

Comparison of Budget Reconciliation Bills

****PROPOSED LAW****

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Disclosure

The information contained in this presentation is for general guidance on matters of interest only. The application and impact of laws can vary widely based on the specific facts involved. Accordingly, the information on this presentation is provided with the understanding that the presenters are not herein engaged in rendering legal, accounting, tax, or other professional advice and services. As such, it should not be used as a substitute for consultation with professional accounting, tax, legal, or other competent advisers.

Agenda

- Sunset of Tax Cuts and Jobs Act (TCJA)
- Status of Budget Reconciliation Bills
- Budget Reconciliation Process
- TCJA vs One Big Beautiful Bill vs Senate Finance Committee
 - Individual Changes
 - Business Changes

Sunset of Tax Cuts and Jobs Act (TCJA)

Tax Cuts and Jobs Act (TCJA)

- Enacted on December 22, 2017.
- Major overhaul of the US federal tax code.
- Many individual and business provisions are set to expire on December 31, 2025.

If no law is passed, TCJA tax cuts will go away starting in 2026

Top Margin Tax Rate

- Increased to 39.6% from 37%

Standard Deduction

- Decreased to \$16,600 for MFJ (was \$30,000)
- Personal Exemptions Return - \$5,300 per each

Child Tax Credit

- Reduced to \$1,000 per qualifying child (was \$2,000)

Qualified Business Income Deduction

- Eliminated. Results in 10% increase in tax on business income from pass-through businesses

Bonus Depreciation eliminated after 2026

- 40% for 2025
- 20% for 2026

Lifetime Estate and Gift Exemption

- Reduced to around \$7M (was \$14M)

2026 Tax Brackets for Married Filing Jointly

2025 (MFJ Tax Bracket)		
Tax rate	on taxable income from ...	up to ...
10.00%	\$0	\$23,850
12.00%	\$23,851	\$96,950
22.00%	\$96,951	\$206,700
24.00%	\$206,701	\$394,600
32.00%	\$394,601	\$501,050
35.00%	\$501,051	\$751,600
37.00%	\$751,601	And up

2026 - TCJA Expired		
Tax rate	on taxable income from ...	up to ...
10.00%	\$0	\$24,300
15.00%	\$24,301	\$98,600
25.00%	\$98,601	\$199,000
28.00%	\$199,001	\$303,250
33.00%	\$303,251	\$541,550
35.00%	\$541,551	\$611,750
39.60%	\$611,751	And up

2026 - OBBBA		
Tax rate	on taxable income from ...	up to ...
10.00%	\$0	\$24,750
12.00%	\$24,751	\$100,550
22.00%	\$100,551	\$214,400
24.00%	\$214,401	\$409,400
32.00%	\$409,401	\$519,850
35.00%	\$519,851	\$767,150
37.00%	\$767,151	And up

- Tax on \$1M of Taxable Income
 - 2025 - \$294,063
 - 2026 TCJA Expired - \$324,821
 - 2026 OBBBA - \$291,472

Status of Current Budget Reconciliation Bills

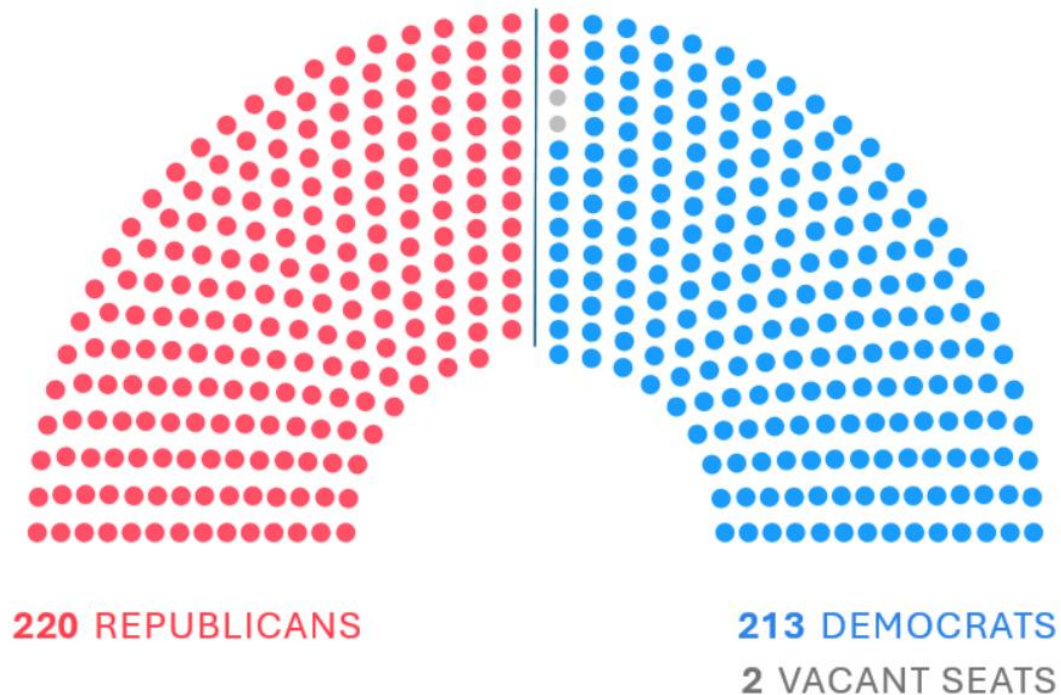
Timeline: One Big Beautiful Bill Act vs Tax Cuts and Jobs Act

- **One Big Beautiful Bill Act (OBBBA):**
 - Introduced: May 16, 2025
 - Passed the House: May 22, 2025
 - Passed the Senate: ???
- **Tax Cuts and Jobs Act (TCJA):**
 - Introduced: November 2, 2017
 - Passed the House: November 16, 2017
 - Passed the Senate: December 2, 2017
 - Signed into law: December 22, 2017

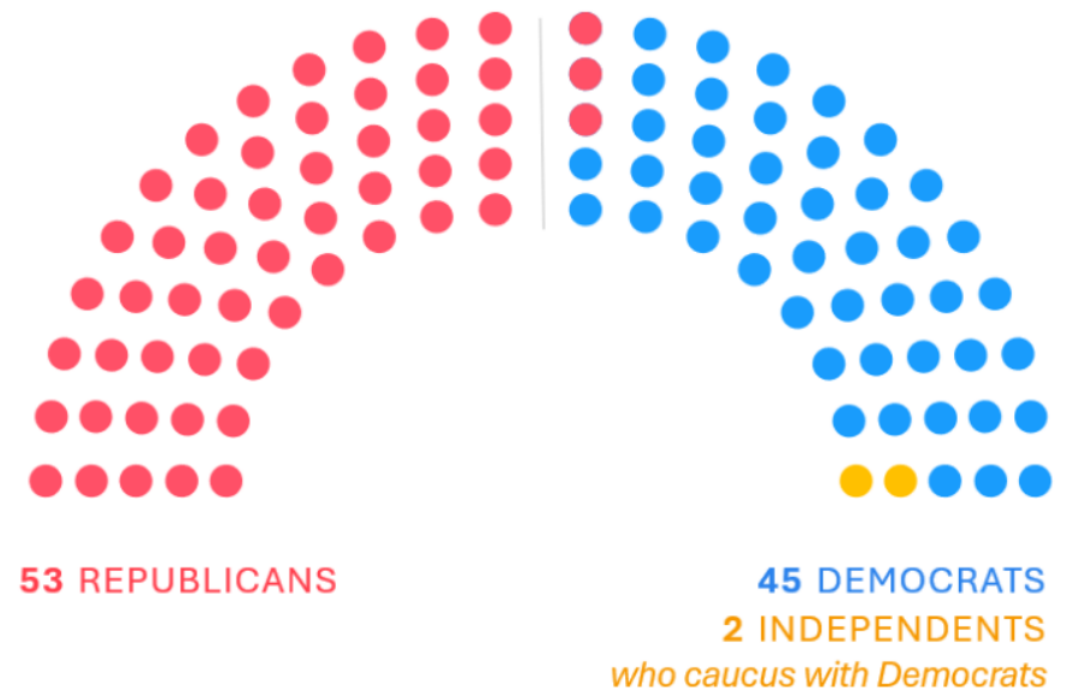


Balance of Power

Balance of Power in the House



Balance of Power in the Senate



Democrats are at 212 seats. Rep. Gerry Connolly (D-VA) died on 5/21/25.

Budget Reconciliation Process

Budget Reconciliation

- Use of Budget Reconciliation allows certain budget-related legislation to be passed in an expedited manner, bypassing normal Senate rules like filibusters. It's a way to make budget-related changes to spending, revenues, and the debt limit without needing a supermajority vote (60 votes).
- Byrd Rule
 - Provisions must be budget-related
 - Provisions cannot increase deficit outside of a 10-year window
 - Provisions cannot change Social Security spending

TCJA vs One Big Beautiful Bill vs Senate Finance Committee

Individual Comparison – OBBBA vs SFC

PASSED BY HOUSE

NOT PASSED BY SENATE

Provision	OBBBA	Senate Finance Committee
<u>Top Marginal Tax Rate</u>	TCJA brackets (10%-37%) made permanent	Same
<u>Standard Deduction</u>	TCJA-expanded deduction made permanent	Same
<u>Child Tax Credit</u>	Raised to \$2,500	Raised to \$2,200
<u>State and Local Tax (SALT) Deduction</u>	Raised to \$40K; phased out at \$500K AGI	Remains capped at \$10k

2026 Tax Brackets for Married Filing Jointly



2025 (MFJ Tax Bracket)		
Tax rate	on taxable income from ...	up to ...
10.00%	\$0	\$23,850
12.00%	\$23,851	\$96,950
22.00%	\$96,951	\$206,700
24.00%	\$206,701	\$394,600
32.00%	\$394,601	\$501,050
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- Tax on \$1M of Taxable Income
 - 2025 - \$294,063
 - 2026 TCJA Expired - \$324,821
 - 2026 OBBBA - \$291,472

Calculation of Taxable Income

Total Income	
	
	Less: Above the Line Deductions
Adjusted Gross Income	
	
	Less: Standard or Itemized Deduction
	Less: Qualified Business Income Deduction
Taxable Income	

9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your adjusted gross income	11	
12	Standard deduction or itemized deductions (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15	

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Cat. No. 11320B

Form **1040** (2024)

Itemized Deductions

- Medical – Only medical over 7.5% of AGI count. If \$100,000 AGI, only medical expenses over \$7,500 count.
- Taxes – Capped at \$10,000 for state and local & real estate taxes.
- Do your Itemized Deductions exceed the Standard Deduction?

Standard Deductions

Filing Status	2024	2025
Single	\$14,600	\$15,000
Married Filing Jointly	\$29,200	\$30,000
Head of Household	\$21,900	\$22,500

SCHEDULE A (Form 1040) **Itemized Deductions** OMB No. 1545-0074
 Attach to Form 1040 or 1040-SR.
 Go to www.irs.gov/ScheduleA for instructions and the latest information.
 Department of the Treasury Internal Revenue Service **Caution:** If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.
 Name(s) shown on Form 1040 or 1040-SR Your social security number

Medical and Dental Expenses **Caution:** Do not include expenses reimbursed or paid by others.

1 Medical and dental expenses (see instructions) 1
 2 Enter amount from Form 1040 or 1040-SR, line 11 2
 3 Multiply line 2 by 7.5% (0.075) 3
 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4

Taxes You Paid

5 State and local taxes.
 a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ☐ 5a
 b State and local real estate taxes (see instructions) 5b
 c State and local personal property taxes 5c
 d Add lines 5a through 5c 5d
 e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) 5e
 6 Other taxes. List type and amount: 6
 7 Add lines 5e and 6 7

Interest You Paid **Caution:** Your mortgage interest deduction may be limited. See instructions.

8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box ☐
 a Home mortgage interest and points reported to you on Form 1098. See instructions if limited 8a
 b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address 8b
 c Points not reported to you on Form 1098. See instructions for special rules 8c
 d Reserved for future use 8d
 e Add lines 8a through 8c 8e
 9 Investment interest. Attach Form 4952 if required. See instructions 9
 10 Add lines 8e and 9 10

Gifts to Charity **Caution:** If you made a gift and got a benefit for it, see instructions.

11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions 11
 12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You **must** attach Form 8283 if over \$500 12
 13 Carryover from prior year 13
 14 Add lines 11 through 13 14

Casualty and Theft Losses 15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions 15

Other Itemized Deductions 16 Other—from list in instructions. List type and amount: 16

Total Itemized Deductions 17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12 17
 18 If you elect to itemize deductions even though they are less than your standard deduction, check this box ☐

For Paperwork Reduction Act Notice, see the Instructions for Form 1040. Cat. No. 17145C Schedule A (Form 1040) 2024

Individual Comparison – OBBBA vs SFC

PASSED BY HOUSE

NOT PASSED BY SENATE

Provision	OBBBA	Senate Finance Committee
<u>Overtime Income Deduction</u>	Overtime pay deductible (2025–2028); no itemization required; phased out at \$160K.	Capped at \$25k; phased out at \$300k (MFJ)
<u>Tip Income Deduction</u>	Tips deductible (2025–2028); no itemization required; phased out at \$160K.	Capped at \$25k; phased out at \$300k (MFJ)
<u>Auto Loan Interest Deduction</u>	Up to \$10K deductible for new auto loans (2025–2028); phased out at \$200K.	Same
<u>Estate Tax Exclusion</u>	Raised to \$15M; inflation-adjusted after 2026	Same

Business Comparison – OBBBA vs SFC

PASSED BY HOUSE

NOT PASSED BY SENATE

Provision	OBBBA	Senate Finance Committee
<u>Bonus Depreciation</u>	100% expensing restored for property acquired from 2025 to 2029	100% expensing made permanent
<u>Qualified Business Income Deduction</u>	Made permanent. Raised to 23%	Made permanent. Stays at 20%
<u>Business Interest Expense Limitation</u>	Calculated on EBITDA instead of EBIT	Same

Bonus Depreciation – 5 Year Asset

	2018- 2022	2023	2024	2025	2026
Cost	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
Bonus Rate	100%	80%	60%	40%	20%
Bonus Depreciation	100,000.00	80,000.00	60,000.00	40,000.00	20,000.00
Cost Less Bonus Depr.	-	20,000.00	40,000.00	60,000.00	80,000.00
<u>Timing of Depreciation Expense</u>					
Year 1	100,000.00	83,000.00	66,000.00	49,000.00	32,000.00
Year 2	-	6,800.00	13,600.00	20,400.00	27,200.00
Year 3	-	4,080.00	8,160.00	12,240.00	16,320.00
Year 4	-	2,448.00	4,896.00	7,344.00	9,792.00
Year 5	-	2,260.00	4,520.00	6,780.00	9,040.00
Year 6	-	1,412.00	2,824.00	4,236.00	5,648.00
		100,000.00	100,000.00	100,000.00	100,000.00

Qualified Business Income Deduction

	<u>CURRENT</u>	<u>HOUSE BILL</u>
	20%	23%
Business Income	1,000,000	1,000,000
QBI Deduction Rate	20%	23%
QBI Deduction	200,000	230,000
Income	1,000,000	1,000,000
QBI Deduction	(200,000)	(230,000)
Taxable Income	800,000	770,000
Highest Tax Rate	37.00%	37.00%
Tax	296,000	284,900
Effective Rate	29.60%	28.49%

Comparison – OBBBA vs SFC

PASSED BY HOUSE

****NOT PASSED BY SENATE****

Provision	OBBBA	Senate Finance Committee
<u>New Clean Vehicle Credit</u>	Eliminated after 2026	Eliminated for any vehicles acquired 6 months after enactment
<u>Used Clean Vehicle Credit</u>	Eliminated after 2025	Eliminated for any vehicles acquired 3 months after enactment
<u>Commercial Clean Vehicle Credit</u>	Eliminated after 2025	Eliminated for any vehicles acquired 6 months after enactment
<u>Alt Fuel Refueling Credit</u>	Eliminated after 2025	Eliminated for any property acquired 12 months after enactment



Thank you

QUESTIONS?

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