

# SOKERO CPA SERVICES, P.C.

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SOKERO CPA  
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## The One Big Beautiful Bill Act



Recently, Congress passed the largest pieces of tax legislation of the current decade within the 2025 Federal Budget. This legislation was originally titled, "The One Big Beautiful Bill Act" and, although this name was technically removed from the final bill that passed the Senate and was signed by

the President, it is historically common practice to retain the original name of the legislation. In our newsletter, we will abbreviate the name to the OB3 Act.

The final version of OB3 contained over 800 pages of changes to the law, with around half of those pages devoted to tax changes. In this newsletter, we will only cover the tax changes associated with the bill. Unfortunately, this newsletter is only four pages long, so in this issue, we will break down the most important things you need to know about the OB3 Act right now. We'll start by focusing on the tax changes that affect most people.

### Tax Rates

At the end of 2025, the rate cuts established back in 2017 with the Tax Cuts and Jobs Act (TCJA) were set to expire. This would have increased tax rates for nearly every American taxpayer. The OB3 Act made the TCJA rate cuts permanent and expanded the size of the 10% and 12% tax brackets, which means more of your income will be taxed at lower rates.

### Standard Deductions

The increased standard deduction from the TCJA was made permanent and increased further for the 2025 tax year to:

- \$15,750 for Single Filers
- \$23,625 for Head of Household Filers
- \$31,500 for Married Joint Filers

### State and Local Tax Deduction

Since 2018, people who itemize deductions have been limited to only deducting \$10,000 of state and local taxes. These taxes included things like:

- Property taxes
- State and local income taxes
- Certain taxes paid for vehicle registration

For 2025, OB3 increases this limit to \$40,000 (\$20,000 for married filing separate (MFS) taxpayers). However, if your income exceeds \$500,000 (\$250,000 MFS), that limitation will be reduced. Once income reaches \$600,000 (\$300,000 MFS), the limit will be reduced all the way back down to \$10,000.

### Child Tax Credit

For 2025, the Child Tax Credit is increased from \$2,000 to \$2,200 and will continue to increase each year to account for inflation. The refundable portion of this credit is also increased to \$1,700.

### Clean Vehicle Credits

The OB3 Act removes all energy-efficient vehicle income tax credits for any hybrids or electric vehicles acquired after September 30, 2025. If you were thinking about purchasing one of these qualifying vehicles and getting a tax credit, make sure you drive off the lot in that vehicle by September 30, 2025. Entering a contract to buy the vehicle but not taking possession of the vehicle until after September 30, 2025 will not provide a federal tax credit.

### Solar and Energy Efficient Home Improvements

The OB3 Act also terminates the home solar tax credit and energy-efficient home improvement property credit for any solar or property that has been completely installed after December 31, 2025. If you have been considering getting solar on your house, make sure you work with a vendor who will actually complete installation by December 31, 2025, or you will not get the tax credit. Please reach out to me to make sure you will qualify to claim any of this credit based on your tax situation.

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## Four Deductions Worth Knowing

The OB3 Act introduces several immediate game changers for working people and retirees alike. Four new deductions stand out for 2025–2028: the Tips Deduction, Overtime Deduction, Car Loan Interest Deduction, and the Senior Deduction. Here’s how each one works—and a reality check on what’s really changed with Social Security taxation.

### ① Tips Deduction—For Service Workers Finally Getting a Break

If you work in a field where tipping is standard, the OB3 Act lets you deduct up to \$25,000 in qualified cash or charged tips from your taxable income. This includes tips reported on W-2s, 1099-NECs, and 1099-Ks.

The deduction only applies to occupations that customarily received tips as of the end of 2024—think restaurant servers, delivery drivers, barbers, nail techs, and more. But there are limits: you can’t use the deduction if your income is too high (it phases out starting at \$150,000 of income for singles, \$300,000 for joint filers), and married couples must file jointly unless they meet specific exceptions.

For a discussion on tips received by self-employed individuals, see our article on the next page.

### ② Overtime Deduction—Getting Paid More Can Mean Paying Less

If you’re clocking in extra hours, you’ll want to know about the new Overtime Deduction. Employees who earn qualified overtime under federal labor laws can now deduct that overtime premium—up to \$12,500 for singles and \$25,000 for joint filers.

The deduction doesn’t cover tips or service charges—only time worked over 40 hours at the premium rate. The deduction is also only for the difference between your overtime pay and your regular hourly pay. For example, if you are normally paid \$20 per hour and you receive overtime at \$30 per hour, the \$10 difference is allowed as a deduction. The extra pay must be reported as a separate line item on your W-2 to qualify; however, a transition rule for 2025 has yet to be announced by the IRS.

The benefit phases out for incomes above \$150,000 for singles (\$300,000 for joint returns), but for millions of middle-income workers pulling long shifts, this offers meaningful relief.



### ③ Car Loan Interest Deduction—Big Help If You Bought American

Got a car loan on a vehicle made in the U.S.? You could qualify for up to \$10,000 in deductible interest on your return.

The new Car Loan Interest Deduction applies to loans taken out after December 31, 2024, for personal-use passenger vehicles that meet strict criteria—including U.S. final assembly and a gross vehicle weight under 14,000 lbs. (so pickups, motorcycles, SUVs, and sedans are all potentially eligible).

The vehicle must be new to you, and the loan must be secured by the car as a first lien. Refinanced loans also qualify, as long as they don’t exceed the original loan amount.

The deduction phases out starting at \$100,000 of income for singles and \$200,000 for joint filers. You’ll also need to provide your vehicle’s VIN on the return. One more perk: unlike many deductions, married taxpayers don’t have to file jointly to claim it—each spouse can deduct up to \$10,000 on separate returns.

### ④ Senior Deduction—Extra Room for Those 65+

If you’re 65 or older by year-end, there’s a brand-new deduction worth up to \$6,000, regardless of whether you itemize, and you don’t need to have received Social Security to claim it.

There has been a lot of misinformation and misunderstanding around this new benefit, so here’s where it gets interesting:

The Social Security Administration issued guidance stating that approximately 90% of recipients will pay no tax on their Social Security benefits under the new law. That’s only partially true.

The law didn’t actually change how Social Security is taxed. It’s still potentially taxable—up to 85% of your benefits may be included in income, depending on your other earnings. What did change is that this new Senior Deduction may offset the taxable portion of

Social Security for many recipients, reducing their final tax liability to zero. However, your benefits still appear on your return.

So yes, your tax bill might drop—but don’t expect Social Security to just “disappear” from your 1040. The Senior Deduction begins phasing out at \$75,000 of income for singles and \$150,000 for couples.

### Let’s Make These Work for *You!*

Each of these deductions has caveats, thresholds, and reporting requirements.

But they offer real opportunity—especially if you’re earning tips or overtime, borrowing for a personal vehicle, or planning retirement on a tight budget.

**Questions about whether you qualify or how to optimize? Let’s talk. The rules are new, but the potential savings are real.**







# More Tools, More Write-Offs: *Big Deductions* for Small Business Owners

The OB3 Act didn't just help employees and seniors—it packed in serious tax breaks for small business owners, freelancers, and solo entrepreneurs. Whether you're running a food truck, cleaning houses, doing hair, or designing logos from your kitchen table, there's a lot here that can put money back in your pocket. Here are four deductions worth knowing if you're a business owner.



## ① Bonus Depreciation — 100% Write-Offs Are Back

First, the big one: Bonus depreciation is back at 100%. That means if you buy equipment, computers, office furniture, or any other qualified property for your business in 2025, you can write off the entire cost right away—no need to spread it out over years.

This applies to business assets with a useful life of 20 years or less. It also now includes certain qualified production property and sound recording productions. Bonus depreciation applies to new or used equipment, as long as it's new to you and not acquired from a related party.

**Important:** 100% bonus only applies if the property is acquired after January 19, 2025. If you signed the contract earlier, you'll have to settle for 40% bonus or other depreciation options.

## ② Section 179 Expensing — Still Powerful, More Generous

While bonus depreciation grabs headlines, Section 179 is the other workhorse deduction for small businesses buying equipment or vehicles.

The OB3 Act permanently increased the Section 179 limit to \$2.5 million, with a phase-out starting at \$4 million in equipment purchases per year. That's huge for businesses investing heavily in growth—and yes, that includes trucks, computers, and even certain nonresidential improvements like HVAC systems or roofs.

You can mix and match with bonus depreciation, too. The main difference? Section 179 lets you pick and choose which assets to expense, while bonus depreciation applies to all qualified assets automatically (unless you opt out).

## ③ Qualified Business Income (QBI) Deduction — Still Around, Still Strong

If you're self-employed or have income from a partnership, S corp, or LLC, the QBI deduction is still in play—allowing you to deduct up to 20% of your net business income.

However, a key update for 2025: the new Tips Deduction (more on that below) reduces your QBI.

So if you're self-employed and earned tips—say, as a barber, dog groomer, delivery driver, or tattoo artist—any tip deduction you take will reduce the amount of income eligible for the 20% QBI write-off.

That's not a bad thing, though. It just means your total taxable income drops in more than one place. Smart planning can help you stack the benefits effectively.

## ④ Tips Deduction — Yes, It Helps the Self-Employed Too

If you're self-employed and receive tips from customers, the new Tips Deduction can help. You can now deduct up to \$25,000 of "qualified tips" from your taxable income—just like W-2 employees can.

### To qualify:

- The tips must be reported on official forms like 1099-K, 1099-NEC, or documented using reasonable methods if pre-2026.
- You must be in an occupation where tips were customary before the end of 2024. The IRS will provide a list of eligible occupations before the end of the year.
- You can only deduct up to your net business income—so if you made \$8,000 in tips but had \$6,000 in net profit, you can only deduct \$6,000.

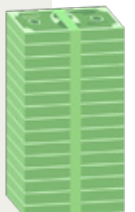
And yes, the deduction phases out if your income is too high—starting at \$150,000 for singles and \$300,000 for joint returns.

Still, for people in tipped industries who work for themselves—nail techs, massage therapists, artists, delivery drivers, food vendors—this is a real and overdue benefit.

## Wrap-Up: These Deductions *Stack Up!*

Used right, these four tools can dramatically reduce your taxable income. You could buy a \$25,000 vehicle for business use, expense it immediately, deduct your tips, and still claim the QBI deduction on what's left. These aren't theoretical breaks—they're *real* money.

**Questions about how to apply them in your business? That's what I'm here for. Let's make sure you're getting every dollar the law now allows.**





## "Trump Accounts"—A New Child Savings Account

The OB3 creates a so-called "Trump account". This is literally what is written in the law under Internal Revenue Code Section 530A. Parents who create this type of account for a child born in 2025-2028 will receive a \$1,000 contribution to the account from the government. Little is known about how these accounts will exactly work, but it is believed they will become available at the end of 2026.

## Thinking Ahead

Many of the changes discussed in this newsletter have come into effect this year. The next edition of the newsletter will discuss any updates we receive from the IRS regarding their plans to implement some of the new rules and prepare you for the many other tax changes expected in 2026.

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### Your Tax Calendar

- Sept 15** Q3 2025 Federal Tax Estimate Due
- Sept 30** Last day to drive an Electric Vehicle off the lot and get a federal tax credit
- Oct 15** Extended Individual Tax Return Due
- Dec 31** Last day to have solar completely installed on your home and get a federal tax credit

*Taxpayers located in federally declared disaster areas may receive extended deadlines for estimated tax payments. **If you're unsure whether this applies to you, please call me.***



### More Help for Families: Kids, College, and Adoptions Get a Boost

Not all tax breaks are tied to work or business. The OB3 Act also delivered meaningful help for parents and families—whether you're raising kids now or planning ahead for college.

### 529 Plans—More Flexible Than Ever

The law expanded 529 plans to cover a wider range of education expenses. K-12 costs like tutoring, curriculum, and educational therapy now qualify, as do college-level dual enrollment fees and postsecondary credentialing programs—perfect for skill-based career training.

### Adoption Credit—Refundable

The cost of adoption can be steep. For the first time in over a decade, up to \$5,000 of the Adoption Credit is refundable, allowing more families to benefit, regardless of their tax liability. This change begins in 2025 and is also inflation-adjusted going forward.