Preparing for Tax Year 2025 Filing Season: Helpful Information

Presented by **Vera Hendricks** November 2025

- ✓ **current and valued CCCGC board member**
- ✓ **assisted in the design and implementation of new user-friendly CCCGC website**
- ✓ **assisted in updating office procedures**
- ✓ **volunteers for AARP Tax-Aide providing free tax preparation for Charlotte County residents**

ONE BIG BEAUTIFUL BILL ACT

- The "One Big Beautiful Bill Act" (OBBBA), signed into law in July 2025 by President Donald Trump, is a comprehensive U.S. federal statute that significantly modifies tax and spending policies. The bill's provisions align with the core policy objectives of Trump's second term, affecting areas like taxes, immigration, healthcare, and energy.

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MAJOR TAX PROVISIONS OF OBBBA

- **Individual tax rates**: The individual income tax rates established by the 2017 Tax Cuts and Jobs Act are now permanent, preventing them from expiring at the end of 2025.
- **New deductions**: The bill created several new temporary tax deductions, including up to $25,000 for tips, up to $12,500 for overtime pay, and up to $10,000 for interest on auto loans, all with income limitations.
- **SALT deduction cap**: For taxpayers earning less than $500,000, the deduction for state and local taxes (SALT) was temporarily raised to $40,000, up from the previous $10,000 cap.
- **Child Tax Credit**: The Child Tax Credit was permanently increased by $200, to $2,200 per child, with the amount indexed for inflation beginning in 2026.
- **Trump Accounts**: The bill established new tax-deferred savings accounts for children, funded by government and family contributions.

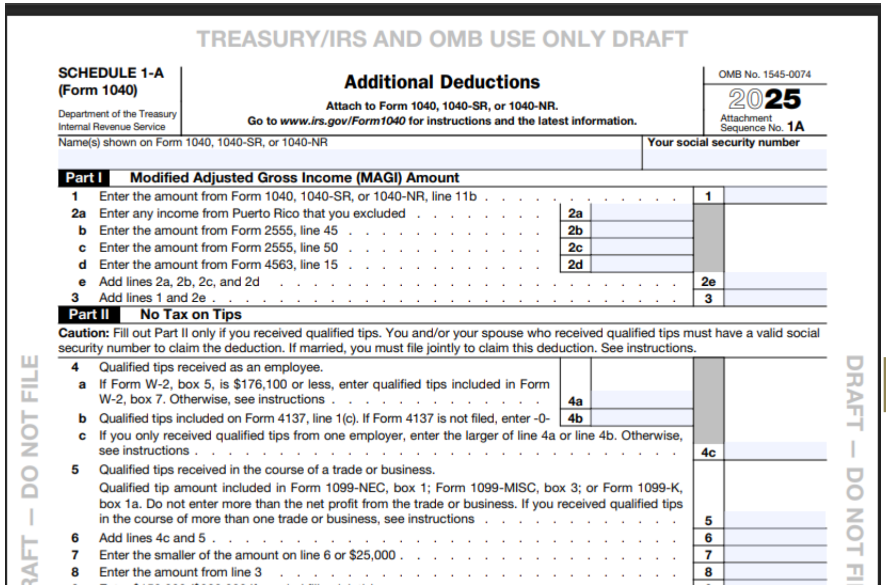
NEW TAX RELIEF FOR OLDER AMERICANS

- **Who is eligible?** You must be at least 65 years old by the end of the tax year and have a modified adjusted gross income (MAGI) of less than $175,000. If you're married and filing a joint return, your spouse can also claim the deduction if they're 65 or older and your combined MAGI is less than $250,000.
- **How much is it?** $6,000 per eligible taxpayer. For married couples filing jointly, it's $12,000 if both spouses are 65 or older. The deduction is cut by 6 percent for MAGI over $75,000 ($150,000 for a couple) and can't be claimed at all if it's more than $175,000 ($250,000 for a couple).
- **Does it replace the existing extra standard deduction for people 65 and older?** No. The new deduction is in addition to the existing break.
- **What if I'm itemizing?** You can claim the new deduction regardless of whether you itemize your taxes or claim just the standard deduction.
- **Does this mean Social Security benefits are no longer taxed**? No. The new law contains no provision ending taxation of Social Security benefits or changing how those taxes are calculated.

MAJOR DEDUCTIONS IN ADDITION TO SENIORS

- **1. Tips Deduction**
- **Maximum:** $25,000 annually
- **Eligibility:** Must receive qualified tips in customarily tipped occupations
- **Phaseout:** Begins at $150,000 MAGI ($300,000 joint filers)
- **2. Overtime Deduction**
- **Maximum:** $12,500 single ($25,000 joint filers)
- **Eligibility:** Only the premium portion of overtime pay (the "half" of time-and-a-half)
- **Phaseout:** Same as tips deduction – begins at $150,000 MAGI
- **3. Car Interest Deduction**
- **Maximum:** $10,000 annually
- **Eligibility:** Interest on loans for new vehicles under 14,000 pounds and assembled in the United States
- **Phaseout:** Begins at $100,000 MAGI ($200,000 joint filers)
- **Requirements:** Must provide VIN; loan must originate after Dec. 31, 2024

NEW SCHEDULE 1-A (DRAFT FORM FROM IRS) TO BE INCLUDED WITH 1040


TREASURY/IRS AND OMB USE ONLY DRAFT

SCHEDULE 1-A (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Deductions

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2025

Attachment Sequence No. 1A

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | Your social security number

Part I Modified Adjusted Gross Income (MAGI) Amount

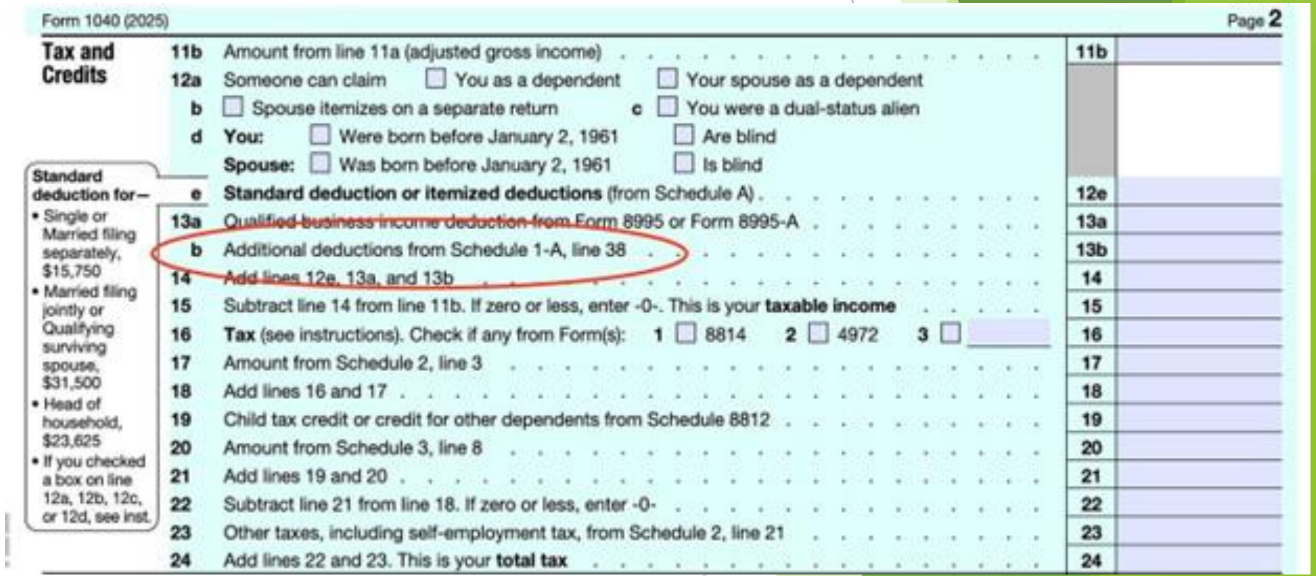
1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b		1
2a	Enter any income from Puerto Rico that you excluded	2a	
b	Enter the amount from Form 2555, line 45	2b	
c	Enter the amount from Form 2555, line 50	2c	
d	Enter the amount from Form 4563, line 15	2d	
e	Add lines 2a, 2b, 2c, and 2d		2e
3	Add lines 1 and 2e		3

Part II No Tax on Tips

Caution: Fill out Part II only if you received qualified tips. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

4	Qualified tips received as an employee.		
a	If Form W-2, box 5, is $176,100 or less, enter qualified tips included in Form W-2, box 7. Otherwise, see instructions	4a	
b	Qualified tips included on Form 4137, line 1(c). If Form 4137 is not filed, enter -0-	4b	
c	If you only received qualified tips from one employer, enter the larger of line 4a or line 4b. Otherwise, see instructions		4c
5	Qualified tips received in the course of a trade or business. Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business, see instructions		5
6	Add lines 4c and 5		6
7	Enter the smaller of the amount on line 6 or $25,000		7
8	Enter the amount from line 3		8

DRAFT — DO NOT FILE


Form 1040 (2025) Page 2

Tax and Credits

11b	Amount from line 11a (adjusted gross income)	11b	
12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent		
b	☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien		
d	You: ☐ Were born before January 2, 1961 ☐ Are blind		
	Spouse: ☐ Was born before January 2, 1961 ☐ Is blind		
e	**Standard deduction or itemized deductions** (from Schedule A)	12e	
13a	~~Qualified business income deduction from~~ Form 8995 or Form 8995-A	13a	
b	Additional deductions from Schedule 1-A, line 38	13b	
14	~~Add lines 12e, 13a, and 13b~~	14	
15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your **taxable income**	15	
16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	
19	Child tax credit or credit for other dependents from Schedule 8812	19	
20	Amount from Schedule 3, line 8	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	
24	Add lines 22 and 23. This is your **total tax**	24	

Standard deduction for—
- Single or Married filing separately, $15,750
- Married filing jointly or Qualifying surviving spouse, $31,500
- Head of household, $23,625
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

Four major provisions included in Schedule 1-A:

1. TIPs deduction
2. Overtime deduction
3. Car interest deduction
4. Enhanced deduction for seniors

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Sources and Forms

- **IRS Draft Schedule 1-A: https://www.irs.gov/pub/irs-dft/f1040s1a--dft.pdf**
- **Before and After OBBBA Tax Provisions:** https://www.bdo.com/insights/tax/tracking-key-provisions-in-reconciliation-tax-bill
- **One Big, Beautiful Bill Act (OBBBA): Individual Tax Provisions (Video):** https://www.youtube.com/live/H1Jyo9b0ujs?si=WlU_yIyL6bKNPAO3

Ways to Prepare Tax Returns and File for Free

- Directly through IRS
  - Fillable Forms: https://www.irs.gov/e-file-providers/free-file-fillable-forms
    - Any income
    - You do the work
    - Limited assistance and calculations
  - Direct File: https://directfile.irs.gov/
    - Limitations for incomes over $125K
    - Designed for simple situations (W2, Interest/Dividends, Social Security, take only Standard Deduction).
    - Retirement income is mostly NOT supported
    - Do not use for College Tuition, Energy Efficient Updates, or Adoption Expenses
- Through IRS partners
  - https://www.irs.gov/filing/irs-free-file-do-your-taxes-for-free (Covered on Next Slide)
- With Volunteer Preparers (Covered Later in this presentation)

Preparing Returns through IRS Partners/Commercial Software

- Many major tax software providers offer a free tier of tax preparation software for people with simple tax situations. These packages may be different from what's available via IRS Free File if the provider participates. Some common ones that have Free Online versions include:
  - H&R Block: https://www.hrblock.com/online-tax-filing/free-online-tax-filing/
  - TaxAct: https://www.taxact.com/
  - TurboTax: https://turbotax.intuit.com/personal-taxes/online/
  - TaxSlayer: https://www.taxslayer.com/
  - FreeTaxUSA: https://www.freetaxusa.com/
- For comparison of the top 4 see https://www.nerdwallet.com/article/taxes/free-tax-filing-how-to-file-taxes-for-free . Typically (but not always), these packages are well suited for people who only have income from one job and aren't itemizing deductions on their tax returns.

Free In-Person or Assisted Preparation and Filing

- **Volunteer Income Tax Assistance (VITA)**: federal grant program that helps community organizations provide free tax preparation to low- and moderate-income individuals, disabled people, older Americans and limited-English speakers. Generally, the income limit to qualify for free tax help is $67,000.
- Volunteer tax preparers may not have a certified public accountant (CPA) or enrolled agent (EA) designation, but they are still held to a high standard of integrity. In fact, they must successfully finish a tax law competency training program to legally prepare returns. Your return will also be reviewed by a more advanced volunteer following initial completion.
- If your tax situation is complicated, VITA services might not be the right fit for you. For example, volunteers won't prepare Schedule C with losses (sorry, freelancers), complicated Schedule Ds (sorry, investors) or Casualties & Theft Losses (Form 4684: https://www.irs.gov/forms-pubs/about-form-4684)
- **Locate VITA sites: https://irs.treasury.gov/freetaxprep/**

Free In-Person or Assisted Preparation and Filing (Cont.)

- **AARP Foundation Tax-Aide:** https://www.aarp.org/money/taxes/aarp_taxaide/
- Most Tax Counseling for the Elderly (TCE) sites are operated by Tax-Aide
- Same or more rigurous certification of volunteers as VITA
- Slightly larger scope (i.e. no income or age limit)
- Free suppot if you want to prepare yourself. To prepare your own taxes online, you can request help from a volunteer counselor to coach you through the process using your own computer while screen-sharing. Tax-Aide also provides taxpayers with access to free software to prepare taxes totally on their own.
- Free Charlotte County In-Person locations are Centennial Park Rec Center (1185 Centennial Blvd, Port Charlotte, FL 33953) and Punta Gorda Library (401 Shreve St, Punta Gorda, FL 33950)
- Make an appointment by visiting a site
- Don’t have to be a member of AARP to get tax help or to volunteer