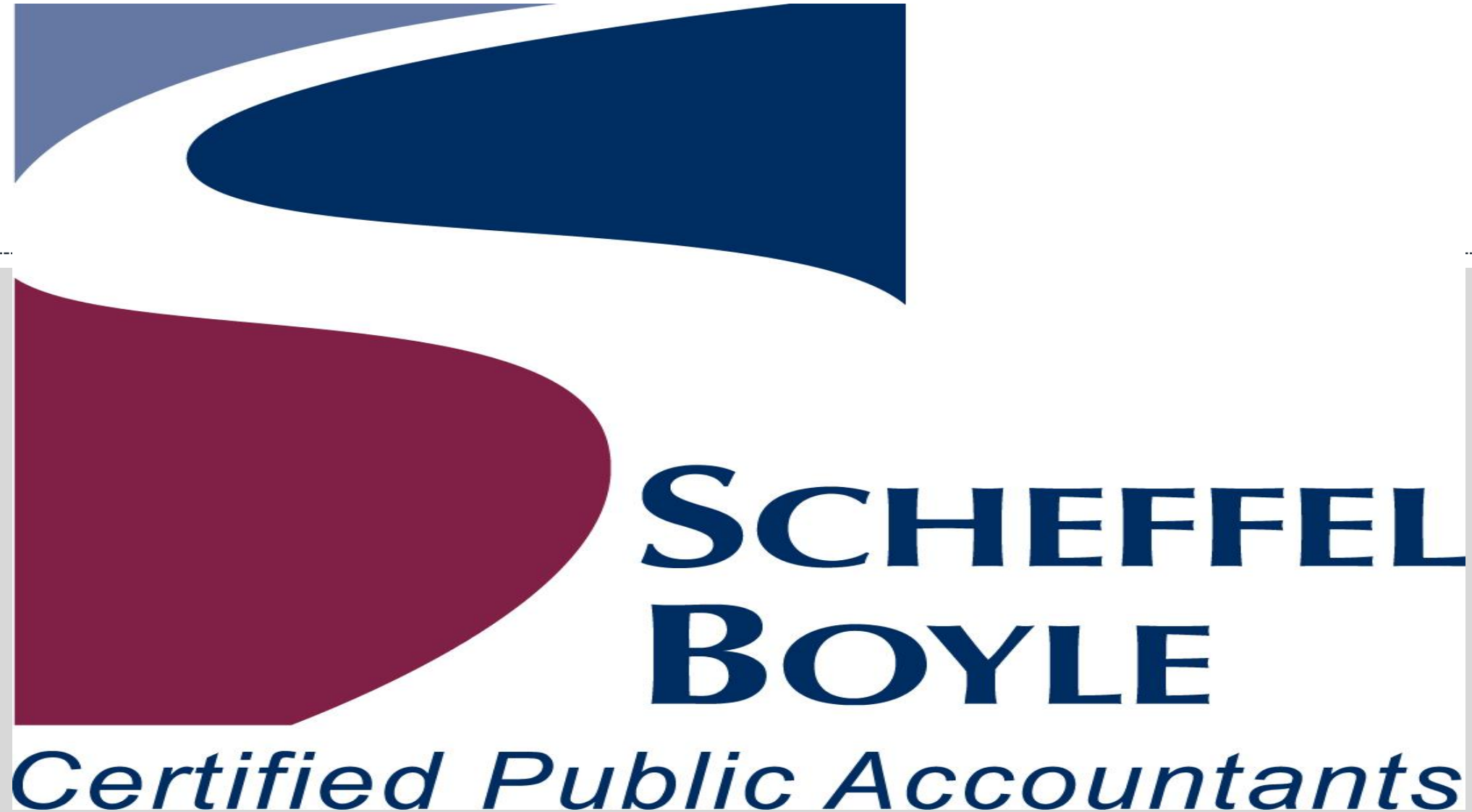
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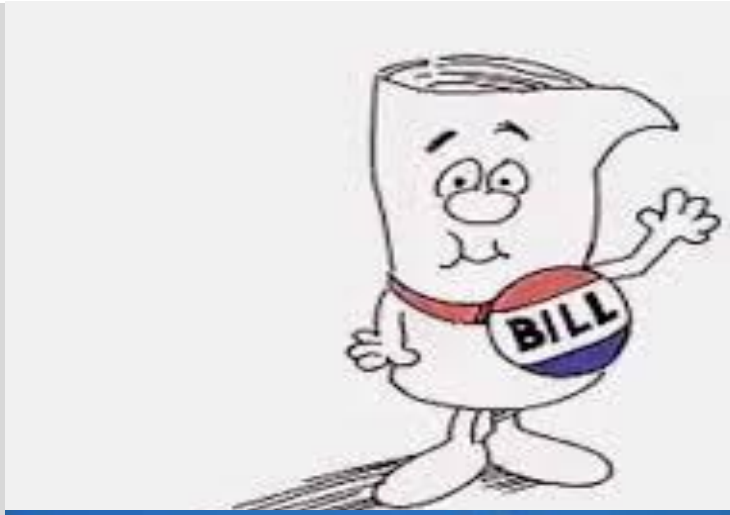
One Big Beautiful Bill



Individuals

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- **Rate Reductions & Bracket Adjustments**
- **Tax Brackets Indexed for Inflation**

2025 Federal Income Tax Brackets

Tax Rate	Single Filers	Married Filing Jointly	Head of Household
10%	$0 to $11,925	$0 to $23,850	$0 to $17,000
12%	$11,926 to $48,475	$23,851 to $96,950	$17,001 to $64,850
22%	$48,476 to $103,350	$96,951 to $206,700	$64,851 to $103,350
24%	$103,351 to $197,300	$206,701 to $394,600	$103,351 to $197,300
32%	$197,301 to $250,525	$394,601 to $501,050	$197,301 to $250,500
35%	$250,526 to $626,350	$501,051 to $751,600	$250,501 to $626,350
37%	Over $626,350	Over $751,600	Over $626,350

Qualified Dividends & Capital Gain Rates Remain at 0%, 15% and 20%

	Single	Married
0% Rate	$0 – 48,350	$0 – 96,700
15% Rate	$48,351 – 533,400	$96,701 – 600,050
20% Rate	$533,401 +	$600,050 +

These brackets will be indexed for inflation.

Standard Deduction

	Single	Married
2025 STD DED	$15,750	$31,500
2026 STD DED	$16,100	$32,200
Extra 65+	$2,000	$1,600
Extra for Blind	$2,000	$1,600

Additional Deduction for Taxpayers 65+

- Extra deduction is for 2025 – 2028 only
- Up to $6,000 for single and up to $12,000 for joint
- Deduction phases out for higher income taxpayers

	Single	Married
MAGI	$75,000	$150,000
Gone By	$175,000	$250,000

- **So married couple over 65, with one being a blind taxpayer with limited income gets:**

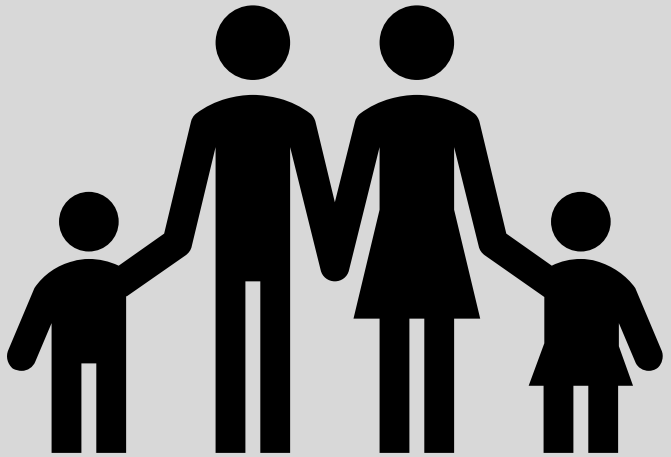
STD DED	31,500
Blind	1,600
Additional	12,000
Extra 65+	3,200
	48,300

Child Tax Credit (CTC)

- **Starting in 2025 the CTC increases from 2,000/child to $2,200/child under age 17 at year end**
- **Refundable portion $1,700 for 2025**

	Single	Married
MAGI Threshold	$200,000	$400,000

Credit reduced by $50 for every $1,000 of MAGI over threshold



State and Local Tax (SALT) Limitation

- **Act increases the SALT deduction from $10,000 to $40,000 starting in 2025.**

1% Increase Per Year

Year	Limit
2025	$40,000
2026	$40,400
2027	$40,804
2028	$41,212
2029	$41,624

- **Reverts to $10,000 beginning in 2030**

- **Salt Limit of $40,000 is reduced with MAGI of over $500,000 for 2025. Reduces by 30% of MAGI over limit. With MAGI of $600,000 the deduction is reduced to $10,000.**

- **The $500,000 limit is increased 1% per year through 2029.**

- **SALT deduction can NOT be reduced below $10,000**

- **ACT permanently repeals Pease limitation which reduced amount of itemized deductions if income thresholds were exceeded. However:**

- **The ACT does reduce itemized deductions by 2/37 of the lesser of (1) the amount of the itemized deductions or (2) the taxable income that exceeds the 37% bracket amount.**

Ex: Single taxpayer with AGI of $680,000 and itemized deductions of $50,000.

$50,000 x 2/37 = $2,703

$680,000 – 50,000 = 630,000 – 626,350 = 3,650 x 2/37 = $197

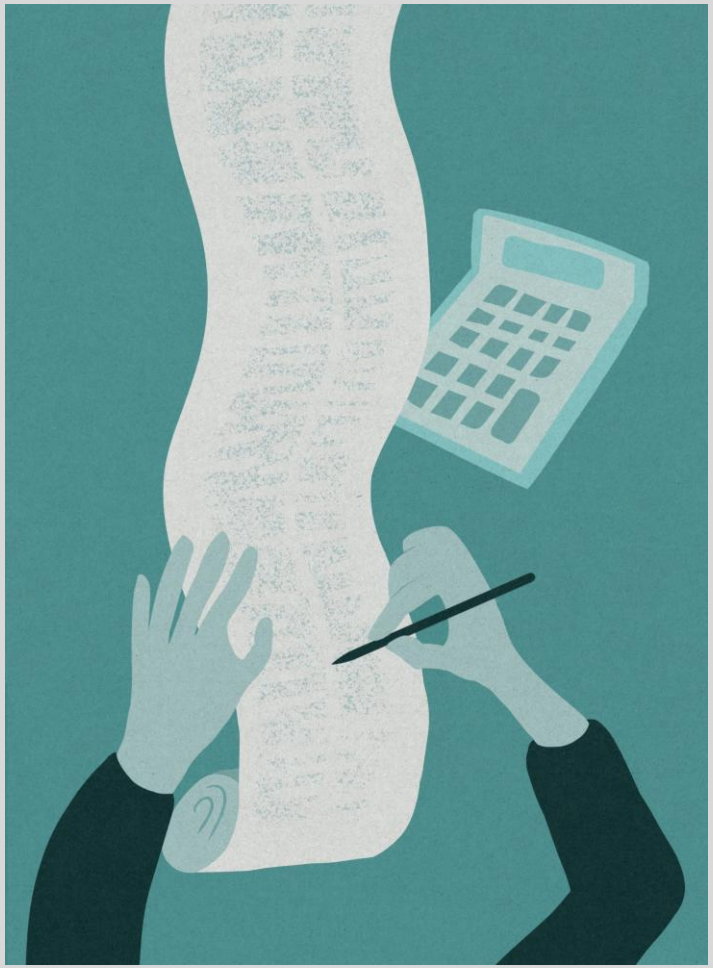
Itemized deductions reduced by $197

Alternative Minimum Tax (AMT)

Under the ACT the exemption phaseouts have permanently been incorporated

Personal Exemption

- Permanently eliminates any deduction



Interest Expense on New Car Loans

- For year 2025 – 2028 individuals can deduct up to $10,000 of car loan interest per year (phases out starting at $100,000 (gone at $150,000) of MAGI for single and $200,000 (gone at $250,000)of MAGI for married)
- Requirements
  - Debt incurred AFTER 12/31/2024
  - Must be new personal use vehicle
  - Must be car, minivan, SUV, pickup, motorcycle with GVW under 14,000 lbs.
  - Final assembly of vehicle MUST occur in U.S.
  - Taxpayer must report VIN on tax return

Enhanced Child/Dependent Care Credit

- **Credit calculated by multiplying qualifying expenses (max of $3,000 for one child and $6,000 for two or more) by a credit rate starting at 50%, then reducing to 35%, and then further reduced to 20% based on AGI.**

	Single	Married
50% Credit, AGI Limit	<15,000	<15,000
50% - 35% Credit	15,001 – 45,000	15,001 – 45,000
35%	45,001 – 75,000	45,001 – 150,000
35% - 20%	75,001 – 105,000	150,001 – 210,000
20%	105,000+	210,000+

Qualified Residence Interest Expense

- ACT permanently lowers deduction on home interest expense to $750,000 in home acquisition debt

Miscellaneous Itemized Deductions

- The ACT permanently suspends miscellaneous itemized deductions

New Deduction for Teachers

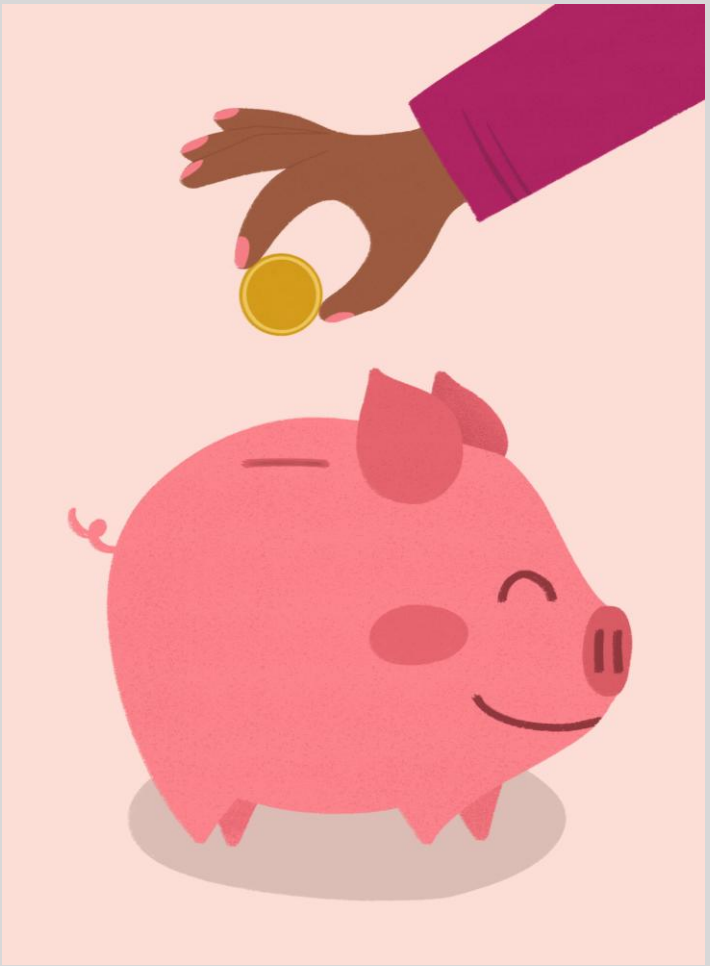
The $300 ($600 MFJ, both teachers) above the line deduction remains

Starting in 2026 K-12 teachers , counselors, coaches and principals can claim unlimited itemized deductions for unreimbursed expenses

The $300 and $600 above the line deduction remains for 2026 and future years

Trump Accounts

- Tax Deferred investment accounts for children
- -Can receive contributions from parents, relatives and employers
- -Child must be U.S. citizen and 17 years old or younger
- -Contributions limited to $5,000/year
- -No distributions until age 18
- Treated as a traditional IRA at age 18 with 10% penalty for early withdrawals
- After 59 ½ - no penalty

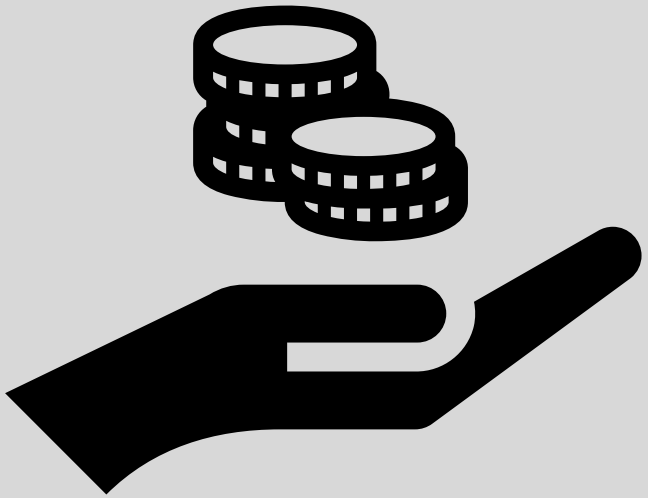


Trump Accounts (Cont.)

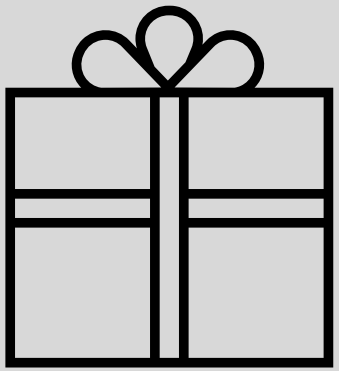
- Children born in 2025-2028 who are
  1) US citizens
  2) Have SS#
- Will receive a $1,000 deposit from federal government
- Claimed through bank or other financial institution

Changes to Charitable Donations

- Under the ACT a new “above the line deduction” is created for taxpayers who do not itemize
- Single can deduct up to $1,000 of donations
- Married can deduct up to $2,000 of donations
- Only for nonitemizers
- Starts for years AFTER 2025
- Excludes donations to donor advised funds, private foundations or non-cash donations



Charitable Donations



- 60% ceiling for cash gifts to charities is permanent (60% of AGI)
- New “floor” limit:
  - The act provides for a 0.5% (of AGI) floor of taxpayer’s contribution base

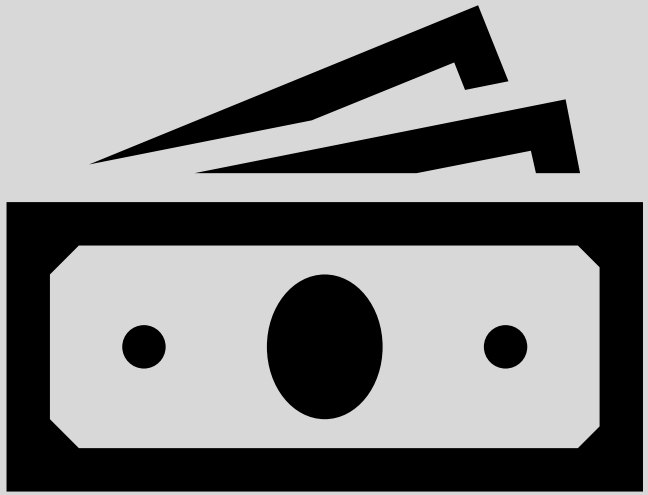
    Ex: if AGI is $300,000. Then 0.5% floor is $1,500, so first $1,500 of donation is disallowed

    Starts in 2026
  - Qualified charitable donation from IRA RMD still best. Only for taxpayers age 70 ½ or older

Moving Expense

- Act has made permanent the disallowance of moving expenses, except for military

Overtime Pay



- No income tax on some overtime pay
- Beginning in 2025 (retroactive to January 2025) the new law allows workers below certain income limits to deduct up to $12,500 (single) and $25,000 (joint) from their income
- Overtime still subject to all payroll taxes
- In effect from 2025 through 2028

Income Limits

- Deduction phases out for those earning $150,000 (single) and $300,000 (married)
- $12,500 and $25,000 deduction phased out by $100 for every $1,000 MAGI exceeds the thresholds
- Phaseout

MAGI	Single	$275,000
MAGI	Married	$550,000

Who Qualifies

- Hourly workers ie nurses, law enforcement, first responders
- -Must be classified as non-exempt under fair labor standards act (FLSA)
- -Work more than 40hrs per week at a rate not less than 1 ½ times regular rate
- -Have a social security number

Who Qualifies (Cont.)

Salaried Employees

-Be classified as non-exempt employee eligible for overtime under FLSA

-O.T. compensation must meet federal guidelines for O.T.

-Must make less than $150,000 (single) $300,000 (married) per year

-Must maintain documentation of hours worked and O.T. earned

- Only the “premium” portion of overtime qualifies for the deduction.

Ex. If a nurse makes $40/hr. and works 50 hours in one week and gets time and half for O.T.

$40/hr. x 1 ½ for O.T. = $60/hr.

Only the premium ($60-$40 = $20) of $20/hr. times the 10 hours, or $200 ($20 x 10) qualifies for the deduction

Tips

- No income tax on some tip income
- Beginning in 2025 (retroactive to January 2025) the new law allows a tip deduction up to $25,000 from income to arrive at taxable income
- Phase out

  -Deduction is reduced by $100 for every $1,000 the taxpayer's MAGI exceeds

  -$150,000 for single (phaseout at MAGI of $400,000)

  -$300,000 for married (phase out at MAGI of $550,000)

  All tip income subject to payroll taxes

  In effect from 2025 through 2028

Tips (Cont.)

- Tip deduction applies to employees and self employed
- IRS has published a list of occupations which "customarily and regularly" receive tips
- Tips must be voluntary from customers or through tip sharing

  Ex. A mandatory tip of 20% for groups of 6 or more does not meet definition of voluntary and will not qualify for deduction

Estates

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- **Effective for 2026 the unified credit amount will be $15 million. This amount is indexed with inflation. Portability still applicable.**
- **This change is permanent.**

Illinois

Continues to have a $4.0 million exclusion at present, no signs of increasing

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Extension and Enhancement of QBI Deduction

- Old Law – 20% deduction for QBI scheduled to expire for tax years beginning after 12/31/25
- New Law – permanently extends QBI deduction
  - Increases phaseout of deduction

	Single, HOH	MFS	MFJ
Taxable Income (2025)			
Phaseout Begins	$197,300	$197,300	$394,600
Phaseout Ends	$247,300	$247,300	$494,600
Taxable Income (2026)			
Phaseout Begins	$201,750	$201,775	$403,500
Phaseout Ends	$276,750	$276,775	$553,500

Extension and Enhancement of QBI Deduction (Cont.)

Example…Single taxpayer has taxable income of $225,000 and QBI of $150,000 from an SSTB in 2025. Since the taxpayer exceeded the threshold amount, his QBI would be reduced from $30,000 to $13,380

Same facts but assume the tax year is 2026. Since the phaseout range is larger, QBI is reduced by a smaller amount. In this case, QBI is reduced from $30,000 to $20,700

- Minimum $400 deduction for taxpayers with at least $1,000 of QBI from an active business

- Significance – permanence of lower effective tax rate and QBI certainty helps with entity planning.
  - C corporations → S corps

No Change to Pass-Through Entity (PTE) Tax Rules

- Old Law – Notice 2020-75 allowed passthrough entities to deduct state income taxes at the entity level, effectively bypassing the $10,000 individual SALT limit
- New Law – retains Notice 2020-75 treatment, which is still preferred despite the increased $40,000 SALT limit
  - $40,000 SALT limit phases out between $500,000 and $600,000, but limited to $10,000
  - Reducing AGI can have positive effects on AGI sensitive items
    - Taxability of Social Security benefits
    - Medicare premiums & premium tax credits
    - Medical and charitable deductions
    - Credits and deductions based on income

No Change to Pass-Through Entity (PTE) Tax Rules (Cont.)

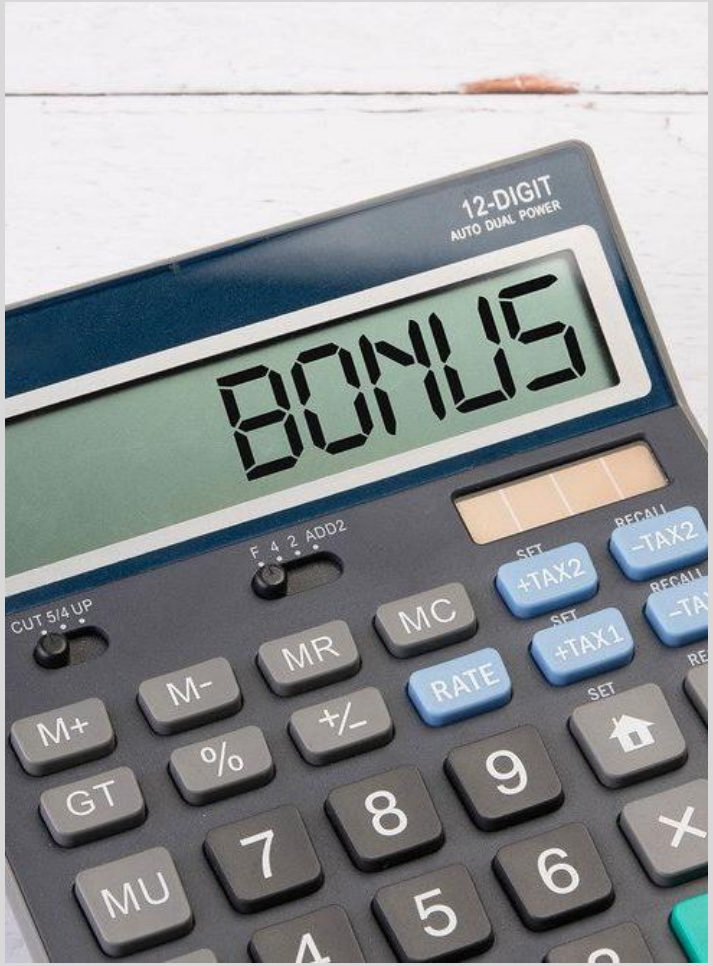
- Watch state tax PTE rules
  - Some states have no expiration or tie the expiration to the federal SALT limit (ex, Illinois and Missouri)
- Some states have a statutory expiration date

Significance – continue to use PTET at state level

- Adds to benefit of pass-through entity status
  - Partnership and S corporations vs. Sole Proprietorships and C Corporations

Bonus Depreciation Reverts to 100%

- Old Law – bonus depreciation phased down and was eventually set to expire after 2026 as follows:
  - 9/28/17 – 12/31/22 – 100%
  - 2023 – 80%
  - 2024 – 60%
  - 2025 – 40%
  - 2026 – 20%
  - 2027 – zero



Bonus Depreciation Reverts to 100% (Cont.)

- New law – reinstates and makes permanent 100% bonus depreciation for qualifying property acquired and placed in service after 1/19/25
  - For 2025 only – taxpayers may elect to claim 40% bonus or elect out
  - For all years – taxpayers may elect out of 100% bonus
- Importance higher limit accelerates deduction and may help create a loss where the 179 deduction does not allow

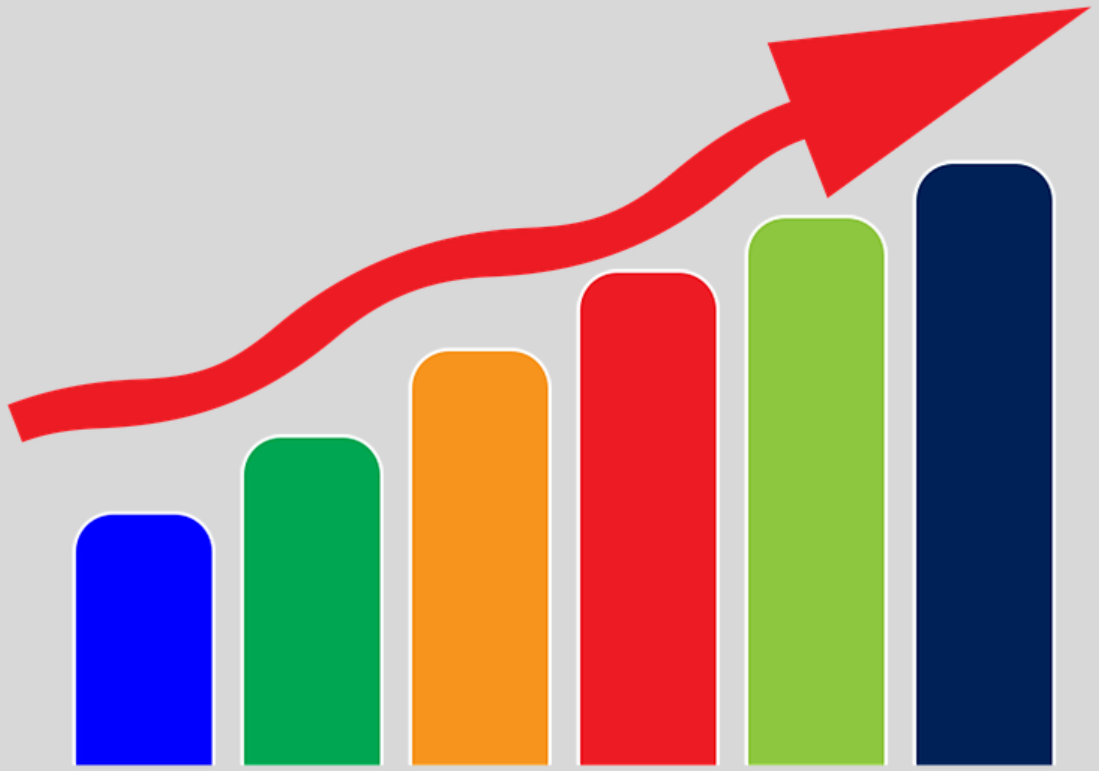
100% Bonus Depreciation for Qualified Production Property

- Old Law – commercial real estate generally has a 39-year depreciable life, which is not bonus eligible
- New Law – 100% bonus depreciation may be claimed on qualified production property, which is
  - Commercial real estate used as an integral part of qualified manufacturing, agricultural or chemical production, or refining of a product that results in a substantial transformation of that product
  - Restaurants do not qualify
  - Use by a lessee is not attributed to the lessor
  - Construction must begin between 1/20/25 and 12/31/29 and must be placed in service by 12/31/30

IL Disallows

Increased Section 179 Limits

- Old Law – 179 deduction was limited
  - $1M adjusted for inflation ($1.22M in 2024)
  - Phaseout of deduction begins when acquisition of 179 property exceeds $2.5M, adjusted for inflation ($3.0M in 2024)
- New Law – 179 deduction limits are increased beginning in 2025 as follows
  - $2.5M adjusted for inflation
  - Phaseout of deduction begins when acquisition of 179 property exceeds $4M, adjusted for inflation



Increased Section 179 Limits (Cont.)

- Significance – 179 allows for a more precise use of depreciation to take advantage of tax brackets, credits, etc.
  - Cannot create a loss with 179 which may present a limit when dealing with multiple entities
  - 179 deduction allowed for IL purposes, but bonus depreciation is not

Deduction for Domestic Research & Experimental Expenditures

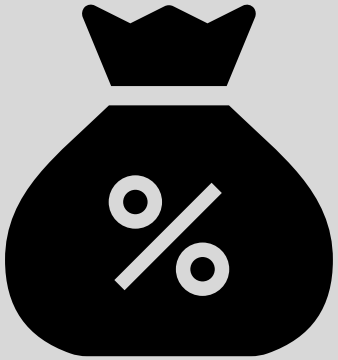
- Old Law – required capitalization and amortization of domestic specified research expenditures (SREs) beginning in 2022
- New Law – permanently reinstates immediate expensing for domestic SREs beginning in 2025 and created options for previously capitalized SREs
  - Small business taxpayers can amend 2022 – 2024 to claim the previously capitalized SREs, or
  - Any sized taxpayers may
    - Deduct the unamortized SREs immediately in 2025 or
    - May elect to deduct 50% in 2025 and 50% in 2026

Deduction for Domestic Research & Experimental Expenditures (Cont.)

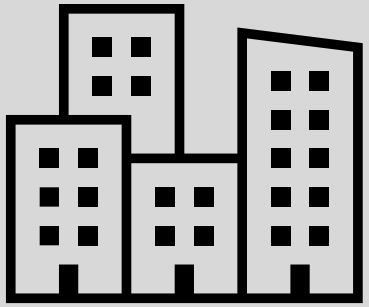
- Significance – the choice of how to claim unamortized SREs will depend on whether a taxpayer qualifies as a small business and the benefits of amending, claiming in a single year or spreading among 2025 and 2026

1% Floor for Corporate Charitable Contributions

- Old Law – there was no floor on corporate charitable deductions, but there was a 10% ceiling on charitable deductions; any excess carries over 5 years
- New Law – creates a 1% floor on corporate charitable deductions and retains the 10% ceiling; any deductions disallowed for failing to meet the floor and exceeding the ceiling carry forward 5 years. Begins in 2026.



1% Floor for Corporate Charitable Contributions (Cont.)



- Example – ABC Corp makes $8,000 in charitable contributions in 2026 when it has taxable income of $100,000 before considering the donations. The floor is $1,000 (1% of $100,000) and the ceiling is $10,000 (10% of $100,000). In this case, $1,000 of contributions are disallowed. This amount is not carried forward for 5 years since the 10% ceiling limit was not exceeded.

1% Floor for Corporate Charitable Contributions (Cont.)

- Planning possibility –
  - Consider structuring payments to qualify as a business expense, such as sponsorship payments or a payment that provides a corporate benefit
  - Consider bunching charitable contributions to reduce the effect of losing the carryover when the 1% floor is not met

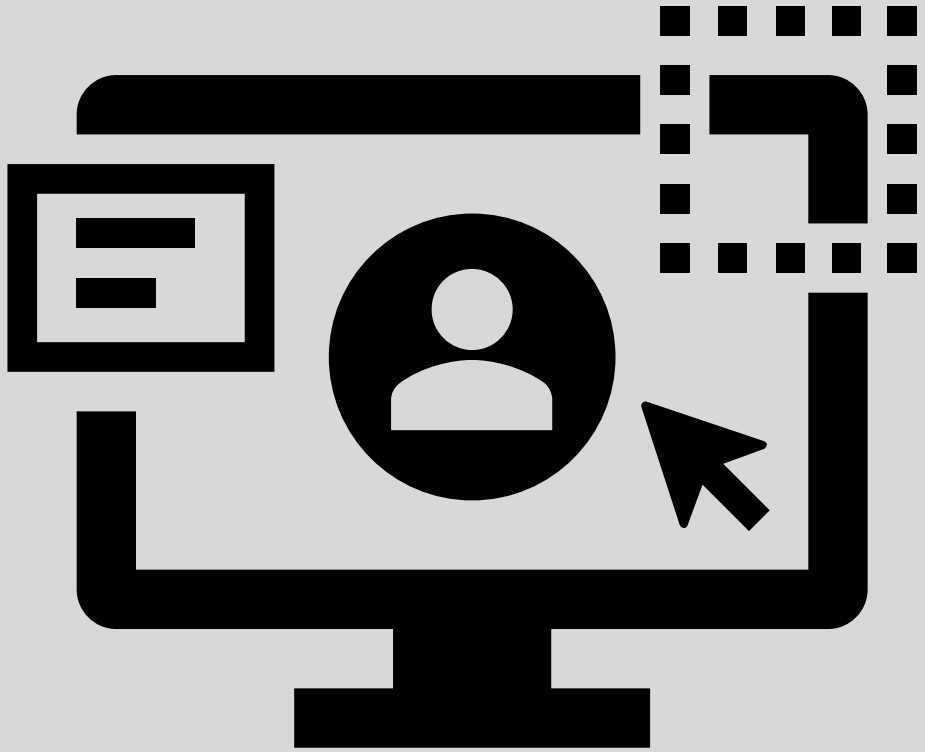
Expansion of Qualified Small Business Stock (QSBS) Gain Exclusion

- Old Law – gain from the sale of QSBS (C corps only among other requirements) held more than 5 years qualifies for exclusion of gain as follows
  - Acquired 8/11/93 – 2/17/09 – 50% exclusion
  - Acquired 2/18/09 - 9/27/10 – 75% exclusion
  - Acquired 9/28/10 – 7/4/25 – 100% exclusion
  - Exclusion limited to the greater of $10M or 10x basis

Expansion of Qualified Small Business Stock (QSBS) Gain Exclusion (Cont.)

- New Law – creates a partial exclusion for certain QSBS that was not held for the full 5 years; only for stock acquired after 7/4/25 as follows
  - 3-year holding period – 50% exclusion
  - 4-year holding period – 75% exclusion
  - 5+ year holding period – 100% exclusion
  - Exclusion is limited to the greater of $15M or 10x basis
- Significance – entity decisions should consider whether the business would qualify to issue QSBS and model out the annual tax and ultimate sale vs. partnership and S corporation options

Increased Threshold for Information Reporting

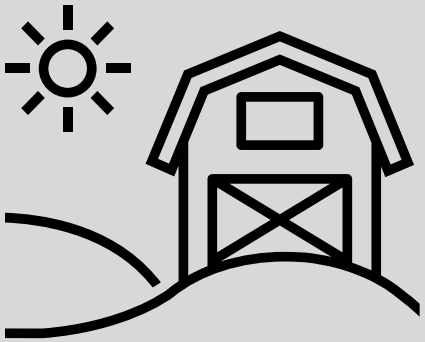


- Old Law – 1099-MISC and 1099-NEC issued when annual payments to a recipient reach $600
- New Law – filing threshold is increased to $2,000 beginning in 2026, adjusted for inflation

Form 1099-K De Minimis Exception

- Old Law – required 3rd party payors (Cash App, Venmo, PayPal, eBay, Uber, Airbnb, etc.) to issue a 1099-K when reportable payments exceeded $2,500 for 2025
- New Law – increases the threshold to more than $20,000 and 200 transactions for 2025

Capital Gains from Sale of Certain Farmland Property

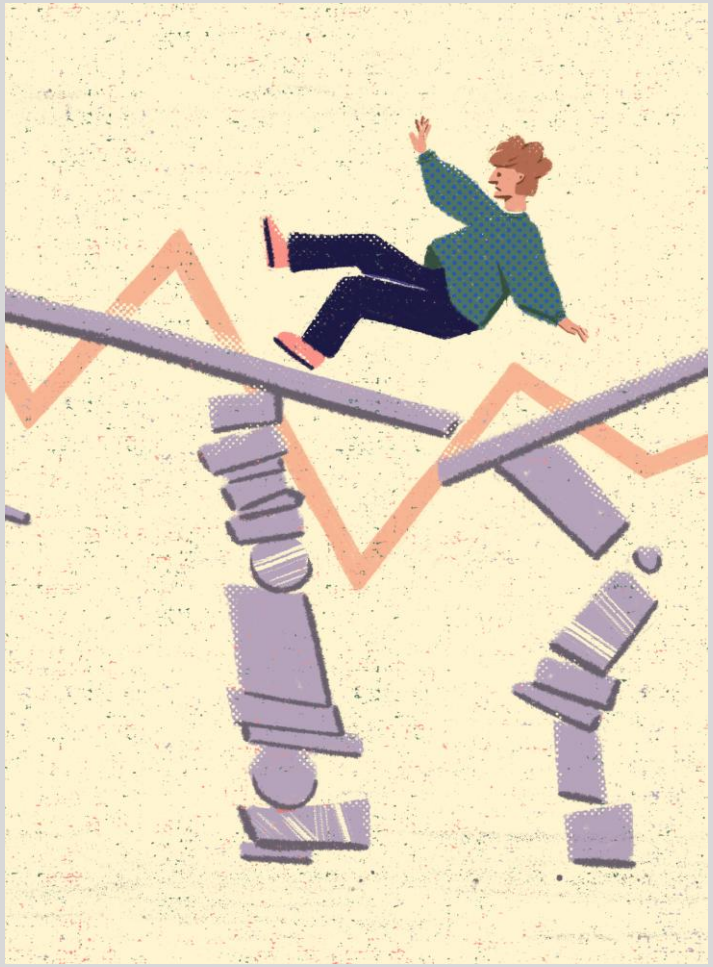


- Old Law – did not provide an income tax deferral on the sale of farmland
- New Law – sellers of qualified farmland property are allowed to pay capital gains tax related to the sale in four equal annual installments
- Qualified farmland must be used as a farm or leased to a qualified farmer, used substantially in farming for 10 years before the sale, and certain restrictions on non-farm use for 10 years after sale

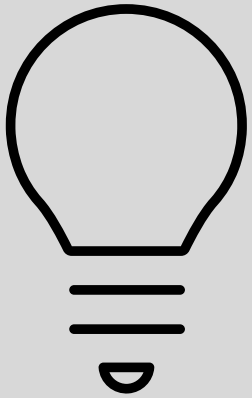
Limit on Excess Business Losses

- Old Law – disallowed business losses in excess of business income plus a threshold amount ($305,000 S, MFS, HOH; $610,000 MFJ). Disallowed loss became a net operating loss (NOL). Provision scheduled to expire after 2028.
- New Law – permanently extends the loss disallowance.

IL Allows



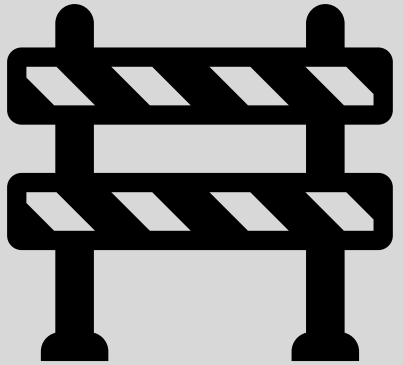
Sunset of Section 179D Deduction for Energy Efficient Commercial Buildings



- Old Law – taxpayers could claim a deduction for the cost of energy efficient commercial building property subject to limit based on energy efficiency (.58¢/sq ft – $1.16/sq ft as the base rate)
- New Law – eliminates this deduction for cost of energy efficient commercial building property where construction begins after 6/30/26.

Expands Long-Term Contract Exception for Any Residential Construction

- Old Law – for contractors, PCM is the required accounting method for long-term contracts. One of the exceptions allowed contractors to be exempt from PCM for home contracts, which is generally construction of buildings with 4 or fewer units.
- New Law – expands exception from PCM for residential contracts, which includes buildings with more than 4 units. Applies to contracts entered into taxable years beginning after 7/4/25.



QUESTIONS?

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