

WELCOME TO

AccountingAidSociety

**Tax Masters Series
Session Two:**

**November 05, 2025
5:30 p.m. to 8:00 p.m.**

**We use taxes to build relationships.
And relationships to build futures.**

Instructors: Maysaa Rahal, Sam Spolarich, Kathy Holka, Lamis Alnajjar

AGENDA

Tax Masters – Session 2 – November 5, 2025

Welcome and Introductions

Medicaid Waiver

Tax Law Updates

Tax Law Changes Under the One, Big, Beautiful Bill Act

Premium Tax Credit Refresher and Updates

[Michigan Tax Law Updates](#)

Questions



We use taxes to build relationships. And relationships to build futures.

Welcome and Introductions

Agency Updates

Meet Your Presenters

- Maysaa Rahal, Senior VITA Program Manager
- Kathy Holka, Senior Tax Policy Analyst
- Sam Spolarich, Assistant VITA Program Manager
- Lamis Alnajjar, Assistant VITA Program Manager

Important Dates & Information

Thursday, November 6, 2025	Virtual Q&A Session
Thursday, November 20, 2025	Virtual Q&A Session
Tuesday, December 2, 2025	Virtual Q&A Session
Tuesday, December 9, 2025	Returning Basic Training
Thursday, December 11, 2025	Virtual Q&A Session
Tuesday, December 16, 2025	Returning Advanced Training
Saturday, January 3, 2026	Certification Advancement Training (Returning Basic to Advanced)
Tuesday, January 6, 2026:	Virtual Q&A Session
Thursday, January 8, 2026:	Virtual Q&A Session
January 14-16, 2026:	Site Coordinator Meeting



Reminders

Income Guideline

- For filing season 2026, Accounting Aid Society will serve taxpayers with income **up to \$69,000**

Scope and Training Resources

- **Publications available at irs.gov (for 2025 returns):**
 - Pub 4012, Volunteer Resource Guide
 - Pub 4491, Volunteer Training Guide
 - Pub 17, Tax Guide for Individuals (not yet available as of 11/05/2025)
 - Form 6744, Volunteer Assistor's Test/Retest
 - Form 13614-C, Intake/Interview and Quality Review Sheet

Scope and Training Resources

- **Note on Publications 4012 and 4491:**

- Pub 4012 **does not** contain updates for tax law provisions under the One, Big, Beautiful Bill Act (OBBBA).
 - Example: Standard deduction amounts in the 4012 do not reflect the increased amounts under OBBBA.
- Pub 4491 **does** include tax law provisions under OBBBA. See the *Important Changes for 2025* section at the beginning of the publication.
 - Error in 4491: Page xii lists the maximum refundable portion of the Child Tax Credit/Additional Child Tax Credit as \$1,400. It should be \$1,700.

Scope and Training Resources (cont.)

- **Scope of Service** – We are not aware of any changes at this time to scope for VITA.
 - Refer to *Scope of Service* chart in Pub 4012. Also reference Pub 4491.
- **Link and Learn** – Available mid-to-late November.
 - Reminder to update your years of service. This has to be done manually in the system each year.

Scope and Training Resources (cont.)

- **Practice Lab** – [Practice Lab Now Available -- Nov. 4th](#)
 - It will support tax years 2025 and 2024.
 - TaxSlayer will update twice a week as they receive finalized forms and instructions from the IRS.
 - See the VITA Blog post at the link above for information on calculations and PDFs for 2025 tax returns.
 - States will not be available in Practice Lab 2025 until closer to the filing season in either late December or early January.
 - Access the Practice Lab from the TaxSlayer VITA springboard page: <https://vita.taxslayerpro.com/>

Certification Tests

- Do Not Use amounts or tax law under the One, Big, Beautiful Bill Act.
- Answers should be based on information in IRS Publication 4012, Volunteer Resource Guide (rev. 10-2025).
- Two Volunteer Tax Alerts have been issued so far:
 - [VITA 2026-01, Changes to Form 6744, VITA/TCE Volunteer Assistor's Test/Retest](#)
 - [VITA 2026-02, Changes to Form 6744, VITA/TCE Volunteer Assistor's Test/Retest](#)

A teal-tinted background image showing a woman looking down, possibly at a document or a screen, with her hand near her face. The image is split horizontally, with the top half showing her face and the bottom half showing her torso and hand.

Medicaid Waiver

Updated Medicaid Waiver Guidance Tax Years 2024 and 2025

- Accounting Aid Society will be revising its guidance on when to exclude **qualified Medicaid waiver payments** from gross income on 2024 and 2025 tax returns prepared at our tax sites.
- Payments may be excluded on tax year 2024 and 2025 returns if:
 - Code II (Medicaid waiver payments excluded from gross income under Notice 2014-7) is in Box 12 of Form W-2, **and**
 - It is confirmed with the taxpayer that they lived with the person they provided care for.
 - Qualified Medicaid waiver payments may be excluded from gross income only when the care provider and the care recipient reside in the same home.

Updated Medicaid Waiver Guidance

Tax Years 2024 and 2025 (cont.)

- **Any other payments** (W-2 with no code II in Box 12, payments reported on a 1099-MISC or 1099-NEC, or payments received not reported on a W-2, 1099-MISC or 1099-NEC) **may be excluded:**
 - Only if the taxpayer **provides written evidence** from the payer that indicates the payments were made under a **qualified Medicaid waiver program**.
- Reminder: Qualified Medicaid waiver payments excluded from gross income on the federal return, **must be included in total household resources** on the Michigan return (applies to all tax years).

Updated Medicaid Waiver Guidance

Tax Years Prior to 2024

- For payments received in **tax years prior to 2024**, follow the previously issued guidance from Accounting Aid. In brief summary:
 - Payments may only be excluded for W-2s issued to home care providers by certain Michigan agencies as listed in Michigan Department of Treasury's July 2019 Update newsletter.
 - Any other payments may only be excluded if the taxpayer provides written evidence from the payer that indicates the payments were made under a qualified Medicaid waiver program.
- **For all tax years**, if the taxpayer disagrees with our treatment of payments they receive, they should seek tax assistance elsewhere.

Updated Medicaid Waiver Guidance

All Tax Years

- Earned Income Credit and Advanced Child Tax Credit:
 - A taxpayer may choose to include qualified Medicaid waiver payments in the calculation of earned income for the Earned Income Credit (EIC) and Additional Child Tax Credit (ACTC).
 - The taxpayer may include qualified Medicaid waiver payments in earned income even when those payments are excluded from gross income.
 - A taxpayer may not choose to include or exclude only a portion of qualified Medicaid waiver payments.
 - Either include all or none of the qualified Medicaid waiver payments for the taxable year in earned income.
 - If the taxpayer chooses to include qualified Medicaid waiver payments in earned income, that amount will be included in the calculation for both the EIC and the ACTC.



Federal Tax Form Updates

2025 Federal Tax Forms

Changes to the following tax forms will be discussed:

- Form 1099-K, Payment Card and Third Party Network Transactions
- Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and Form 5498, IRA Contribution Information
- 1040, U.S. Individual Income Tax Return
- Schedule 1-A, Additional Deductions (Form 1040) – New tax form
- Form 5695, Residential Energy Credits
- Form 13614-C, Intake/Interview and Quality Review Sheet

(Draft 2025 Form 1040, Draft 2025 Schedule 1-A, and Form 13614-C are included in your handouts.)

Form 1099-K and Form 1099-R

- Form 1099-K, Payment Card and Third Party Network Transactions
 - Third party settlement organizations are not required to file Forms 1099-K unless the gross amount of reportable payment transactions to a payee exceeds \$20,000 and the number of transactions exceeds 200.
 - The One Big Beautiful Bill Act retroactively reinstated the reporting threshold in effect prior to the passage of the American Rescue Plan Act of 2021.
- Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and Form 5498, IRA Contribution Information
 - New new code Y added for Box 7 to identify a qualified charitable distribution.

2025 Form 1040 (page 1)

U.S. Individual Income Tax Return

- Entry spaces created for date of death for new “Deceased” checkbox for both primary taxpayer and spouse.
- Checkbox added for taxpayers (and spouse if MFJ) whose main home was in the U.S. for more than half of 2025.

TREASURY/IRS AND OMB USE ONLY DRAFT			
Form 1040	Department of the Treasury—Internal Revenue Service	2025	OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.
For the year Jan. 1–Dec. 31, 2025, or other tax year beginning		, 2025, ending	, 20 See separate instructions.
<input type="checkbox"/> Filed pursuant to section 301.9100-2 <input type="checkbox"/> Combat zone		<input type="checkbox"/> Deceased MM / DD / YYYY Spouse MM / DD / YYYY	
<input type="checkbox"/> Other			
Your first name and middle initial	Last name	Your social security number	
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.	Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. <input type="checkbox"/>
City, town, or post office. If you have a foreign address, also complete spaces below.		State	ZIP code
Presidential Election Campaign			

2025 Form 1040 (page 1)

U.S. Individual Income Tax Return

- “Dependents” section was overhauled to provide more information on qualifying children and dependents who would qualify the taxpayer to claim the EIC, CTC, ACTC, or ODC. (Lines (5) and (6) in the Dependents section.)
- Checkbox added for taxpayers whose filing status is MFS or HoH to check if they meet the requirements for the special rule for claiming the EIC.

Dependents		Dependent 1		Dependent 2		Dependent 3		Dependent 4	
(see instructions) If more than four dependents, see instructions and check here <input type="checkbox"/>	(1) First name								
	(2) Last name								
	(3) SSN								
	(4) Relationship								
	(5) Check if lived with you more than half of 2025	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.		(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.		(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.		(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.	
	(6) Check if	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled
	(7) Credits	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents
<input type="checkbox"/> Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.									

2025 Form 1040 (page 2)

U.S. Individual Income Tax Return

- The checkboxes for someone claiming you as a dependent, for spouse itemizes on a separate return, and for the additional standard deduction (age 65 and older or blind) have been moved to page 2, lines 12a through 12d.

Form 1040 (2025)		Page 2
Tax and Credits	11b Amount from line 11a (adjusted gross income)	11b
	12a Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent	
	b <input type="checkbox"/> Spouse itemizes on a separate return c <input type="checkbox"/> You were a dual-status alien	
	d You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind	
	Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind	
Standard deduction for—	e Standard deduction or itemized deductions (from Schedule A)	12e
• Single or Married filing separately, \$15,750	13a Qualified business income deduction from Form 8995 or Form 8995-A	13a
• Married filing jointly or Qualifying	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

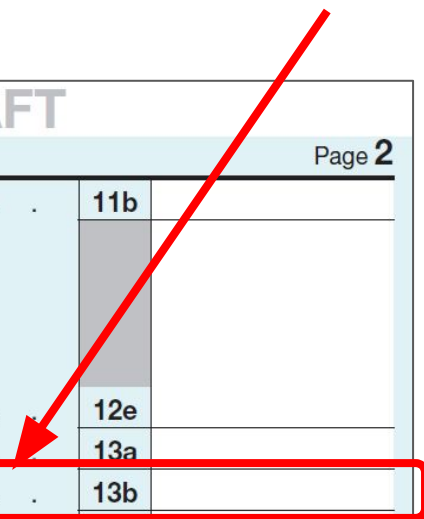
Schedule 1-A, Additional Deductions (Form 1040)

- The new Schedule 1-A includes deductions for certain One Big Beautiful Bill Act tax provisions which will be covered later in this presentation (no tax on tips, overtime and car loan interest and enhanced deduction for seniors).
- The total additional deductions from Schedule 1-A is entered on line 13b on page 2 of Form 1040.

TREASURY/IRS AND OMB USE ONLY DRAFT

Form 1040 (2025)Page **2**

Tax and Credits	11b	Amount from line 11a (adjusted gross income)	11b	
	12a	Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent		
	b	<input type="checkbox"/> Spouse itemizes on a separate return c <input type="checkbox"/> You were a dual-status alien		
	d	You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind		
		Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind		
	e	Standard deduction or itemized deductions (from Schedule A)	12e	
<div style="border: 1px solid black; padding: 2px; font-size: 0.8em;">Standard deduction for— • Single or Married filing separately, \$15,750 • Married filing jointly or Qualifying</div>	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	



2025 Form 1040 (page 2)

U.S. Individual Income Tax Return

- The following deductions are subtracted from Adjusted Gross Income (lines 11a and 11b) to arrive at Taxable Income (line 15):
 - Standard deduction or itemized deductions (line 12e)
 - Qualified business income deduction (line 13a)
 - Additional deductions from Schedule 1-A, line 38 (line 13b)

Form 1040 (2025) Page **2**

Tax and Credits		11b	11b
11b Amount from line 11a (adjusted gross income)		11b	
12a Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent			
b <input type="checkbox"/> Spouse itemizes on a separate return c <input type="checkbox"/> You were a dual-status alien			
d You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind			
Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> 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	

Standard deduction for—

- Single or Married filing separately, \$15,750
- Married filing jointly or Qualifying

Form 5695, Residential Energy Credits

- Part II, Energy Efficient Home Improvement Credit, now requires taxpayers claiming the credit to include the unique qualified product identification number assigned by a qualified manufacturer for specified property placed into service after 12/31/24.
- See subsequent slide under the Tax Law Changes Under the One, Big, Beautiful Bill Act section of this presentation for more information.

Form 13614-C (page 1)

Intake/Interview and Quality Review Sheet

- The question asking if taxpayer or spouse can be claimed on another person's return has been moved up on page 1, and
 - It is no longer a question to be answered by a certified volunteer.

Form 13614-C (October 2025)		Department of the Treasury - Internal Revenue Service Intake/Interview and Quality Review Sheet				OMB Number 1545-1964		
You will need: <ul style="list-style-type: none">• Tax Information such as Forms W-2, 1099, 1098, 1095.• Social Security cards or ITIN letters for all persons on your tax return• Picture ID (such as valid driver's license) for you and your spouse				<ul style="list-style-type: none">• Complete pages 1-5 of this form.• You are responsible for the information on your return. Provide complete and accurate information.• If you have questions, ask the IRS-certified volunteer preparer.				
Volunteers are trained to provide high quality service and uphold the highest ethical standards. To report unethical behavior to the IRS, email us at ts.voltax@irs.gov								
Your first name		M.I.	Last name		Your date of birth		Your job title	
Spouse's first name		M.I.	Last name		Spouse's date of birth		Spouse's job title	
Mailing address				Apt #	City		State	ZIP code
Your telephone number		Spouse's telephone number		Email address (optional)		Did you live or work in two or more states in 2025 <input type="checkbox"/> Yes <input type="checkbox"/> No		
Can anyone else claim you or your spouse on their tax return						<input type="checkbox"/> Yes <input type="checkbox"/> No		
Check if you or your spouse were in 2025:						Legally blind <input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> No		

Form 13614-C (page 3)

Intake/Interview and Quality Review Sheet

Did any of the following happen during 2025?

☐ (B) You or someone in your family took educational classes (technical school, college, job related, etc.)

☐ (A) Sell a home

☐ (A) Have a health savings account (HSA)

☐ (A) Purchase health insurance through the Marketplace (Exchange)

☐ (A) Purchase and install energy-efficient home items (example: windows, furnace, insulation, etc.)

☐ (A) Other (example: purchased a new vehicle, etc.)

☐ (A) Have credit card, mortgage, or other debt cancelled/forgiven by a lender

☐ (A) Have a loss related to a declared Federal disaster area

☐ (B) Have a tax credit disallowed (example: earned income credit, child tax credit, or American opportunity credit)

☐ Receive any letter or bill from the IRS

☐ (B) Make estimated tax payments or apply last year's refund to 2025 taxes

☐ Brought last year's return

(To be completed by certified volunteer) Information to report

☐ (B) Taxable scholarship income

☐ (B) 1098-T (itemized statement from school, invoice, etc.)

☐ (B) Education credit or tuition and fees deduction

☐ (A) Sale of home (1099-S)

☐ (A) HSA contributions ☐ (A) HSA distributions

☐ (A) 1095-A

☐ (A) Energy efficient home improvement credit (Form 5695, Part II only)

☐ VIN #

☐ (A) 1099-C

☐ (A) 1099-A

☐ Disaster relief impacts return

☐ (B) EITC, CTC, AOTC or HOH disallowed in a previous year
Year disallowed Reason

☐ Eligible for Low Income Taxpayer Clinic referral

☐ (B) Estimated tax payments

☐ (B) Last year's refund applied to this year

☐ Last year's return available

Notes/Comments

• Two questions added:

○ Other (example: purchased a new vehicle, etc.)

○ Brought last year's return

Form 5695, Residential Energy Credits

- Part II, Energy Efficient Home Improvement Credit, now requires taxpayers claiming the credit to include the unique qualified product identification number assigned by a qualified manufacturer for specified property placed into service after 12/31/24.
- See subsequent slide under the Tax Law Changes Under the One, Big, Beautiful Bill Act section of this presentation for more information.

Publication 730, Client Envelope

- The large Client Envelope (Pub 730) has minor revisions this year:
 - Change in Civil Rights mailbox
 - Information on Voter Registration removed
- Note: Envelopes from prior years can be continued to be used and should be used first before using the new envelopes.
- You can find the revision date for the envelopes at the bottom of each side of the envelope.



Filing Deadlines

Due Dates for 2025 Tax Returns

Federal and Michigan returns	Tuesday, April 15, 2026
Detroit return	Tuesday, April 15, 2026
Hamtramck, Highland Park and Pontiac returns	Thursday, April 30, 2026

A timely filed return must be electronically filed by the above date or, if mailing a paper return, postmarked by the above date.

Filing Statute of Limitations

- **Federal** – To get a refund, taxpayers must generally file a return within three years from the date the return was due.
- **Michigan and Michigan Cities** – Taxpayers have four years from the original due date to claim a refund on a Michigan and Michigan city tax return.

Filing Deadlines in 2026

Tax Return	To claim a refund, file by:
2022 Federal return	April 16, 2026
2021 Michigan return (including Homestead Property Tax Credit Claim)	April 18, 2026
2021 Detroit return	April 18, 2026
2021 Hamtramck, Highland Park & Pontiac returns	April 30, 2026



Federal Tax Law Updates

Some Tax Inflation Adjustments for 2025

	2025	2024
Gross income limitation for a qualifying relative	\$5,200	\$5,050
Standard Deduction Amounts (amts. under OBBBA):		
• Single	\$15,750	\$14,600
• Married filing jointly	\$31,500	\$29,200
• Married filing separately	\$15,750	\$14,600
• Head of household	\$23,625	\$21,900
• Qualifying surviving spouse	\$31,500	\$29,200
Additional standard deduction amounts for taxpayers who are 65 and older or blind are:		
• \$2,000 for Single or Head of Household (increase of \$50)		
• \$1,600 for married taxpayers or Qualifying Surviving Spouse (increase of \$50)		

Earned Income Credit (EIC)

For 2025, the maximum credit increased to:

- \$8,046 with three or more children
- \$7,152 with two children
- \$4,238 with one child
- \$649 with no children

To be eligible for a full or partial credit, the taxpayer must have earned income and AGI of at least \$1 but less than:

- \$61,555 (\$68,675, if Married Filing Jointly) with three or more qualifying children
- \$57,310 (\$64,430 if Married Filing Jointly) with two qualifying children
- \$50,434 (\$57,544 if Married Filing Jointly) with one qualifying child
- \$19,104 (\$26,214 if Married Filing Jointly) with no qualifying child

Child Tax Credit/Additional Child Tax Credit

- For **tax year 2025**, the **Child Tax Credit** is increased to **\$2,200** per qualifying child (from \$2,000 in 2024).
- However, the **refundable portion** of the credit remains the same at **\$1,700**.



Tax Law Changes Under The One, Big, Beautiful Bill Act

One Big Beautiful Bill Act (OBBBA)

The One, Big, Beautiful Bill Act (OBBBA) has a significant effect on federal taxes, credits and deductions. It was signed into law on July 4, 2025, as [Public Law 119-21](#).

- This presentation includes information on additional deductions that were created under OBBBA:
 - No tax on qualified tips
 - No tax on qualified overtime compensation
 - No tax on car loan interest
 - Enhanced deduction for seniors

Presentation Notes

- This presentation on the additional deductions under OBBBA is based on information available as of November 5, 2025.
- Instructions on how to report the deductions (on new Schedule 1-A) are not yet available at [irs.gov](https://www.irs.gov).
- There are proposed regulations, open for public comment, that may change some of the information presented here.

Schedule 1-A, Additional Deductions

2025 Schedule 1-A (Form 1040), titled "**Additional Deductions**", is the form issued by the IRS to facilitate the claiming of these tax deductions.

- **Part I** - Modified Adjusted Gross Income (MAGI) Amount
- **Part II** - No Tax on Tips
- **Part III** - No Tax on Overtime
- **Part IV** - No Tax on Car Loan Interest

Schedule 1-A is attached to Form 1040, 1040-SR, or 1040-NR when filing the tax return. It is used to claim the above deductions, which are not available on the standard Form 1040.

NOTE: Schedule 1-A is currently in draft form, instructions have not yet been made available.

Modified Adjusted Gross Income (MAGI)

- The following amounts are **added to AGI** to arrive at modified adjusted gross income (MAGI) for the purpose of the additional deductions:
 - Any income from Puerto Rico that was excluded
 - Foreign earned income exclusion from Form 2555, Foreign Earned Income, line 45
 - Housing deduction from Form 2555, Foreign Earned Income, line 50
 - Excluded income from Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa, line 15

No Tax on Tips

From **2025 through 2028**, employees and self-employed individuals can deduct **qualified tips** received in IRS-listed tipped occupations that are reported on a **Form W-2, 1099, or Form 4137 (Social Security and Medicare Tax on Unreported Tip Income)**.

- To claim the deduction, a worker must meet **both** of the following conditions:
 - Work in an occupation included on the IRS-approved list, **and**
 - Receive **qualified tips** as defined in the proposed regulations.

No Tax on Tips

- The **maximum deduction** is **\$25,000** per year.
- The deduction phases out for taxpayers with MAGI over **\$150,000 per year (\$300,000 for joint filers)**.
- A self-employed individual can deduct qualified tips, but only up to their business's net profits.
 - **Net profits = Gross income from the business – all other deductions for that business** (except the qualified tips deduction itself).
 - This means the tip deduction is limited to the actual profit of the trade or business in which the tips were earned.

No Tax on Tips

The OBBBA will focus on occupations where tipping is customary and regular—such as servers, bartenders, hair stylists, and nail technicians.

Qualified tips include:

- Tips paid in **cash** or equivalent forms, such as check, credit card, debit card, gift card, or other payment methods (including electronic or mobile payments) **denominated in cash** — but **excluding most digital assets**.
- Tips received **directly from customers** or through a **tip-sharing or tip-pooling arrangement**, whether mandatory or voluntary.
- Tips that are **voluntarily given by customers** and **not subject to negotiation**.

No Tax on Tips

Not qualified as tips:

- **Service charges** automatically added to a bill (for example, an automatic 18% charge for large parties that's later distributed to staff). If the customer has no option to modify or remove the charge, the distributed amounts are **not qualified tips**.
- **Amounts received from illegal activities.**

No Tax on Tips

- The deduction is available to **both itemizing and non-itemizing taxpayers.**
- However, **self-employed individuals** in a **Specified Service Trade or Business (SSTB)** under section 199A — and **employees** working for an SSTB — **are not eligible.**
- The **Treasury Tipped Occupation Code** system assigns a **three-digit code** and description to each occupation identified in the [proposed regulations](#). These occupations are grouped into **eight main categories.**

No Tax on Tips

- Under section 199A(d)(2), an SSTB is defined as any trade or business (A) involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners, or (B) that involves the performance of services that consist of investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

No Tax on Tips

- The eight main categories of the **Treasury Tipped Occupation Codes** are:
 - 100s—Beverage and Food Service
 - 200s—Entertainment and Events
 - 300s—Hospitality and Guest Services
 - 400s—Home Services
 - 500s—Personal Services
 - 600s—Personal Appearance and Wellness
 - 700s—Recreation and Instruction
 - 800s—Transportation and Delivery

No Tax on Tips

Reporting:

Employers and other payors must file information returns (W-2s, 1099s) with the IRS (or Social Security Administration in the case of Form W-2) and **provide statements to taxpayers showing the amount of certain cash tips received, as well as the occupation of the tip recipient.**

- There will be no changes to Form W-2 and existing Forms 1099 for tax year 2025.
- A new Box 12 code (TP) will be required on the 2026 Form W-2 to identify qualified tips.

No Tax on Overtime

For tax years 2025 through 2028, eligible taxpayers may deduct up to \$12,500 (\$25,000 in the case of a joint return) of qualified overtime compensation.

- They can deduct the extra pay they received for working overtime — specifically, the “extra half” paid on top of their regular hourly rate (**known as “time-and-a-half” pay**). This deduction applies if the amount is reported on a **Form W-2, Form 1099, or another official tax form they receive.**

No Tax on Overtime

- The deduction phases out for AGI over **\$150,000 for single filers and \$300,000 married filing jointly.**
- **Taxpayer eligibility:** Deduction is available for both itemizing and non-itemizing taxpayers.
- **Taxpayers must:**
 - Include their Social Security Number on the return, and
 - File jointly if married, to claim the deduction.

No Tax on Overtime

Reporting Requirements:

Employers and other payors are required to file information returns with the IRS (or Social Security Administration) and **provide statements to taxpayers showing the total amount of qualified overtime compensation paid during the year.**

- Form W-2 and existing Forms 1099 will remain unchanged for tax year 2025.
- For tax year 2026, a new Box 12 code (TT) will be added to Form W-2 for employers to report qualified overtime.

IRS Notice 2025-62

Transition Penalty Relief for Tax Year 2025

- [Notice 2025-62](#) provides **penalty relief from the new information reporting requirements for cash tips and qualified overtime compensation** under the OBBB to employers and other payors for not filing correct information returns and not providing correct payee statements to employees and other payees.
- Specifically, employers and other payors will not face penalties for failing to provide a separate accounting of any amounts reasonably designated as cash tips or the occupation of the person receiving such tips.
- In addition, employers and other payors will also not face penalties for failing to separately provide the total amount of qualified overtime compensation.

IRS Notice 2025-62 (continued)

Transition Penalty Relief for Tax Year 2025

- The relief is limited to returns and statements filed and provided for tax year 2025.
- Treasury and IRS are aware that employers and other payors may not currently have the information required to be reported under the OBBS, or the systems or procedures in place to be able to correctly file the additional information with the IRS, or SSA in the case of a Form W-2 and provide it to employees and other payees.
- Therefore, tax year 2025 will be treated as a transition period for IRS enforcement and administration of the new information reporting requirements for cash tips and qualified overtime compensation under the OBBS.

IRS Notice 2025-62 (continued)

Transition Penalty Relief for Tax Year 2025

- While not a requirement to receive the penalty relief provided in Notice 2025-62,
 - Employers and other payors are encouraged to provide employees and payees, particularly those in a tipped occupation, with the occupation codes and separate accountings of cash tips, so the employee or payee can claim the deduction for **qualified tips** for tax year 2025.

IRS Notice 2025-62 (continued)

Transition Penalty Relief for Tax Year 2025

- Likewise, employers and payors are encouraged to provide employees and payees with separate accountings of overtime compensation, so the employee or payee has readily available the information necessary to claim the deduction for **qualified overtime compensation** for tax year 2025. Employers and payors can make the information available to their employees and payees through:
 - An online portal, additional written statements provided to the employees or payees, other secure methods, or in the case of qualified overtime compensation in Box 14 of the employee's Form W-2.

IRS Notice 2025-62 (continued)

Transition Penalty Relief for Tax Year 2025

- Additional guidance for individual taxpayers that addresses how they can claim the deductions for qualified tips and qualified overtime compensation when they file their tax year 2025 returns is forthcoming.

No Tax on Car Loan Interest

New Deduction (2025–2028): Individuals may deduct **interest on a loan** used to purchase a **qualified personal-use vehicle**. **Lease payments and used car purchases do not qualify.**

- **Maximum deduction:** \$10,000 per year
- **Phase-out:** MAGI over \$100,000 (\$200,000 for joint filers)

No Tax on Car Loan Interest

- **Qualified interest:**
 - Loan originated after **Dec. 31, 2024**
 - Vehicle originally used by the taxpayer (no used vehicles)
 - Personal-use only (not business)
 - Secured by a lien on the vehicle
 - Refinanced loans generally qualify
- **Qualified vehicle:** Car, minivan, van, SUV, pick-up, or motorcycle under **14,000 lbs** with **final assembly in the U.S.** (check via dealer label, VIN, or NHTSA VIN Decoder)
- **Eligibility:** Available to **both itemizing and non-itemizing taxpayers.** The taxpayer must include the **VIN** on the return.

No Tax on Car Loan Interest

Reporting:

- Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayer showing the total amount of interest received during the taxable year.
- IRS provides transitional relief for 2025 for lenders and other interest recipients who are required to file information returns with the IRS and provide statements to borrowers showing the total amount of interest received on qualified passenger vehicle loans and other information related to the loan.

No Tax on Car Loan Interest

Reporting (continued):

- The IRS will consider that lenders have met their reporting obligations for interest received on a qualified passenger car loan in 2025 if they make a statement available to the buyer indicating the total amount of interest received. Lenders meet their reporting requirements by making this total amount of interest available:
 - On an online portal that the buyer can easily access;
 - In a regular monthly statement;
 - On an annual statement that is provided to the buyer; or
 - By other similar means designed to provide accurate information to the buyer regarding interest received.

Enhanced Deduction for Seniors

Effective for 2025 through 2028, individuals who are age 65 and older may claim an **additional deduction of \$6,000**. This new deduction is **in addition to the current additional standard deduction for seniors under existing law**.

- The \$6,000 senior deduction is per eligible individual (i.e., \$12,000 total for a married couple where both spouses qualify).
- Deduction phases out for taxpayers with modified adjusted gross income over \$75,000 (\$150,000 for joint filers).

Enhanced Deduction for Seniors

- **Qualifying taxpayers:** To qualify for the additional deduction, a taxpayer must attain age 65 on or before the last day of the taxable year.
- **Taxpayer eligibility:** Deduction is available for both itemizing and non-itemizing taxpayers.
 - Taxpayers must:
 - Include the Social Security Number of the qualifying individual(s) on the return, and
 - File jointly if married, to claim the deduction.

TaxSlayer


- New '**Additional Deductions**' page in TaxSlayer:
 - Federal Section → Deductions → Additional Deductions
 - Selections for:
 - No Tax on Overtime
 - No Tax on Tips
 - No Tax on Car Loan Interest

TaxSlayer

2025

**Screenshot from
Practice Lab 2025**

[Preview Return](#)

[Help & Support](#) 

 John Jones 

[Save & Exit](#) 

No Tax on Overtime

CANCEL

CONTINUE

Continue

Qualified overtime compensation included on Form W-2, Box 1

\$

Qualified overtime compensation included on Form 1099-NEC, 1099-MISC

\$

TaxSlayer

- W-2 page in TaxSlayer:
 - Although not required until 2026, TaxSlayer has added the new Box 12 codes for qualified tips and qualified overtime to its drop-down menu for Box 12 to TaxSlayer Pro Online for 2025:
 - Code TP for qualified tips
 - Code TT for qualified overtime

Energy Efficient Home Improvement Credit

In 2025, you can only claim the credit for qualifying property if the item is made by a [qualified manufacturer](#), which is a manufacturer of eligible property that enters into an agreement with the IRS under **Section 25C(h)(3)**.

Qualified Manufacturer Identification Number (QMID) must be included on the tax return in order to claim the credit for any item.

Qualifying property includes:

- Exterior doors, windows, and skylights
- Central air conditioners
- Biomass stoves and boilers
- Electric and natural gas heat pumps and water heaters
- Natural gas, propane, or oil water heaters
- Natural gas, propane, or oil furnaces or hot water boilers

Energy Efficient Home Improvement Credit

The One, Big, Beautiful Bill Act accelerates the expiration of certain energy tax credits. **Under the OBBBA:**

- The **Section 25C Energy Efficient Home Improvement Credit** will no longer be available for property **placed in service after December 31, 2025.**

- Federal draft tax forms are available at:
 - <https://www.irs.gov/draft-tax-forms>
- Information on One, Big, Beautiful Bill Act:
 - <https://www.irs.gov/newsroom/one-big-beautiful-bill-provisions>



Premium Tax Credit Refresher and Updates

Resource Available on Marketplace and Premium Tax Credit

- Brad Martin, the VITA Program Coordinator at United Way of Southwest Alabama, did a “Marketplace Deep Dive” presentation in July 2025.
- It is available at [United Way of Southwest Alabama YouTube Channel](#)
- It provides:
 - A brief recap on the Affordable Care Act and the Marketplace.
 - A good explanation of Form 8962, Premium Tax Credit.
 - Tips on dealing with the Marketplace
- We encourage you to view Brad’s presentation



Michigan Tax Law Updates

Tax Rate

- For **2025** – Michigan income **tax rate remains 4.25%**
- There was an income tax rate reduction for tax year 2023 to 4.05%, but it was only for that year.

2025 Exemption Amounts

	2025	2024
Personal Exemption	\$5,800	\$5,600
Special Exemptions (Deaf, blind, hemiplegic, paraplegic, quadraplegic, or totally and permanently disabled)	\$3,400	\$3,300
Qualified Disabled Veteran	\$500	\$500
Stillbirth Exemption	\$5,800	\$5,600

Totally and Permanently Disabled

The exemption for totally and permanently disabled **cannot be claimed** for a taxpayer, spouse, or dependent if the individual is age 66 by the designated date for the filing year.

TAX YEAR	DATE
2025	February 28, 2025 (Exemption may not be claimed if date of birth is ON or BEFORE February 28, 1959.)
2024	April 30, 2024 (Exemption may not be claimed if date of birth is ON or BEFORE April 30, 1958.)
2023	June 30, 2023 (Exemption may not be claimed if date of birth is ON or BEFORE June 30, 1957.)

Totally and Permanently Disabled (Cont.)

The exemption for totally and permanently disabled **cannot be claimed** for a taxpayer, spouse, or dependent if the individual is age 66 by the designated date for the filing year.

TAX YEAR	DATE
2022	August 31, 2022 (Exemption may <i>not</i> be claimed if date of birth is ON or BEFORE August 31, 1956.)
2021	October 31, 2021 (Exemption may <i>not</i> be claimed if date of birth is ON or BEFORE October 31, 1955.)
2020 & Prior	December 31 of the tax year

Definition of Totally and Permanently Disabled

- A person is totally and permanently disabled if both 1 and 2 below apply:
 1. They can't engage in any substantial gainful activity because of a physical or mental condition.
 2. A qualified physician determines that the condition has lasted or can be expected to last continuously for at least a year or can be expected to result in death.
- Support for this exemption is the receipt of any of the following types of income:
 - Social Security Disability benefits (SSDI)
 - Supplemental Security Income (SSI) disability benefits
 - Veterans' Administration (VA) disability retirement payments
- A taxpayer who does not receive any of the above income may be required to furnish a physician's statement to certify total and permanent disability.

2025 Subtraction Limits

	Single Limit	Joint Limit
Maximum Private Retirement Subtraction	\$65,897	\$131,794
Maximum Phase-In Retirement Subtraction	\$49,423	\$98,846
Maximum Senior Interest, Dividends, & Capital Gains Subtraction	\$14,688	\$29,376

Retirement and Pension Benefits Subtraction

- Taxpayers that fall within the dates of birth range shown in the table below may be eligible to use the **Phase-In Subtraction** option.
- There are no changes to tax law for the other two pension subtraction options (**Tier Structure Subtraction** and **Qualified Fire, Police, and Corrections Retiree Subtraction**).

Tax Year	Taxpayer/Oldest Spouse Date of Birth	Phase-In Subtraction
2023	Jan. 1, 1946 - Dec. 31, 1958	Up to 25%
2024	Jan. 1, 1946 - Dec. 31, 1962	Up to 50%
2025	Jan. 1, 1946 - Dec. 31, 1966	Up to 75%
2026	N/A	Up to 100%

Homestead Property Tax Credit

	2025	2024
Maximum Taxable Value	\$165,400	\$160,700
Total Household Resources (THR) Limit	\$71,500	\$69,700
Phase-out begins when THR exceeds	\$62,500	\$60,700
Maximum Credit Limit	\$1,900	\$1,800

Homestead Property Tax Credit

Adjacent and Contiguous Property

- A homestead includes property adjacent and contiguous to the home of the owner **only when**:
 - That property is unoccupied and
 - *Not* classified a commercial, industrial, residential, or timber-cut over.
- Only eligible homeowners with adjacent vacant property classified as agricultural may claim any taxes levied.

IMPORTANT for our clients:

- Property taxes levied on adjacent vacant lots **classified as residential *cannot be claimed***.

2025 Home Heating Credit

STANDARD ALLOWANCE

Exemptions	Standard Allowance	Income Ceiling
0 or 1	\$604	\$17,243
2	\$815	\$23,271
3	\$1,027	\$29,329
4	\$1,239	\$35,385
5	\$1,451	\$41,443
6	\$1,662	\$47,471
>6	+ \$212 for each exemption over 6	+ \$6,057 for each exemption over 6

2025 Home Heating Credit

ALTERNATE CREDIT ALLOWANCE

Exemptions	Income Ceiling	Home Heating Credit Maximum Heating Costs = TBD
0 or 1	\$18,515	
2	\$24,915	
3	\$31,320	
4 or more	\$32,782	

Michigan Department of Treasury is still waiting for the prorated federal funding percentage for 2025. (In 2024, it was 52%; in 2023, it was 56%; and in 2022, it was 90%. See line 47 of Form MI-1040CR-7.)

New Tax Credit for Live Organ Donation

- Beginning January 1, 2025.
- One-time nonrefundable credit.
- Up to \$10,000 (or the taxpayer's tax liability) for unreimbursed expenses related to organ donation by the taxpayer or any dependents being claimed.
- Expenses include, but are not limited to, any unreimbursed travel or lodging expenses, lost wages, or childcare expenses.
- Verification of donation is required to be submitted with the tax return, Treasury may request reasonable proof of expenses.

New Tax Credit for Live Organ Donation (cont.)

- Eligible expenses may be incurred in the tax year before, during, or after the donation year; however, the credit may only be claimed for expenses from one of those years.
- Eligible organs include: Kidney, part of liver, lobe of lung, partial pancreas, part of intestine, bone marrow, bone, or skin.
- Blood, plasma, other body fluids, or hair are **not** eligible for the credit.
- See [Treasury Update Newsletter - December 2024](#)

2025 Form MI-1040 Updates

- **Line 20:** Credit for organ donation expenses
(In the Non-Refundable Credits section of the form.)
- **Line 40:** Digital asset declaration
(Appears this may be one of the last lines on page 3 of the form. At this time we are unaware of the contents of the digital asset declaration.)

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Questions

Thank you for your participation in this presentation!

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