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This is by no means a comprehensive list of all tax laws and regulations that were created, changed, or eliminated in President Trump's "One Big Beautiful Bill." That document contains over 1,000 pages of legislation. This is, however, a good starting point of conversation for many of our clients across the board. We invite you to ask questions and ride along with us as we learn the different tax implications this bill will have. The good news is that we have time. This bill passed in July whereas we could be scrambling in December to see how this will impact our clients! As the year progresses, we look forward to helping your family plan and prepare for the changes we will face as a result of the OBBB.

This newsletter is published as a service to our clients and friends. Additional copies are available upon request and on our website www.ksfmsi.com. The information is of a general nature and should not be acted upon without further details and / or assistance.

The fmsi REPORT

Farm Management Services, Inc. **fmsi@farmtaxpro.com**

Greetings from Farm Management Services!

We hope this finds you well with Autumn here and fall harvest in full swing! This summer has been full of changes in our government, and we want to take a moment to look into some of those in greater detail. President Trump signed the "One Big Beautiful Bill," and many clients are asking questions about the updates and implications this will have on their 2025 tax return. Although we have a long way to go until the end of the year, here are some things we know so far about the bill and how it may impact our clients and their families next tax season.

2017 Tax Cuts and Jobs Act

Many parts of the 2017 TCJA were set to expire at the end of 2025 unless congress could agree on a new tax bill. Enter in the "One Big Beautiful Bill Act" (OBBB). The OBBB made the following parts of the 2017 TCJA **permanent:**

Individual Tax Brackets: The seven tax brackets were set to increase back to their 2017 higher rates, meaning every American taxpayer would automatically pay more in taxes. The brackets ranging from 10%-37% will now be permanent.

Standard Deduction: This took a significant increase back in 2017 but was also set to expire at the end of 2025 reverting to much lower numbers. The OBBB not only kept the higher amounts permanent but also set them to continue to adjust higher for inflation in the coming years. The 2025 Standard Deduction is set at Single/Married Filing Separate at $15,000, Married Filing Jointly or Qualified Surviving Spouse at $30,000, and Head of Household at $22,500.

Estate Tax Exemption: Also set to expire, the increase was made permanent and moved the exemption up to $15 million per person beginning in 2026.

Bonus Depreciation and Section 179: New Capital Investments can now be immediately expensed 100% the year they are incurred. This was limited in past years. New and used eligible assets with up to a 20-year life can now utilize this change in the tax law **as long as** they were put in use **after January 19, 2025**. Expensing limits for Section 179 have also increased, giving those who use it more flexibility in the coming years.

Qualified Business Income Deduction: Many of our farm families and self-employed business owners have received this deduction; we commonly refer to this deduction as QBID. This was also set to expire at the end of 2025 and has not only been made **permanent** but received an **increase** in amount as well.

New Tax Laws and Changes in the OBBB

This section highlights some of the new notable changes to the tax code with the passing of the OBBB. The list is extensive, and we will focus on the key items that will affect most of our clients at FMSI.

Form 1099: The requirement for issuing 1099s for machine hire and cash rents will increase from $600 to $2,000 starting with **2026** forms sent out in 2027.

Tax on Overtime: Trump said he would make this a reality in the campaign for presidency, but the tax isn't magically wiped clean. There are stipulations on each of these. Overtime tax deductions are valid from 2025-2028, and only the "half" of time and a half is eligible for the deduction up to $12,500 for single filers, $25,000 for joint filers. There is a phase out for those with AGI over $150,000/$300,000 filing single/joint. Social Security numbers must be provided on the return to be eligible. This deduction will lower income on the federal side but will still be subject to state taxes along with Social Security and Medicare taxes. Many more technicalities are involved that we will watch closely.

Tax on Tips: Similar to the overtime tax law, the tip tax deduction is full of rules and regulations on what is and isn't eligible. The basics is that it is deductible up to $25,000 and has the same phase out levels on AGI as listed above ($150,000/$300,000). One of our top sources say that "There are lots of rules and complexities, and IRS guidance will be needed." There may be more IRS guidelines on this coming in 2026 as well.

Donations to Charity: Previously charitable donations did not have much weight due to the standard deduction being so high. Now taxpayers who do not itemize can take a deduction of up to $1,000 single, $2,000 joint **in addition to** the standard deduction. For those who itemize their deductions, charitable contributions are only deductible if they exceed 0.5% of AGI. For taxpayers with C-Corps, they are deductible if they exceed 1% of taxable income for the year.

Social Security: This was also a topic of tax elimination for President Trump and although that didn't get accomplished, the OBBB did give seniors who are over 65 years of age a $6,000 in addition to the standard deduction they're receiving now. Another law that is subject to phase out with single taxpayers at $75,000 and joint at$150,000. This is set to expire in 2028 unless extended by congress at that time.

New Vehicle Auto Loans: In an attempt to persuade Americans to buy ***new vehicles***, law makers created a new law that allows you to deduct interest that is paid on auto loans. Eligible vehicles include cars, trucks, mini vans, SUVs, and motorcycles after 2024. Final assembly of the vehicles **MUST** be in the United States. Like many of these new deductions there are conditions. The maximum amount of interest one can deduct is $10,000 and the phase out on AGI is $200,000 for joint filers, $100,000 for everyone else.

Clean Energy Credits: The 2022 Inflation Reduction Act gave many green energy credits to taxpayers, and many of them will be expiring by the end of 2025. The $7,500 tax credit for buying an electric vehicle will expire after September 30, 2025 along with the commercial clean vehicle credit. Wind and solar projects that are started after July 4, 2026 must be completed by December 31, 2027. **Many energy-efficient home credits expire at the end of 2025** so if clients are planning such projects they must be **COMPLETED** by year end. Simply signing a contract for the work will **not** qualify for the tax credits.

Changes for Taxpayers with Children

The final section notes some changes to existing tax law that primarily impacts clients who have children across all stages of life. It could also apply to clients who may not have children living at home, but grandchildren they would like to financially support.

Child Credits: Good news for clients with children! Beginning this year on 2025 returns, the tax credit per qualifying child is $2,200 increasing from the previous $2,000 and will be adjusted for inflation in the coming years! All children MUST have a valid Social Security number to claim the credits.

Adoption: If taxpayers are looking to adopt children, the tax credit up to $5,000 can be fully refundable even if there is little to no tax liability. This will be adjusted for inflation.

Child Care Breaks: This particular law takes effect in **2026**. Having one dependent in childcare currently gives a credit of $1,050, two or more $2,100. Starting in 2026, those credits will increase to $1,500 / $3,000. For families wanting to contribute to a Flexible Spending Account for childcare, the 2025 cap for the account is $5,000 and this is set to increase to $7,500 in 2026. Employers who provide childcare for employees may also get an expanded credit for their small businesses.

Trump Accounts and 529s: The world of investing for children has become more interesting with the passing of the OBBB. 529 plans have three expansions that make it easier for families who need to access money for K-12 education costs. There were no changes to limits or rules for funds used in college education. Specifics are extensive, so clients are encouraged to reach out for more details if applicable. Another brand new savings plan for children has been born with the OBBB called "Trump Accounts." However, unlike the 529 and other investment accounts available to all children, these accounts are only available to children born January 1, 2025-December 31, 2028. For those fortunate children, $1,000 will be deposited into an account for that child by the Federal Government. This account can be used later in life for education, buying a home, or starting a business - but withdraw amounts, ages, and a large number of rules apply. Again, we encourage clients to reach out to their fieldman for more details if applicable!