

34th Annual Tax Symposium

ROUNDUP OF RECENT TAX DEVELOPMENTS – INCLUDING OBBBA!

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I. INDIVIDUAL DEDUCTIONS AND EXCLUSIONS UNDER OBBBA

A. Deduction for Seniors (IRC § 151(d)(5)(C))

1. Deduction of \$6,000 allowed for each qualified individual 65 or older.
2. Deduction is subject to a modified adjusted gross income (MAGI) limitation of \$150,000 for those MFJ and \$75,000 for all other taxpayers.
3. Deduction will be reduced by 6% of the taxpayer's MAGI in excess of those limitations.
4. Effective date – Tax years beginning after 12/31/24.

B. No Tax on Tips (New IRC § 224)

1. Deduction of up to \$25,000 on reported qualified tips received by taxpayers.
2. Deduction is available to both itemizers and non-itemizers.
3. Deduction is phased out for individuals with a MAGI over \$150,000 (\$300,000 for MFJ).
4. Effective Date – Tax years beginning after 12/31/24.

C. No Tax on Overtime Pay (New IRC § 225)

1. Deduction of up to \$12,500 (\$25,000 for MFJ) for qualified overtime compensation.
2. Deduction is available to both itemizers and non-itemizers.

34th Annual Tax Symposium

3. Deduction is phased out for individuals with a MAGI over \$150,000 (\$300,000 for MFJ).
 4. Effective date – Tax years beginning after 12/31/24.
- D. Qualified Passenger Vehicle Loan Interest (IRC § 163(h)(4))
1. Interest deduction of up to \$10,000 per year on qualified personal car loans.
 2. Deduction is phased out for a MAGI of \$200,000 for MFJ and a MAGI of \$100,000 for all other taxpayers.
 3. Car must have been assembled in the U.S.
 4. Effective date – Tax years beginning after 12/31/24.
- E. Standard Deduction (IRC § 63(c)(7))
1. Permanently increases the standard deduction as follows:
 - a. \$30,000 to \$31,500 MFJ
 - b. \$22,500 to \$23,625 HOH
 - c. \$15,000 to \$15,750 for single filers.
 2. These amounts will be indexed annually for inflation.
 3. Effective date – 1/1/25.
- F. State & Local Tax (SALT) Deduction (IRC § 164(b)(6))
1. Limitation on the SALT deduction is increased as follows:
 - a. \$10,000 to \$40,000 MFJ
 - b. \$5,000 to \$20,000 for MFS.

34th Annual Tax Symposium

2. Deduction is reduced by 30% of the excess over a \$500,000 MAGI (\$250,000 for MFS).

3. Effective date – Beginning in calendar year 2025.

G. Telehealth Visits (IRC § 223(c)(2))

1. Permanently extends the safe harbor for HDHPs to cover telehealth visits before the deductible is met and individuals can still contribute to their HSA.

2. Effective date – For plan years beginning after 12/31/24.

II. BUSINESS PROPERTY UNDER OBBBA

A. 179 Depreciation Limits (IRC 179(b))

1. Maximum allowable IRC Sec. 179 limit is increased to \$2.5 million, reduced by the amount by which the cost exceeds \$4 million.

2. These amounts will be indexed for inflation after 2025.

3. Prior maximum was \$1 million (indexed).

4. Effective date – Tax years beginning after 12/31/24.

B. Bonus Depreciation (IRC § 168(k)(1(A))

1. Act makes 100% bonus depreciation permanent.

2. Previously would have phased out after 2026, with only 40% available for 2025.

3. Effective date – For qualified property acquired and placed in service after 1/19/25.

C. Certain Qualified Sound Recording Productions (IRC § 181)

34th Annual Tax Symposium

1. Expensing allowed for certain sound recording costs up to \$150,000 per year and qualifies sound recordings for bonus depreciation.
 2. Previously wasn't available.
 3. Effective date – For productions commencing in tax years ending after 7/4/25.
- D. Disguised Sale Rules (IRC § 707(a)(2))
1. Replaced the statutory phrase “under regulations prescribed by the Secretary” with “except as provided by the Secretary,” making it clear the IRS can apply the disguised sale rules even if final regulations have not been issued.
 2. Some taxpayers had been arguing that the rules don't apply because final regulations haven't been issued.
 3. Effective date – For services performed and property transferred after 7/4/25.
- E. Energy Property Cost Recovery (IRC § 168(e)(3)(B))
1. Removes the provision for five-years MACRS for energy property described in IRC Sec. 48(a)(3).
 2. Effective date – Construction begins after 12/31/24.
- F. Floor Plan Financing (IRC § 163(j)(9)(C))
1. This section is amended to add trailers and campers designed to provide temporary living quarters for recreational, camping, or seasonal use and is designed to be towed by, or affixed to, a motor vehicle.
 2. Effective date – Tax years beginning after 12/31/24.

34th Annual Tax Symposium

G. Form 1099-K Information Reporting (IRC § 6050W)

1. Threshold for reporting transactions on Form 1099-K information returns reverts to \$20,000 and when the number of transactions exceeds 200.
2. The threshold was going to be \$600 per calendar year.
3. Effective date – Retroactively effective prior to ARPA changes.

H. Limitation on Business Interest (IRC § 163(j)(8)(A)(v))

1. Permanently restores the adjusted taxable income (ATI) calculation to align with earnings before interest, taxes, depreciation, and amortization (EBITDA).
2. ATI had been aligned with EBIT for years beginning after 2021.
3. Effective date – Tax years beginning after 12/31/24.

I. Qualified Production Property (QPP) (IRC § 168(n))

1. QPP is newly constructed real property used in the production of goods at qualified U.S. production facilities.
2. Buildings or portions of buildings used for manufacturing, processing, refining, or similar productive activities are eligible for 100% bonus depreciation.
3. Effective date – For property for which construction begins after 1/19/25 and before 1/1/29, and is placed in service before 1/1/31.

J. Research & Experimental Costs (New IRC § 174A)

1. Allows a permanent deduction for domestic research or experimental expenditures.

34th Annual Tax Symposium

2. Small businesses that meet the qualification under IRC Sec. 448(c) can apply the change retroactively to 2022.
3. Foreign R&E expenses must be amortized over 15 years.
4. Previously, R&E expenses had to be capitalized and amortized over 60 months, or 15 years for foreign R&E expenses.
5. Effective date – Tax years beginning after 12/31/24.

III. TAX CREDITS UNDER OBBBA

A. Adoption Credit (IRC §23(a))

1. Partially refundable up to \$5,000 (indexed for inflation).
2. Allows Indian tribal governments to determine a child's "special needs" status.
3. Previously, only a nonrefundable credit was available.
4. Effective date – Tax years beginning after 12/31/24.

B. Child Tax Credit (IRC § 24(h))

1. Nonrefundable credit amount permanently increased to \$2,200 per eligible child.
2. The refundable credit is permanently increased to \$1,400 along with increased income phaseout threshold amounts.
3. The credit amounts will be indexed for inflation beginning in 2026.
4. Taxpayers and qualifying children must have social security numbers to claim the credit.

34th Annual Tax Symposium

5. Prior law:
 - a. Nonrefundable credit of \$2,000 per eligible child.
 - b. \$1,700 of credit was refundable.
 6. Effective date – Tax years beginning after 12/31/24.
- C. Clean Vehicle Credit (IRC § 30D(h))
1. \$7,500 credit available to individual and commercial taxpayers on vehicles meeting certain requirements, subject to certain AGI limitations.
 2. Repealed.
 3. Effective date – Vehicles acquired after 9/30/25.
- D. Energy Efficient Home Improvement Credit (IRC § 25C(h))
1. 30% credit against cost of certain energy-saving home improvements.
 2. Repealed.
 3. Effective date – Property placed in service after 12/31/25.
- E. Previously-Owned Clean Vehicle Credit (IRC § 25E(g))
1. Credit in the amount of the lesser of \$4,000 or 30% of the sales price of qualifying vehicles, subject to a maximum sales price of \$20,000 and certain AGI limitations.
 2. Repealed.
 3. Effective date – Vehicles acquired after 9/30/25.
- F. Qualified Commercial Clean Vehicle Credit (IRC § 45W(g))

34th Annual Tax Symposium

1. Credit of \$7,500 up to \$40,000 based on vehicle weight, limited to 15% of vehicle cost (or 30% for non-gasoline or diesel vehicles) or the incremental cost of the vehicle compared to gasoline or diesel vehicles.

2. Repealed.

3. Effective date – Vehicles acquired after 9/30/25.

G. Residential Clean Energy Credit (IRC § 25D(h))

1. 30% credit for qualifying cost of residential installations of solar electric, solar water heating, geothermal heat pumps, fuel cells, small wind energy, and battery storage systems.

2. Repealed.

3. Effective date – Expenditures made after 12/31/25.

IV. OTHER INDIVIDUAL DEVELOPMENTS NOT INVOLVING OBBBA

A. Gifts and Bequests from Covered Expatriates (T.D. 10027)

1. IRS has issued final regulations regarding the tax under Code Sec. 2801 on United States citizens and residents, as well as certain trusts, that receive, directly or indirectly, gifts or bequests from certain individuals who relinquished United States citizenship or ceased to be lawful permanent residents of the United States.
2. The final regulations also provide guidance on the method of reporting and paying this tax.

B. Estate of Rowland v. Commissioner, T.C. Memo. 2025-76

1. Estate Didn't Make Portability Election

34th Annual Tax Symposium

- a. The late filing of decedent Billy Rowland's late wife's estate tax return
 - b. Lack of required specificity and support for the values claimed in it
 - 2. As a result, the unused portion of her personal exclusion couldn't be used by Rowland's estate
- C. Voluntary Disclosure Practice Preclearance and Application (Form 14457)
 - 1. Checkbox in Part II required applicants to affirm their noncompliance was will
 - 2. Removed in latest version of form updated in July 2025
- V. OTHER BUSINESS DEVELOPMENTS NOT INVOLVING OBBBA
 - A. Limited Partnership Exception to Self-Employment Tax
 - 1. Subject to an exception for guaranteed payments, Section 1402(a)(13) excludes the distributive share of income or loss of a limited partner from SECA taxes.
 - 2. Does not define "limited partner," so taxpayers and IRS have been at odds since Section 1402(a)(13) was enacted in 1977.
 - 3. The Tax Court in *Soroban Capital Partners LP v. Commissioner*, 161 T.C. 310 (2023) addressed for the first time how IRC §1402(a)(13) applies to limited partners.
 - a. Siding with the IRS, the Tax Court concluded that state law classification is not controlling.
 - b. Congress intended "limited partner" to mean a passive investor, which requires a functional analysis.

34th Annual Tax Symposium

4. The Tax Court's holding has been appealed to three different Circuit Courts of Appeal in different cases.
- B. Corporate Transparency Act
1. On March 2, 2025, FinCEN announced that it will not enforce any penalties or fines associated with the beneficial ownership information (BOI) reporting rules under existing regulations.
 2. It will not enforce any penalties or fines against U.S. citizens or domestic reporting companies, or their beneficial owners.
 3. The Department of the Treasury will propose new rulemaking that will narrow the scope of the beneficial owner reporting rules to apply to foreign reporting companies only.
 4. Domestic entities will not be required to file any BOI reports.
- C. Revenue Ruling 2025-3 and Revenue Procedure 2025-10
1. Provide updated guidance regarding Section 530 of the Revenue Act of 1978.
 2. Addresses controversies involving whether individuals are employees for purposes of employment taxes.
- D. *In re John Carr Smith*; No. 24-00608-5
1. Bankruptcy court overruled a chapter 13 trustee's objection to confirmation of a debtor's chapter 13 plan
 2. Held that, for purposes of valuing a tenancy by the entirety under state law and determining the amount due to the IRS under the bankruptcy plan, the

34th Annual Tax Symposium

net value of the property must be divided between the debtor and non-debtor spouse.

3. In effect, where a tax liability is owed only by one spouse, the starting value is one-half of the equity in the property over encumbrances.

VI Inflation figures for 2026

- A. Standard deduction: Increased to \$32,200 for married filing joint (MFJ); \$24,150 HOH; and \$16,100 for single and married filing separate (MFS) taxpayers
- B. Annual gift tax exclusion: The annual gift tax exclusion will remain \$19,000
- C. IRC §179 current expense limitations: The dollar limit is increased to \$2,560,000 and the investment limit is increased to \$4,090,000
- D. IRC §199A threshold and phase-in range amounts: The threshold is increased to \$201,750 (\$403,500 MFJ; \$201,775 MFS). The phase-in range amount is also increased to \$276,750 (\$553,500 MFJ; \$276,775 MFS)
- E. Excess business loss threshold: As a result of OBBBA's resetting of the inflation amounts, the threshold is decreased beginning with the 2026 tax year to \$256,000 (\$512,000 MFJ)