



# Changes For TY 2025

# In this presentation we will cover changes to:

- **Tax Forms**
- **Income**
- **Adjustments/Deductions**
- **Credits**
- **Marketplace**
- **No Paper Checks**



# New!

## Schedule 1A

### Page 1

MFJ  
 Taxpayer over 65  
 Spouse Not over 65  
 Had \$2,000 in Tips

## Tax on Tip Adjustment

SCHEDULE 1-A (Form 1040)		Additional Deductions		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		2025 Attachment Sequence No. 1A	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR OVER SIXTY TEST				Your social security number 852-00-8528	
<b>Part I Modified Adjusted Gross Income (MAGI) Amount</b>					
1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b . . . . .			1	45000
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	45000
<b>Part II No Tax on Tips</b>					
<b>Caution:</b> 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	2000		
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	2000
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	2000
7	Enter the smaller of the amount on line 6 or \$25,000 . . . . .			7	2000
8	Enter the amount from line 3 . . . . .			8	45000
9	Enter \$150,000 (\$300,000 if married filing jointly) . . . . .			9	300000
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	2000

# New!

## Schedule 1A-Page 1

Tax on Overtime Adjustment →

<b>Part III</b>		<b>No Tax on Overtime</b>	
<b>Caution:</b> 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.			
<b>14a</b>	Qualified overtime compensation included on Form W-2, box 1 (see instructions)	<b>14a</b>	
<b>b</b>	Qualified overtime compensation included on Form 1099-NEC, box 1 or Form 1099-MISC, box 3 (see instructions)	<b>14b</b>	
<b>c</b>	Add lines 14a and 14b		<b>14c</b>
<b>15</b>	Enter the smaller of the amount on line 14c or \$12,500 (\$25,000 if married filing jointly)		<b>15</b>
<b>16</b>	Enter the amount from line 3		<b>16</b>
<b>17</b>	Enter \$150,000 (\$300,000 if married filing jointly)		<b>17</b>
<b>18</b>	Subtract line 17 from line 16. If zero or less, enter the amount from line 15 on line 21		<b>18</b>
<b>19</b>	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.)		<b>19</b>
<b>20</b>	Multiply line 19 by \$100		<b>20</b>
<b>21</b>	<b>Qualified overtime compensation deduction.</b> Subtract line 20 from line 15. If zero or less, enter -0-		<b>21</b>

# Car Loan Interest Deduction →

# Senior Deduction →

# New! Schedule 1A 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.	
		Interest for this loan:	
		(ii) Deducted on Schedule C, Schedule E, or Schedule F	(iii) Schedule 1-A
	(i) Vehicle identification number (VIN)		
a	<input type="text"/>		
b	<input type="text"/>		
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	<b>Qualified car loan interest deduction.</b> Subtract line 29 from line 24. If zero or less, enter -0-	30	

## 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	45000
32	Enter \$75,000 (\$150,000 if married filing jointly)	32	150000
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	6000
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	6000
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	<b>Enhanced deduction for seniors.</b> Add lines 36a and 36b	37	6000

## 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	8000
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# 1040 Changes

Form **1040-SR** U.S. Income Tax Return for Seniors **2025** Department of the Treasury—Internal Revenue Service 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  Spouse

Other

Your first name and middle initial: MARTIN Last name: WILLIS Your social security number: 416-00-1234

If joint return, spouse's first name and middle initial: YVETTE Last name: WILLIS Spouse's social security number: 417-00-1234

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. 1234 CHARITY AVE

City, town, or post office. If you have a foreign address, also complete spaces below. State: FL ZIP code: 33936

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)	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name	ABBEY			
(2) Last name	WILLIS			
(3) SSN	608-00-1234			
(4) Relationship	DAUGHTER			
(5) Check if lived with you more than half of 2025	(a) <input checked="" type="checkbox"/> Yes	(a) <input type="checkbox"/> Yes	(a) <input type="checkbox"/> Yes	(a) <input type="checkbox"/> Yes
	(b) <input checked="" type="checkbox"/> And in the U.S.	(b) <input type="checkbox"/> And in the U.S.	(b) <input type="checkbox"/> And in the U.S.	(b) <input type="checkbox"/> And in the U.S.
(6) Check if	<input checked="" type="checkbox"/> Full-time student	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Full-time student
	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Permanently and totally disabled
(7) Credits	<input type="checkbox"/> Child tax credit <input checked="" type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> 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.

# 1040

## Earned Income Section

<b>Income</b> 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.	<b>1a</b>	Total amount from Form(s) W-2, box 1 (see instructions) . . . . .	<b>1a</b>	45000
	<b>b</b>	Household employee wages not reported on Form(s) W-2 . . . . .	<b>1b</b>	
	<b>c</b>	<u>Tip income not reported on line 1a (see instructions)</u> . . . . .	<b>1c</b>	
	<b>d</b>	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	<b>1d</b>	
	<b>e</b>	Taxable dependent care benefits from Form 2441, line 26 . . . . .	<b>1e</b>	
	<b>f</b>	Employer-provided adoption benefits from Form 8839, line 31 . . . . .	<b>1f</b>	
	<b>g</b>	Wages from Form 8919, line 6 . . . . .	<b>1g</b>	
	<b>h</b>	Other earned income (see instructions). Enter type and amount: _____	<b>1h</b>	
	<b>i</b>	Nontaxable combat pay election (see instructions) . . . . .	<b>1i</b>	
	<b>z</b>	Add lines 1a through 1h . . . . .	<b>1z</b>	45000

# 1040 Changes Continued

## All other income & AGI

Attach Sch. B if required.	<b>2a</b> Tax-exempt interest . . .	<b>2a</b>	<b>b</b> Taxable interest . . .	<b>2b</b>
	<b>3a</b> Qualified dividends . . .	<b>3a</b>	<b>b</b> Ordinary dividends . . .	<b>3b</b>
	<b>c</b> Check if your child's dividends are included in:			
	<b>1</b> <input type="checkbox"/> Line 3a	<b>2</b> <input type="checkbox"/> Line 3b		
	<b>4a</b> IRA distributions . . .	<b>4a</b>	<b>b</b> Taxable amount . . .	<b>4b</b>
	<b>c</b> Check if (see instructions):			
	<b>1</b> <input type="checkbox"/> Rollover	<b>2</b> <input type="checkbox"/> QCD	<b>3</b> <input type="checkbox"/> _____	
	<b>5a</b> Pensions and annuities	<b>5a</b>	<b>b</b> Taxable amount . . .	<b>5b</b>
	<b>c</b> Check if (see instructions):			
	<b>1</b> <input type="checkbox"/> Rollover	<b>2</b> <input type="checkbox"/> PSO	<b>3</b> <input type="checkbox"/> _____	
	<b>6a</b> Social security benefits	<b>6a</b>	<b>b</b> Taxable amount . . .	<b>6b</b>
	<b>c</b> If you elect to use the lump-sum election method, check here (see instructions) . . . . .			<input type="checkbox"/>
	<b>d</b> If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here . . . . .			<input type="checkbox"/>
	<b>7a</b> Capital gain or (loss). Attach Schedule D if required . . . . .			<b>7a</b>
	<b>b</b> Check if: <input type="checkbox"/> Schedule D not required <input type="checkbox"/> Includes child's capital gain or (loss) _____			
	<b>8</b> Additional income from Schedule 1, line 10 . . . . .			<b>8</b>
	<b>9</b> Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your <b>total income</b> . . .			<b>9</b> 45000
	<b>10</b> Adjustments to income from Schedule 1, line 26 . . . . .			<b>10</b>
	<b>11a</b> Subtract line 10 from line 9. This is your <b>adjusted gross income</b> . . .			<b>11a</b> 45000

# 1040 Changes Continued

## Deductions & Taxes

<b>Tax and Credits</b>	<b>b</b> Amount from line 11a (adjusted gross income) . . . . .	<b>11b</b>	45000
	<b>12a</b> Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <b>b</b> <input type="checkbox"/> Spouse itemizes on a separate return <b>c</b> <input type="checkbox"/> You were a dual-status alien <b>d</b> <b>You:</b> <input checked="" type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind <b>Spouse:</b> <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind		
<b>Standard Deduction</b> <small>See Standard Deduction Chart on the last page of this form.</small>	<b>e</b> <b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .	<b>12e</b>	31600
	<b>13a</b> Qualified business income deduction from Form 8995 or Form 8995-A . . . . .	<b>13a</b>	
	<b>b</b> <b>Additional deductions from Schedule 1-A, line 38</b> . . . . .	<b>13b</b>	6000
	<b>14</b> Add lines 12e, 13a, and 13b . . . . .	<b>14</b>	37600
	<b>15</b> Subtract line 14 from line 11b. If zero or less, enter -0-. This is your <b>taxable income</b> . . . . .	<b>15</b>	7400
	<b>16</b> <b>Tax</b> (see instructions). Check if any from: <b>1</b> <input type="checkbox"/> Form(s) 8814 <b>2</b> <input type="checkbox"/> Form(s) 4972 <b>3</b> <input type="checkbox"/> _____	<b>16</b>	743
	<b>17</b> Amount from Schedule 2, line 3 . . . . .	<b>17</b>	
	<b>18</b> Add lines 16 and 17 . . . . .	<b>18</b>	743
	<b>19</b> Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	743
	<b>20</b> Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
	<b>21</b> Add lines 19 and 20 . . . . .	<b>21</b>	743
	<b>22</b> Subtract line 21 from line 18. If zero or less, enter -0- . . . . .	<b>22</b>	0
	<b>23</b> Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	0
	<b>24</b> Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	0

← Nontaxable Tip Income & Senior Deduction Combined

# 1040 Changes continued

## Deductions & Taxes

<b>Tax and Credits</b>	<b>b</b> Amount from line 11a (adjusted gross income) . . . . .	<b>11b</b>	45000
	<b>12a</b> Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent <b>b</b> <input type="checkbox"/> Spouse itemizes on a separate return <b>c</b> <input type="checkbox"/> You were a dual-status alien <b>d You:</b> <input checked="" type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind <b>Spouse:</b> <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind		
<b>Standard Deduction</b> <small>See Standard Deduction Chart on the last page of this form.</small>	<b>e</b> <b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .	<b>12e</b>	31600
	<b>13a</b> Qualified business income deduction from Form 8995 or Form 8995-A . . . . .	<b>13a</b>	
	<b>b</b> <b>Additional deductions from Schedule 1-A, line 38</b> . . . . .	<b>13b</b>	8000
	<b>14</b> Add lines 12e, 13a, and 13b . . . . .	<b>14</b>	39600
	<b>15</b> Subtract line 14 from line 11b. If zero or less, enter -0-. This is your <b>taxable income</b> . . . . .	<b>15</b>	5400
	<b>16</b> <b>Tax</b> (see instructions). Check if any from: <b>1</b> <input type="checkbox"/> Form(s) 8814 <b>2</b> <input type="checkbox"/> Form(s) 4972 <b>3</b> <input type="checkbox"/> _____	<b>16</b>	543
	<b>17</b> Amount from Schedule 2, line 3 . . . . .	<b>17</b>	
	<b>18</b> Add lines 16 and 17 . . . . .	<b>18</b>	543
	<b>19</b> Child tax credit or credit for other dependents from Schedule 8812 . . . . .	<b>19</b>	543
	<b>20</b> Amount from Schedule 3, line 8 . . . . .	<b>20</b>	
	<b>21</b> Add lines 19 and 20 . . . . .	<b>21</b>	543
	<b>22</b> Subtract line 21 from line 18. If zero or less, enter -0- . . . . .	<b>22</b>	0
	<b>23</b> Other taxes, including self-employment tax, from Schedule 2, line 21 . . . . .	<b>23</b>	0
	<b>24</b> Add lines 22 and 23. This is your <b>total tax</b> . . . . .	<b>24</b>	0

← Senior Deduction & Tip Adjustment

Income is \$45,000 and tax is just \$543

CTC credit covered it

No tax!

# Taxslayer presentation

The image shows two screenshots from the Taxslayer software interface. The top screenshot is the 'Deductions' screen, which features three main sections: 'Adjustments' (Educator expenses, medical savings accounts, student loan interest, etc.), 'Additional Deductions' (No tax on overtime, No tax on tips, No tax on car loan interest), and 'Standard Deduction' (Flat amount based on filing status). Each section has a 'BEGIN' button. A blue arrow points to the 'BEGIN' button for 'Additional Deductions'. Below this is a progress bar with three markers. The bottom screenshot is the 'Schedule 1-A Additional Deductions' screen, which lists 'No Tax on Overtime', 'No Tax on Tips', and 'No Tax on Car Loan Interest', each with a 'BEGIN' button. A 'CONTINUE' button is located at the bottom right. A navigation bar at the top of the bottom screenshot includes the year '2025', 'Preview Return', 'Help & Support', the user name 'Jane doe', and 'Save & Exit'.

## Deductions

**Adjustments**  
Educator expenses, medical savings accounts, student loan interest, etc. **BEGIN**

**Additional Deductions**  
No tax on overtime, No tax on tips, No tax on car loan interest **BEGIN**

**Standard Deduction**  
Flat amount based on filing status **BEGIN**

\*\*\*\*\*  
2025 [Preview Return](#) [Help & Support](#) Jane doe [Save & Exit](#)

## Schedule 1-A Additional Deductions

No Tax on Overtime **BEGIN**

No Tax on Tips **BEGIN**

No Tax on Car Loan Interest **BEGIN**

**CONTINUE**

# Reduced Tax on Tips TY2025-TY2028

## Reduced Tax on Tips– NOT NO Tax on Tips

- Tips will still be subject to Social Security & Medicare Taxes (FICA Taxes)
- Income Tax waived on **up to \$25,000 per return**

## Not everyone qualifies:

- Social Security Number Required (not for people with ITINs)
- Income over \$150,000 (\$300,000 MFI) phases out
- Married Filing Separately *DOES NOT QUALIFY*

On a W-2 Tips are in Box 1 and Box 7

**If Self-employed** must enter Tip Income on Schedule C and then enter an adjustment in Taxslayer on the Deduction Menu

## Definition of qualified tips

To claim the deduction, a worker must both be in an occupation on the list and receive qualified tips.

**Qualified tips must be paid in cash or an equivalent medium**, such as check, credit card, debit card, gift card, tangible or intangible tokens that are readily exchangeable for a fixed amount in cash, or another form of electronic settlement or mobile payment application (excluding most digital assets).

**Qualified tips must be received from customers** or, in the case of an employee, through a mandatory or voluntary tip-sharing arrangement, such as a tip pool.

Qualified tips must be paid voluntarily by the customer and not be subject to negotiation. **Qualified tips do not include some service charges. For instance, in the case of a restaurant that imposes an automatic 18%** service charge for large parties and distributes that amount to waiters, bussers and kitchen staff; if the charge is added with no option for the customer to disregard or modify it, the amounts distributed to the workers from it are not qualified tips.

Any amount received for illegal activity, prostitution services, or pornographic activity is not a qualified tip.

The proposed regulations group the occupations into eight categories:

- 100s – Beverage and Food Service
- 200s – Entertainment and Events
- 300s – Hospitality and Guest Services
- 400s – Home Services
- 500s – Personal Services
- 600s – Personal Appearance and Wellness
- 700s – Recreation and Instruction
- 800s – Transportation and Delivery

The tips are not deductible if received by an employee whose employer is engaged in a “Specified Service Trade or Business” (SSTB) or by an individual taxpayer whose own business is in an occupation that is a SSTB.

Any trade or business involving the performance of services in the fields of:

- Health
- Law
- Engineering
- Architecture
- Accounting
- Actuarial science
- Trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees.
- Performing Arts
- Consulting
- Athletics
- Financial Services
- Brokerage Services

## No tax on tips - 2025 reporting exception for non-employees

Updated Form 1099s won't be available to allow for tip reporting for 2025, so for 2025 only, the non-employee can satisfy the reporting requirement if:

- Tips are included in the total amounts reported as other income on the Form 1099-MISC, Form 1099-NEC, or Form 1099-K, and
- The non-employee calculates the amount of qualified tips using earnings statements or other documentation\* that corroborates the calculation of the total amount of tips on the reporting form received for the tax year 2025.

\*receipts, point of-sale system reports, daily tip logs, third party settlement organization records, or other information provided by the payor to support tip amounts

# No tax on tips issues

Can persons working for themselves in a traditionally tip based occupation, but who receive no Form 1099 from customers deduct tips reported on the Schedule C.?

- Ex: An individual who has her own business cleaning homes. She is paid in cash or check and receives tips from customers. Since her customers do not issue a Form 1099 to her reporting amounts paid, and she would not get a Form 1099-K, it would appear she would not be able to take advantage of the tip deduction.

Note - self-reporting tips on a Form 4137 is only available to persons working for tips as employees.

# No tax on tips

2025 [Preview Return](#) [Help & Support ?](#) jane doe [Save & Exit ↗](#)

## No Tax on Tips

**CANCEL** **CONTINUE**

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Qualified tips included on Form W-2, box 7

Qualified tips included on Form 4137, Line 1(c)

Qualified tips included on Form 1099-NEC, 1099-MISC or 1099-K

**CANCEL** **CONTINUE**

# Reduced Tax on Overtime Pay TY2025-TY2028

## Reduced Tax on Overtime

- Overtime will still be subject to Social Security & Medicare Taxes (FICA Taxes)
- Income Tax waived on **up to \$12,500 per person**
  - Only for the **1/2 time pay** of time-and-a-half

## Not everyone qualifies:

- Social Security Number Required (reduction is not for people with ITINs)
- Income over \$150,000 (\$300,000 MFI) phases out
- Married Filing Separately *DOES NOT QUALIFY*

The IRS encourages, but does not require, employers to provide employees with a separate accounting of their qualified overtime compensation through alternative methods: An online portal

- An additional written statement
- Box 14 of the employee's Form W-2
- Other secure methods

# Example Tax on Overtime Pay TY2025-TY2028

## Reduced Tax on Overtime

- Overtime will still be subject to Social Security & Medicare Taxes (FICA Taxes)
- Income Tax waived on up to \$12,500 per person
  - Only for the  $\frac{1}{2}$  time pay of time-and-a-half

## Example:

Bill makes \$20/hour regular pay

Overtime pay is \$30/hour (time-and-a-half)

Difference is \$10/hour

Works 60 hours over time in the year.

$60 \text{ hours} \times \$10/\text{hour} = \$600$  he does not have to pay  
income tax on

# No tax on “OVERTIME” - examples

1. Dan is a Warehouse worker whose regular work week is 37 hours. His boss asked him to work an additional 10 hours during Thanksgiving week. How many qualified overtime hours did he work?
1. Dan is regularly paid \$18 per hour. He gets paid double time for his Thanksgiving overtime work. What is the amount of his QOC that can be deducted on his income tax return?
1. Lisa is an attorney working for an environmental advocacy nonprofit with a salary of \$80,000. Her regular work week is 40 hours per week. During a period when documentation supporting the organization’s claim must be submitted by the end of the week, Lisa’s employer asks her to work 15 more hours that week and offers to pay her an extra \$800. Is she entitled to deduct the overtime pay?

## How Do You Claim it?

- You'll use **IRS Schedule 1-A** to report the deduction.
- Your employer must **report qualified overtime separately** on your **W-2** or other IRS-recognized forms. Your qualified overtime compensation eligible for the deduction **MAY** be listed in box 12 of your W-2 with the code "TT."
- You can claim the deduction **even if you take the standard deduction**—no need to itemize.

Announced 8/7/2025 by IRS:

Form W-2, existing Forms 1099, and Form 941 and other payroll return forms **will remain unchanged** for TY 2025.

Per IRS “These decisions are intended to avoid disruptions during the tax filing season and to give the IRS, business and tax professionals enough time to implement the changes effectively.”



# No tax on "OVERTIME"

2025 [Preview Return](#) [Help & Support ?](#) jane doe [Save & Exit](#)

## No Tax on Overtime

**CANCEL** **CONTINUE**

---

Qualified overtime compensation included on Form W-2, Box 1

\$

Qualified overtime compensation included on Form 1099-NEC, 1099-MISC

\$

**CANCEL** **CONTINUE**

# Tax Form 1099-K TY2025

## Reporting Requirements:

- More than \$20,000 in sales
- AND more than 200 transactions
- Users of **third-party payment platforms** like:
  - PayPal, Venmo, Cash App, Zelle
  - Online marketplaces (e.g., Etsy, eBay)
- **Casual sellers and gig workers** may no longer receive a 1099-K unless they exceed *both* thresholds

**All taxable income must still be reported**, even if no 1099-K is received. You must ask – “Did you have any other income...”

# Tax Form 1099-NEC & 1099-MISC TY2025

## Reporting Requirements:

- More than \$2,000 in income
- Exception– Royalties are reported at just \$10

## Businesses must issue:

- **Form 1099-NEC** for **nonemployee compensation** (e.g., contractors, freelancers)
- **Form 1099-MISC** for **miscellaneous income** (e.g., rent, prizes, legal settlements)

**All taxable income must still be reported**, even if no tax form is received. You must ask – “Did you have any other income...”

# Oregon Tax Law



## OBBB vs. Oregon Tax Law

The 4 new deductions (subtractions for OR tax returns):

- Tip Income FY Code: 390; PY/N Code: 656
- Overtime Wages FY Code: 391; PY/N Code: 657
- Car Loan Interest FY Code: 392; PY/N Code: 658
- Enhanced Senior Deduction Not Allowed

TY2025 – KICKER YEAR, 9.863% of Line 24 of TY2024 return



The four new deductions used on Schedule 1-A of the federal return, three will be allowed as a subtraction on the Oregon return. TaxSlayer should be able to handle these subtractions and codes when the amounts are entered in the federal return. That will be tested when Oregon software is released.

1. These items do NOT make any changes to the AGI - like the unemployment adjustment did a few years ago.
2. These become an additional deduction on the 1040 page 2 – AFTER the standard deduction line.
3. The schedule 1A items are an additional reduction to calculate the taxable income.

For many of our clients, the standard deduction already lowers their taxable income to zero.

Just like standard vs itemized, for these taxpayers, there is no need to dwell on itemized items for the Federal return as you can't do better than zero.

In the same vein, the tips and overtime reductions will have no further effect if the standard deduction already leaves them with zero taxable income.

Also, if the taxpayer or spouse is 65 or older, schedule 1A will auto input the \$6,000 or \$12,000 senior deduction even if there is no income. So, the senior deduction may be enough to take them to zero taxable income.

We need to properly communicate the true information regarding tips and overtime to the taxpayer. But do we really need to spend time inputting that information. If it will not make a difference on the return then there is no need to calculate, input, or use it.

We need to have the taxpayer bring as much information as possible including the W-2 and possibly the YTD or other pay stub reflecting the overtime and tips – should we need to use it.

We could be spending more time discussing tax on tips and overtime with the taxpayer than we do actually inputting those reductions. We need to understand these issues, but may not use them on a large number of tax returns we normally prepare.

# Educator Expense Deduction: TY2025 vs. TY2026

## TY2025

- **Above-the-line deduction:** Up to **\$300** per eligible educator
- Applies to **K-12 teachers, counselors, principals**
- Covers classroom supplies, books, software, and protective items
- Can be claimed **without itemizing** deductions

## TY2026

- **Above-the-line deduction:** Up to **\$300** per eligible educator
  - And... educators who itemize their deductions on Schedule A can deduct all remaining qualified, unreimbursed expenses **with no dollar limit.**
- Expanded to include:
  - **Coaches and sports administrators**
  - **Non-instructional athletic equipment**
  - **Professional development expenses**

## New Car- Car Loan Deduction TY2025-2028

- Deduction- Itemizing is not required!
- Up to \$10,000 car loan interest per year for a:
  - NEW American Made vehicle-assembled in the U.S.
  - Under 14K pound vehicle
  - Must have at least 2 wheels
  - For Personal Use (part-time for Uber/Door Dash/any work OK)
- VIN # Required

### Ways lenders might report the Interest paid:

- On an online portal that the buyer can easily access;
- In a regular monthly statement;
- On an annual statement that is provided to the buyer; or
- By other similar means designed to provide accurate information to the buyer regarding interest received.

## Deduction on passenger vehicle loan “Personal use”

The vehicle must have been purchased “predominantly” for the taxpayer’s personal use vs. use in a trade or business:

- Proposed Regulations § 1.163-16(f)(1) would provide that a taxpayer is considered to purchase an “applicable passenger vehicle” for personal use if, at the time the indebtedness is incurred, the taxpayer expects that the APV will be used for personal use by the taxpayer that incurred the indebtedness, or by certain members of that taxpayer’s family and household, **for more than 50 percent of the time.**
- The personal use requirement is determined based on the taxpayer’s use expectation at the time the indebtedness is incurred.
- If the taxpayer satisfies the “predominant use” and all other requirements, but uses the vehicle for a business (such as a Lyft driver), s/he can deduct all the interest off under the OBBA Sch 1-A, or divide the interest, taking an allocable portion off the Sch C and the remainder off on the Sch 1-A
- NOTE: Taking a portion off on Sch. C will reduce the taxpayer’s SS/Medicare tax liability

# New Car- Car Loan Deduction TY2025-2028

VIN # Required <https://vpic.nhtsa.dot.gov/decoder/>

## Not sure if US Assembled? You can use NHTSA's VIN Decoder to Identify a Vehicle's Plant of Manufacture

Among the information NHTSA's VIN decoder provides is information about the **vehicle's plant of manufacture**. After searching a VIN, you'll see the build plant and country for the vehicle in question.

NHTSA's VIN decoder allows you to query a particular vehicle's VIN to identify s

**VIN**   
Partial VINs are also accepted

**Model Year**   
If entered the year from VIN will be ignored

- **Side:** 1st Row (Driver and Passenger)
- **Curtain:** 1st and 2nd Rows
- **Seat Cushion:**
- **Other Restraint Info:** Seat Belt: All positions

**Plant Information:** GWANG-JU, SOUTH KOREA

This wouldn't qualify

# Deduction on “passenger vehicle loan interest” paid

## No Tax on Car Loan Interest

**CANCEL** **CONTINUE**

---

Vehicle Identification Number \*

Dates new vehicle purchased \*

Interest deducted on Schedule C, E, or F

Interest being deducted on Schedule 1-A

**CANCEL** **CONTINUE**

## HSA (Health Savings Account) highlights starting in 2026:

- HSA contributions allowed for Medicare Part A enrollees and ACA Bronze/Catastrophic plan participants
- Extra contribution of \$4,300 (individual) / \$8,550 (family), phased out over \$75k single / \$150k joint AGI
- **Gym memberships up to \$500/year to be reimbursable**
- **Telehealth is now covered**
- Both spouses aged 55+ can make catch-up contributions to the same HSA (family)

# Standard Deductions

2025 Standard Deduction Amounts (for those with Social Security or ITIN number)

Filing Status	Amount
Single / Married Filing Separately	\$15,750
Married Filing Jointly & Qualifying Surviving Spouse	\$31,500
Head of Household	\$23,625

**Additional Standard Deduction** – For those 65 or over and/or blind (with SS or ITIN)

Married Individuals	\$1,600 each for age and blindness
Single / Married Filing Sep	\$2,000 each for age and/or blindness

**System calculates automatically!!**

# NEW \$6,000 Senior Deduction!!!

(For tax years 2025-2028)

- For Taxpayers who are 65 or over
- Taxpayer **AND** their spouse must both have work-authorized Social Security numbers (ITIN numbers do not qualify for this deduction).
- Do **NOT** have to be drawing Social Security Income to Qualify

Great News: This deduction is allowed whether the Taxpayer takes the Standard Deduction or Itemizes Deductions!

Note--Deduction amount phases out for higher-income individuals (starting at \$75,000 for single filers and \$150,000 for married couples).

System calculates automatically!!

# Examples for a Single Person

## Example 1:

Single person under 65:

\$15,750 Standard Deduction

---

## Example 2:

Single person over 65 NOT blind & Has a valid Social Security Card

\$15,750 Standard Deduction

+ 2,000 Additional Deduction for being 65 or over

+ 6,000 Senior Deduction

\$23,750 in total Deductions!!

The first \$23,750 they make is Tax-Free!

Just  
WOW!!!



System calculates automatically!!

## 3 Examples-Married Filing Jointly

**Example 1:** Married couple –Taxpayer has a ITIN and is 62 years old;  
Spouse has a valid Social Security Card and is 64 years old.  
\$31,500 Standard Deduction for Married Filing Joint

---

**Example 2:** Married – Taxpayer has a ITIN and is 62 years old;  
couple Spouse has a valid Social Security Card and is 67 years old.  
\$31,500 Standard Deduction for Married Filing Joint  
+ 1,600 Additional Deduction for Taxpayer being 65 or over  
+ no Senior Deduction since Taxpayer has an ITIN  
\$33,110 in total Deductions!!

---

**Example 3:** Married couple – both have valid Social Security Numbers, both are 65 or over.

\$31,500 Standard Deduction for Married Filing Joint  
+ 3,200 Additional Deduction for both being 65 or over  
+ 12,000 Senior Deductions for both

System calculates  
automatically!!

\$46,700 in total Deductions!! The first \$46,700 they make is Tax-Free!

# Itemized Deductions for TY2025

Taxpayers can choose to claim the following expenses instead of taking the Standard Deduction.

- Medical and dental expenses (if over 7.5% of AGI)
- **State and local taxes (SALT) – up to \$40,000**
  - *Includes: Real Estate Taxes, State/Local Taxes or Sales taxes*
- Mortgage interest
- Charitable contributions
  - Cash Donations
  - Non-cash/goods (we have a \$500 limit with our program)
- Gambling Losses (only up to the amount won)

**If the client brings us itemized deductions we enter everything.–The System will use the best option. BUT the standard in Oregon is very low and itemizing pays off!!!**

# Itemized Deductions for 2026 and later

For Itemizing Deductions here's what's allowed:

- **Medical and dental expenses:** Only the amount that exceeds **7.5%** of their **Adjusted Gross Income (AGI)** is deductible.
- **State and Local Taxes (SALT):**
  - For TY2026 can deduct up to **\$40,400**
    - This limit will **increase by 1% each year** until 2029.
  - Includes **real estate taxes, state/local income taxes, or sales taxes.**
- **Mortgage interest:** Interest paid on qualified home loans is deductible.
- **Moving expenses for active-duty military:** Deductible if the move is due to a military order.
- **Educator Expenses (no limit)**

## Mortgage Interest Deduction

- Interest payments can be deducted for homes with a mortgage principal of up to **\$750,000**.
- **This limit is now permanent.**
- This applies to **acquisition debt** (used to buy, build, or improve a home) **incurred after December 15, 2017**.

### **NEW 2026**

The itemized deduction for **mortgage insurance premiums (MIP and PMI) is not available for the 2024 and 2025 tax years**. However, the deduction has been reinstated and made permanent starting in the **2026 tax year** (for taxes filed in spring 2027).

## Charity Contributions TY 2026

- Taxpayers who take standard deduction will be able to deduct cash charitable contributions to qualified organizations.
  - Up to \$1,000 (single)/\$2,000 (MFJ)
  - Permanent Change!!
- For those itemizing– Itemized Donations must exceed 0.5% of AGI for tax year.

## Gambling Losses TY 2026

- Taxpayers will only be able to deduct up to 90% of the amount they won, in gambling losses.
- Must Itemize Deductions to claim.

# CHILD TAX CREDIT (CTC)

System calculates amount automatically.

## To Qualify:

- Dependent Children Under 17 on Dec 31<sup>st</sup> of tax year.
- Children must have work-eligible Social Security Numbers  
(by tax season deadline ; or Oct 15 if an extension was filed)
- Children must have lived in U.S. for over 6 months during tax year.
- **NEW—At least 1 parent on the return MUST have a Social Security Number to get CTC!!!!**

**2025 Non-Refundable Credit Up to \$2,200 per child** – Annual Inflation Adjustment starting in 2026.

Remember—Non-refundable credits pay tax liability and the excess credits are usually lost.

*\*\*Child Tax Credits are unique because It might be possible to qualify for refundable Child Tax Credits.*



## ADDITIONAL CHILD TAX CREDIT (ACTC)

- **Refundable** portion of Child Tax Credit- has additional requirements

### To Qualify:

**System calculates amount automatically.**

- Dependent Child Under 17
- Child and at least 1 parent must have work-eligible Social Security Numbers (by tax season deadline; or Oct 15 if an extension was filed)
- Children must have lived in U.S. for over 6 months during tax year
- **Taxpayers Must have at least \$2,500 in *earned* income**

### Additional Child Tax Credit Amount:

The remaining unused part of the Child Tax Credit  
UP TO \$1,700 per child (for 2025)\*\*

**\*\*Actual amount received depends on total earned income and # of qualifying children.**



## Dependent Care Credit

**In 2025**, taxpayers can receive between 20% and 35% of their dependent care expenses as a non-refundable tax credit.

**Starting in 2026**, the credit increases! Taxpayers may receive between 35% and 50% of what they paid for dependent care – a much bigger help for working families.

# Dependent Care Exclusion

(Not common for our sites)

- It's a **tax benefit** that lets you **exclude money** your employer gives you for child or dependent care from your taxable income.
- This means you **don't pay taxes** on that money! (Pre-tax dollars)
- You must use the money to pay for care so you (and your spouse, if married) can **work or look for work**.

## How Much Can Be Excluded?

**In 2025:** Up to **\$5,000** per year if you're married filing jointly (Up to \$2,500 for everyone else including married filing separately)

**In 2026:** Up to **\$7,500** per year if you're married filing jointly (Up to \$3,500 for everyone else including married filing separately)

# American Opportunity & Life Time Learning Credits

## Starting in TY 2026

To claim AOTC or LLC:

- The **student** must have a valid Social Security Number
- The **taxpayer (and spouse)**, if filing jointly) must also have an SSN
- The school's Employer Identification Number (EIN) must be included on Form 8863

## 529 Accounts **TY 2026** Education Savings Plan

Withdrawals can be **up to \$20,000** per year and can be used for:

- K-12 tuition
- books, tutoring, online materials, workforce training
- Applies to **public, private, and religious schools**

# Energy Credits

- Clean Vehicle Credits (EV tax credits) - OOS

No more Clean Vehicle Credits for vehicles acquired after September 30, 2025

- TY 2026 No More Residential energy credits

Energy Efficiency Home Improvement Credit and Residential Clean Energy Credit were eliminated for improvements made after December 31, 2025.

No more energy credits for a/c, windows, doors, insulation, solar panels, etc.

# Affordable Care Act (ACA) TY2026 & 2027 Marketplace, Obama Care Old Rules will no longer apply

There will be NO repayment caps at all,  
100% repayment if the subsidies exceed  
what the taxpayer was eligible for.

What Do The Changes Mean for Us As  
We Prepare the 2025 Tax Returns?



100% Subsidy Repayment

# Affordable Care Act (ACA) TY2026

These Repayments Caps will NOT exist for any taxpayer for tax year 2026

Repayments for the 2026 tax year:

Repayment Caps for APTC		
Income (as % of federal poverty line)	Taxpayers Filing as SINGLE	Taxpayers Using Other Filing Statuses
Less than 200%	\$375	\$750
At least 200% but less than 300%	\$975	\$1,950
At least 300% but less than 400%	\$1,625	\$3,250
400% and above	No cap (full repayment)	No cap (full repayment)

H-21

This also means anyone filing Married Filing Separately is NOT entitled to any Subsidy and will have to repay back 100% of what is in column C.

# Affordable Care Act (ACA) TY2025 VS TY2026 Advanced Premium Tax Credit (APTC) Example

Part III Coverage Information			
Month	A Monthly Enrollment Premiums	B Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January	\$1,385.28	\$1,206.05	\$1,385.28
22 February	\$1,385.28	\$1,206.05	\$1,385.28
23 March	\$1,385.28	\$1,206.05	\$1,385.28
24 April	\$1,385.28	\$1,206.05	\$1,385.28
25 May	\$1,385.28	\$1,206.05	\$1,385.28
26 June	\$1,385.28	\$1,206.05	\$1,385.28
27 July	\$1,385.28	\$1,206.05	\$1,385.28
28 August	\$1,385.28	\$1,206.05	\$1,385.28
29 September	\$1,385.28	\$1,206.05	\$1,385.28
30 October	\$1,365.25	\$1,206.05	\$1,365.25
31 November	\$1,365.25	\$1,206.05	\$1,365.25
32 December	\$1,365.25	\$1,206.05	\$1,365.25
<b>33 Annual Totals</b>	<b>\$16,563.27</b>	<b>\$14,472.60</b>	<b>\$16,563.27</b>

← Total Subsidy (APTC) Received

24	Total PTC. Enter the amount from line 11, column (e), or add lines 12 through 23, column (e), and enter the total here . . . . .	Amount Allowed →	24	13932
25	Advance payment of PTC. Enter the amount from line 11, column (f), or add lines 12 through 23, column (f), and enter the total here . . . . .	Amount Received →	25	16560
26	Net PTC. If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Schedule 3 (Form 1040), line 9. If line 24 equals line 25, enter -0-. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27 . . . . .		26	

In Tax Year 2025 this Taxpayer was:  
Allowed \$13,932 based on income/family size/location  
Received \$16,560 in subsidy (APTC) during the year  
(Column C of 1095A)

Part III Repayment of Excess Advance Payment of the Premium Tax Credit				
27	Excess advance payment of PTC. If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here . . . . .		27	2628
28	Repayment limitation (see instructions) . . . . .		28	750
29	Excess advance PTC repayment. Enter the smaller of line 27 or line 28 here and on Schedule 2 (Form 1040), line 1a . . . . .		29	750

Received \$2,628 too much in subsidy (APTC)  
Repayment Cap of \$750 is all he has to pay back

For Paperwork Reduction Act Notice, see your tax return instructions. Form 8962 (2025) Created 3/25/25

24	Total PTC. Enter the amount from line 11, column (e), or add lines 12 through 23, column (e), and enter the total here . . . . .	Amount Allowed →	24	13932
25	Advance payment of PTC. Enter the amount from line 11, column (f), or add lines 12 through 23, column (f), and enter the total here . . . . .	Amount Received →	25	16560
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Allowed \$13,932 based on income/family size/location  
Received \$16,560 in subsidy (APTC) during the year  
(Column C of 1095A)

Part III Repayment of Excess Advance Payment of the Premium Tax Credit				
27	Excess advance payment of PTC. If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here . . . . .		27	2628

Received \$2,628 too much in subsidy (APTC)  
**HAS TO PAY ALL \$2,628 BACK!!!!**

For Paperwork Reduction Act Notice, see your tax return instructions. Form 8962 (2025) Created 3/25/25

# What Do These Changes Mean As We Prepare the 2025 Tax Returns?

Discuss the changes with every Taxpayer who received Marketplace insurance.

Show them the Threshold levels and advise they will have to repay if their income is more than they predicted to Marketplace

If they used a broker—strongly suggest they **call Marketplace directly** and ask them how much income was reported—make sure their income reported is as close to what they really think they will make, not an understatement.

# What Do These Changes Mean As We Prepare the 2025 Tax Returns?

**Advise Taxpayers that ALL INCOME** is used in the calculation of TOTAL INCOME (Modified Adjusted Gross Income-MAGI).

**Really think about possible increases in income you might have from:**

- Work– pay, raises, bonuses, overtime, extra hours worked
- Withdrawals from retirement accounts
- Cost of living adjustments from Social Security/Retirement
- Gambling winnings
- Cancelled debt
- Lumpsum payments from Social Security will all be used in the calculation of TOTAL INCOME (Modified Adjusted Gross Income-MAGI)
- Capital gains, including sales of stocks, bonds, cryptocurrency, real estate

**Be mindful throughout the year – these can affect your 2026 tax return drastically.**

# New Trump Child Savings Account TY2025-2028

- U.S. Government – will deposit \$1,000 for every child born 2025-2028 (one time deposit)
  - U.S. Citizen with Social Security Number
- Parents will have to opt-in for child to have an account\*
- Parents can contribute up to \$5,000 a year—after July 2026
- Employers can gift employees by making deposits (those deposits would be tax-free)
- Money is protected from garnishment
  
- It's a retirement account– so penalties apply if withdrawals are not for Qualified Purposes (buying a home, etc)
- Money withdrawn is taxed as a Long-Term Capital Gain

# No more Paper Checks

Without direct deposit information or an approved exception, the IRS says they will hold the refund for at least six weeks before issuing a paper check.

- The IRS says they will first **mail a letter** requesting bank account information for direct deposit.
- Certain taxpayers may qualify for an exception — for example, individuals with significant disabilities, victims of domestic violence, or those with religious constraints. **However, an exception request must be filed and approved by the IRS, and this process will take additional time.**

We have prepared a chart on our website that clients can use to open bank accounts at most local financial institutions. And the notice is included on the appointment emails to each client.

WOO-HOO!!!  
You Did it!



Now Have Fun!  
Keep Learning & Practicing!  
Thank You!