips. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

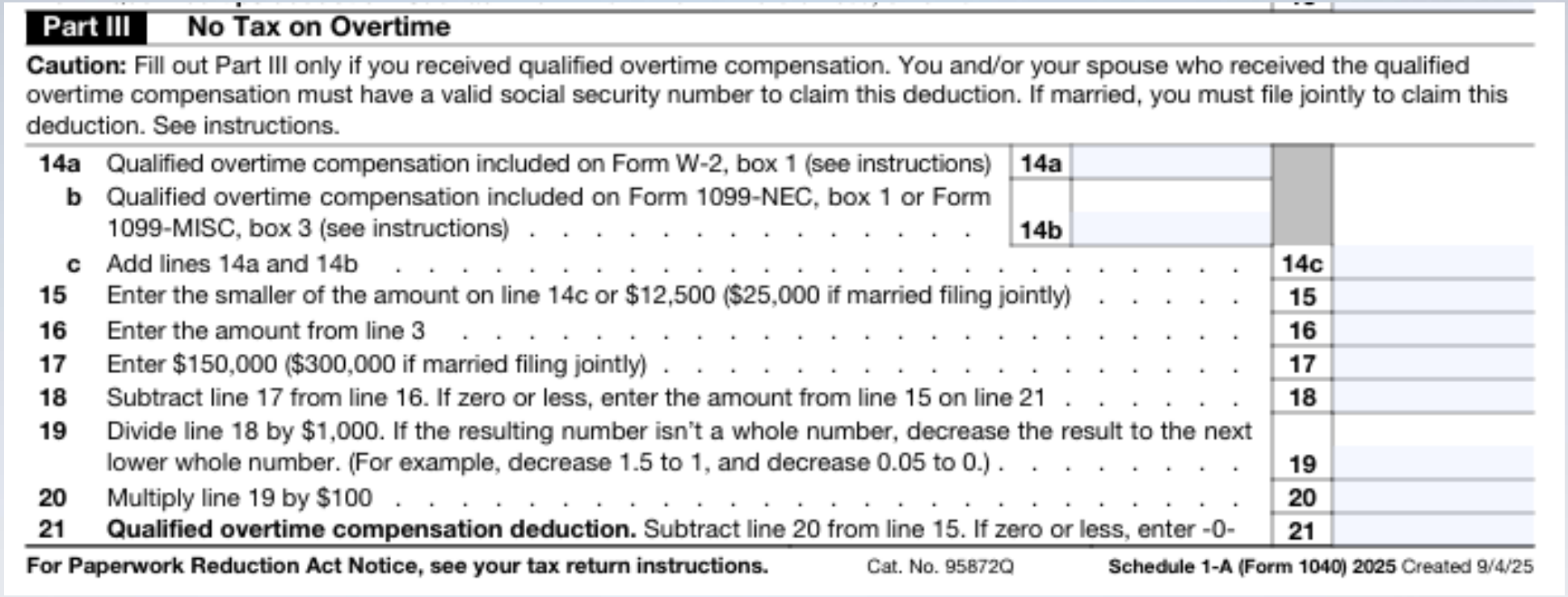
4	Qualified tips received as an employee.			
a	If Form W-2, box 5, is $176,100 or less, enter qualified tips included in Form W-2, box 7. Otherwise, see instructions	4a		
b	Qualified tips included on Form 4137, line 1(c). If Form 4137 is not filed, enter -0-	4b		
c	If you only received qualified tips from one employer, enter the larger of line 4a or line 4b. Otherwise, see instructions			4c
5	Qualified tips received in the course of a trade or business. Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business, see instructions			5
6	Add lines 4c and 5			6
7	Enter the smaller of the amount on line 6 or $25,000			7
8	Enter the amount from line 3			8
9	Enter $150,000 ($300,000 if married filing jointly)			9
10	Subtract line 9 from line 8. If zero or less, enter the amount from line 7 on line 13			10
11	Divide line 10 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)			11
12	Multiply line 11 by $100			12
13	**Qualified tips deduction.** Subtract line 12 from line 7. If zero or less, enter -0-			13

Basically, AGI with excluded foreign income added back.

The deduction for qualified tips is only available for taxable years beginning after December 31, 2024, and before January 1, 2029

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Schedule 1-A



Part III **No Tax on Overtime**

Caution: Fill out Part III only if you received qualified overtime compensation. You and/or your spouse who received the qualified overtime compensation must have a valid social security number to claim this deduction. If married, you must file jointly to claim this deduction. See instructions.

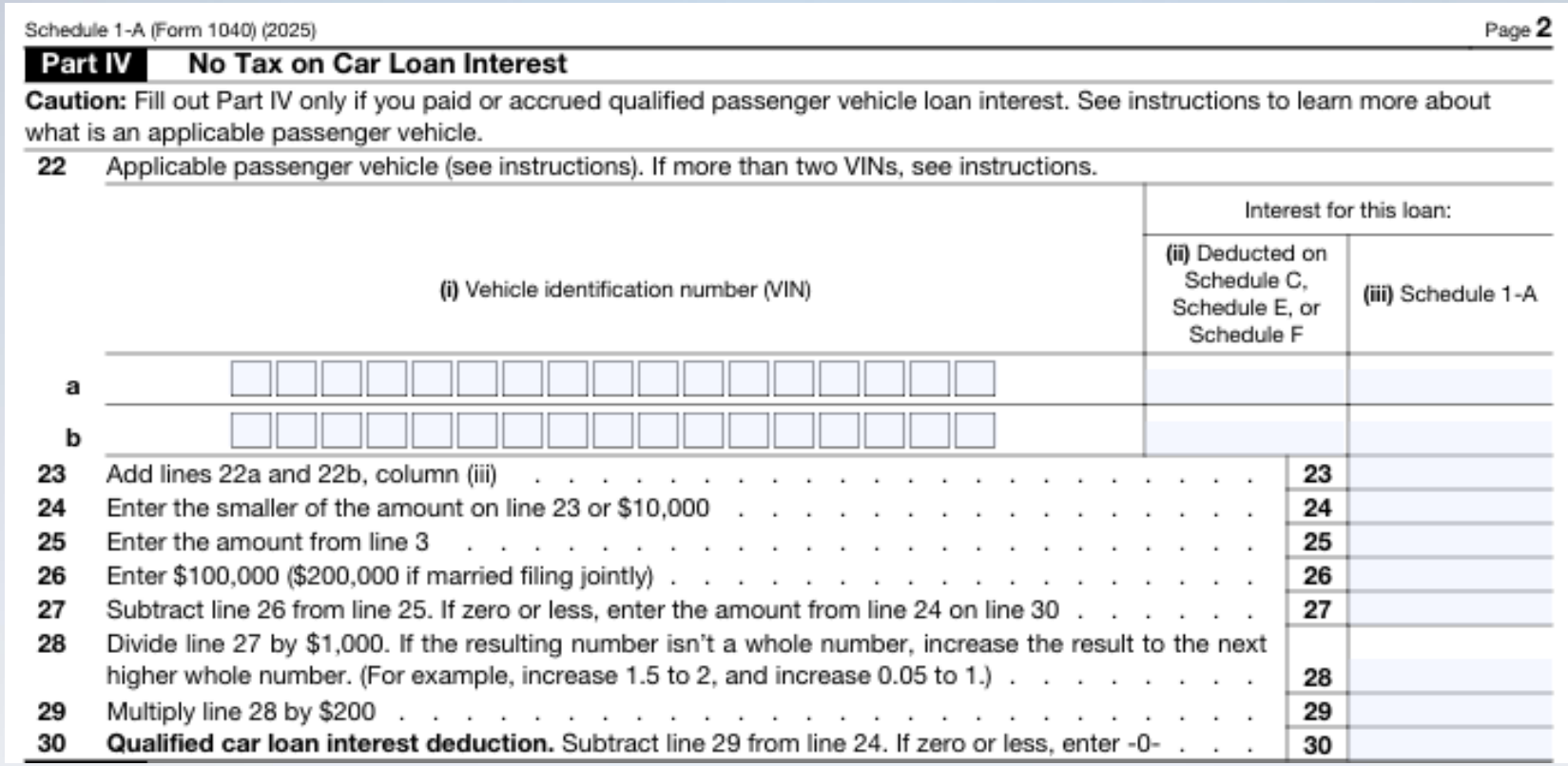
14a	Qualified overtime compensation included on Form W-2, box 1 (see instructions)	**14a**		
b	Qualified overtime compensation included on Form 1099-NEC, box 1 or Form 1099-MISC, box 3 (see instructions)	**14b**		
c	Add lines 14a and 14b			**14c**
15	Enter the smaller of the amount on line 14c or $12,500 ($25,000 if married filing jointly)			**15**
16	Enter the amount from line 3			**16**
17	Enter $150,000 ($300,000 if married filing jointly)			**17**
18	Subtract line 17 from line 16. If zero or less, enter the amount from line 15 on line 21			**18**
19	Divide line 18 by $1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)			**19**
20	Multiply line 19 by $100			**20**
21	**Qualified overtime compensation deduction.** Subtract line 20 from line 15. If zero or less, enter -0-			**21**

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 95872Q **Schedule 1-A (Form 1040) 2025** Created 9/4/25

The "No Tax on Overtime" deduction, as established by new section 225 of the Internal Revenue Code under the OBBBA, is available for taxable years beginning after December 31, 2024, and is set to expire for taxable years beginning after December 31, 2028.

Based on FEDERAL Overtime Rules! States may not conform and/or state overtime may be calculated differently.

Schedule 1-A



Schedule 1-A (Form 1040) (2025) Page 2

Part IV **No Tax on Car Loan Interest**

Caution: Fill out Part IV only if you paid or accrued qualified passenger vehicle loan interest. See instructions to learn more about what is an applicable passenger vehicle.

22 Applicable passenger vehicle (see instructions). If more than two VINs, see instructions.

	(i) Vehicle identification number (VIN)	Interest for this loan: (ii) Deducted on Schedule C, Schedule E, or Schedule F	Interest for this loan: (iii) Schedule 1-A
a			
b			

23	Add lines 22a and 22b, column (iii)	23	
24	Enter the smaller of the amount on line 23 or $10,000	24	
25	Enter the amount from line 3	25	
26	Enter $100,000 ($200,000 if married filing jointly)	26	
27	Subtract line 26 from line 25. If zero or less, enter the amount from line 24 on line 30	27	
28	Divide line 27 by $1,000. If the resulting number isn't a whole number, increase the result to the next higher whole number. (For example, increase 1.5 to 2, and increase 0.05 to 1.)	28	
29	Multiply line 28 by $200	29	
30	**Qualified car loan interest deduction.** Subtract line 29 from line 24. If zero or less, enter -0-	30	

The deduction for qualified passenger vehicle loan interest under the OBBBA is available only for taxable years 2025 through 2028. It expires for taxable years beginning on or after January 1, 2029

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Schedule 1-A

Part V Enhanced Deduction for Seniors

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31	Enter the amount from line 3	31	
32	Enter $75,000 ($150,000 if married filing jointly)	32	
33	Subtract line 32 from line 31. If zero or less, enter $6,000 on line 35	33	
34	Multiply line 33 by 6% (0.06)	34	
35	Subtract line 34 from $6,000. If zero or less, enter -0-	35	
36a	If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35	36a	
b	If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35	36b	
37	**Enhanced deduction for seniors.** Add lines 36a and 36b	37	

Part VI Total Additional Deductions

38	Add lines 13, 21, 30, and 37. Enter here and on Form 1040 or 1040-SR, line 13b, or on Form 1040-NR, line 13c	38	

Schedule 1-A (Form 1040) 2025

Total carries to Form 1040

The enhanced senior deduction is available for tax years 2025 through 2028, and expires starting with the 2029 tax year. Must have SSN for each qualifying individual. Reduction starting above $75,000 per taxpayer.

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Tax Refunds

Watch for “unbanked” and “underbanked” clients.

- REFUNDS including up to 3 banks including IRAs

- IRS paper checks for refunds *not* expected to be available after September 30, 2025.

(Executive Order 14247, “Modernizing Payments to and From America’s Bank Account,” instructs the Treasury Department to cease issuing paper checks for all federal disbursements, including tax refunds, effective September 30, 2025)

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IRS Update: Tax Refunds

Paper Checks

Key implementation highlights:

- ***IRS will begin implementing the EO for 2025 Returns***
- Returns for pre-2025 tax years will not be affected. However, taxpayers currently filing on extension are encouraged to include their direct deposit information.
- **Taxpayers who do not provide bank account details or request an exception for 2025 returns will face refund delays.**
- **The IRS will send a letter** (1) requesting direct deposit information and (2) providing information on how to request an exception.
- If a taxpayer does not provide direct deposit information or obtain an approved exception**, the IRS will hold off on issuing a paper check refund for six weeks** after a 2025 return is filed.
- There is no immediate change to how taxpayers pay the IRS, although additional updates are anticipated starting in 2027. (1)

(1) https://www.taxpayeradvocate.irs.gov/news/nta-blog/as-the-irs-phases-out-paper-checks-vulnerable-taxpayers-must-not-be-left-behind/2025/10/

IRS Update: Tax Refunds

TAS Recommended Hardship Exceptions

*****NOTE: Not automatic**

- **Unbanked Households:** According to the Federal Deposit Insurance Corporation's 2023 report, 4.2 percent of U.S. households – about 5.6 million people – do not have a checking or savings account.
- **Americans Living Abroad:** Many foreign banks cannot accept or process IRS transactions, and the IRS does not routinely offer international electronic transfers.
- **Taxpayers With Religious Constraints:** Some religious communities, including some Amish and Mennonite sects, avoid using electronic financial systems altogether based on deeply held religious beliefs.
- **Victims of Domestic Violence:** Victims may be unwilling or unable to share their bank information with the IRS due to safety, control, or privacy concerns.
- **Individuals With Disabilities:** Some individuals with disabilities face practical and systemic barriers to using electronic financial systems, including cognitive disabilities, sensory impairments, mobility impairments, or technological barriers. (1)

Tax Payments

Mandatory automatic debits for payments of tax due!

Executive Order 14247, “Modernizing Payments to and From America’s Bank Account,” instructs the Treasury Department to cease issuing paper checks for all federal disbursements, including tax refunds, effective September 30, 2025 - HOW WILL THIS AFFECT YOUR CLIENTS?

The IRS will require smaller businesses and self-employed individuals to use **electronic funds transfer (EFT)** for all federal tax payments, as paper checks will no longer be accepted. The primary method for making these electronic payments is the **Electronic Federal Tax Payment System (EFTPS** at EFTPS.gov). EFTPS is a free service provided by the Department of the Treasury that allows taxpayers to pay federal taxes online or by phone. If a taxpayer does not want to use EFTPS directly, they may arrange for a tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on their behalf.

Tax Payments

Mandatory automatic debits for payments of tax due!

- Taxpayers must use electronic payment methods such as the Electronic Federal Tax Payment System (EFTPS), IRS Direct Pay (for individuals), debit/credit card, or wire transfer from a financial institution.
- For trusts and estates, EFTPS or wire transfer are the only available options, as IRS Direct Pay is not currently available to these entities.

Tax Rates

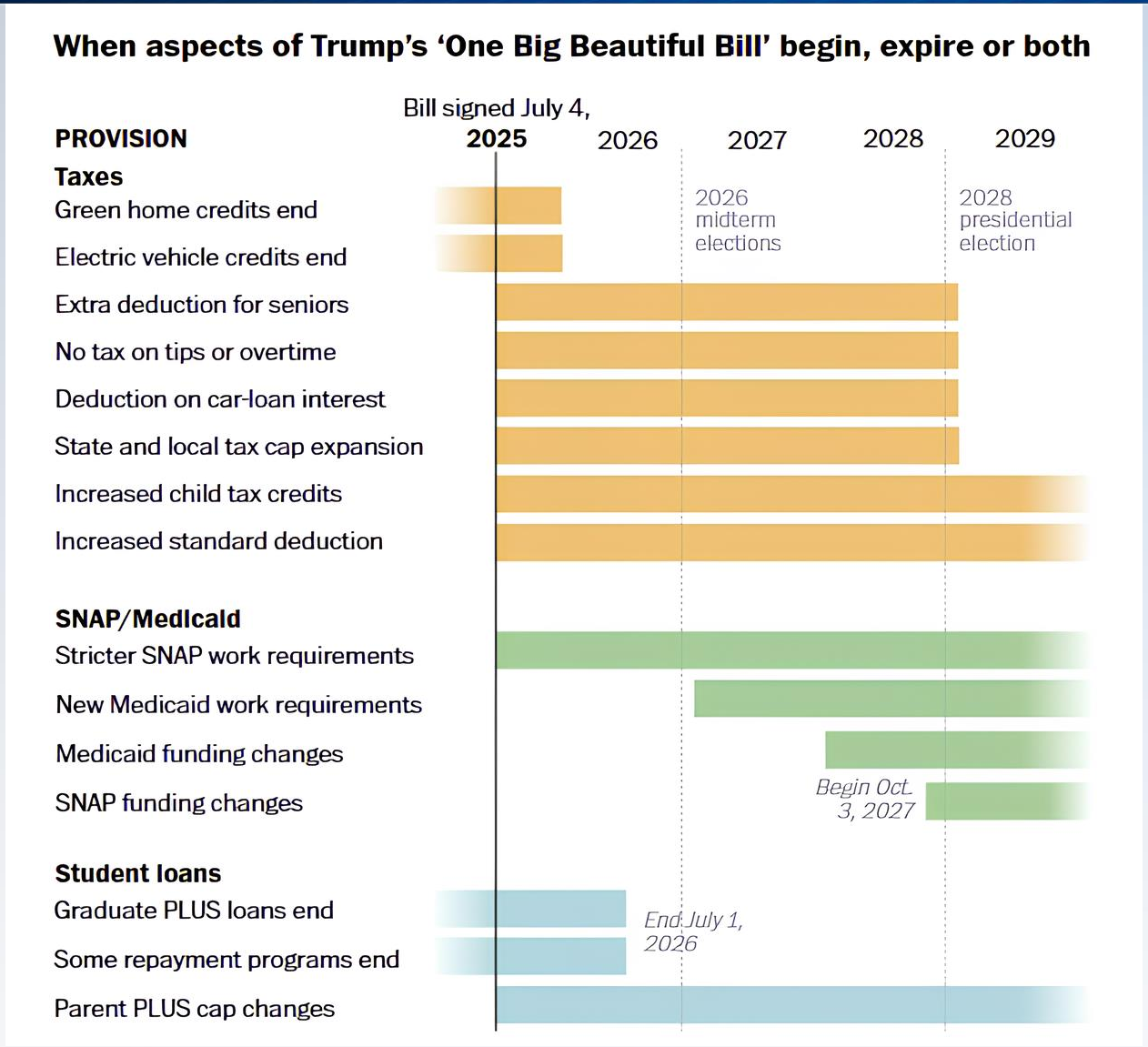
Back in December 2017, the government rolled out the Tax Cuts and Jobs Act (TCJA). The Act reduced individual tax rates.

OBBBA extends the TCJA tax rates, **permanently**.

- 12% tax rate (was 15% pre-2017)
- 22% tax rate (was 25% pre-2017)
- 24% tax rate (was 28% pre-2017)
- 32% tax rate (was 33% pre-2017)
- 37% tax rate (was 39.6% pre-2017)

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Tax Planner



https://www.washingtonpost.com/politics/2025/07/14/trump-tax-bill-takes-effect/

Form 8615 - Kiddie Tax

Form 8615, Tax for Certain Children Who Have Unearned Income, must be filed for any child who meets all the following conditions.

1. The child had more than $2,600 ($2,700 2025) of unearned income.

2. The child is required to file a tax return.

3. The child either:
   a. Was under age 18 at the end of 2024,
   b. Was age 18 at the end of 2024 and didn’t have earned income that was more than half of the child's support, or
   c. Was a full-time student at least age 19 and under age 24 at the end of 2024 and didn’t have earned income that was more than half of the child's support.

4. At least one of the child's parents was alive at the end of 2024.

5. The child doesn’t file a joint return for 2024.

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Form 8615 - Kiddie Tax

Form 8814, Parents' Election To Report Child's Interest and Dividends, can be used if parents do not want to file a separate tax return for their child, and the child meets all the following conditions.

1. The child had more than $1,300 ($1,350 in 2025) of unearned income and less than $13,000 ($13,500 in 2025) gross income.

2. The child either:
   a. Was under age 18 at the end of 2024,
   b. Was age 18 at the end of 2024 and didn't have earned income that was more than half of the child's support, or
   c. Was a full-time student at least age 19 and under age 24 at the end of 2024 and didn't have earned income that was more than half of the child's support.

3. At least one of the child's parents was alive at the end of 2024.

4. The child doesn't file a joint return for 2024.

NOTE: This method normally causes <u>higher</u> tax to be calculated for the family as a whole.

Form 1040 - Kiddie Tax

dependents | dependents | dependents | dependents

☐ Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 31			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions). Enter type and amount:			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
c	Check if your child's dividends are included in 1 ☐ Line 3a 2 ☐ Line 3b				
4a	IRA distributions	4a	b Taxable amount	4b	
c	Check if (see instructions) 1 ☐ Rollover 2 ☐ QCD 3 ☐				
5a	Pensions and annuities	5a	b Taxable amount	5b	
c	Check if (see instructions) 1 ☐ Rollover 2 ☐ PSO 3 ☐				
6a	Social security benefits	6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
d	If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here ☐				
7a	Capital gain or (loss). Attach Schedule D if required			7a	
b	Check if: ☐ Schedule D not required ☐ Includes child's capital gain or (loss)				
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your **total income**			9	
10	Adjustments to income from Schedule 1, line 26			10	
11a	Subtract line 10 from line 9. This is your **adjusted gross income**			11a	

Attach Sch. B if required.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2025) Created 9/5/25

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But Wait, There's More!

What About That "Digital Asset" Question....?

The IRS Keeps Changing The Question – Be Careful!

Digital Assets

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☐ No

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? ☐ Yes ☐ No

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Digital Assets At any time during 2024, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Digital Assets At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) . . ☐ Yes ☐ No

Digital Assets

New Form to be issued in 2025.

Unfortunately, the 1099-DA will probably make things *worse*.

Unless the client only uses centralized crypto exchanges, it is unlikely all necessary information will be provided on Form 1099-DA.

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Data Entry – 1099-DA

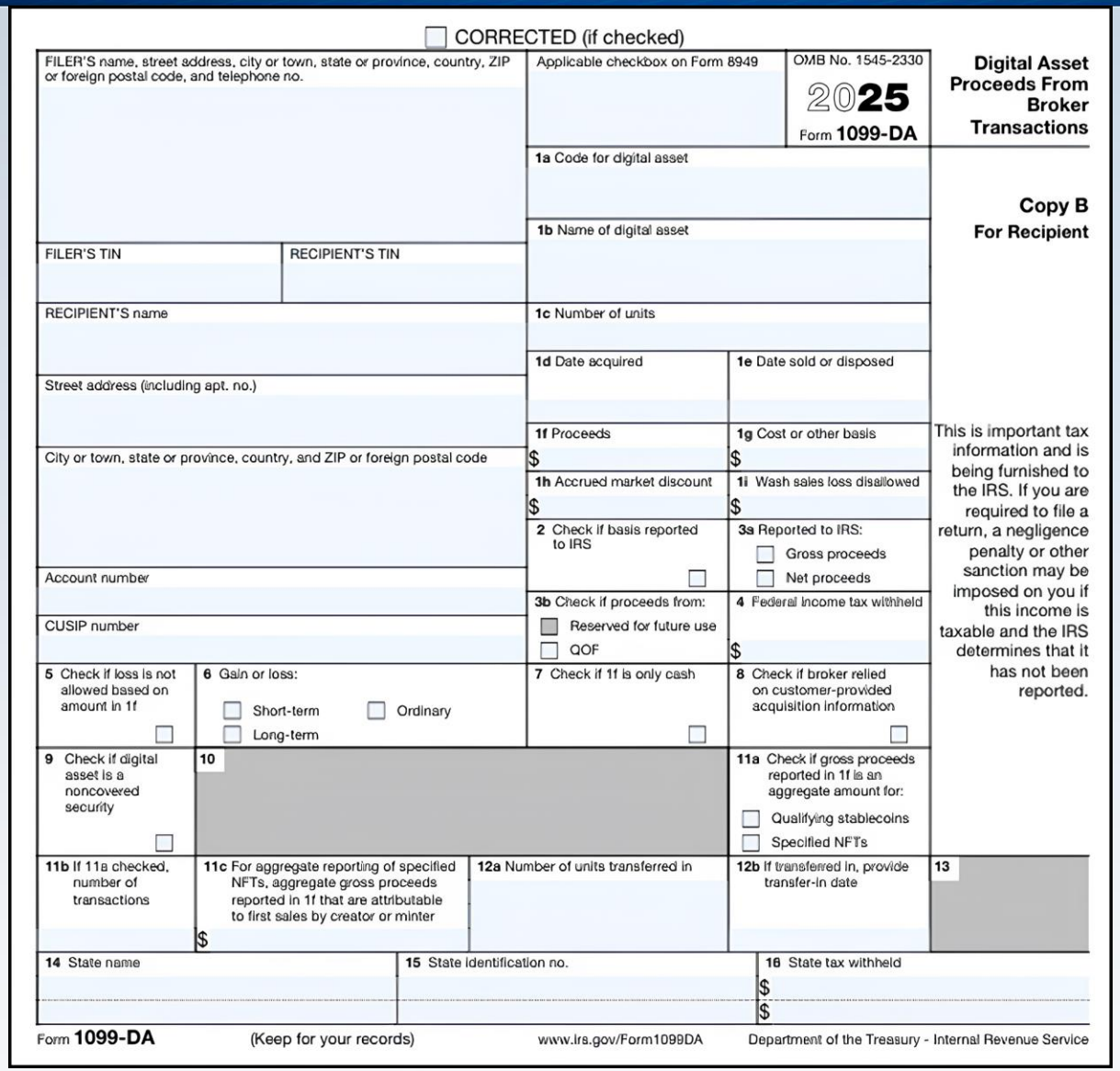
New 1099-DA Form in 2025

For 2025 transactions, U.S. digital asset brokers must report gross proceeds only (basis reporting is optional until 2026). Form required for EACH transaction.

Starting January 1, 2026, brokers must report both proceeds and basis for covered securities. Non-covered securities may report basis voluntarily.

Optional reporting methods: For qualifying stablecoins and specified NFTs, brokers may use an aggregate reporting method — with simplified form entries like DTI=99999999, name, aggregate units, and no basis/date boxes. Those using this method must follow additional guidelines for first sales by creators/minters.

Data Entry – 1099-DA



☐ CORRECTED (if checked)

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	Applicable checkbox on Form 8949	OMB No. 1545-2330 2025 Form 1099-DA **Digital Asset Proceeds From Broker Transactions**
	1a Code for digital asset	**Copy B For Recipient**
	1b Name of digital asset	
FILER'S TIN / RECIPIENT'S TIN		
RECIPIENT'S name	1c Number of units	
Street address (including apt. no.)	1d Date acquired / 1e Date sold or disposed	
City or town, state or province, country, and ZIP or foreign postal code	1f Proceeds $ / 1g Cost or other basis $	This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
	1h Accrued market discount $ / 1i Wash sales loss disallowed $	
Account number	2 Check if basis reported to IRS ☐ / 3a Reported to IRS: ☐ Gross proceeds ☐ Net proceeds	
CUSIP number	3b Check if proceeds from: ☐ Reserved for future use ☐ QOF / 4 Federal income tax withheld $	
5 Check if loss is not allowed based on amount in 1f ☐	6 Gain or loss: ☐ Short-term ☐ Ordinary ☐ Long-term	7 Check if 1f is only cash ☐ / 8 Check if broker relied on customer-provided acquisition information ☐
9 Check if digital asset is a noncovered security ☐	10	11a Check if gross proceeds reported in 1f is an aggregate amount for: ☐ Qualifying stablecoins ☐ Specified NFTs
11b If 11a checked, number of transactions	11c For aggregate reporting of specified NFTs, aggregate gross proceeds reported in 1f that are attributable to first sales by creator or minter $ / 12a Number of units transferred in	12b If transferred in, provide transfer-in date / 13
14 State name	15 State identification no.	16 State tax withheld $ $

Form 1099-DA (Keep for your records) www.irs.gov/Form1099DA Department of the Treasury - Internal Revenue Service

If your client has this form, the answer is always YES on the Form 1040 digital asset question!

If the answer is YES on the Form 1040, you have something to report!

TaxAct Professional

Disaster & Casualty Losses

Expanded Deductibility for Disaster and Casualty Losses

a. Prior Law (2018–2025)
Under IRC §165(h)(5), for tax years 2018 through 2025, individuals could deduct personal casualty and theft losses only if the loss was attributable to a **federally declared disaster** (as defined in IRC §165(i)(5)), with a narrow exception for offsetting personal casualty gains.
Losses not attributable to a federally declared disaster were not deductible for personal-use property.

b. OBBBA Changes (Effective for Tax Years Beginning After December 31, 2025)
OBBBA amends IRC §165(h)(5) to **permanently allow deductions for personal casualty losses attributable to either a federally declared disaster or a state declared disaster**.

A "state declared disaster" is defined as a natural catastrophe (e.g., hurricane, tornado, storm, earthquake, fire, flood, etc.) or any fire, flood, or explosion, as determined by the Governor (or Mayor for D.C.) and the Secretary, that causes damage of sufficient severity and magnitude to warrant application of these rules. The term "State" includes D.C., Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

Thank You

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