



Hammack & Co. CPAs, LLC

Tax-Saving Tips

August 2025

OBBBA: Convert Personal Vehicle to Business, Deduct Up to 100%

Do you have a personal vehicle?

Thanks to the One Big Beautiful Bill Act (OBBBA), you may be eligible for a valuable “no new cash outlay” tax deduction beginning in 2025.

Here’s how it works: If you convert a personal-use vehicle to business use, the law treats it as placed in service on the conversion date. Thanks to OBBBA’s reinstatement of 100 percent bonus depreciation, you may deduct up to 100 percent of the vehicle’s fair market value—as long as you don’t opt out of bonus depreciation.

For example, if your converted vehicle is worth \$31,000 and you use it 70 percent for business, you could deduct \$21,700 on your 2025 return.

Heavy SUVs, pickups, and vans with a gross vehicle weight rating (GVWR) over 6,000 pounds qualify for full bonus depreciation. Smaller vehicles are subject to “luxury auto” limits—but even those allow up to \$20,200 in first-year deductions.

A few rules to know:

- You must use the lower of your vehicle’s fair market value or adjusted basis at the time of conversion to business use.
- Section 179 expensing is not allowed for converted assets, but bonus depreciation is automatically applied unless you actively opt out.
- All assets in the same depreciation class are treated the same for bonus depreciation—you’re in or out for the entire group.

If you later sell the vehicle, your basis for calculating gains or losses changes depending on whether it’s a gain or a loss.

This is a powerful way to deduct the cost of an existing asset without spending new money.

The OBBBA Increases the Tax Benefits of Employing Your Child

If you own a business and have children, the OBBBA just made the popular “hire your child” tax strategy even more attractive starting in 2025.

Thanks to the OBBBA, the standard deduction for a single taxpayer increases to \$15,750 in 2025 (with annual inflation adjustments going forward). This

means your child can earn up to \$15,750 in wages from your business and pay zero federal income tax—regardless of whether you itemize or take the standard deduction.

If you're a sole proprietor or operate a spouse-only partnership, the benefits are even better. Wages paid to your children under age 18 are exempt from Social Security and Medicare (FICA) taxes, and those under age 21 are exempt from federal unemployment tax (FUTA). This allows you to deduct their wages while avoiding employment tax costs entirely.

For example, if you hire three of your children and pay each \$15,750 for legitimate work, they owe no federal tax—and you could save thousands by deducting those wages on your Schedule C, lowering both your income and self-employment taxes.

Even if you operate as an S or C corporation (where payroll taxes apply), the strategy still works. While FICA and FUTA taxes are owed, you receive a deduction for those taxes, and your children still owe no income tax on their wages. In one example, a family netted \$9,663 in government-paid tax savings after accounting for taxes paid and deductions received.

In short, hiring your children can create a win-win: they earn tax-free income, and you reduce your tax bill.

OBBBA Adds a Possible Senior Tax Deduction (Ages 65 and Older)

If you will be age 65 or older on December 31, 2025, you have a new opportunity for tax savings.

The OBBBA created a new bonus tax deduction—available for seniors beginning this year (2025). You can claim this deduction whether or not you itemize.

How Much Can You Deduct?

If you qualify, you may be eligible for a bonus deduction of up to \$6,000 per person. For married couples filing jointly—where both spouses are age 65 or older—the total potential deduction is \$12,000.

Important. If married, you must file a joint return to benefit even when only one spouse qualifies; filing separately disqualifies you.

This bonus deduction is in addition to

- the regular standard deduction, and
- the existing age-based additional deduction.

Income Limits Apply

The deduction phases out at higher income levels:

- For singles: begins at \$75,000 modified adjusted gross income (MAGI); fully phased out at \$175,000
- For joint filers: begins at \$150,000 MAGI; fully phased out at \$250,000

MAGI includes AGI plus certain rarely seen tax-free foreign income.

Planning Opportunity

To maximize this deduction, consider strategies to keep MAGI below (or not far above) the phaseout thresholds:

- Spread capital gains over multiple years
- Break up Roth IRA conversions over time
- Create additional business deductions or make retirement plan contributions

OBBBA Enhances Your SALT Deductions

If the \$10,000 cap on state and local tax (SALT) deductions limits your write-offs, here's good news: the OBBBA temporarily increases the cap starting in 2025.

From 2025 through 2029, you may deduct up to

- \$40,000 if married filing jointly, or
- \$20,000 if married filing separately.

The limits adjust annually for inflation beginning in 2026. But unless extended by Congress, the cap returns to \$10,000/\$5,000 in 2030.

There's a catch. The increased deduction phases out if your modified adjusted gross income (MAGI) exceeds

- \$500,000 (joint filers), or
- \$250,000 (married filing separately).

The phaseout reduces your SALT deduction by 30 percent of MAGI in excess of the threshold, with a floor of \$10,000 or \$5,000. For example, if your MAGI is \$550,000 as a joint filer, you can deduct only \$25,000 of your SALT, not the full \$40,000.

You can still choose to deduct sales taxes instead of income taxes—useful if your income taxes are low but sales or property taxes are high.

Importantly, state-level SALT deduction workarounds for pass-through entities (such as S corporations, partnerships, or LLCs) remain in place. These allow business entities to pay SALT at the entity level and pass through the deduction to owners—effectively bypassing the federal cap.

To maximize your deduction, consider managing your MAGI by

- spreading capital gains over multiple years;
- staging Roth IRA conversions; or
- leveraging your state's SALT workaround, if available.

OBBBA Charitable Giving Shake-Up: Winners and Losers

Do you contribute to charitable organizations? If so, recent legislation—the OBBBA—includes significant changes to the tax treatment of charitable donations, starting in 2026. Some are helpful, others less so, depending on your income and filing status.

Good News for Non-Itemizers

Currently, taxpayers who take the standard deduction (i.e., don't itemize) generally cannot deduct charitable contributions. That will change in 2026.

Beginning in 2026, non-itemizers will be allowed to deduct cash donations to charity up to

- \$1,000 per year for single filers, or
- \$2,000 per year for married couples filing jointly.

Note. Contributions to donor-advised funds are excluded.

New Limits for Itemizers and High-Income Donors

If you itemize your deductions and make substantial charitable donations, take note: starting in 2026, your ability to deduct those donations will be reduced.

In 2026, you may deduct charitable contributions to the extent they exceed 0.5 percent of your adjusted gross income (AGI). Here's how this new floor works:

Example. If your AGI in 2026 is \$200,000 and you donate \$10,000 to charity, only the amount over \$1,000 (0.5 percent of AGI) is deductible. Your allowed deduction is \$9,000.

You cannot carry forward the disallowed \$1,000 unless your total charitable contributions for the year exceed one of the limits, such as 60 percent or more of your AGI for cash donations.

Changes for C Corporations

Regular C corporations are also affected. Beginning in 2026,

- charitable contributions are deductible to the extent they exceed 1 percent of a corporation's taxable income; and
- the disallowed portion can be carried forward for up to five years if the total donations for the year exceed 10 percent of the corporation's taxable income.

Planning Opportunities before the Rules Change

Because the new limitations won't take effect until January 1, 2026, you have a valuable opportunity to maximize deductions under the current rules in 2025:

- If you itemize, consider accelerating your charitable giving before year-end.
- You might double your planned donations in 2025 and scale back in 2026.

This strategy allows you to deduct the full amount of your contributions without the new 0.5 percent AGI floor.

Bunching Donations Going Forward

Once the new rules are in place, both individuals and corporations may benefit from a "bunching" strategy:

- Combine multiple years of charitable giving into one year to exceed the new deduction thresholds.
- For example, you could donate two years' worth of contributions in 2026 (and itemize), then take the standard deduction in 2027 while making little or no donations that year.

OBBBA's New 1099 Filing Rules

Filing tax forms is never fun—but it's important to stay ahead of changes that can reduce your reporting burden.

If your business pays independent contractors (non-employees) for services, you are required to file IRS Form 1099-NEC if total payments exceed a specific threshold. For decades, this threshold has been \$600 or more in a calendar year. Failing to file can result in substantial penalties.

That threshold is about to change.

Thanks to the OBBBA, beginning with payments made in 2026, you file Form 1099-NEC if you pay an independent contractor \$2,000 or more during the year. Starting in 2027, this amount will be adjusted annually for inflation in \$100 increments.

This welcome update means many businesses will have fewer 1099-NEC filing obligations.

Changes to Form 1099-K Thresholds

The OBBBA also revised the filing rules for Form 1099-K, which is used by third-party settlement organizations (TPSOs) such as PayPal, Uber, and eBay. These platforms are responsible for issuing

1099-Ks when payments meet certain criteria. For example, if you pay a contractor via PayPal, you (the contractor's client) do not file a 1099-K—PayPal does, if the 1099-K filing threshold is met.

Previously, the 1099-K threshold was set to drop to \$5,000 in 2025 and then to \$600 in 2026—potentially triggering billions of filings. However, the OBBBA reverses this change.

Effective retroactively to 2022 (yep, three years ago), TPSOs need to file Form 1099-K if both of the following apply:

- The recipient is paid more than \$20,000.
- The recipient has more than 200 transactions during the year.

This rollback to the 2022 threshold means far fewer Forms 1099-K will be issued. Both TPSOs and recipients can breathe a sigh of relief.

A Final Reminder

Regardless of whether a 1099 form is issued, all taxpayers must report all taxable income on their tax returns—even if it's not reported to the IRS by a third party.