General Tax Updates & Trump Accounts

Risk & Profit – August 2026
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One Big Beautiful Bill Act

- Signed by President Trump on July 4, 2025
- Extended or made permanent some existing tax provisions
- Some income tax adjustments took effect in 2025, while others did not take effect until 2026
- Passed by Congress through reconciliation

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Individual Income Tax – 2025 and forward

Individual Income Tax – 2025 and forward

- Personal exemptions permanently eliminated, except $6,000 exemption for taxpayer and spouse 65 years or older (2025-2028)
  - As this is a personal exemption, it decreases taxable income
  - Phased out by 6% of MAGI that exceeds $150,000 (MFJ) or $75,000 (single). Fully phased out at $250,000 (MFJ) or $175,000 (single).
  - In addition to the existing additional standard deduction of $2,000 (single) or $3,200 (MFJ)

Individual Income Tax – 2025 and forward

Helpful hint:

- Taxpayers do not need to itemize to avail themselves of this deduction.
- A lot of individuals were under the impression that their "Social Security would not be taxable," so this is a common misconception.
- For seniors with a MAGI that is close to or in the phase-out range, planning might be necessary to ensure that they can benefit from as much of the deduction as possible.
- Additional planning might be necessary to match IRA distributions, etc. to ensure eligibility.

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Individual Income Tax – 2025 and forward

- Deduction for qualified tips for 2025-2028
  - Not an itemized deduction – taken on Form 1040 Schedule 1-A
  - Limited to $25,000
  - Phased out at MAGI of $150,000 (single) or $300,000 (MFJ)
  - Qualified tips are cash or credit card transactions received by worker in an occupation which customarily and regularly receives tips after 12/31/24 (see IRS.gov/TippedOccupations for eligible occupations)
  - Qualified tips does not include tips from specified service trade or business
  - Employers must report qualified tips – W2 or 1099
  - W2 and 1099 forms have been updated for 2026, allowing for updated codes

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Individual Income Tax – 2025 and forward

Helpful hint:

- Taxpayers do not need to itemize to avail themselves of this deduction.
- Tips are still subject to FICA (Social Security and Medicare)
- Amount must be determined by the payor
- 2026 W-2 has been updated to include code TP (Total amount of qualified tips) in box 12a.

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Individual Income Tax – 2025 and forward

- Deduction for qualified overtime compensation for 2025-2028
  - Not an itemized deduction
  - Limited to $12,500 (single) or $25,000 (MFJ)
  - Phased out at MAGI of $150,000 (single) or $300,000 (MFJ) Qualified overtime compensation must be required by Section 7 of Fair Labor Standards Act
  - Deduction applies only to overtime compensation in excess of regular compensation
  - Employers must report qualified overtime on W2 or 1099
  - W2 and 1099 forms have been updated for 2026

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Individual Income Tax – 2025 and forward

Helpful hint:

- Taxpayers do not need to itemize to avail themselves of this deduction.
- 2026 W-2 has been updated to include code TT (total amount of qualified overtime compensation) in box 12a.

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Individual Income Tax – 2025 and forward

- Qualified passenger vehicle loan interest deduction (2025-2028)
  - Not an itemized deduction
  - Limited to $10,000
  - Phases out at MAGI of $100,000 (single) or $200,000 (MFJ)
  - Qualified passenger vehicle loan interest:
    - New vehicle only, purchase after 12/31/2024 – VIN must be provided
    - At least 2 wheels, manufactured for use on public streets, roads
    - Car, minivan, van, SUV, pickup truck, motorcycle
    - GVWR less than 14,000 pounds
    - Final assembly in US – can check VIN for final assembly

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Individual Income Tax – 2025 and forward

- SALT deduction limit made permanent but increased in the short-term
  - Increased to $40,400 for 2026 (annually increased by 101% until 2029)
  - Deduction reduced by 30% for MAGI over $500,000 (annually increased by 101% until 2029)
    - Not reduced below $10,000
  - Drops to $10,000 after 2029
  - No impact on PTET in most jurisdictions

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Individual Income Tax – 2025 and forward

- Child tax credit is $2,200 (2026) and annually adjusted for inflation
  - Retains higher income phaseouts of $400,000 (MFJ) or $200,000 (single)
  - Refundable portion ($1,700) made permanent and adjusted for inflation
- Other dependent credit ($500) made permanent
- Clean vehicle credits terminated (October 2025)
- Energy efficient credits terminated (mostly 2026)

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Individual Income Tax – 2026

Individual Income Tax – 2026

- Charitable Contributions –
  - Charitable contribution deduction up to $1,000 (single) or $2,000 (MFJ) **without itemizing**
  - Only charitable contributions exceeding 0.5% of AGI are deductible (if itemizing)

Individual Income Tax – 2026

- Itemized deductions phase out when income exceeds bottom of 37% bracket
  - Phase-out is 2/37 of smaller of:
    - Itemized deduction otherwise allowed
    - Taxable income (without reduced itemized deduction) above bottom of 37% bracket
- Gambling loss deduction limited to 90% of losses and only to extent of gains

Individual Income Tax – 2026

- Child and dependent care credit (2026)
  - Credit = 50% at $15,000 AGI or less, phased reduction to 20% if AGI over $206,000 (MFJ) or $103,000 (single)
  - No change to qualifying expense limit ($3,000 for 1 child or $6,000 for 2+ children)
- Premium Tax Credit (PTC) (2026)
  - Advance payments required to be paid back no longer limited

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Individual Income Tax – 2026

- Estate tax exemption $15,000,000 (2026) and adjusted for inflation after 2026
  - Still $13.99 million for 2025
  - The gift tax exclusion amount for 2026 will stay at $19,000 per recipient.

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Business Income Tax - 2026

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Business Income Tax - 2026

- Qualified Business Income Deduction (QBID) made permanent with OBBA.
  - Phase out range (not amount) for high income earners increased to $75,000 (single) and $150,000 (MFJ)

	Phase-Out Range (2026)
MFJ	$394,600 - $544,600
Single	$197,300 - $272,300

  - Minimum deduction of $400 for trade or business with material participation and an aggregate qualified business income of at least $1,000

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Business Income Tax - 2026

- Special depreciation allowance (bonus depreciation)
  - Property in service for 2026
    - rate = 100% or 0%
  - Elections apply per class
  - Remember that you elect OUT of bonus (it is the default)
  - Only property with a recovery period of 20 years or less is eligible
  - Can be utilized to generate a NOL

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Business Income Tax - 2026

- Section 179 deduction - 2026
  - Deduction limit of $2,560,000 million (up from $1.22 million in 2024)
  - Investment limit of $4,090,000 million (up from $3.05 million in 2024)
    - Dollar-for-dollar reduction when purchases are greater than limit
  - Both limits annually adjusted for inflation
  - Can take 179 on an asset-by-asset basis
  - Cannot be used to create a NOL

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Business Income Tax - 2026

- Business meals for employees
  - Meals through eating facilities and provided for employer's convenience are no longer deductible except
    - Restaurants providing meals to employees
    - Meals required to be provided by commercial vessels
  - Meals 50% deductible in 2026

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Business Income Tax - 2026

- Information reporting
  - $600 threshold for 1099 reporting (1099-MISC and 1099-NEC) increases to $2,000 and adjusted for inflation after 2026
  - Also increases the backup withholding payment threshold

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Business Income Tax - 2026

- Research & Development Credit
  - Research and development expenses can be immediately deducted instead of amortizing (can elect to amortize)
  - Applies to expenses after 2021
  - Can deduct remaining unamortized expenses from 2021 to 2024
- Employer credit for paid family and medical leave
  - 12.5% to 25% of wages paid during leave for
    - Child's birth, adoption, or foster care
    - Care for spouse, child, parent with serious health condition
    - Employee's serious health condition

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Business Income Tax - 2026

- Employer provided childcare credit
  - Credit of 50% of qualified childcare facility expense for eligible small businesses (5-year average gross <$25 million)
- Dependent care assistance
  - Assistance paid by employer is excluded from employee's income
  - Limit of $7,500 excludable
- Excludable education assistance ($5,250) can include student loan payments (was set to expire at end of 2025)

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Business Income Tax - 2026

- Farmland sale tax installment
  - Farmland sold >7/4/25
  - Election to *pay tax* over 4 years in equal installments
  - Property must have been used for farming purposes (or leased to farmer) for substantially all of 10-year period prior to sale
  - Property must be sold to a qualified farmer and be subject to covenant that prohibits use for any purpose other than farming for at >=10-years
  - Individuals, trusts, entities

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Trump Accounts

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What is the purpose?

According to TrumpAccounts.gov, they are to "promote the long-term financial security of children."

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Trump Accounts

- Passed as part of the One Big Beautiful Bill Act of 2025 (OBBBA)
- Federally-backed investment account for U.S. citizen children under the age of 18
- Accounts could be opened / established as of January 1, 2026, with funding allowed as of July 4, 2026. Can be established by filing IRS Form 4547 or at trumpaccounts.gov. Form 4547 does not have to be filed with a tax return.
- Children born between 1/1/2025 and 12/31/2028 provided for $1,000 seed funding as part of a pilot program.

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Trump Accounts, cont.

- As of July 27, 2026, **6.5-7 million children** have registered for Trump Accounts, with approximately 1.5 million families / children claiming the pilot program contribution.
- The order of precedence for establishing a Trump Account is legal guardians, parents, adult siblings, and grandparents.
- BNY (Bank of New York Mellon Corporation) and Robinhood will be acting as the financial agent / brokerage / initial trustee. Activation information for those enrolled started being sent in May.

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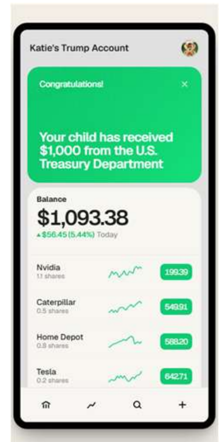
Who can fund?

- Parents, family members, or others can contribute an **aggregate** of $5,000 per child, per year. (Adjusted for inflation after 2027)
- There is no income limit on who can contribute
- Trump accounts do not have an earned income requirement
- Employers can contribute up to $2,500 annually per employee (not per child), which does count towards the $5,000 cap and is not taxable income (generally)



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What is a Trump Account?

- Acts like a Traditional IRA with certain modifications. Withdrawals are taxable.
- Funds in a Trump Account may only be invested in "certain eligible investments" (think mutual funds and ETFs of U.S.-based companies).
- Trump accounts are in the name of the child, with parents/guardians acting as custodians.
- Distributions are not allowed prior to age 18. At age 18, distributions are still subject to the 10% early withdrawal penalty (until age 59 ½), except for eligible expenses.

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Tax Implications

	When Taxed	Tax Rate
Post-Tax Contributions – parents, grandparents, beneficiary	Exempt – already taxed	-
Pre-Tax Contributions – employers, charities, government	Time of Withdrawal	Ordinary Income
Investment Returns	Time of Withdrawal	Ordinary Income

* This does not take into account any penalties if a withdrawal is taken before age 59 1/2 , unless taken after age 18 for an authorized purpose.

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Example

	At Age 18	At Age 27	At Age 55
Contributing $0 / Year	$6,000	$15,000	$243,000
Contributing $250 / Year	$19,000	$51,000	$878,000
Contributing $5,000 / Year	$271,000	$742,000	$13,000,000

* According to TrumpAccounts.gov, based on an account opening at birth with $1,000 opening deposit and derived from historical S&P 500 averages. "Actual results may differ and are not guaranteed."

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Trump Account Alternatives

- 529 Education Savings Plans / Accounts
- Coverdell Educational Savings Account (ESA)
- Custodial Roth IRA
- UGMA* / UTMA* Custodial Accounts

What is your goal – education, general savings, retirement?

Does the child work for you? Have earned income?

* UGMA – Uniform Gifts to Minors Act / * UTMA – Uniform Transfers to Minors Act

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Questions?

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