

MURPHY FINANCIAL SERVICES, INC.  
September 2025 Newsletter

On July 4, we saw the One Big Beautiful Bullshit Bill pass. I decided I needed to send information out so you have a better idea of some of the items included in this bill. There has been a lot of misinformation telling people how great and wonderful it will be for everyone and how much they will save on their taxes. Unfortunately, lots of the information out there is incorrect or misleading.

#### TIPS

For your 2025 to 2028 tax returns, you may have tips that are no longer taxable. In order to have nontaxable tips, they need to be reported on your W-2, 1099 or some other IRS statement. Previously, only some tips were reported on your tax forms. You could be able to deduct up to \$25,000 in qualified tips from your income if your income is within the qualifying income (\$150,000 for single and \$300,000 for m/f). This sounds great. Previously, even though we all know we are required to report ALL our income, it appears people were not claiming certain tips. Shame on them! In order for people to deduct their tips, they first need to include them in their income. This is a wash. First you include the tips, then you deduct them. The employers will need to include all tips on your W-2s. We don't know how this will be reported on your 1040 but it could increase your wages which could limit some other deductions, depending on where the tip deduction is reported. Since the first year is 2025 and the law was changed July 4, all the employers will need to go back 6 months and review all the wages and determine the tips that need to be accounted for. 2026 to 2028 would be different because they will probably have a system to account for the tips going forward. The W-2 for 2026 already has a code for tips.

There are a lot of occupations that receive tips and it seems many people never reported their tips even though they were advised to do so. Self-employed people will need to claim all their tips and probably pay self-employment taxes on the money (15.3%) depending on whether the deduction is an expense on their business income or a deduction on their 1040 form. This could actually increase their taxes instead of saving them money. Seems like a lot of extra paperwork for possibly no savings.

#### OVERTIME

For your 2025 to 2028 tax returns, you could get an adjustment to your income for the overtime included in your wages. This is the extra half if you get paid time and a half. This is phased out if your income is \$150,000 for single and \$300,000 for m/f. The overtime has to be required. The overtime will need to be reported on your W-2 or a statement to the IRS or SS. It will be interesting how well the employers do at determining the overtime amount in 2025 since the law changed in July. I find this provision very interesting. For all the salaried people who are expected to work over 40 hours a week, they don't get overtime for their required hours over 40. They will have to pay taxes on all their income because none of it is considered overtime. For small business owners just trying to keep their business afloat, they get to pay taxes on all their income while their employees could get free income if they work overtime. Just my opinion, but I think this provision is really unfair.

#### SENIORS

Have you seen the ads that tell us that all the seniors will get \$6,000 of free social security? I have seen them. Too bad they aren't necessarily true. If seniors' income is over \$75,000 for singles and \$150,000 for m/f, they won't get this deduction. The income limit could include up to 85% of the social security income they receive as well as any wages, pensions, interest, etc. Many taxpayers will not qualify for this deduction. The people who would probably benefit from this deduction are people with lower income and many of those people are not paying taxes because their income is already low.

## SALT LIMITATION

When the tax code was changed in 2018, people were limited to \$10,000 of itemized deductions for state withholding taxes, real estate taxes, and other state taxes. Because of this, many people were no longer entitled to itemized deductions on their tax return. In 2025, the state tax deduction amount will be \$40,000. This amount will increase 1% each year until 2030 when it will go back to \$10,000. Enjoy it while it lasts.

## CAR LOAN INTEREST

If you purchase a new passenger car in 2025 through 2028 you may be able to deduct up to \$10,000 in auto loan interest. The auto needs to weigh less than 14000 pounds and the final assembly must be in the United States. There is a vin website that shows if your auto qualifies. If your income is over \$100,000 for single or \$200,000 for mfg the deduction will phase out. The lenders will need to provide forms showing the interest.

## CHARITABLE DONATIONS

It appears they were trying to help some people who make charitable contributions. Nonitemizers will be able to deduct up to \$1000 for single and \$2000 for mfg taxpayers. Unfortunately, for the itemizers, they will lose part of their donation, the first .5% of their income.

Remember, if you are over 70 ½ you can have direct charitable donations made from your IRA. This means you can have tax free money taken out of your IRA if it is sent directly to the charity. Contact your investment person to determine how to do this.

## HOME ENERGY CREDITS

It appears the energy credits could be gone again after 2025. I have seen publications that say you have until December 31, 2025 to get them installed and then I saw something that said it was December 31, 2024. I am hoping that was incorrect since they never reported that the credits were lost prior to this year. If you are thinking about having doors, windows, insulation, furnaces, etc. done, make sure they are done by year end.

## 1099-K and 1099s

It is interesting that they have again changed the requirements for the 1099-K (used for credit cards, ticketmaster, seat geek, etc.). They will only need to be issued if there are over 200 transactions and \$20,000 reported. This was the provision in 2024 which was to change in 2025. The threshold for issuing 1099s for business expenses is being changed to \$2000 from the previous \$600.

## MORTGAGE INSURANCE

In 2026 you will again be able to deduction your mortgage insurance. When they made the changes in 2018, people lost that deduction also. This change may or may not help many people.

The IRS has been sending out false forms for people who have already filed their tax returns and/or paid the taxes due. They have admitted they are experiencing processing delays. Perhaps they should not have allowed someone to get rid of the employees whose jobs were to process returns.

If you haven't gotten a PIN to use when filing your tax returns, it is still a good idea to get one. It is an easy way to help safeguard your tax filings.

Let me know if you have any questions regarding these items.