JJ THE CPA®

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JOSHUA JENSON, CPA aka JJ THE CPA®

Joshua has over 33 years of public accounting experience in the field of tax, with a focus on LLCs, partnerships, S corporations, and related individual tax matters. He continues to actively practice in the tax industry through the CPA firm he founded 28 years ago.

JJ has traveled extensively throughout the United States, presenting tax courses to thousands of fellow CPAs, covering the latest tax laws and strategies, as well as delivering virtual tax seminars to CPAs, Enrolled Agents, and tax professionals nationwide.

The U.S. Chamber of Commerce named him one of the top 10 Small Business Experts to follow on social media. He has appeared on local as well as national news programs for the last 20 years, becoming a regular guest during tax season on several local and national radio programs.

JJ the CPA has over 102,000 SUBSCRIBERS and over 8 million views on his YouTube channel “JJ THE CPA,” and has authored 2 books available on Amazon.

Joshua Jenson is a licensed CPA in Oklahoma and Texas, and a member of the American Institute of CPAs, the Oklahoma Society of CPAs, as well as the Oklahoma City Chapter of the OSCPAs. JJ serves on the Tax Committee for the Oklahoma Society of CPAs and has served as the past Chairperson of the OSCPA Educational Foundation. He was also named CPA of the Year by his CPA peers. Joshua is a 1993 graduate of Abilene Christian University, where he earned a degree in accounting.

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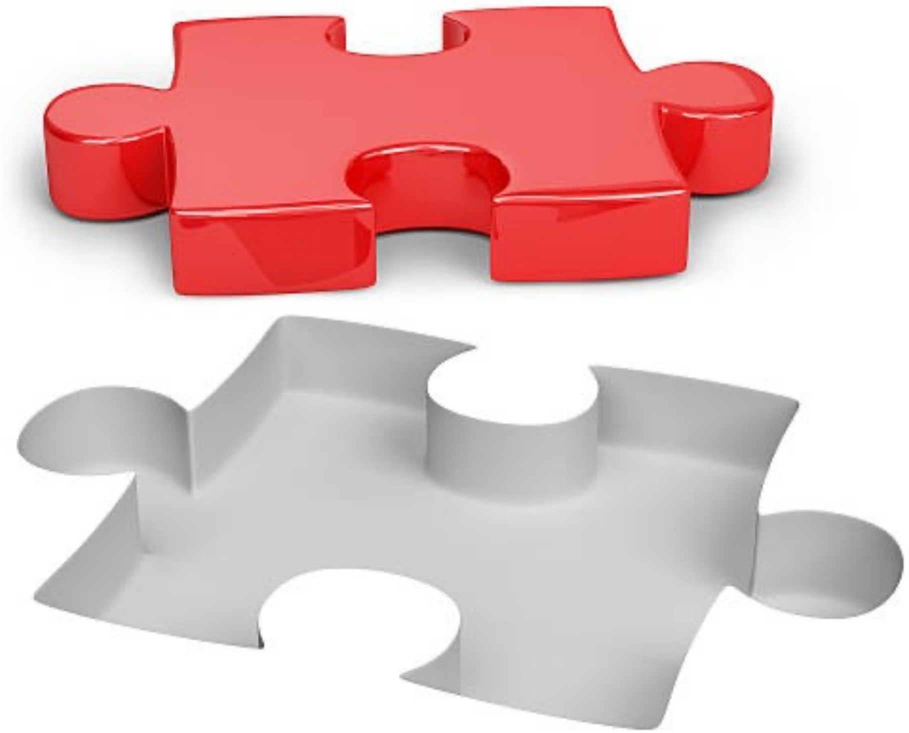
One Big Beautiful Bill Act: Tax Law Changes



NO TAX ON TIPS

NO TAX ON TIPS - $25,000

Up to $25,000 Deduction on Tip Income

- Starting in 2025 through 2028, may be deducted annually
- All tip compensation for W-2 employees and 1099 workers is still reportable income
- Applies to cash and non-cash tips (e.g., Venmo, credit card, cash)
- Only qualified tip income is defined as voluntarily paid
- To be tracked and reported separately on Forms W-2 and 1099.

NO TAX ON TIPS: BELOW-THE-LINE DEDUCTION

Up to $25,000 Deduction on Tip Income

- Separately stated "below-the-line" deduction
- A taxpayer can either take the standard deduction or itemize deductions
- Taxpayers must include their Social Security Number on the return
- This will only save federal income tax
  – Does not exempt the tips from payroll or self-employment taxes

NO TAX ON TIPS DEDUCTION

Up to $25,000 Deduction on Tip Income

- Per tax return deduction. Not a per-person deduction
- MFS results in zero deduction. Requires, if married, to file MFJ
- Phases out for taxpayers with modified adjusted gross income (MAGI) over $150,000 and $300,000 for MFJ.

MAX TIP DEDUCTION BY FILING STATUS

The OBBBA sets a hard cap on the tip deduction based on how you file — not how much you earn in tips. Who gets to deduct how much. MFS filers? They're out. Everyone else? Capped at $25K per return.

- Single — $25,000 deduction
- Head of Household — $25,000 deduction
- Married Filing Jointly (MFJ) — $25,000 combined (not $25K per spouse)
- Qualifying Widow(er) — $25,000 deduction

- Married Filing Separately (MFS) — $0 deduction allowed

⚠️ No partial credit for MFS — it's all or nothing, and MFS gets nothing.

NO INCOME TAX ON TIPS – SELF-EMPLOYED

Additional items to note for self-employed individuals:

- For self-employed, the deduction may not exceed the individual's net income (without regard to this deduction) from the trade or business in which the tips were earned
- Self-employed individuals in a Specified Service Trade or Business (SSTB) under section 199A are not eligible

1099 WORKERS: NO TAX ON TIPS FOR SCHEDULE C

Self-employed workers (Schedule C) who receive tip income can also deduct up to $25,000. This provision also covers gig workers and sole proprietors whose clients/customers give them gratuities.

- Applies to self-employed sole proprietors and independent contractors
- Tip income must be separately stated and documented
- $25,000 deduction applies per individual, not per business ($25,000 max deduction per return)
- Applies even if receiving tips via cash apps, credit cards, or cash
- Must still report total income on Sch C, but the deduction is not on Sch C
- $25,000 is deducted from taxable income on a separate area of the tax return
- Will reduce down QBI (any allowable deduction also reduces QBI)
- Will NOT reduce down SE tax calculations

EXAMPLES OF HOW THE NO TAX ON TIPS WORKS

- Example 1 (W-2 employee): Sarah earns $22,000 in tips as a server in 2026. All tips reported to her employer. She reports the full $22,000 as W-2 wages. On a separately stated line, deducts $22,000 from taxable income.

- Example 2 (1099 contractor): In 2027 John is a valet subcontractor earning $19,000 in cash tips reported in a logbook. He claims the full $19,000 on Schedule C as gross income and CANNOT deduct any tips on Schedule C. He deducts $19,000 on a separate schedule subtracting from federal taxable income only.

- Example 3 (Married couple): Maria earns $26,000 in W-2 tips, Kevin earns $18,000 in 1099 tips. On their joint return, they report all tips as income but can only deduct $25,000 in total from their taxable income.

EXAMPLE: NO TAX ON TIPS – HAIR INDUSTRY

Example 4:
A barber receives $18,500 in tips as a W-2 employee over the year and was reported to the employer via Square and logged daily. The wages are reported including the $18,500. The tips qualify for the deduction.

Example 5 - Add the facts:
The barber received $500 in cash tips separately reported from the fees charged for haircuts but <u>not</u> reported by the employer. If the barber reports the $500 of income as "other income" on Schedule 1, until further IRS clarification, $19,000 would be the tip deduction as all tip income was reported.

EXAMPLE: NO TAX ON TIPS – NAIL INDUSTRY

Example 6:
A mobile nail tech earns $23,000 in Venmo tips and $1,500 in cash tips during in-home sessions.

Only the $23,000 in Venmo tips were logged and reported as income on Schedule C. Therefore, only $23,000 can be deducted from federal income tax only (not deducted on Schedule C or Schedule SE).

The cash tips not reported is tax fraud. Just because ultimately the net result for federal taxable income would have been zero, that doesn't allow income to not be reported.

If reported $24,500 tip income less $24,500 tip deduction does equal zero for federal taxable income, but the $1,500 is still subject to self-employment taxes and is required to be reported on Schedule C and reduce QBI.

NO TAX ON TIPS – TAXI/UBER INDUSTRY

Example 7:

An Uber driver makes $27,000 in tips through cash and app-based payments

- $27,000 is logged and included as income on Schedule C

On a separate schedule, only $25,000 is deducted from taxable income

- The maximum deduction is $25,000
- This is not on Schedule C or Schedule SE
- QBI is only reduced by $25,000 on Form 8995

Add the fact that the net income on Schedule C is $14,000

- The tip deduction is only $14,000 (separately stated)
    - It cannot exceed the Schedule C net income
    - The tip deduction does not reduce Schedule C net income
    - QBI is only reduced by $14,000 as that is the allowable deduction

EXAMPLE: NO TAX ON TIPS – FOOD DELIVERY

Example 8:
A DoorDash driver receives $14,500 in customer tips via app payouts and $1,500 in cash tips

- The full $16,000 in tips is tracked and reported as income on Schedule C

That qualifies a $16,000 separately stated deduction

- Not a deduction on Schedule C or SE
- QBI is reduced by $16,000 on Form 8995
- Would assume the net income was at least $16,000 on Schedule C

Add the fact that the driver files *married filing separately*

- No tip deduction is allowed
- No reduction of QBI as no deduction was allowed

NO TAX ON OVERTIME

OVERTIME PAY: $12,500 PER PERSON

Up to $12,500 Deduction on Overtime

- Starting in 2025 through 2028, for qualified overtime compensation.
- Overtime wages and compensation for W-2 and 1099 (per IRS) are still reportable income
- To be tracked and reported separately on Forms W-2 and 1099
- Only qualified employees who are paid the required overtime compensation mandated by Section 7 of the Fair Labor Standards Act (FLSA) are to be included.

OVERTIME PAY: ONLY THE “HALF” INCLUDED

Up to $12,500 Deduction on Overtime

- The deduction only includes 0.5 of the 1.5 times the regular rate for hours worked over 40 per week, as required under the Fair Labor Standards Act (FLSA).
- Example: $10/hour base → $15/hour OT rate → The $5/hour is includible in the “no tax on tips” deduction
- FLSA defines 'overtime compensation' as the total 1.5 times rate, but only requires the .5 times rate to be added, as the employee still would be paid their hourly rate.

OVERTIME PAY: BELOW-THE-LINE

Up to $12,500 Deduction on Overtime

- Separately stated “below-the-line” deduction
- A taxpayer can either take the standard deduction or itemize deductions
- This will only save federal income tax
  - Does not exempt the overtime pay from payroll or self-employment taxes (per IRS)

OVERTIME PAY DEDUCTION

Up to $12,500 Deduction on Overtime

- Deduction is per taxpayer, per year
  - Maximum deduction of $25,000 for MFJ
- MFS results in zero deduction. Requires, if married, to file MFJ
- Phases out for taxpayers with MAGI over $150,000 ($300,000 MFJ)

MAX OVERTIME DEDUCTION BY FILING STATUS

The One Big Beautiful Bill Act sets a hard cap on the overtime deduction based on how you file, not how much you earn in overtime. This slide lays out exactly who gets to deduct how much. MFS filers? They're out. Everyone else? Capped at $25K per return.

- Single — $12,500 deduction
- Head of Household — $12,500 deduction
- Married Filing Jointly (MFJ) — $25,000 combined (not $25K per spouse)
- Qualifying Widow(er) — $12,500 deduction
- Married Filing Separately (MFS) — $0 deduction allowed

⚠️ No partial credit for MFS — it's all or nothing, and MFS gets nothing

⚠️ Deduction phases out beginning at $150K AGI (single) and $300K AGI (MFJ).

CAR LOAN INTEREST DEDUCTION

CAR LOAN INTEREST $10,000 DEDUCTION

Starting from 2025 through 2028, up to $10,000 deduction on car loan interest

- Loans to buy new vehicles
  - The original use of which starts with the taxpayer (used vehicles do not qualify),
  - Personal use vehicle (not for business or commercial use)

- The loan must be secured by the vehicle
  - Originated after December 31, 2024
  - If a qualifying vehicle loan is later refinanced, interest paid on the refinanced amount is generally eligible for the deduction (per IRS)

CAR LOAN INTEREST REQUIREMENTS

Up to $10,000 Deduction on Car Loan Interest

- Vehicle Identification Number (VIN) of the qualified vehicle to be reported each year

- Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year.

- Eligible vehicles include cars, SUVs, pickup trucks, vans, and motorcycles
  - Under 14,000 lbs. GVWR with final assembly in the United States
  - Not allowed on used vehicles or leases

CAR LOAN INTEREST DEDUCTION

Up to $10,000 Deduction on Car Loan Interest (Continued)

- Below-the-line deduction
- A taxpayer can either take the standard deduction or itemize deductions
- This will only save federal income tax. Not self-employment taxes
- Phases out for taxpayers with MAGI over $100,000 (single) or $200,000 (MFJ)
  - Fully phased-out by MAGI $150,000 (single) and $250,000 (MFJ)

CAR LOAN INTEREST DEDUCTION – EXAMPLES

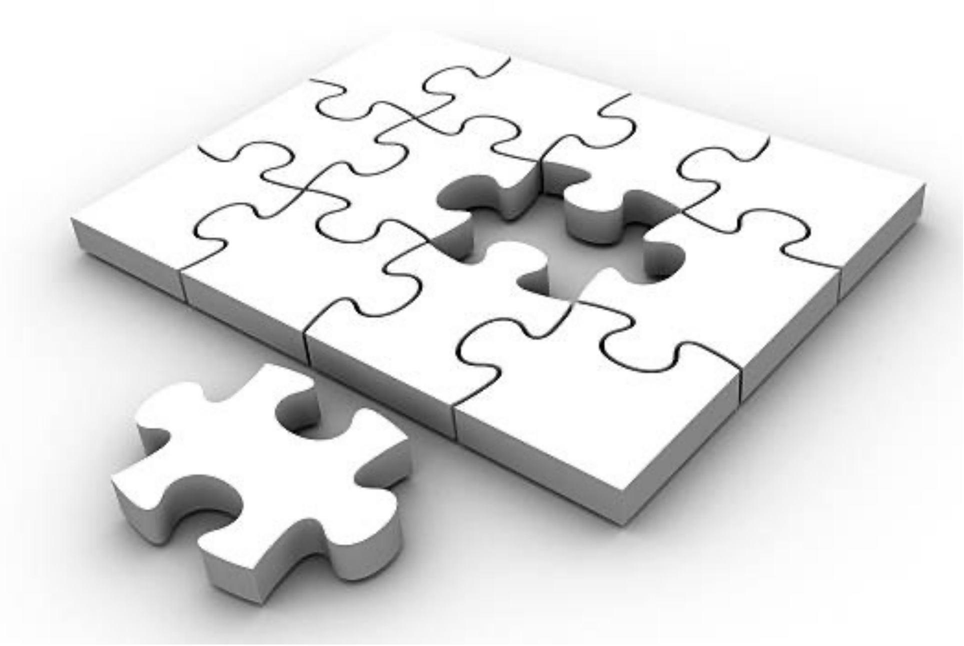
Example 1: Self-Employed Realtor
- Buys new U.S.-assembled SUV in 2025, 80% business use
- Pays $10,000 interest → $8,000 Schedule C + $2,000 below-the-line deduction

Example 2: W-2 Sales Manager
- Buys new U.S.-assembled sedan in 2025, 100% personal use/commuting
- Pays $9,000 interest → $9,000 below-the-line deduction

Example 3: W-2 Engineer
- Buys vehicle in December 2024 → Not eligible

Example 4: Investor with used Turo fleet → Not eligible

Example 5: New RV (camper) purchase → Not eligible



SENIOR DEDUCTION

SENIOR DEDUCTION INTRODUCED

Up to $6,000 Deduction for Individuals Aged 65 and Older

- Starting in 2025 through 2028
- Must be age 65 or older on the last day of the tax year

- In addition to the current additional standard deduction for seniors
  - Separately stated “below-the-line” deduction
  - Available whether the taxpayer itemized their deductions or took the standard deduction
  - In addition to the current 65+ and blind deduction

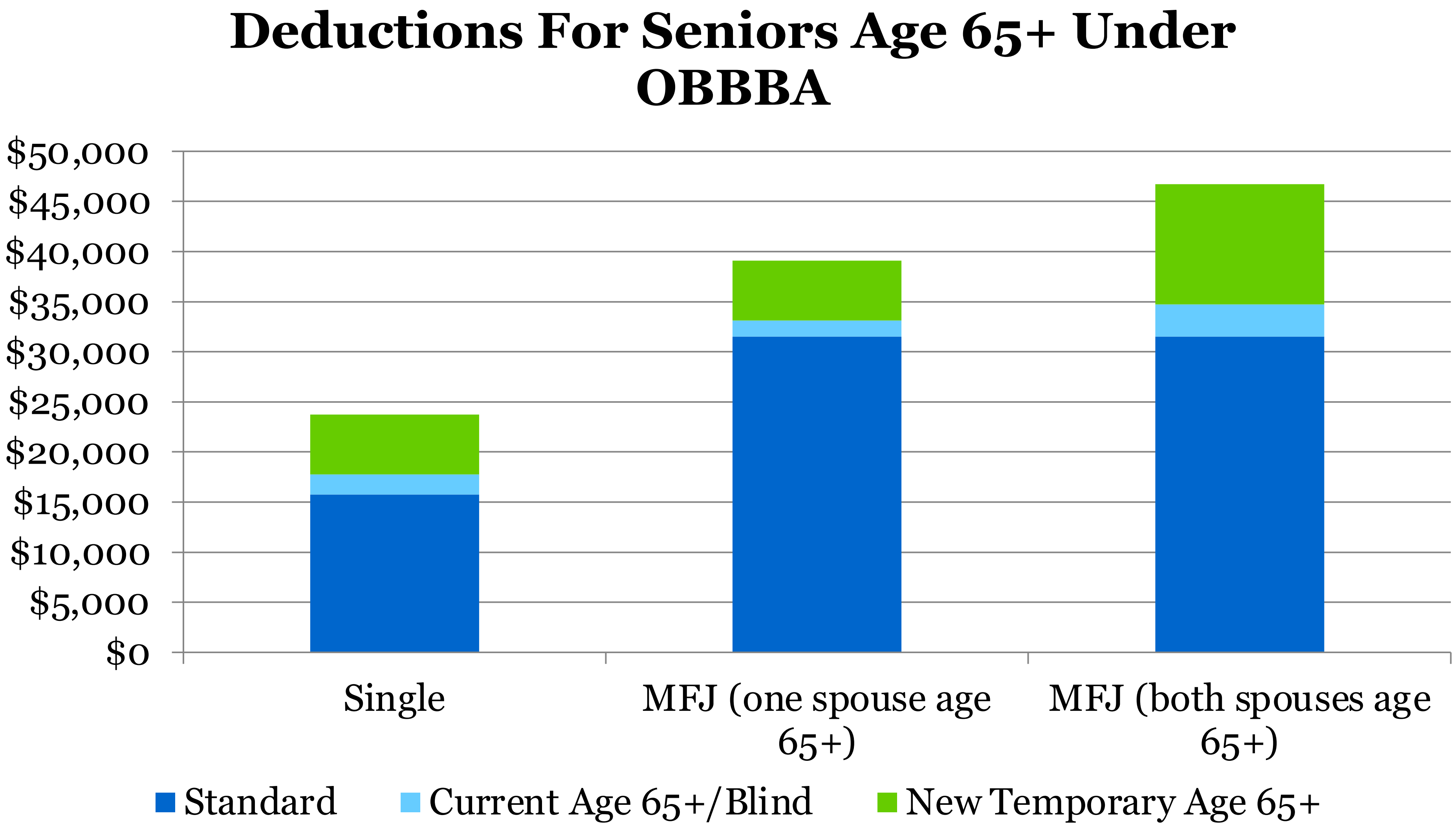
SENIOR DEDUCTION INTRODUCED

Up to $6,000 Deduction for Individuals Aged 65 and Older

- This deduction applies per eligible person
- Married couples, if both spouses qualify, can claim a total of $12,000
  - However, if married, you must file jointly to claim the deduction.

NOTE: The OBBBA did not address the taxation of Social Security income. This deduction has no correlation to Social Security income.

SENIOR DEDUCTION STACKS UP



INDIVIDUAL PROVISIONS

SALT DEDUCTION CAP INCREASE

The long-awaited adjustment to the state and local tax (SALT) deduction cap is now in effect.

- Beginning in 2025, the cap increases to $40,000
  - Not per taxpayer, per return
  - Except for Married Filing Separately (MFS), which is $20,000
  - Increases 1% each year through 2029

- Beginning in 2030, this deduction reverts to a maximum of $10,000.

CHARITABLE DEDUCTION FOR NON-ITEMIZERS

Up To $1,000 (Single) or $2,000 (MFJ) in Charitable Contributions

- Permanent provision starting in tax year 2026
- Available only to non-itemizers
  - i.e., only those taking the standard deduction can take advantage of this
- Below-the-line deduction

CHARITABLE DEDUCTION FOR NON-ITEMIZERS

Up To $1,000 (Single) or $2,000 (MFJ) in Charitable Contributions

- The original statutory requirement that such contributions be "made in cash" remains unchanged, excluding non-cash gifts
- The new 0.5% AGI floor is only imposed when itemizing deductions
- Contributions to donor-advised funds, private foundations, or supporting organizations are ineligible

CHARITABLE DEDUCTION FOR ITEMIZERS

OBBBA introduces, for the first time, a floor on the deductibility of charitable contributions, effective beginning in 2026.

- Taxpayers may only deduct charitable contributions to the extent they exceed 0.5% of their adjusted gross income (AGI).
- This only applies to charitable contributions being itemized.
- This floor is applied before the traditional AGI percentage limitations (such as the 60%, 50%, or 30% limits)

MORTGAGE INTEREST DEDUCTION

Under OBBBA, the $750,000 acquisition indebtedness limit and related requirements from the TCJA remain unchanged.

- The exclusion of interest on home-equity indebtedness remains.

- The new law won't change the mortgage interest deduction for those who took out mortgages before December 15, 2017, as they continue to be grandfathered into the pre-TCJA indebtedness limit of $1 million.

MORTGAGE INSURANCE PREMIUMS

Effective 2026: The OBBBA also reinstates the deduction for mortgage insurance premiums (MIP/PMI) and treats them as qualified residence interest. Premiums paid after December 31, 2025, for qualified mortgage insurance in connection with acquisition indebtedness are deductible as home mortgage interest:

- Because mortgage insurance premiums are included as mortgage interest, it is subject to mortgage limits.

STANDARD DEDUCTION INCREASES

Standard Deduction: The higher standard deduction is permanently locked, indexed for inflation, and rises for 2025

	2025 (TCJA)	**2025 (OBBBA)**
Single	$15,000	$15,750
Head of Household	$22,500	$23,625
Married Filing Jointly	$30,000	$31,500

Personal exemptions: The personal exemption is set to zero permanently.

CHILD & OTHER DEPENDENT TAX CREDIT

Effective 2025: The child tax credit increases to $2,200 per qualifying child

- Refundable portion up to $1,700
- Under the age of 17. Qualifications did not change.

The other dependent credit remains the same at $500

– 17 and older. Qualifications did not change.

The higher income phase-out thresholds of $200,000 for single filers and $400,000 for MFJ are made permanent

ADOPTION CREDIT

Starting in 2025, the Adoption Tax Credit includes a refundable component for the first time:

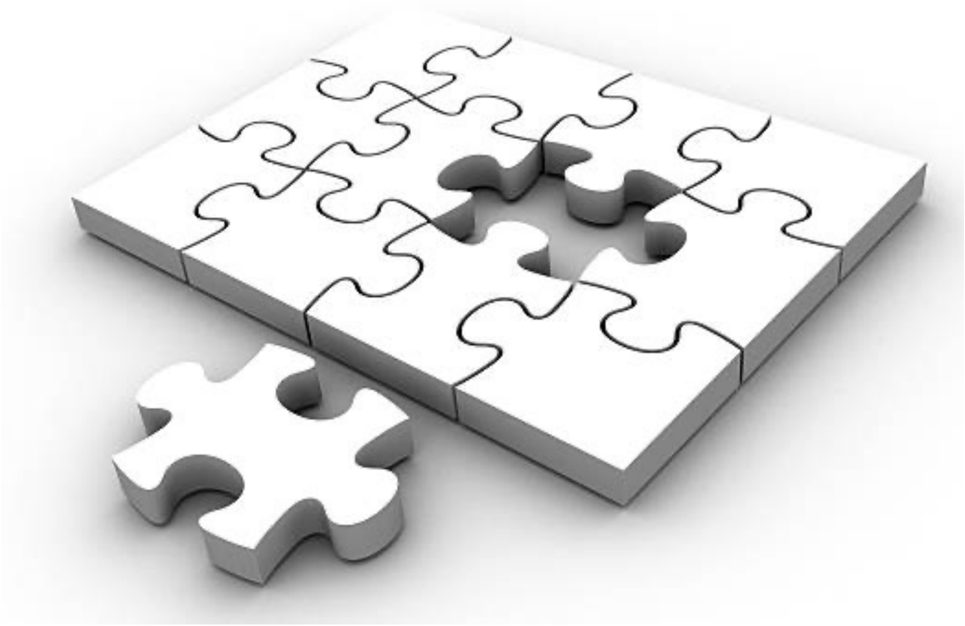
- Up to $5,000 of the credit will now be refundable, indexed for inflation.
  - The *refundable* portion of the adoption tax credit is in the first year only
- The total available credit remains capped at $17,280 for 2025
  - Carried forward for five years as a non-refundable credit
- The OBBBA allows Indian tribal governments to determine whether a child has special needs for purposes of calculating the adoption tax credit.

NOTE: For 2025, the credit begins to phase out for taxpayers with a MAGI above $259,190. The credit completely phases out once your MAGI reaches $299,190.

YOUTH EMPOWERMENT ACCOUNT

OBBBA establishes the Trump Account, a new tax-preferred savings account for all children under age 18.

- Children born between January 1, 2025, and December 31, 2028, are automatically enrolled and receive a one-time $1,000 federal contribution.
- Contributions are otherwise allowed starting July 4, 2026, by parents, relatives, or others, up to $5,000 annually ($2,500 for employers), indexed for inflation.
- Contributions are not deductible, do not require the child to have earned income, and do not count toward IRA or workplace plan limits.
- Earnings will grow tax-free until the child reaches 18
- These accounts must be held by a financial institution and invested in a qualified index fund.



BUSINESS PROVISIONS

QBI DEDUCTION SURVIVES

The new law makes the Section 199A qualified business income (QBI) deduction permanent at 20%.

It expands the phase-in range for the deduction's wage and investment limitations, increasing the "window over the threshold" from $50,000 to $75,000 for single filers and from $100,000 to $150,000 for joint filers.

Additionally, the law introduces a new inflation-adjusted minimum deduction of $400 for taxpayers who have at least $1,000 of QBI from one or more active trades or businesses in which they materially participate.

TAX CREDIT FOR PAID FAMILY & MEDICAL LEAVE

OBBBA permanently extends the tax credit for employers that provide paid family and medical leave. Beginning in 2026, eligible employers may claim a general business tax credit of up to 25% based on:

- Wages paid to qualifying employees while on family or medical leave, or
- Premiums paid or incurred for insurance policies that provide paid family and medical leave coverage.

ERC CLAIMS DISALLOWED FOR 3RD & 4TH QTR 2021

OBBBA Retroactive Disallowance of ERC Claims:

- ERC claims for Q3 and Q4 of 2021 are disallowed if it was filed after January 31, 2024, and not yet paid.
- Even if the business was otherwise eligible, claims for Q3 and Q4 2021 are cancelled if it was filed after January 31, 2024, and not yet paid.
- If the claim has already been paid for Q3 or Q4, this provision does not apply, and the ERC does not need to be paid back.

ERC CLAIMS ALLOWED FOR 3RD & 4TH QTR 2021

What ERC Claims are Still Allowed?

- ERC claims for 2020 or Q1–Q2 of 2021 that were filed on or before the statutory deadlines (even if after January 31, 2024) are still allowed by statute under OBBBA — though they may still be scrutinized or denied on other eligibility grounds.

- All ERC claims filed on or before the applicable statutory deadlines, if before January 31, 2024 — regardless of quarter — remain valid and processable under OBBBA (subject to audit and enforcement).

- ERC claims that have already been paid.

ERC ALLOWED VS. DISALLOWED

Calendar Quarter	**ERC Already Paid** **Form 941 or Form 941-X Filed for ERC By Normal Due Date** **Before or After January 31, 2024**	**ERC Claim NOT Paid:** **Form 941 or Form 941-X Filed for ERC *by Statutory Deadline*** **on or Before January 31, 2024**	**ERC Claim NOT Paid:** **Form 941 or Form 941-X Filed for ERC *by Statutory Deadline*** **Filed AFTER January 31, 2024**
Q1 2020	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	IRS Continues to Process Claim & ERC Paid if Properly Applied For
Q2 2020	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	IRS Continues to Process Claim & ERC Paid if Properly Applied For
Q3 2020	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	IRS Continues to Process Claim & ERC Paid if Properly Applied For
Q4 2020	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	IRS Continues to Process Claim & ERC Paid if Properly Applied For
Q1 2021	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	IRS Continues to Process Claim & ERC Paid if Properly Applied For
Q2 2021	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	IRS Continues to Process Claim & ERC Paid if Properly Applied For
Q3 2021	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	ERC Claim Disqualified. IRS Will Not Process or Pay ERC
Q4 2021	Allowed: Employer Does NOT Repay	IRS Continues to Process Claim & ERC Paid if Properly Applied For	ERC Claim Disqualified. IRS Will Not Process or Pay ERC

BONUS AND SECTION 179 DEPRECIATION

The OBBBA locks in 100% bonus depreciation permanently and is retroactive, but note carefully, only back to assets "acquired after January 19, 2025."

The Section 179 depreciation is now $2.5 million retroactive back to January 1, 2025, phasing out after $4 million of the total assets provision, both of which are indexed for inflation.

- Notably, on SUVs, trucks, and vans with a GVWR of over 6,000 to 14,000 pounds, the cap is still capped under Section 179 at $31,300 in 2025 (also indexed)

BONUS DEPRECIATION

BONUS DEPRECIATION – 100% MADE PERMANENT

The One Big Beautiful Bill Act (OBBBA), signed into law July 4, 2025, permanently restores 100% bonus depreciation. The previous phaseout schedule is repealed.

- Effective Date: Acquired after January 19, 2025
- Bonus depreciation remains at 100% permanently
    - Bonus applies after Section 179 is elected
    - Can elect out of bonus depreciation
        - Election applies to all assets in each class life
        - You can select which class life will be elected out
- Applies to new and used qualified property
- MACRS property with a recovery period of 20 years or less
    - Includes qualified improvement property (QIP)

BONUS DEPRECIATION – 100% MADE PERMANENT

Bonus depreciation **does not apply** to:

- Class life over 20 years
- Property used outside the U.S.
- Property acquired from related parties
- Buildings and most structural components
- Intangibles (like goodwill)

BONUS DEPRECIATION VS. SECTION 179 EXPENSING

While two methods allow immediate expensing, key differences remain. Section 179 is capped and elective, while bonus depreciation is automatic.

- Bonus: 100% and automatic (unless opted out) on or after January 19, 2025
- 179: Must be elected and limited to taxable income
- Bonus applies to new and used property with no dollar cap
- 179 capped at $2.5M (2025), phases out at $4M
- 179 remains useful for qualifying property over 20-year class life
  - Example: Roofs, HVAC, fire protection, security
    - Eligible improvements carried from the The Protecting Americans from Tax Hikes (PATH) Act

BONUS DEPRECIATION EXAMPLES UNDER OBBBA

Asset	MACRS Class Life	Examples / Notes
Electronic Equipment	5 years	Copiers, printers, shredders, phones
Computers & Related	5 years	Laptops, desktops, monitors, servers
Automobiles (under 6,000 lbs. GVWR)	5 years	Sedans, small SUVs — subject to $10,000 maximum bonus depreciation on luxury auto limits

BONUS DEPRECIATION EXAMPLES UNDER OBBBA

Asset	MACRS Class Life	Examples / Notes
SUVs > 6,000 lbs. GVWR	5 years	Limited Sec. 179 ($31,300 in 2025); eligible for 100% bonus aft 1/19/25
Light Trucks & Vans	5 years	Used for delivery or mobile service operations
Restaurant Equipment	5 or 7 years	Ranges, fryers, refrigerators (depends on classification)
Trailers (utility or enclosed)	5 years	Used for transport, construction

BONUS DEPRECIATION EXAMPLES UNDER OBBBA

Asset	MACRS Class Life	Examples / Notes
Solar Panels (Nonresidential)	5 years	Energy property eligible for separate credits
Medical & Dental Equipment	5 or 7 years	X-ray machines, chairs, exam tables (depends)
Office Furniture & Fixtures	7 years	Desks, chairs, bookshelves, filing cabinets
Machinery & Equipment	7 years	Production machines, commercial ovens, CNC equipment
Tools & Workbenches	7 years	Power tools, workstations

BONUS DEPRECIATION EXAMPLES UNDER OBBBA

Asset	MACRS Class Life	Examples / Notes
Qualified Improvement Property (QIP)	15 years	Interior improvements to commercial buildings (QIP rules)
Fencing & Parking Lot Resurfacing	15 years	Land improvements not part of the building itself
Signage (detached)	15 years	Outdoor monument or pylon signs

BONUS DEPRECIATION EXAMPLE – RANGE ROVER

A 2025 Range Rover with a gross vehicle weight rating (GVWR) over 6,000 pounds may qualify for 100% bonus depreciation under OBBBA, if it is used more than 50% for business and acquired after January 19, 2025.

- Vehicle: 2025 Range Rover SE (GVWR ~7,100 lbs)
- Placed in service on March 1, 2025
- Cost: $120,000
- Business use: 100%
- Qualified for 100% bonus depreciation (Sec. 179 not elected)
- Depreciation = $120,000

Must retain substantiation of business use and GVWR (e.g., manufacturer certification, mileage logs)

LUXURY VEHICLES UNDER 6,000 or LESS LBS. GVWR

Vehicles with a gross vehicle weight rating (GVWR) 6,000 pounds or less are considered luxury automobiles and are subject to annual depreciation limits—even under OBBBA's 100% bonus depreciation rules.

- Applies to sedans, smaller SUVs, and passenger vehicles
- Bonus depreciation allowed only up to luxury auto cap of $10,000
- For 2025, maximum first-year depreciation limit (with bonus): $20,200
- Limits apply even if 100% business use
- Must check manufacturer GVWR and substantiate business use
- Cost otherwise must be depreciated over time (5-year MACRS, subject to annual limits)

AUTO BONUS DEPRECIATION 6,000 & UNDER LBS. GVWR

Example 2 – BMW 5 Series (GVWR: 4,200 lbs.)

- Purchase Price: $70,000
- Business Use: 100%
- Subject to luxury auto limits
- Year 1 Deduction (2025): $20,200

Remaining basis $49,800

Depreciated over remaining years with annual luxury auto limits

SECTION 179 DEPRECIATION

SECTION 179 DEPRECIATION – OBBBA EXPANSIONS

The One Big Beautiful Bill Act (OBBBA) significantly expands Section 179 expensing limits starting in 2025, permanently increasing the dollar cap, phaseout threshold, and eligibility of property types.

- Dollar limit raised to $2,500,000 Phaseout threshold increased to $4,000,000
- Effective for property placed in service on or after January 1, 2025
- Reminder of eligible improvements carried from the The Protecting Americans from Tax Hikes (PATH) Act
  - Roofs, HVAC, fire protection, security
- Reminder: Includes qualified improvement property (QIP)
- Applies to new and used property

SECTION 179 VS. BONUS DEPRECIATION

Although both methods provide immediate deductions, reminder of key distinctions.

- 179 $2.5 million is effective January 1, 2025; 100% bonus January 20, 2025
- 179 is elective; bonus is automatic unless opted out
- 179 is limited to net taxable income (add back officer compensation); bonus is not limited
- 179 has dollar caps at $2.5M and phaseouts $4M; bonus has no cap
    - Phaseout decreases allowable 179 dollar-for-dollar above threshold
- 179 allows selective asset treatment; bonus applies to all qualifying asset in any class life
- 179 leads to immediate recapture of all prior depreciation in the year any asset drops to 50% or less business usage; bonus has no immediate recapture under the same circumstances

SEC. 179 – SUV LIMITS OVER & UNDER 6,000 LB GVWR

Section 179 applies differently to SUVs depending on their GVWR. For 2025, the following rules and examples apply:

- SUV, Truck or Van Over 6,000 lbs. GVWR (Under 14,000 lbs. GVWR)
  - Maximum 179 deduction in 2025: $31,300
  - Balance may qualify for 100% bonus depreciation if acquired after 1/19/25 (40% 1/1/25 - 1/19/25)

- SUV 6,000 lbs. GVWR of Less
  - 179 deduction now allowed
  - Subject to luxury auto limits
  - 2025 first-year depreciation cap: $20,200 (with bonus)

Must substantiate business use over 50% and confirm GVWR

SUV EXAMPLE – $100,000 COST, 100% BUSINESS USE

Example 1:

SUV acquired on 1/20/25. GVWR: 6,800 lbs. 100% business use.
Total cost: $100,000. Section 179 + Bonus:

- Section 179 deduction: $31,300 (2025 statutory SUV limit)
- Remaining basis: $68,700 ($100,000 – $31,300)
    - Bonus depreciation: $68,700 (100% allowed post-OBBBA)
- Total first-year deduction (2025): $100,000
- Business use substantiation required; GVWR must exceed 6,000 lbs.

If only use bonus depreciation: $100,000 x 100% = $100,000

SECTION 179 DENIED – SUV AT 50% BUSINESS USE

Example 6: SUV placed in service 7/1/25. GVWR: 6,800 lbs. 50% business use. Total cost: $100,000. Section 179 + Bonus:

❌ Not eligible for Section 179 – must exceed 50% business use

❌ Not eligible for Bonus Depreciation – must exceed 50% business use

May use MACRS depreciation over 5 years on business-use portion

- Depreciable basis: $50,000 (50% of $100,000)
- Year 1 deduction (2025): $10,000 (20% MACRS straight-line)

Keep detailed mileage logs and personal use substantiation

- Important to distinguish personal commuting vs. true business use

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2. A "timeline" of the OBBBA provisions, presenting major provisions based on their effective date.

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THANK YOU!

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