Highlights

- Initial Bill Text is 400 Pages But Changes Are Likely
- Most TCJA Individual Provisions Made Permanent
- New Provisions Eliminate Taxes on Tip and Overtime Income
- Increase in SALT Cap
- Early Termination of Green Energy Credits

Inside

Extended Individual Provisions........ 2
New Individual Provisions.................. 3
Business Provisions............................ 4
Green Energy Terminations................ 4
IRS Procedural Provisions.................. 4

Tax Briefing | Budget Reconciliation Bill

Ways and Means Committee Releases Tax Portion of Reconciliation Bill

On May 12, 2025, the House GOP finally unveiled the tax portion of their long-awaited budget reconciliation bill. The text of the “One, Big, Beautiful Bill” includes permanent extension and limited modification of many soon-to-expire tax provisions, new provisions promised by President Trump during his 2024 campaign, elimination or modification of many green energy provisions, and many new provisions affecting individuals and businesses.

Upon its passage, the majority of the provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) included expiration dates in order to satisfy budgetary requirements. Lower individual rate brackets, higher standard deductions, the elimination of the personal exemption, the cap on the deduction of state and local taxes, changes to the alternative minimum tax and many other provisions are all set to expire at the end of 2025. If Congress takes no action, then the federal tax system will largely revert back to the rules applicable in 2017.

Throughout the 2024 campaign, President Trump, as well as many GOP lawmakers, proposed making these soon-to-expire provisions a permanent part of the tax code. The proposed act would do just that, but it comes at a high price tag (some estimates have it at $5 trillion over ten years). Much of this cost is balanced by reduced outlays in many government programs not related to taxation, and by the elimination of many of the “green” tax provisions from the Inflation Reduction Act.

COMMENT. *It is still early days for this massive legislation, and at the time of publication of this CCH Tax Briefing, the situation is very fluid.*

"If Congress takes no action, then the federal tax system will largely revert back to the rules applicable in 2017."

The legislation still needs approval by House committees before going on to the full House, and a markup session is scheduled in the House for May 13. The House has a goal to pass the full bill by Memorial Day. Then, the Senate will take its turn, and there will undoubtedly be changes in the upper chamber. The GOP has a self-imposed deadline of July 4 for passage of the legislation, but it isn't clear if that is a realistic goal. The bill includes an increase in the debt ceiling, which is estimated to be reached in August. If this bill is the chosen vehicle for the debt ceiling increase, action must be taken before the end of summer.

COMMENT. *This CCH Tax Briefing is not intended to comprehensively cover all provisions proposed in the nearly 400-page bill, but rather the highlights. It is not clear how many of these provisions will survive negotiations.*

EXTENDED INDIVIDUAL PROVISIONS

Individual Extenders

Many of the provisions of the TCJA applicable to individuals are among those scheduled to expire at the end of 2025. These include:

- 10, 12, 22, 24, 32, 35 and 37 percent brackets applicable since 2018;
- Elimination of personal exemptions;
- Increased alternative minimum tax exemption and threshold amounts;
- Lower limitation on the deduction of mortgage interest;
- Limitation on the casualty loss deduction;
- Termination of the miscellaneous itemized deduction; and
- Allowance of rollovers from qualified tuition programs to ABLE accounts.

The proposed legislation would make all these provisions permanent with little to no modification.

Standard Deduction

The TCJA nearly doubled the standard deduction for tax years beginning after 2017. For 2025, the inflation adjusted amounts are $30,000 for joint filers, $22,500 for heads of households, and $15,000 for single taxpayers and married taxpayers filing separately. These higher amounts are set to expire after 2025. The proposed bill would make those higher amounts permanent. For tax years 2025 through 2028, the amounts above would increase by $2,000, $1,500, and $1,000, respectively. In the case of seniors, an additional standard deduction of $4,000 would be available during those same years.

COMMENT. *Presumably, this $4,000 amount would be on top of the current additional deduction for the elderly.*

SALT Deduction

One of the most controversial provisions of the TCJA was the imposition of a $10,000 cap on the deduction for state and local taxes (SALT). Before the ink was dry on the 2017 legislation, lawmakers in higher tax states on both sides of the aisle were introducing legislation intended to increase or outright repeal the cap. The proposed bill takes the former approach, with a higher $30,000 cap on SALT for taxpayers with incomes below $200,000 ($400,000 for joint filers).

COMMENT. *This has proven to be one of the stickier points for legislators in their negotiations. Lawmakers pushing for the change have already identified a $30,000 cap as too low, so it would not be surprising to see this number increase in the coming days and weeks.*

Child Tax Credit

The TCJA increased the amount of the child tax credit from $1,000 to $2,000 for tax years 2018 through 2025, as well as nearly quadrupling the phaseout thresholds to $400,000 for joint filers and $200,000 for other filers. The proposed bill would make those amounts permanent, as well as temporarily increasing the credit amount to $2,500 for tax years 2025 through 2028 and adjusting the $2,000 amount for inflation after 2028. The refundable portion of the child tax credit (“additional child tax credit”) would be capped at $1,400 under the proposed text. The bill would also require the taxpayer claiming the credit, the taxpayer’s spouse (if married), and the child for whom the credit is claimed to have Social Security numbers.

> **COMMENT.** *An increase in the child tax credit amount is a proposal that has enjoyed support on both sides of the aisle since the amount was temporarily increased to $3,000 for 2021.*

Estate Taxes

The estate tax basic exclusion amount, which the TCJA doubled for decedents dying through 2025 (inflation adjusted to $13.99 million in 2025) is increased again under the proposed bill, to a base amount of $15 million for decedents dying in 2026, adjusted for inflation thereafter. This amount would be permanent.

> **COMMENT.** *The $15 million amount is probably not far off from where inflation would have taken the exclusion amount for 2026 if the TCJA was not scheduled to expire.*

NEW INDIVIDUAL PROVISIONS

No Tax on Tips

One of the big talking points for President Trump during the campaign was the elimination of tax on tip income. Historically, tip income was not subject to tax until the early 1980’s when legislation passed during the Reagan administration treated it like regular income. The proposed bill does not provide an exclusion from income for tips, but rather provides a deduction from income for amounts received as tips. Under the proposal, taxpayers would not be required to itemize deductions to claim the deduction, but a Social Security number would be required to claim the deduction. The deduction would not be allowed for tax years beginning after 2028.

The bill would also extend the employer credit for Social Security taxes on employee cash tips to the beauty service industry (the credit currently only applies to the food and beverage industry).

No Tax on Overtime

During his campaign, President Trump also proposed making overtime compensation tax free. Under the proposed bill, taxpayers would be able to claim a deduction for the amount of overtime pay received as required under section 7 of the Fair Labor standards Act of 1938. Like the deduction for tip income, taxpayers would not have to itemize deductions to claim the deduction, but would be required to provide a Social Security number. The deduction would not be allowed for tax years beginning after 2028.

> **COMMENT.** *The proposed bill does not provide extensive rules for the application of this provision, leaving the rules of application up to Treasury Regulations.*

Automobile Loan Interest

The proposed bill includes a deduction of up to $10,000 for interest paid on an automobile loan in 2025 through 2028 for a car purchased after 2024. The deduction is available for both itemizers and non-itemizers.

MAGA Accounts

The proposed bill also includes provisions for the creation of tax-favored “money account for growth and advancement” or “MAGA accounts.” These accounts appear to operate similarly to ABLE accounts, but are available more broadly to all children.

Additional Provisions

The proposed bill also includes:

- A tax credit for contributions to scholarship-granting organizations;
- An expansion of 529 programs to include elementary, secondary, and home schooling expenses; and

- The resurrection of the COVID-era allowance of a charitable contribution deduction for non-itemizers.

BUSINESS PROVISIONS

Bonus Depreciation

The proposed bill would provide 100 percent bonus depreciation through 2029 for property acquired after January 19, 2025. The bill also proposes a special depreciation allowance for qualified production property used in agricultural or chemical production.

Research and Experimental Expenditures

The proposed bill would reinstate a deduction for domestic research and experimental expenditure costs incurred after 2024 through 2029. Taxpayers can elect whether to deduct or amortize the expenditures, though the requirement to amortize under current law is suspended while the deduction is available.

Qualified Business Income Deduction

The TCJA's qualified business income deduction under Code Sec. 199A would be made permanent under the proposed bill. Additionally, the amount of the deduction would be increased to 23 percent from the current 20 percent for tax years beginning after 2024. Additional changes are proposed modifying the limitations and qualification for the deduction.

Additional Provisions

The proposed bill also would provide:

- Renewal and enhancement of Opportunity Zones
- Increase in the 179 deduction limitations after 2024
- An exclusion of interest received by qualified lenders secured by rural or agricultural real property
- Modifications to the low-income housing credit.

International Extensions

The proposed bill would make permanent many international and foreign-related provisions under the TCJA, including the:

- Deduction for foreign-derived intangible income (FDII) and global intangible low-taxed income (GILTI); and
- Base erosion minimum tax amount.

GREEN ENERGY TERMINATIONS

The proposed legislation would offset some of the high cost of the permanent extension of TCJA provisions and elimination of taxes on tip and overtime income with the early termination of so-called "green energy credits." Many of these credits were created or enhanced by the Inflation Reduction Act of 2022. The affected credits would include the following (termination generally after 2025 unless noted):

- Previously owned clean vehicle credit;
- Clean vehicle credit (proposed termination generally after 2026);
- Qualified commercial clean vehicle credit;
- Alternative fuel refueling property credit;
- Energy efficient home improvement credit;
- Residential clean energy credit; and
- New energy efficient home credit.

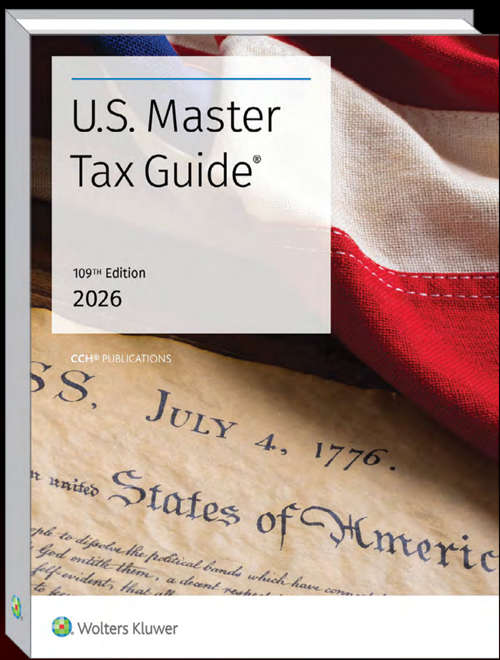
Additionally, many of the credits for clean energy production are either terminated or subject to accelerated phaseouts.

IRS PROCEDURAL PROVISIONS

The proposed legislation includes a number of provisions that impact IRS operations. The bill would mandate that the IRS implement the use of artificial intelligence in reducing and recouping improper tax payments. The bill would also impose a penalty up to $200,000 on promoters of fraudulent COVID-era employee retention credit schemes.

Perhaps the most widely applicable operations provision of the proposed bill is the termination of the IRS Direct File program. The bill requires the termination of the program within 30 days after passage and appropriates funding for the IRS to research a public-private partnership to replace the current "free file" program.

Stay Informed, Compliant, and Confident



U.S. Master Tax Guide® (2026)

Stay ahead of tax changes with the nation's leading federal tax resource — your comprehensive guide to new and updated tax laws. This essential reference deepens your understanding of key developments, and provides quick, reliable support when delivering tax services to your business or clients.

Pre-Order Now

CCH® AnswerConnect U.S. Master Tax Guide® Plus

The product you trust — now digital.

What you trust hasn't changed. How you access it has. The digital evolution of the U.S. Master Tax Guide means you get access to everything you count on — plus more tools, exclusive features, and the power of AI at your fingertips.

Start Your Digital Journey