

Dear Clients and Friends,

As we embark on a new tax filing season, we would like to express our sincere appreciation for the confidence you place in **GWH – Gilbert Wilson & Hunter**. We value the opportunity to work with you and are grateful for the trust you continue to show in our team as we support your financial goals.

With recent and anticipated changes to tax laws, our professionals are committed to helping you navigate how these developments may impact your individual situation. We will work with you to explore thoughtful strategies designed to strengthen your tax and overall financial planning. Since all clients' circumstances are different, we encourage you to consult with us before acting on any strategies outlined below to ensure they are appropriate for your specific needs.

NEW TAX LEGISLATION UPDATE



In July 2025, Congress enacted significant tax legislation known as the **One Big Beautiful Bill Act (OBBBA)**. This law introduces expanded and enhanced tax benefits for individuals, families, business owners, and investors. Many provisions are now permanent, while others create new planning opportunities over the next several years.

Provisions Affecting Individuals

1. Individual Tax Rates and Standard Deduction

- The existing individual income tax brackets ranging from **10% to 37%** have been made permanent, providing greater certainty for long-term tax planning.
- The **standard deduction has increased substantially** and will continue to adjust for inflation. Taxpayers aged 65 and older receive an additional deduction, subject to phase out at higher income levels.

2. Child-Related Credits and Benefits

- The **Child Tax Credit** has been permanently enhanced, including higher phase-out thresholds and improved refundability.
- Credits for **employer-provided childcare** and dependent care assistance have been expanded, increasing incentives for both employers and employees.

3. State and Local Tax (SALT) Deduction

- For tax years **2025 through 2029**, the SALT deduction cap is temporarily increased to \$40,000 (\$20,000 for married taxpayers filing separately), creating a time-sensitive planning opportunity for taxpayers in higher-tax jurisdictions.

4. Charitable Contribution Rules

- Beginning in **2026**, charitable deductions will be allowed only for contributions that exceed **0.5% of adjusted gross income (AGI)**.
- High-income taxpayers will also be subject to an overall limitation on itemized deductions, effectively limiting the tax benefit to **35%**.
- Taxpayers who do not itemize will be eligible for a new **above-the-line deduction** for qualifying charitable cash contributions.

5. Deductions for Tips, Overtime, and Auto Loan Interest

- Eligible wage earners may deduct up to **\$25,000 of tip income** and up to **\$12,500 of overtime pay** (\$25,000 for joint filers), subject to income phase-outs.
- A new deduction of up to **\$10,000** is available for interest paid on loans used to purchase new **U.S.-assembled vehicles**, subject to income limitations.

6. Retirement Planning Enhancements (SECURE Act 2.0)

- The age for **Required Minimum Distributions (RMDs)** increases to **73**, with a further increase to **75 beginning in 2033**.
- Starting January 1, 2025, individuals ages **60 through 63** may make enhanced catch-up contributions of up to **\$11,250** to employer-sponsored retirement plans (indexed for inflation).
- Beginning in 2026, certain higher-income taxpayers must make catch-up contributions on a **Roth basis**.
- **529 plan funds** may now be rolled over to Roth IRAs, offering additional flexibility for unused education savings.

7. Gift and Estate Planning

- The **annual gift tax exclusion** increases to **\$19,000 per recipient** for both 2025 and 2026.
- Estate and gift tax exemption amounts remain at historically elevated levels, though future legislative changes should be monitored.

8. Disaster Relief Provisions

- Casualty loss deductions are expanded to include **state-declared disasters**, not just federally declared events.
- Qualified disaster relief payments remain excluded from taxable income.

Provisions Affecting Individuals

- The **Paid Family and Medical Leave Credit** is now permanent.
- The **excess business loss limitation** has been made permanent.
- The allowable asset threshold for **REIT taxable subsidiaries** increases to **25%**.

Action Steps for Businesses

- Reassess capital investment and depreciation strategies.
- Update payroll and information reporting systems.
- Plan for the scheduled phase-out of energy-related tax credits.
- Confirm compliance with revised e-filing and recordkeeping requirements.