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Planning for the One Big Beautiful Bill Act

On July 4, 2025, President Trump signed the **One Big Beautiful Bill Act (OBBBA)** into law. The OBBBA includes a number of tax changes. Although this article does not cover all aspects of this bill, a number of provisions are highlighted here.

Individual Provisions Extended

Many of the provisions of the Tax Cuts and Jobs Act (TCJA) applicable to individuals were scheduled to expire at the end of 2025. The OBBBA makes the following provisions permanent:

- 10, 12, 22, 24, 32, 35 and 37 percent tax brackets
- Elimination of personal exemptions (but provides a $6,000 deduction for seniors aged 65 and older after 2024 and before 2029 for modified adjusted gross income (MAGI) of less than $150,000 for joint filers and $75,000 for single filers)
- Increased alternative minimum tax (AMT) exemption and threshold amounts
- Lower limitation on the deduction of mortgage interest ($750,000 for mortgages acquired after 12/15/17)
- Termination of the miscellaneous itemized deductions

Additionally, the OBBBA increases the standard deduction for tax years beginning in 2025 and is adjusted for inflation thereafter. The standard deduction for 2025 is $31,500 for joint filers, $23,625 for heads of household, and $15,750 for single taxpayers and married taxpayers filing separately.

One of the most contentious provisions of the TCJA was the imposition of a $10,000 cap on the deduction for state and local taxes (SALT). The OBBBA increases the cap to $40,000 for 2025, with a 1% increase in the cap each year through 2029, at which point the cap is set to return to $10,000 in 2030. The $40,000 cap is reduced by 30% of the amount by

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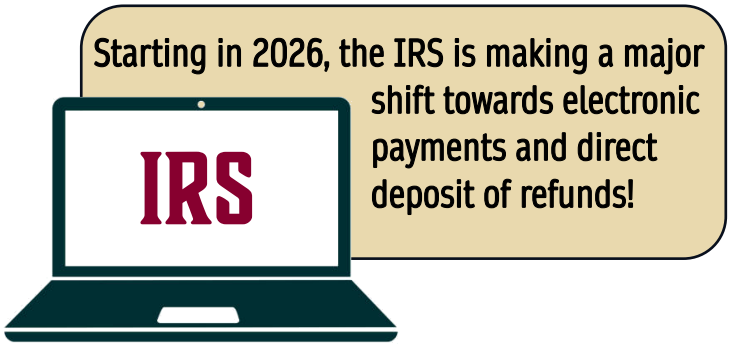
Skip the Hold Music: Manage Taxes Easily with IRS Online Account

Managing your taxes just got a whole lot easier! An **IRS Online Account** gives you 24/7 access to your tax information, no waiting on hold or digging through old paper records. You can view your balance, make payments, check your refund status, see past notices, get your **Identity Protection PIN (IP PIN)**, and even download transcripts instantly. Setting up your account takes just a few minutes and gives you a faster, safer way to stay on top of your taxes all year long.



The IRS is making a major shift toward online payments and direct deposit of refunds, marking a significant step in modernizing how taxpayers manage their finances. This transition is designed not only to streamline the tax process but also to reduce errors, enhance security, and deliver funds more efficiently. Soon, digital payments and direct deposits are expected to become the standard. To prepare for this change, the IRS strongly encourages individuals to set up and manage these transactions through their IRS Online Account.

To access your IRS Online Account, you'll sign in through **ID.me**, a secure service the IRS uses to verify your identity. You'll need an email address and a valid photo ID (such as a driver's license or passport) to create your ID.me account. Once you are set-up, you can log in anytime through **IRS.gov** to view and manage your tax information with ease.

We recommend setting up your IRS Online Account ***ASAP*** (before tax season)! You'll save time, access your records faster, and make it easier to share information with us!

2025 Tax Returns Will Reflect New Retirement Contribution Rules

At the end of 2022, President Biden signed the $1.7 trillion omnibus Consolidated Appropriations Act, 2023 (CAA). Included in the CAA was the SECURE 2.0 Act of 2022, which introduced dozens of provisions affecting retirement plans, including 401(k) plans, 403(b) plans, and IRA accounts. The legislation's impact has been phased in over time, with a number of the sections becoming effective in 2023, 2024, and 2025. Two significant sections of the SECURE 2.0 Act regarding catch-up contribution provisions originally scheduled to become effective in 2024 were delayed (IRS Notice 2023-62). Key takeaways:

Enhanced Catch-Up Contributions for Ages 60–63: Beginning in 2025, catch-up contributions increased for those 60 to 63 to $11,250 if the plan allows. After 2025, catch-up contributions for 401(k), 403(b), government plans and IRAs will be indexed to inflation based on federally determined cost-of-living increases. If you are in this age range, you may wish to consider increasing your catch-up if you haven't already.

Roth Catch-Up Requirement for High Earners: Catch-up contributions for high earners, if FICA wages from their employer in the preceding year exceeded $145,000 (indexed to $150,000 for 2026), will now only be made on an after-tax (Roth) basis. Before 2025, those making over the new threshold were allowed to make catch-ups on a before-tax or after-tax basis. If your wages exceed the threshold, switching to after-tax contributions may necessitate a review of your tax withholding. Consult your plan sponsor.

Long-Term Care Withdrawals in 2026: Effective in 2026, retirement plans may allow penalty-free distributions of up to the lesser of $2,500 or 10% of the participant's vested account balance to pay long-term care premiums.

Additional Update: Outside of SECURE 2.0, the IRS recently announced that the 401(k) contribution limit will increase from $23,500 in 2025 to $24,500 in 2026. Individuals aged 50 and older who are not eligible for the enhanced catch-up (i.e., not ages 60–63) can contribute an additional $8,000 in catch-up contributions in 2026—up from $7,500 in 2025. This brings the total allowable contribution to $32,500 in 2026, compared to $31,000 in 2025.

Charitable Giving Through Your IRA

If philanthropy is a core pillar in your life, a qualified charitable distribution (QCD) may be a tool you can use. A QCD is a distribution from a Traditional or Roth IRA permitted to be made after the beneficiary has reached the age of 70 ½ to an eligible organization. The distribution is excluded from gross income. The maximum distribution in 2025 that can be excluded from gross income is $108,000. In general, eligible organizations include churches, schools, hospitals, government units and publicly supported organizations. QCDs are not taken into account in determining the limit on charitable deductions and are not deductible as charitable contributions because they already reduce your income. For individuals who have reached required minimum distribution (RMD) age and who make a QCD, the amount of the QCD counts toward the RMD amount.

The recently passed One Big Beautiful Bill Act (OBBBA) limits the deductibility of charitable donations to the amount that exceeds 0.5% of AGI. Thus, an itemizing taxpayer with an AGI of $100,000 may deduct only donations exceeding $500 ($100,000 x 0.5%). If that taxpayer donated $10,000, only $9,500 would be deductible. If an eligible taxpayer made a QCD for $10,000, the entire amount would be excluded from gross income, effectively bypassing the AGI limitation. The QCD amount being excluded from gross income is beneficial since AGI will be reduced and several tax events are based on AGI or a derivative of AGI.

The QCD can be the tool that allows a taxpayer to accomplish their goal of providing for their charitable giving goals while also achieving a reduction in their tax liability.

Big Beautiful Bill continued

which a taxpayer's MAGI exceeds $500,000 (increased by 1% each year through 2029).

The Child Tax Credit, which increased to $2,200, is subject to annual inflation increases and phases out if MAGI exceeds $400,000 for joint filers and $200,000 for single filers.

The estate tax basic exclusion amount, which was $13.99 million for 2025, rises to $15 million in 2026 and is adjusted for inflation thereafter.

New Individual Provisions:

No Tax on Tips – the OBBBA provides a deduction from income for amounts received as tips. This deduction is capped at $25,000 and begins to phase out when the taxpayer's MAGI exceeds $300,000 for joint filers and $150,000 for single filers.

No Tax on Overtime – taxpayers can claim a deduction for overtime pay, which is capped at $25,000 for joint filers and $12,500 for single filers. This deduction begins to phase out when the taxpayer's MAGI reaches $300,000 and $150,000, respectively. This deduction is not allowed for tax years beginning after 2028.

Itemized Deduction Limitation – the OBBBA imposes a limit on itemized deductions for taxpayers in the 37% income tax bracket, effective after 2025.

Automobile Loan Interest – the OBBBA includes a deduction of up to $10,000 for interest paid on a qualified auto loan in 2025 through 2028 for a qualified new car purchased after 2024. This deduction is available whether itemizing or taking the standard deduction but is subject to MAGI phase outs at $200,000 for joint filers and $100,000 for single filers.

Business and Other Provisions

Bonus Depreciation – the OBBBA makes 100% bonus depreciation permanent for property acquired after January 19, 2025.

Qualified Business Income (QBI) Limitation – the OBBBA makes the QBI deduction permanent.

Green Energy – the OBBBA eliminates energy credits including the clean vehicle credit, previously owned clean vehicle credit, qualified commercial clean vehicle credit, alternative fuel refueling property credit, energy efficient home improvement credit, residential clean energy credit, and the new energy efficient home credit. The timing of these credit terminations varies; please contact us for additional information.

2026 Tax Due Date Calendar

January 15
• Final installment of 2025 estimated tax due by individuals and trusts.
February 2
• Last day to report the W3 and W2 forms to social security administration.
• Last day to provide the recipients W-2's and most 1099 form including 1099-NEC/MISC.
• Last day to receive W-2 forms and most 1099 statements from your employer, banker, broker, etc.
• Fourth quarter 2025 payroll tax returns and annual federal unemployment returns due.
March 2
• Reporting **paper file** forms 1098, 1099-MISC forms.
March 16
• S Corporation and Partnership income tax returns for calendar year 2025 due.
• Last day for calendar year S Corporations and Partnerships to file for a 2025 automatic six-month extension (Form 7004).
• Last day for business entity to file the form to elect S Corporation status beginning as of January 1, 2026.
March 31
• Last day to **electronically** report forms 1098, 1099-MISC forms.
April 15
• Last day for individual income tax returns to file for an automatic six-month extension (Form 4868) and pay any 2025 tax liability due.
• First installment 2026 estimated tax payments due for individuals, corporations, and trusts.
• Last day to file income tax return for a C Corporation for calendar year 2025 or last day for calendar-year C Corporations to file for an automatic six-month extension of time (Form 7004) for 2025 tax returns and pay any tax liability due.
• 2026 Maryland personal property tax returns due (unless extended to June 15th).
• Last day for making 2025 IRA contributions.
• Gift tax returns (Form 709) and payment of any gift tax due for 2025.
• If individual income tax return is extended, the gift tax return will automatically be extended for six-months, or otherwise file Form 8892.
• Calendar year fiduciary income tax returns and requests for 5½ month automatic extensions due (Form 7004).
• Last day to report offshore foreign bank accounts (FBAR) with FinCEN 114. This is automatically extended if individual tax return filing is extended.
April 30
• First quarter 2026 payroll tax returns due
June 15
• Payment of second installment of 2026 estimated tax by individuals, corporations, and trusts.
• Extended 2026 Maryland personal property tax returns due.
July 31
• Due date for 2025 calendar-year Annual Return/Report returns and/or extension of Employee Benefit Plan (Form 5500) and paper filed requests for 2 ½ month filing extension (Form 5558).
• Second quarter 2026 payroll tax returns due.
September 15
• Payment of third installment of 2026 estimated tax by individuals, corporations, and trusts.
• Last day of filing 2025 income tax returns for Partnerships and S Corporations with approved extension.
September 30
• Last day to file fiduciary returns with an approved extension.
October 15
• Last day for filing 2025 income tax return by calendar-year corporations with approved extension.
• Last day for filing 2025 individual income tax returns with approved extension.
• Last day for filing 2025 gift tax returns with approved extension.
• Last day for filing 2025 calendar-year annual return/report of employee benefit plan (Form 5500) with approved extension.
November 2
• Third quarter 2026 payroll tax returns due.
December 15
• Payment of last installment of 2026 estimated tax by calendar-year corporations.

Matthew Bormel Elected to Central Maryland Chamber Board

Please join us in congratulating BGH Partner Matthew Bormel on his election to the Central Maryland Chamber Board of Directors.

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Meet Our New BGH Team Members

Matthew Garcia, Staff Accountant joined BGH in January. He has a B.S. in Accounting from the University of Maryland Global Campus. Matthew lives in Burtonsville, MD. He enjoys going to the gym, playing the piano, and watching the Lakers or Ravens live on TV.

Nicole Miller, Administrative Support Specialist joined BGH in February. She has a background in real estate and was formerly a Judge of the Orphans Court in Howard County. She has a BA from the University of Maryland and is living in Clarksville with her husband and two sons.

Stephanie Green, Senior Tax Specialist came to BGH in January with 15 years of accounting experience. She enjoys helping clients simplify the tax process and reach their financial goals. Stephanie lives in Anne Arundel County, enjoys trying new restaurants, spending time with loved ones, and caring for her friends' canine companions.

Shane O'Brien, Staff Accountant joined our team with 15 years' financial industry experience and his passion for helping local entrepreneurs succeed. He enjoys staying active in the community and is Treasurer of the Laurel Board of Trade. Shane, his wife, and dog Bertha, live in Towson. Shane loves seeing and playing live music.

Melody Luyegu, CPA, Senior Tax Specialist joined BGH in August, 2025 with extensive experience in tax preparation and compliance. She graduated from The Ohio State University with a masters degree in accounting and is a licensed CPA in Maryland. Melody lives in Germantown.

Aniya Ogburn, Administrative Support Specialist joined BGH in August. She brings a background in Financial Services, and an A.A. in Psychology from Prince George's Community College. She lives in Laurel with her family and dog. Outside of work, Aniya enjoys live music, going to museums, and photography.

BGH News

BGH 2025 Anniversaries

STEVE HARTONG—15 YEARS
APRIL MILLER—15 YEARS
DAWN MILAM—15 YEARS
DIANE KRIXER—5 YEARS

Congratulations BGH 2025 Award Winners!

THUMBS UP!
Mary DeStefano

AWARD OF APPRECIATION!
Dawn Milam

MOST IMPROVED!
Mary Guay Kramer

Bormel, Grice & Huyett Business Scholarship

Congratulations to Thomas Pecora and Christopher Loughery, the 2025 recipients of the Bormel, Grice & Huyett Business Scholarship Award. Congratulations to Gisele Mathew, the 2025 recipient of the Chamber Education Foundation Scholarship. All recipients are students from Hammond High School and were presented their awards by Stephanie Green. Our best wishes for future success to the Class of 2025!

The BGH UPDATE is published for our clients, staff, and professional contacts. Copies will be provided to other business persons upon written request. Any action based on information contained herein should be taken only after a detailed review of the specific situation. The following members of our firm have contributed to this edition: Larry Bormel, April Miller, David Young, Steve Hartong, Manu Luthra, Stephanie Green and Chris Kotler.