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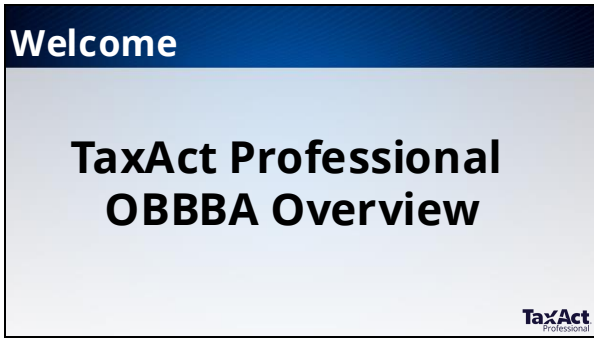
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## New Tax Law

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



**OBB**



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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 > 1/2 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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# 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 exempt on applications for certain organizations under [IRC 5505](#) and [508](#).
- Election to be treated as a homeowners association under [IRC 528](#).
- Election to adjust basis on partnership transfers and distributions under [IRC 5754](#).
- Estate tax election to specially value qualified real property under [IRC 6203\(a\)\(1\)](#) (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.

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# 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.

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# 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 /OBBA

Under **OBBA** 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.

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# Dependents

The screenshot shows the 'Dependents' section of a tax return. It includes a 'Filing Status' section with options like 'Single', 'Married filing jointly', etc. Below that is the 'Digital Assets' section. The main part is a table for 'Dependents' with columns for 'Dependent 1', 'Dependent 2', 'Dependent 3', and 'Dependent 4'. Each column has fields for 'First name', 'Last name', 'SSN', 'Date of birth', 'Residence', and 'Relationship'. Below the table is an 'Income' section with fields for 'Total amount from Form 1042-S', 'Household employee wages', 'Medical expense payments', 'Employee-provided adoption benefits', and 'Other earned income'.

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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), A merican 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.

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# 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 HDH 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 W-2

|                                   |    |                   |    |        |    |   |    |
|-----------------------------------|----|-------------------|----|--------|----|---|----|
| Employer's social security number |    | OMB No. 1545-0046 |    | e-file |    | Use the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a> |    |
| 1                                 | 2  | 3                 | 4  | 5      | 6  | 7   | 8  |
| 9                                 | 10 | 11                | 12 | 13     | 14 | 15  | 16 |
| 17                                | 18 | 19                | 20 | 21     | 22 | 23  | 24 |
| 25                                | 26 | 27                | 28 | 29     | 30 | 31  | 32 |

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

Department of the Treasury - Internal Revenue Service

Copy B - To the Filer With Employer's FEDERAL Tax Return. This information is being transmitted to the Internal Revenue Service.

**What about OBBBA Tips and Overtime Premiums...???**

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




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# Form 1099-NEC

|  |    |                   |    |   |    |                          |    |
|--|----|-------------------|----|---|----|--------------------------|----|
| PAYEE'S name, street address, city or town, state or province, county, ZIP or foreign postal code, and telephone no. |    | OMB No. 1545-0116 |    | Form 1099-NEC (Rev. April 2025) For calendar year |    | Nonemployee Compensation |    |
| 1  | 2  | 3                 | 4  | 5   | 6  | 7                        | 8  |
| 9  | 10 | 11                | 12 | 13  | 14 | 15                       | 16 |
| 17   | 18 | 19                | 20 | 21  | 22 | 23                       | 24 |

**Form 1099-NEC (Rev. 4/2025)** (keep for your records) [www.irs.gov/Form1099-NEC](http://www.irs.gov/Form1099-NEC) 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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## 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.

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## 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.




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## 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.
- **OBBA 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 OBBA §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.
- **OBBA 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)(1)(F), as amended by OBBA §70108.




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## 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.
- **OBBA 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 OBBA §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.
- **OBBA 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 OBBA §70109.




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## 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 OBBA §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 OBBA §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.
- **OBBA Change:** Increased to \$1,000 (\$2,000 joint) and made permanent.
  - **Statute:** IRC §170(p), as amended by OBBA §70424.




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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 \$50,000 (\$30,000 if married filing jointly).
- Only available if you (and your spouse, if married) have a valid Social Security number and file jointly if married.



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# 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 \$50,000 (\$30,000 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 \$300,00 (\$200,00 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, 1951, 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  
OMB No. 1545-0045  
25  
2025  
Additional Deductions  
Attach to Forms 1040, 1040-SR, or 1040-NR.  
Go to www.irs.gov/Form1040 for instructions and the latest information.  
OMB No. 1545-0045  
25  
2025  
Form 1040-SR, 1040-SR, or 1040-NR  
Year ended January 1, 2025

**Part I Modified Adjusted Gross Income (MAGI) Amount**

1 Enter the amount from Form 1040, line 9B, or 1040-SR, line 9B

2a Enter any income from Form 1040 that you excluded

2b Enter the amount from Form 1040, line 4b

3 Enter the amount from Form 1040, line 4c

4 Enter the amount from Form 1040, line 10

5 Add lines 1, 2a, 2b, 2c, and 4

**Part II No Tax on Tips**

6a Enter the amount from line 5

6b Enter the amount from line 6a

6c Enter the amount from line 6a

6d Enter the amount from line 6a

6e Enter the amount from line 6a

6f Enter the amount from line 6a

6g Enter the amount from line 6a

6h Enter the amount from line 6a

6i Enter the amount from line 6a

6j Enter the amount from line 6a

6k Enter the amount from line 6a

6l Enter the amount from line 6a

6m Enter the amount from line 6a

6n Enter the amount from line 6a

6o Enter the amount from line 6a

6p Enter the amount from line 6a

6q Enter the amount from line 6a

6r Enter the amount from line 6a

6s Enter the amount from line 6a

6t Enter the amount from line 6a

6u Enter the amount from line 6a

6v Enter the amount from line 6a

6w Enter the amount from line 6a

6x Enter the amount from line 6a

6y Enter the amount from line 6a

6z Enter the amount from line 6a

7 Enter the amount from line 6

8 Add lines 4c and 7

9 Enter the amount from line 8

10 Enter \$100,000 (\$50,000 if married filing jointly)

11 Divide line 9 by \$100,000. 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 0.8 to 0.

12 Multiply line 11 by \$25,000

13 **Qualified tips deduction.** Subtract line 12 from line 7. If zero or less, enter 0.

Basic MAGI 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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## 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.taxact.com/irs/news/irs-blog/irs-the-irs-phases-out-paper-checks-vulnerable-taxpayers-must-not-be-left-behind-2025/0/>

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## IRS Update: Tax Refunds

### TAS Recommended Hardship Exceptions

**\*\*\*NOTE: Not automatic**

- **Unbanked Households:** According to the [Federal Deposit Insurance Corporation's 2023 report](#), 42 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)

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## 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 small 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)** ([eftps.gov](http://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.



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## 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.



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## Tax Rates

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

**OBBA** 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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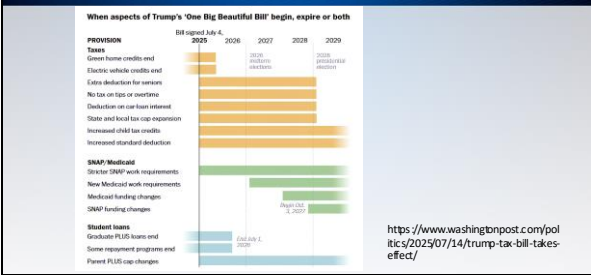
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# Tax Planner




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# 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 \$3,000 (\$3,500 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 **higher** tax to be calculated for the family as a whole.

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## 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 DT=999999999, name, aggregate units, and no basis/date boxes. Those using this method must follow additional guidelines for first sales by creators/minters.

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## Data Entry - 1099-DA

**1099-DA** (Form 1099-DA) (2025) **Digital Asset Proceeds Report**

**25** 1099-DA

**Copy 2** For Recipient

*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**

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# 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 an narrow exception for offsetting personal casualty gains.  
Losses not attributable to a federally declared disaster were not deductible for personal-use property.

b. OBBA Changes (Effective for Tax Years Beginning After December 31, 2025)  
OBBA 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.



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# Thank You



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