

Tax Legislation Update

Caitlin M. Wong, JD, LLM in Taxation

caitlin.wong1@usbank.com

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Overview of the Federal Tax Act

A collage of overlapping 2019 US tax forms. The forms are white with black text and lines. Visible sections include:

- Form 1040:** "2019", "Income Tax Return", "Last name", "First name", "Social security number", "If you did not get a W-2, see instruction", "Total number of exemptions claimed", "Wages, salaries, tips, etc. Attach Form(s) W-2", "Interest. Attach Schedule B if required", "Do not include on line 8a", "8b", "8c", "8d", "8e", "8f", "8g", "8h", "8i", "8j", "8k", "8l", "8m", "8n", "8o", "8p", "8q", "8r", "8s", "8t", "8u", "8v", "8w", "8x", "8y", "8z", "8aa", "8ab", "8ac", "8ad", "8ae", "8af", "8ag", "8ah", "8ai", "8aj", "8ak", "8al", "8am", "8an", "8ao", "8ap", "8aq", "8ar", "8as", "8at", "8au", "8av", "8aw", "8ax", "8ay", "8az", "8ba", "8bb", "8bc", "8bd", "8be", "8bf", "8bg", "8bh", "8bi", "8bj", "8bk", "8bl", "8bm", "8bn", "8bo", "8bp", "8bq", "8br", "8bs", "8bt", "8bu", "8bv", "8bw", "8bx", "8by", "8bz", "8ca", "8cb", "8cc", "8cd", "8ce", "8cf", "8cg", "8ch", "8ci", "8cj", "8ck", "8cl", "8cm", "8cn", "8co", "8cp", "8cq", "8cr", "8cs", "8ct", "8cu", "8cv", "8cw", "8cx", "8cy", "8cz", "8da", "8db", "8dc", "8dd", "8de", "8df", "8dg", "8dh", "8di", "8dj", "8dk", "8dl", "8dm", "8dn", "8do", "8dp", "8dq", "8dr", "8ds", "8dt", "8du", "8dv", "8dw", "8dx", "8dy", "8dz", "8ea", "8eb", "8ec", "8ed", "8ee", "8ef", "8eg", "8eh", 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The TCJA passed in 2017 changed tax codes significantly, with many provisions set to expire at the end of 2025.

Presidential campaigns always include tax policy and legislation promises.

In July 2025, Congress passed a comprehensive tax package maintaining and expanding TCJA provisions and enacting multiple campaign promises. Reconciliation process was used to avoid filibuster issues given narrow party majority in Senate. Official name was struck from Act, but OBBBA remained in common usage.

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Individual Income Tax Provisions

Tax brackets, standard deduction, & AMT



Permanent Lower Tax Brackets

TCJA lowered tax brackets made permanent and will remain as 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

Increased Standard Deduction

Higher standard deductions are now permanent, with amounts increasing to \$15,750 for singles and \$31,500 for couples in 2025, and indexed to inflation in subsequent years.

AMT Exemption Adjustment

AMT exemption increased to \$88,100 for individuals and \$137,300 for married couples filing jointly.

AMT Phaseout Thresholds

AMT exemptions phase out at 25 cents per dollar after AMTI reaches set income levels for singles and couples.

“Bonus” deduction for older adults



Additional Deduction Amount

A \$6,000 bonus deduction applies per person aged 65 or older, increasing the standard deduction for eligible taxpayers.

Total Deduction Values

Single filers can deduct up to \$21,750; married couples filing jointly up to \$43,500 when both are 65 or older.

Income Phase-Out Limits

Bonus deduction phases out for individuals over \$75,000 income and couples over \$150,000 income, limiting eligibility.

Expiration of Provision

Expires in 2029...unless Congress acts....

Automobile Loan Interest Deduction



Interest Deduction Limit

Taxpayers can deduct up to \$10,000 of automobile loan interest annually starting 2025. This is an “above the line” deduction on top of the standard deduction.

Income Phase-Out Thresholds

Deduction phases out for single filers above \$100,000 and fully phases out at \$150,000 MAGI.

Qualified Vehicle Criteria

Eligible cars must be new, U.S. assembled, and purchased after December 31, 2024.

Expiration Date

This deduction provision expires in 2029.

SALT deduction limit changes and phase outs



SALT Deduction Cap Increase

The SALT deduction cap rose from \$10,000 to \$40,000 for joint filers and \$5,000 to \$20,000 for separate filers.

Income Phase-Out Limits

Phase out starts at \$500,000 MAGI for joint filers and \$250,000 MAGI for separate filers, reducing deductions gradually.

Impact on High-Income Taxpayers

Higher SALT deductions may lower taxes for residents of high-tax states who itemize deductions.

Future Deduction Reduction

The higher SALT deduction cap will revert to the original \$10,000/\$5,000 limit by 2030.

Above-the-line charitable deductions

Impact of TCJA on Deductions

The TCJA raised standard deductions, making most filers skip itemizing and losing charity deduction benefits.

New Above-the-line Deduction

Effective for tax year 2026, permanent above-the-line deduction allows \$1,000 for singles and \$2,000 for married filers.

Meaning of Above-the-line

Above-the-line deductions apply regardless of whether taxpayers itemize deductions, benefiting more filers.

Floor on itemized charitable deductions



Minimum Contribution Requirement

Taxpayers must contribute at least 0.5% of adjusted gross income to claim charitable deductions.

Strategy for Maximizing Deductions

Bunching charitable gifts into one tax year can maximize deductibility under the new floor rule.

Reduced Deduction Value for High Earners

Top tax bracket taxpayers can only claim 35% of the value of all their itemized deductions.

Mortgage interest deduction & child tax credit



Deduction Limit for New Borrowing

The law limits home mortgage interest deductions to \$750,000 for new mortgages taken out.

Exclusion of Home Equity Loans

Interest on home equity loans is no longer deductible under the current tax provisions.

Increase in Child Tax Credit

The child tax credit was raised from \$2,000 to \$2,200 per qualifying child and will adjust with inflation.

Introduction of “Trump Account” for minors



Account Eligibility and Opening

Parents can open Trump Accounts for minors under 18 who are U.S. citizens or residents with valid SSNs.

Contribution Limits

Contributions up to \$5,000 annually by family, and \$2,500 tax-free by employers per year are allowed.

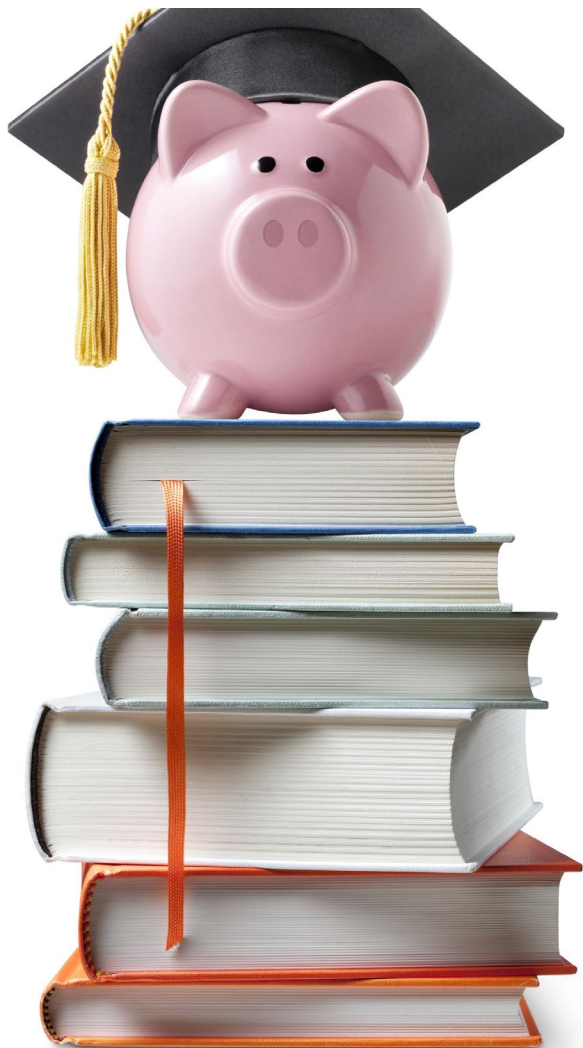
Account Restrictions and Growth

No withdrawals before age 18; investments grow tax-deferred with potential penalties for early withdrawal.

Government Seed Contribution

Eligible babies born 2025-2028 receive a \$1,000 government deposit to start their Trump Account.

529 plan enhancements and expansion



Overview of 529 Plans

529 plans offer tax advantages for education savings with tax-free withdrawals for qualified expenses.

Increased Withdrawal Limits

Starting 2026, withdrawal limits increase from \$10,000 to \$20,000 annually for K-12 education expenses.

Expanded Qualified Expenses

Qualified K-12 expenses now include books, tutoring, online education, and educational therapies beyond tuition.

Postsecondary Credential Coverage

Funds can be used tax-free for trade schools, certificates, licenses, and apprenticeship programs.

Private school scholarship donation tax credit



Tax Credit Overview

Individuals can receive a full federal tax credit for donations supporting private school scholarships.

Donation Limits

Gifts up to \$1,700 per person or \$3,400 per married couple qualify for this tax benefit.

Support for K-12 Education

Donations fund vouchers that help K-12 students attend private schools, expanding educational options.

Gift & Estate Tax Changes



“Permanently” higher unified credit



Permanent Tax Exemption Increase

The Tax Cuts and Jobs Act doubled the lifetime gift and estate tax exemption, now made permanent by new legislation.

2025 and 2026 Exemption Amounts

Exemption amounts are \$13.99M for individuals in 2025, rising to \$15M in 2026, indexed for inflation thereafter.

Generation-Skipping Transfer Tax Benefit

Higher exemptions also apply to GST tax, enabling wealth transfer to grandchildren free of GST tax using advanced strategies.

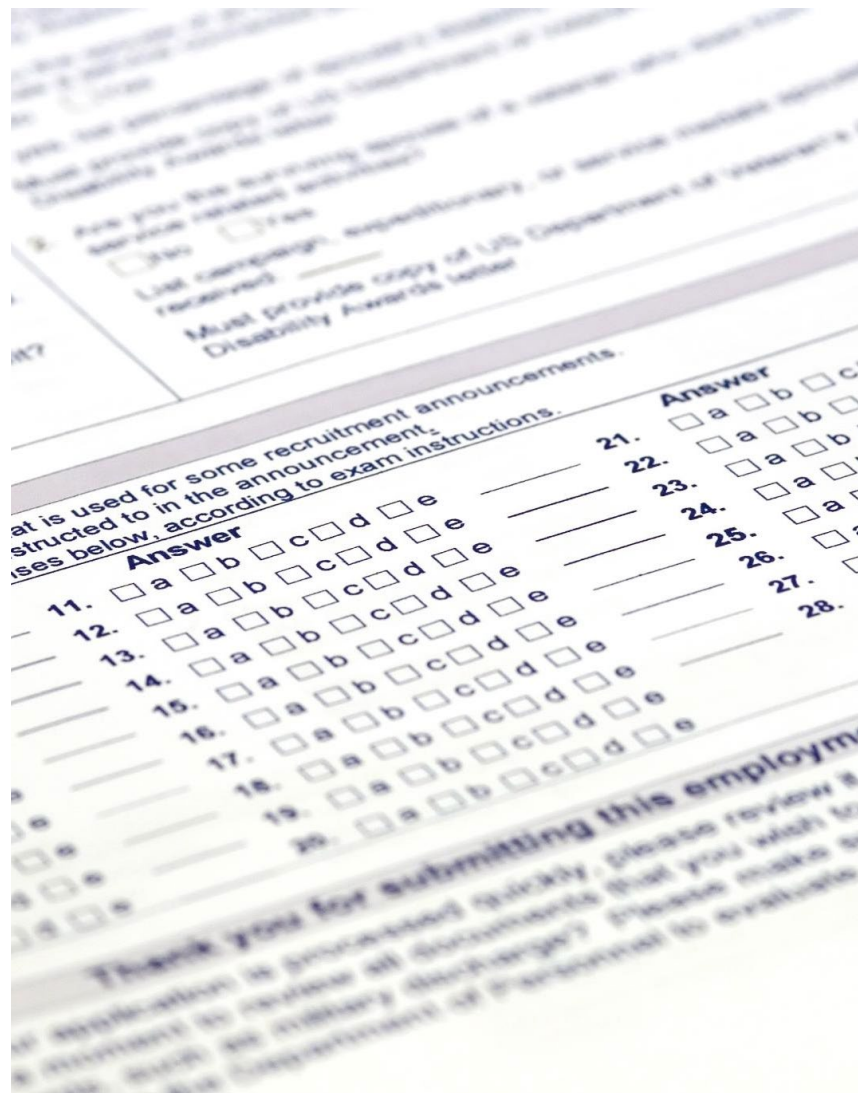
The cost basis step-up of inherited assets is now a permanent tax provision, securing benefits for heirs.

Heirs can adjust cost basis to the fair market value on the decedent's date of death, reducing taxable gains.

This step-up eliminates significant capital gains accrued during the decedent's lifetime, lowering tax burden for heirs.

Corporate Income Tax Changes

Corporate tax rates and QBI deduction



S Corporation Tax Rates

TCJA lowered the top federal corporate tax rate from 35% to 21%. The new law sets the top tax rates for S Corporations at 29%.

Qualified Business Income Deduction Permanent

The QBI deduction allows pass-through entities to deduct up to 20% of qualified business income below a certain threshold. Under TCJA this was a temporary deduction, which OB3 made permanent.

Bonus Depreciation Allowance

100% bonus depreciation is now permanent for qualified property placed in service after January 19th.

Research Expense Incentives

Businesses can immediately expense certain domestic research and experimental costs.

Qualified Small Business Stock (QSBS) tax-free exclusions



Tiered Capital Gain Exclusions

QSBS now offers 50%, 75%, and 100% capital gain exclusions based on stock holding periods of three, four, and five years respectively.

Increased Maximum Exclusion

The maximum capital gain exclusion increased from \$10 million to \$15 million per issuer, with higher exclusions possible for large gains.

Raised Asset Eligibility Test

Corporate issuer asset threshold raised from \$50 million to \$75 million, expanding QSBS eligibility for businesses.

Long-Term Investor Benefits

QSBS exclusions now adjust for inflation, ensuring continued meaningful tax advantages for small business investors.

Oregon & Washington

Oregon

New Director of the Department of Revenue: David Gerstenfeld

What Passed?

Extenders and administrative tweaks. Very little new.

What Didn't Pass?

Estate tax proposals (except administrative change to FFF exclusion); Corporate Activity Tax proposals; miscellaneous income tax proposals (*e.g.* PTE-E sunset extension, reconnect date); and those oldies and crazies (kicker change, sales tax, gold standard).

What's Next?

Reintroduction of bills that didn't pass last session, but many will wait for next long session (in 2027). Keep eyes peeled for ballot measures in 2026.

Washington

Estate Tax Update

- Effective for deaths on or after July 1, 2025.
- Increase exemption from \$2.193 million to \$3 million and index to inflation.
- Estate tax rates still begin at 10% but new marginal rate table provides for steep increases with a top marginal rate of 35% starting at \$9 million.
- Odd Consequence: Deduction for state estate taxes taken on federal estate tax return

(Certain) Capital Gains Excise Tax Update

- Effective for 2025 tax year.
- Net long term capital gains over \$250k (inflation adjusted) subject to a 7% excise tax. (No change.)
- Adds 2.9% surcharge for net long term net capital gain above \$1 million.
- New charitable deduction allowed for up to \$100,000.
- Only applies to certain sources of capital gains. Exempted sources include sales of real estate, retirement accounts, and certain small businesses.

What's Next?

Uncertain due to requirement that legislature fully fund K-12 education.



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