

TAX CHANGES – ONE BIG BEAUTIFUL BILL

All the following items are *deductions* and expire in December 2028. On all except the car loan interest deduction married taxpayers *must* file a joint return to qualify.

No Tax on Tips

The tip income is subject to FICA and/or SECA and may be reported on form W-2, 1099 or reported directly on form 4137. Most, but not all, professions qualify. More information:

- Tips must be *voluntary*, i.e. built in gratuities or service charges do not count.
- The maximum annual deduction is \$25,000. For self-employed individuals, the deduction may not exceed the net income of your business.
- The deduction phases out for individuals reporting gross income over \$150,000 (\$300,000 for married taxpayers).
- If tips are not reported on form W-2 or 1099 please submit either a final paystub or a statement from your employer indicating your total tips for the year. For self-employed individuals you must provide a separate statement of tips.

No Tax on Overtime

- The deductible amount is the “half” portion of your overtime. For instance, if your hourly pay is \$20 per hour, your overtime rate is \$30 per hour. Of that, only \$10 per hour of overtime qualifies. “Salaried” taxpayers do not qualify.
- The maximum deduction is \$12,500 for singles, \$25,000 for joint filers.
- The deduction phases out at \$150,000 income for singles, \$300,000 for joint filers.
- If your overtime is not separated out on your form W-2 (this requirement is delayed until 2026), you need to provide me with either your final paystub or a statement from your employer along with your form W-2.

No Tax on Car Loan Interest

- Maximum deduction is \$10,000 and phases out on income over \$100,000 (\$200,000 for joint filers).
- Vehicle must have been purchased *after* December 31, 2024.
- Vehicle must be new, and the taxpayer must be the first registered owner.
- Vehicle must be for personal use only. Business and commercial vehicles do not qualify.
- The interest must be secured by a lien on the vehicle.
- Vehicle must have a gross vehicle weight rating of less than 14,000 pounds.
- Vehicle must have undergone final assembly in the United States. This is determined by reviewing your VIN.
- You must provide me with the VIN and the purchase date, along with the total amount of interest paid.

No Tax on Social Security – WRONG! It is a new deduction for seniors not tied to Social Security:

- The deduction amount is \$6,000 for each qualifying taxpayer.
- Taxpayer(s) must reach age 65 on or before December 31, 2025.
- On a joint return, both taxpayers are eligible if both are 65 or older.
- The deduction phases out on income over \$75,000 (\$150,000 for joint filers).

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