PENSION & WEALTH MANAGEMENT ADVISORS

IMPROVING FINANCIAL SECURITY

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BULLETIN: WASHINGTON TAX BILL UPDATE

May 22, 2025

OVERVIEW

Congress is in the process of advancing a significant tax law overhaul, with passage expected in the coming weeks. While the final provisions are still being negotiated, several key elements are likely to be included in the final legislation. Below is a summary of the items most relevant to individual investors and small business owners.

INDIVIDUAL TAXES

- **Tips & Overtime**: No tax on income from 2025–2028, includes independent contractors.
- **Senior Deduction**: Extra $4,000 standard deduction (2025–2028); phases out above $75K/$150K.
- **SALT Deduction**: Increased to $30,000.
- **Estate Taxes**: No update yet but may remain at current levels.
- **Car Loan Interest Deduction**: New break (2025–2028); phases out above $100K/$200K income.
- **MAGA Accounts**: New $1,000 savings accounts for children born 2025–2028.
- **Charitable Deduction for Nonitemizers**: $150 (individual) / $300 (married) allowed (2025–2028).
- **High-Income Deduction Limit**: Top earners' itemized deductions capped at 35% benefit.

BUSINESS & CORPORATIONS

- **Corporate Tax Rate**: Remains at 21%
- **Executive Compensation**: New limits on deductions for pay over $1 million.
- **Corporate Charitable Donations**: No deductions unless over 1% of taxable income.
- **Carried Interest**: No change in tax treatment for private equity managers.
- **Remittances**: 5% excise tax on some foreign payments (with exceptions).
- **Sports Team Purchases**: New deduction limits applied.

ELECTRIC VEHICLES & CLEAN ENERGY

- **EV Tax Credits**: End after 2025 for most (extended 1 year for manufacturers under 200,000 vehicles sold).
- **Clean Energy Credits**: Start shrinking in 2029; eliminated after 2031. Projects must be completed by deadlines.
- **Manufacturing Tax Breaks**: End after 2031 (battery/renewable components); wind components expire 2027.
- **Tax Credit Sales**: New limits placed, restricting the booming post-IRA market.

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EDUCATION & FOUNDATIONS

- **University Endowments**: Tax up to 21% (up from 1.4%) on investment income, graduated scale.
- **Foundations**: Tax up to 10% (up from 1.39%), also on graduated scale.
- **Scholarship Donations**: New tax credit up to 10% of income for donations to scholarship orgs (2026–2029), capped at $5B/year.

SUMMARY

As the legislation moves toward its final version, we will continue to keep you informed on developments related to the anticipated tax law changes later this year. As always, we encourage you to reach out to your advisor with any questions regarding the potential or finalized provisions.

Source: The Wall Street Journal, Bloomberg, New York Times

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