



## Highlights

- Big Changes Resulting from OBBBA
- New Administration Shifts IRS Priorities
- Conclusion of BOI

## Tax Briefing | 2025 Tax Year-in-Review

# OBBBA, Other Small Legislative And Regulatory Actions Highlight 2025

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While most of the nation was getting ready to celebrate Independence Day, President Trump on July 4, 2025, signed the One Big Beautiful Bill Act into law. The signing and implementation of this law was far and away the most important tax story of the year.

The past year saw other key stories, including the elimination of Direct File, a revolving door at the commissioner's office, the phasing out of paper checks, and changes to beneficial ownership reporting. But the changes that will result from OBBBA will resonate for years to come.

### ■ ONE BIG BEAUTIFUL BILL ACT

The One Big Beautiful Bill Act (OBBBA), hotly contested and secured with a lot of last-minute politicking, will bring about numerous changes to tax law and regulation in the coming years through new

legislative provisions and extensions of existing provisions passed in the Tax Cuts and Jobs Act.

#### Extensions

The One Big Beautiful Bill Act made permanent, with some modifications, the following provisions:

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

***"The One Big Beautiful Bill Act... will bring about numerous changes to tax law and regulation in the coming years..."***

Among the modifications are treatment of mortgage insurance premiums as qualified residence interest for which a deduction could be claimed and allowance for unreimbursed educator expenses to be deducted as a miscellaneous itemized deduction. The last seven years of AMT inflation adjustments were removed from the AMT exemption phase-out threshold for joint filers, reverting the thresholds to the 2018 amount.

The Act increased the amount of the standard deduction for tax years beginning in 2025 to \$15,750 for individual filers, \$31,500 for joint filers, and \$23,625 for those filing head of household.

One of the more controversial subjects leading up to passage was the deduction of state and local taxes (SALT), with the ultimate compromise being an increase in the cap to \$40,000 in 2025 with a 1 percent increase in subsequent years before reverting back to \$10,000 in 2030. Debates over the SALT provision had the potential to derail OBBBA, as Republicans from states with high state taxes pushed for an even larger cap and to make it more permanent, but like many provisions, it was given a sunsetting solution, kicking the can of a more permanent fix a few years down the road.

Additionally, OBBBA increased the estate tax basic exclusion amount to \$15 million for decedents passing away in 2026, with an inflation adjustment in subsequent years.

#### **New OBBBA Individual Provisions**

Two of the provisions that have received the greatest hype is the "no tax on tips" and "no tax on overtime," although it does not eliminate the taxation of tips or overtime, but rather creates a limited deduction of total taxable income by the amount of qualified tips or overtime earned. The tips deduction is capped at \$25,000 and phases out after income exceeds \$150,000 for individual filers and \$300,000 for joint filers. Similarly, a provision on no tax on overtime operates as a deduction capped at \$12,500 for individuals and \$25,000 for joint filers and phases out at the same point as no tax on tips. Both provisions will expire after the 2028 tax year.

OBBA provides a \$6,000 deduction for seniors age 65 and older after 2024 and before 2029, with a phase out for individuals whose modified adjusted gross income exceeds \$75,000 for individuals and \$150,000 for joint filers.

Purchasers of new automobiles will be eligible to deduct, with certain conditions, up to \$10,000 of the interest paid on the purchase of a qualified vehicle purchased after 2024, on the interest paid from 2025 through 2028. Income limits apply to the deduction.

The IRS has issued guidance on the operation of all these new provisions. All four will be reported on a new Schedule 1-A filed with a Form 1040 or 1040-SR.

#### **New OBBBA Business Provisions**

The Act resurrects and makes permanent 100% bonus depreciation that was set up in the TCJA, as well as reinstates the deduction for domestic research and experimental expenditure costs after 2024. It also makes permanent the qualified business income deduction.

OBBA also eliminated a number of green energy tax credits established in the Inflation Reduction Act of 2022.

### **DIRECT FILE ELIMINATED**

An alternative tax filing program operated by the Internal Revenue Service, Direct File, which allowed filers of simple tax returns to prepare (including importing W-2 and other data directly from IRS databanks) and file their returns through the IRS website was eliminated. The program that launched with the Inflation Reduction Act was in Republican crosshairs since its inception and in 2025, it was formally eliminated. Prior the change in administration, the program was slowly growing and gaining some traction with taxpayers, but the new administration and the GOP-led Congress had no interest in further investment or availability.

Direct File was available in 25 states during the 2025 tax filing season and supported returns that included taxpayers claiming the Earned Income Tax Credit,

the Child Tax Credit, and the Credit for Other Dependents, as well as for the Child and Dependent Care Credit, Premium Tax Credit, Credit for the Elderly and Disabled, Retirement Savings Contribution Credits, and health savings accounts deductions. The program appeared to be gaining some traction as usage increased year-over-year for the two years it was in place and was poised to grow even further as the previous administration laid a foundation to continue to expand the pool of taxpayers who would be eligible for the service. However, it could not get past GOP opposition from its inception and failed to change enough minds once the program went live. A focus on reducing costs ultimately led to its demise once Republicans took over Congress and the White House.

## ■ LEADERSHIP AT THE IRS

While much of the attention in 2025 was focused on the passage and implementation of OBBBA, underlying it was the revolving door of leadership at the IRS. There were six commissioners, one confirmed and the rest appointed as acting commissioners before the Treasury Department appointed Social Security Administration Commissioner Frank Bisignano to take on the additional role of the newly created position of chief executive officer. His role is similar to that of a commissioner in that he is in charge of the day-to-day operations of the agency. The appointment has received pushback from Congressional Democrats because it bypasses their role in the vetting process in a leadership position that generally requires Senate approval. A change in leadership in the Senate during the 2026 midterms could turn this into a key issue going forward.

## ■ PHASING OUT OF PAPER CHECKS

At the end of September, the IRS began phasing out paper checks, following Executive Order 14247. Refunds will primarily be delivered through direct

deposit or other secure digital methods. For individuals without access to a bank account, the IRS will provide alternatives such as prepaid debit cards or digital wallets. Taxpayers are encouraged to prepare early by updating their banking details or considering low-cost account options available through resources like FDIC.gov/GetBanked and MyCreditUnion.gov. This has received pushback, particularly from industry associations that point out the pitfalls associated with the elimination of paper checks, but so far, the agency is moving forward with the plan.

## ■ BENEFICIAL OWNERSHIP INFORMATION REPORTING

The beneficial ownership information (BOI) reporting saga appeared to have come to a close for the time being when the Department of the Treasury announced in March 2025 that it will “not enforce any penalties or fines against U.S. citizens or domestic companies or their beneficial owners after the forthcoming rule changes take effect.” BOI information is required under the Corporate Transparency Act.

Proposed rules were ultimately issued to narrow the scope of the rule regarding the reporting of beneficial ownership information to reporting by foreign companies only. The announcement came weeks after the Financial Crimes Enforcement Network announced that mandatory BOI reporting was back in effect, although it would not be issuing any fines or penalties or take other enforcement action against those who do not report.

## ■ TAXATION OF DIGITAL ASSETS

While legislation surrounding the taxation of digital assets remains an ongoing issue, the House and Senate, with bipartisan support, did overturn an IRS digital asset reporting rule, “Gross Proceeds Reporting by Brokers that Regularly Provide Services Effectuating Digital Asset Sales.” It was suggested in a hearing leading up to Congressional action that the rule would

result in additional paperwork and burden to the taxpayers while providing the IRS with data that has little value to tax administration. Legislative leadership from both sides of the aisle have expressed interest in making the taxation of digital assets a priority in 2026.

## ■ AI AT THE IRS

The IRS lost about a quarter of its workforce in 2025 due to actions taken by

the Department of Government Efficiency and, even before the extent of the cuts and offered early retirement packages were known, Treasury Secretary Scott Bessent said during a May House Ways and Means Committee hearing that the then current employment level was “bloated” and the agency would be relying more on artificial intelligence, specifically to enhance collections activities. The scope of its usage is likely to be an oversight point in 2026 and beyond.

## ■ PROPOSED AND FINAL REGULATIONS

Various regulations, both proposed and final, were issued in 2025. These regulations implemented new rules and finalized proposed rules relating to procedural requirements, investment vehicles, changes related to the SECURE 2.0 Act, and much more. Additionally, towards the end of the year, the IRS began issuing proposed regulations implementing key provisions of the One Big Beautiful Bill Act. Several older regulations were also withdrawn (a common occurrence in the early days of a new administration, but also done to reflect judicial decisions that effectively invalidated that earlier guidance). Complete coverage of these new rules can be found on CCH® AnswerConnect. This new guidance included:

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|----------------------------------|---|
| <b>OBBA Guidance</b>             | <ul style="list-style-type: none"> <li>• <b>NPRM REG-112829-25</b> - Backup Withholding Rules for Third Party Network Transactions</li> <li>• <b>NPRM REG-113515-25</b> - Car Loan Interest Deduction</li> <li>• <b>NPRM REG-110032-25</b> - Identification of Occupations Eligible for “No Tax on Tips” Deduction, Define “Qualified Tips”</li> </ul>  |
| <b>Non-OBBA Guidance</b>         | <ul style="list-style-type: none"> <li>• <b>NPRM REG-107111-25</b> - Health Care Price Transparency</li> <li>• <b>T.D. 10041</b> - BEAT Regulations Addressing Qualified Derivative Payments on Securities Lending Transactions</li> <li>• <b>T.D. 10040</b> - Tribal General Welfare Benefits</li> <li>• <b>T.D. 10039</b> - Federal Tax Status of Wholly Owned Tribal Entities</li> <li>• <b>T.D. 10038</b> - Reduction of User Fee on Estate Tax Closing Letter Requests</li> <li>• <b>T.D. 10042; NPRM REG-101952-24</b> - Taxation of Foreign Government Income from United States Investments</li> <li>• <b>T.D. 10037</b> - Comprehensive Stock Buyback Excise Tax Rules Under Inflation Reduction Act</li> <li>• <b>NPRM REG-109742-25</b> - Proposed Elimination of Domestic Corporation Look-Through Rule in Code Sec. 897 Regulations</li> <li>• <b>T.D. 10035; REG-108673-25</b> - Reducing PTIN User Fee to \$10</li> <li>• <b>T.D. 10036</b> - Reporting Requirements of Average Income Test for Low-Income Housing Credit</li> <li>• <b>T.D. 10033</b> - Amending Catch-up Contribution Rules</li> <li>• <b>NPRM REG-108822-25</b> - Modifying Reporting Rules for Exchanges of Interests in Partnerships Owning Inventory or Unrealized Receivables</li> <li>• <b>NPRM REG-132805-17</b> - Proposed Use of NAICS to Define Line of Business for Fringe Benefit Exclusions</li> <li>• <b>T.D. 10029</b> - Micro-Captive Transactions and Transactions of Interest</li> </ul> |
| <b>Withdrawal of Regulations</b> | <ul style="list-style-type: none"> <li>• <b>NPRM REG-132251-11; REG-134219-08</b> - Withdrawal of Proposed Rules on Joint and Several Liability Relief</li> <li>• <b>NPRM REG-124791-11</b> - Withdrawal of Proposed PTIN Rule After Court Ruling</li> <li>• <b>NPRM REG-112261-24; REG-116085-23</b> - Withdrawal of Proposed Regs Addressing Corporate Separations, Incorporations, and Reorganizations</li> <li>• <b>NPRM REG-129260-16</b> - Withdrawal of Proposed Rule on State Department Disclosures in Passport Revocation Cases</li> <li>• <b>REG-125710-18</b> - Withdrawal of Proposed Regulations on Built-in Gain and Loss</li> <li>• <b>T.D. 10021</b> - Gross Proceeds Reporting by Brokers Removed from CFR</li> </ul>   |



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