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BBB Tax Bill: Employer and Employee Provisions

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Before We Get Started



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Meet Your Presenters



Nancy Ortmeyer Kuhn, Esq

Shareholder,
Shulman Rogers



Amy Miller

VP of Training
PNI•HCM

Legal Disclaimer

This presentation is intended to provide general information about various recent developments in employment law. Nothing in this presentation or in the comments of our presenters should be considered as the rendering of legal or other professional advice, and it is not directed at any specific cases or circumstances. Attendees and readers of these materials are responsible for obtaining the necessary advice about their specific situations from their own counsel. This presentation and these materials are intended for educational and informational purposes only.

The presentation and these materials represent the opinions of the presenter and not those of Shulman Rogers and PNI•HCM.

Polling Question

**Do you know anything about the
One Big Beautiful Bill?**

*Polls will appear above the chat window.

OVERVIEW OF THE BIG TAX BILL

- Enacted July 4th 2025
- Comprehensive legislative act covering tax, health, social, and economic reforms
- Major focus: Middle-class and billionaire tax relief, business competitiveness, and family support
- SALT Deduction Modifications
- New Employee Tax Exemptions

PROVISIONS IMPACTING EMPLOYEES: TAX RATES

- **Extension and Enhancement of Reduced Rates**
 - Lower individual tax rates made permanent (Sec. 70101)
- **Increased Standard Deduction**
 - Standard deduction increased to \$15,750 (single and MFS) / \$23,625 (head of household)/\$31,500 Married Filing Joint (Sec. 70102)

PROVISIONS IMPACTING EMPLOYEES: TAX FREE

- **No Tax on Tips and Overtime**
 - Deductions for qualified tips (up to \$25,000) and overtime (up to \$12,500 single/\$25,000 joint) (Sec. 70201, 70202)
 - Phaseout for incomes over \$150,000/\$300,000
 - Tips must be voluntary, and received in occupation that normally received tips on or before 1/1/2025.
 - Terminates in 2028
 - Form W-2, existing Forms 1099, and Form 941 and other payroll return forms will remain unchanged for TY 2025.

PROVISIONS IMPACTING EMPLOYEES: CREDITS ETC

- **No Tax on Car Loan Interest**
- Deduction for interest on personal car loans (2025–2028)
 - Capped at \$10,000 per year/phased out above \$100,000/\$200,000 AGI (Sec. 70203)
- **Qualified Transportation Fringe Benefits**
- Extension and modification of pre-tax commuter benefits (Sec. 70112)

PROVISIONS IMPACTING EMPLOYEES: EXCLUSIONS

- **Child Tax Credit:** Increased from \$2,000 to \$2,200 per child, with inflation adjustments (Sec. 70104). Requires SSNs of each child
- **Child and Dependent Care Tax Credit**
 - Enhanced credit, higher income phaseouts (Sec. 70405)
- **Dependent Care Assistance**
 - Increased exclusion to \$7,500 (\$3,750 married filing separately) (Sec. 70404)

PROVISIONS IMPACTING EMPLOYERS: TAX RELIEF

- **Full Expensing for Business Property**
 - 100% expensing for qualified property acquired after 1/19/2025 (Sec. 70301)
- **Full Expensing of Domestic R&D**
 - Immediate deduction for domestic research and experimental expenditures (Sec. 70302)
- **Increased Section 179 Expensing**
 - Limit increased to \$2.5M; phaseout at \$4M (Sec. 70306)

PROVISIONS IMPACTING EMPLOYERS

- **Paid Family and Medical Leave Credit**
 - Enhanced and extended credit for employers (Sec. 70304)
- **Employer-Provided Child Care Credit**
 - Increased to 40% (50% for small businesses), up to \$500,000/\$600,000 (Sec. 70401)
- **Employer Payments of Student Loans**
 - Exclusion for employer-paid student loan assistance made permanent (Sec. 70412) \$5,250 indexed

Polling Question

**Does your company offer Student
Loan Benefits?**

*Polls will appear above the chat window.

PROVISIONS IMPACTING EMPLOYERS

- **Deduction for Qualified Business Income (QBI)**
- Increased phase-in thresholds: \$75,000 single/\$150,000 joint (Sec. 70105)
- **Business Interest Deduction**
- Modification of limitation and coordination with capitalization (Sec. 70303, 70341)
- **Exception for Business Meals**
- Expanded deduction for certain business meals (Sec. 70305)

PROVISIONS IMPACTING EMPLOYERS

- **Expansion of Small Business Stock Gain Exclusion**
- Increased exclusion and limits for qualified small business stock (Sec. 70431)
- **Reporting Thresholds**
- Increased threshold for 1099 reporting (Sec. 70433)
 - Increases the threshold from \$600 to \$2,000 indexed for inflation

CHANGES TO SALT DEDUCTIONS

State and Local Tax (SALT) Deduction Limitation (Sec. 70120):

- **Increased Cap:**

- 2025: \$40,000 (\$20,000 MFS)
- 2026: \$40,400 (\$20,200 MFS)
- 2027–2029: Indexed for inflation (101% of prior year)
- 2030 and beyond: Reverts to \$10,000 cap

CHANGES TO SALT DEDUCTIONS

State and Local Tax (SALT) Deduction Limitation (Sec. 70120):

- **Income-Based Phaseout:**
- For AGI over \$500,000 (2025), cap reduced by 30% of excess income. Indexed for inflation
- Minimum deduction remains \$10,000
- **Modified AGI Definition:**
- Includes certain foreign income exclusions

OTHER NOTABLE PROVISIONS

- **Trump Accounts**
 - New tax-advantaged savings accounts for children, with employer contribution options (Sec. 70204)
- **Charitable Deduction for Non-Itemizers**
 - Partial deduction for charitable contributions even if not itemizing (Sec. 70424)
- **Exclusion for Employer-Provided Student Loan Repayment**
 - Now permanent (Sec. 70412)

Polling Question

**Did your Company receive
ERC Credits?**

*Polls will appear above the chat window.

OTHER NOTABLE PROVISIONS

- **COVID-ERTC Enforcement**

- New penalties and extended assessment periods for improper Employee Retention Credit claims (Sec. 70605)

- **Excessive Employee Remuneration**

- Aggregation rules for controlled groups (Sec. 70603)
- Applies aggregation rules with \$1 million threshold

INFORMATION REPORTING CHANGES

- Information reporting threshold increased from \$600 to \$2,000 (Form 1099)
 - Beginning 2027, amount adjusted annually for inflation, rounded to nearest \$100

Third Party Network Transactions (Section 70432):

- Reinstates exception requiring reporting only if payments exceed \$20,000 AND more than 200 transactions

EFFECTIVE DATES SUMMARY

Immediate/2025 Implementation:

- SALT deduction changes: December 31, 2024
- Tips and overtime deductions: December 31, 2024
- Car loan interest: December 31, 2024

2026 Implementation:

- Enhanced employer benefits: December 31, 2025
- Business expensing provisions: Various dates in 2025

SUNSET PROVISIONS

- Tips and overtime deductions: December 31, 2028
- Car loan interest: December 31, 2028
- SALT increases: Return to \$10,000 after 2029

IMMEDIATE ACTIONS REQUIRED

- Payroll System Updates - Prepare for tips and overtime reporting requirements pending guidance from IRS Treasury
- SALT Planning - Advise high-income employees on temporary SALT increases
- Benefits Review - Evaluate enhanced childcare and dependent care programs

STRATEGIC OPPORTUNITIES

- Business Investment - Leverage permanent 100% expensing and enhanced Section 179
- Employee Benefits – Consider Trump account contribution programs for children
- R&D Planning - Optimize domestic research expenditure strategies

COMPLIANCE CONSIDERATIONS

- Information Reporting - Prepare for increased thresholds and new requirements
- Executive Compensation - Review controlled group remuneration limits
- Employee Retention Credits - Ensure proper documentation and compliance

KEY TAKEAWAYS

- Substantial tax relief for middle-class employees and families and extends tax relief for high net worth individuals
- Major incentives and relief for business investment and employee benefits
- SALT deduction cap increased, but phased out for high earners
- Enhanced credits for child care, dependent care, and family leave
- New compliance and reporting requirements for employers

Polling Question

**Are you in need of HRCI/SHRM-CP
Credit information?**

*Polls will appear above the chat window.

QUESTIONS?

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THANK YOU!

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