

September 2025 Tax Law Updates

A discussion on 2025 tax returns
and planning for the future!

Presented by:

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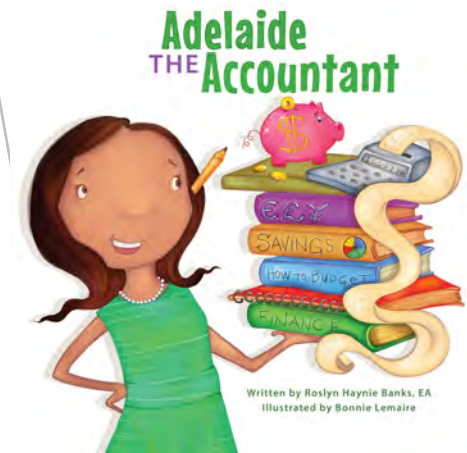
About Roslyn

- ▶ Raised on a family farm (small grain)
- ▶ Bachelor of Business Administration (BBA)
- ▶ Master of Accountancy (MAcc)
- ▶ Enrolled Agent (EA)
 - ▶ Enrolled Agents are the only federally-authorized tax professionals
- ▶ Virginia CPA Exam Candidate



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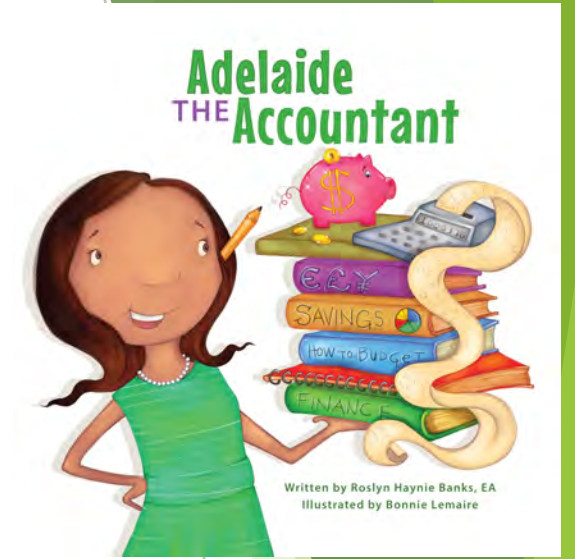
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Disclaimer

- ▶ This presentation is for informational purposes only.
- ▶ This is not personalized legal, accounting, or tax advice nor the author's political opinions or endorsements. It does not take into account your particular circumstances.
- ▶ **Before acting on any new tax law information consider the appropriateness for your situation and consult Roslyn for a personalized recommendation.**



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New Tax Law Updates

H.R.1 - One Big Beautiful Bill Act

119th Congress (2025-2026) | [Get alerts](#)

LAW

Hide Overview ✕

Sponsor: [Rep. Arrington, Jodey C. \[R-TX-19\]](#) (Introduced 05/20/2025)

Committees: House - Budget

Committee Meetings: [07/01/25 1:30PM](#) [05/21/25 1:00AM](#)

Committee Reports: [H. Rept. 119-106, Book 1](#); [H. Rept. 119-106, Book 2](#)

Latest Action: 07/04/2025 Became [Public Law No: 119-21](#). ([All Actions](#))

Roll Call Votes: There have been [47 roll call votes](#)

Notes: The bill text and summary for the House-passed version have been updated pursuant to [H.Res. 492](#).

Tracker: ⓘ

Introduced

Passed House

Passed Senate

Resolving Differences

To President

Became Law

One Big Beautiful Bill Act

- ▶ Congress's Website:
<https://www.congress.gov/bill/119th-congress/house-bill/1/text>
- ▶ Also called “OBBBA” or “OB3A”
- ▶ Substantial changes to the 2025 tax landscape
- ▶ Makes expiring tax laws more permanent for 2026 and future years
- ▶ IRS will provide additional guidance later this fall

One Big Beautiful Bill Act

- ▶ Higher Standard Deduction
 - ▶ Single = \$15,750
 - ▶ Head of Household = \$23,625
 - ▶ Married Filing Jointly = \$31,500
- ▶ State and local tax (SALT) cap is now **\$40,000** (\$20K if Married Filing Separately (MFS)) until 2029.
- ▶ Expanded deduction for K-12 teachers/educators

Paycheck Checkup

- ▶ Complete a new Form W-4 so that your employer can withhold the correct federal income tax
- ▶ Complete a new Form W-4 annually and when your personal or financial situation changes
- ▶ Link: <https://www.irs.gov/individuals/tax-withholding-estimator>
- ▶ Note: The estimator is not yet updated to reflect the One Big Beautiful Bill Act provisions as of 9.15.25

Qualified Tips

- ▶ Must be an occupation where tipping is customary like servers and bartenders (tax preparers are excluded ☹)
- ▶ Maximum deduction is **\$25,000 per year**
- ▶ Self-employed taxpayers may be subject to a lower maximum deduction limit
- ▶ Deduction only applies to tips reported on a tax form (ex: W-2, 1099, or 4137)
- ▶ Deduction phases out (reduced) if Modified Adjusted Gross Income (MAGI) is **above \$150,000** (\$300K if married filing jointly)

Overtime Pay

- ▶ Applies to the bonus pay employees receive for working overtime (beyond 40 hours per week)
- ▶ Example: Regular hourly rate = \$20/hour; time and a half rate = \$30/hour. **Only \$10/hour may be deductible**
- ▶ Maximum deduction amount is **\$12,500 per year** (\$25K if married filing jointly)
- ▶ Deduction phases out (reduced) if Modified Adjusted Gross Income (MAGI) is **above \$150,000** (\$300K if married filing jointly)

Automobile Loan Interest

- ▶ New deduction on personal returns for auto loans initiated after December 31, 2024
- ▶ Loan must be for the purchase of a qualifying new(not used) vehicle. Includes certain refinance loans initiated after December 31, 2024
- ▶ Maximum deduction is **\$10,000 per year**
- ▶ Deduction phases out (reduced) if Modified Adjusted Gross Income (MAGI) is **above \$100,000** (\$200K if married filing jointly)

Deduction for Seniors

- ▶ New general deduction of up to **\$6,000** for eligible taxpayers **aged 65 or older**
- ▶ If Married Filing Jointly (MFJ) filing status, up to **\$12,000** per tax return
- ▶ This is in addition to the enhanced standard deduction available for senior citizens
- ▶ Deduction phases out (reduced) if Modified Adjusted Gross Income (MAGI) is **above \$75,000** (\$150K if married filing jointly)

Families and Children

- ▶ Permanent increase to the child tax credit
- ▶ Student loan cancellation is tax-free
- ▶ Adoption tax credit changes
- ▶ Trump accounts for newborns
- ▶ 529 Education plan changes

Business Expenses

- The cost of carrying on a trade or business.
Deductible if the business operates to make a profit (not a hobby).

| | | | | | |
|---|---|---|--|-----|---|
| 7 | | Gross income. Add lines 5 and 6 ► | | 7 | |
| Part II Expenses. Enter expenses for business use of your home only on line 30. | | | | | |
| 8 | Advertising | 8 | | 18 | Office expense (see instructions) |
| 9 | Car and truck expenses (see instructions). | 9 | | 19 | Pension and profit-sharing plans |
| 10 | Commissions and fees | 10 | | 20 | Rent or lease (see instructions): |
| 11 | Contract labor (see instructions) | 11 | | a | Vehicles, machinery, and equipment |
| 12 | Depletion | 12 | | b | Other business property |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions). | 13 | | 21 | Repairs and maintenance |
| 14 | Employee benefit programs (other than on line 19). | 14 | | 22 | Supplies (not included in Part III) |
| 15 | Insurance (other than health) | 15 | | 23 | Taxes and licenses |
| 16 | Interest (see instructions): | | | 24 | Travel and meals: |
| a | Mortgage (paid to banks, etc.) | 16a | | a | Travel |
| b | Other | 16b | | b | Deductible meals (see instructions) |
| 17 | Legal and professional services | 17 | | 25 | Utilities |
| 28 | Total expenses before expenses for business use of home. Add lines 8 through 27a ► | 28 | | 26 | Wages (less employment credits) |
| | | | | 27a | Other expenses (from line 48) |
| | | | | b | Reserved for future use |
| | | | | 27b | |

What Can I Deduct?

- ▶ A business expense must be both ordinary and necessary
 - ▶ An ordinary expense is common and accepted in your trade or business.
 - ▶ A necessary expense is helpful and appropriate for your trade or business.
- ▶ It is important to separate business expenses from the following:
 - ▶ The expenses used to figure the cost of goods sold,
 - ▶ Capital Expenses, and
 - ▶ Personal Expenses

Business Entity Type

Type of business determines which income tax return form you will file:

- ▶ Sole Proprietor → **1040** Individual Income Tax Return
- ▶ Partnership → **1065** U.S. Return of Partnership Income
- ▶ C Corporations → **1120** U.S. Corporation Income Tax Return
- ▶ S Corporations → **1120S** U.S. Income Tax Return for an S Corporation

This is the top portion of Form 1040 for the 2024 tax year. It includes fields for the taxpayer's name, address, and filing status. The filing status options are Single, Married filing jointly, Married filing separately, Head of household, and Qualifying surviving spouse. There are also checkboxes for being a dependent or a taxpayer for whom a return is being prepared.This is the top portion of Form 1065 for the 2024 tax year. It includes fields for the partnership's name, address, and type. There are checkboxes for whether the partnership is a limited liability partnership (LLP) or a limited liability limited partnership (LLLP). The form also includes a section for the partnership's gross income and expenses.This is the top portion of Form 1120-S for the 2024 tax year. It includes fields for the S corporation's name, address, and type. There are checkboxes for whether the corporation is a domestic corporation or a foreign corporation. The form also includes a section for the corporation's gross income and expenses.

Types of Business Taxes

1. Income Tax (Federal & State)
2. Estimated Taxes (Federal & State)
 - ▶ **Please don't forget to pay these on-time!*
3. Self-Employment Tax (Federal)

Types of Business Taxes

- 4. **Employment Taxes (State)**
- 5. **Excise Tax (State)**
- 6. **Local Sales & Use Tax (State)**
- 7. **Franchise Tax (State - ex. Texas)**

IRS Form 1099 Changes

- ▶ Reporting threshold for IRS Form **1099-NEC** and **1099-MISC** changed from \$600 to **\$2,000** after December 31, 2025.
- ▶ Amount is to be indexed for inflation starting in 2027.
- ▶ Collect **W-9 forms** from all vendors and contractors before issuing any payments.
- ▶ Avoid unnecessary Form 1099 preparation
- ▶ Be prepared to update your accounting software to track vendor payments against the \$2,000 threshold.

IRS Form 1099-K

- ▶ Reporting threshold for IRS Form 1099-K changed from \$600 to **\$20,000**, along with a dual requirement of **200 or more transactions** after December 31, 2025
- ▶ Many businesses won't meet the new reporting threshold but are still legally required to report every dollar earned
- ▶ If your transaction count is high, be aware of how quickly you might approach the 200 transaction mark
- ▶ Consider labeling business and personal accounts **separately** on platforms like Venmo and PayPal.

Qualified Business Income (QBI) Deduction

- ▶ The QBI deduction of 20% is now permanent
- ▶ Minimum deduction of \$400 for taxpayers who have at least \$1,000 of qualified business income
- ▶ Most independent contractors and gig workers who receive Form 1099 are eligible for the QBI deduction
- ▶ If your business is classified as an Specified Service Trade or Business (businesses in health, law, accounting, financial services and others) begins to phase out when income exceeds \$197,300 (\$394,600 if MFJ) in 2025.

Section 179 Deduction and Bonus Depreciation

- ▶ Write off up to **\$2.5 million** of qualifying property (2025)
- ▶ If you'd rather use bonus depreciation, the ability to write off 100% of qualified property is reinstated as of **January 19, 2025** through the end of 2029.
- ▶ Businesses can often use both Section 179 and bonus deductions in the same year.

Tax Terms & Definitions

Let's start with “Income”

Income

- ▶ Money, property, and other transfers of value received
 - ▶ Can be active or passive
 - ▶ Exchanged for services, products, goods, or investment
 - ▶ Ordinary income, capital gain income, tax-exempt income, inherited income
 - ▶ Multiple streams of income can be created



Tax Terms

- ▶ **Adjusted Gross Income (AGI):** Gross income less allowable adjustments, such as IRA contributions and student loan interest deductions.
- ▶ **Audit:** An IRS examination of your tax return, generally limited to a three-year period after you file.
- ▶ **Credit:** A tax credit directly reduces tax liability, as opposed to a deduction that reduces income subject to tax.

Tax Terms

- ▶ **Deductions:** Items directly reducing income subject to taxation. Personal deductions such as for mortgage interest, state and local taxes (SALT), and charitable contributions are itemized on Schedule A.
- ▶ **Earned income:** Compensation for performing personal services. Does not include amounts received from an annuity or a pension.

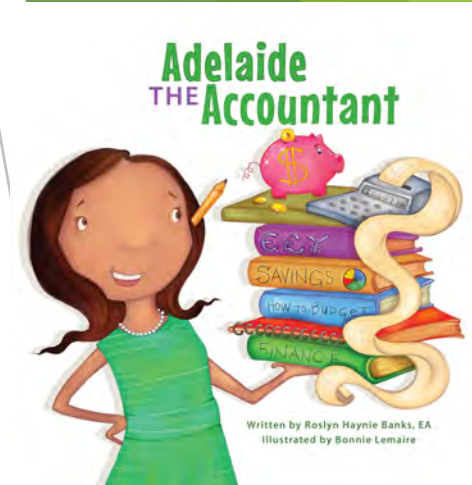
When life happens, schedule a consultation with Roslyn

- ▶ Birth/Adoption of Child
- ▶ Marriage/Divorce
- ▶ Death of a loved one
- ▶ Real Estate: Buy, Sell, Rent
- ▶ College Aged Children
- ▶ Moving or Relocations
- ▶ Employment Changes
 - ▶ Promotions
 - ▶ Unemployment Benefits
 - ▶ Independent Contractors
 - ▶ Retirement
 - ▶ Self-Employed
 - ▶ Partnerships/LLC/Corporation

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