

2025 Agricultural Tax Update

IOWA FARM BUREAU
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CONTACT INFORMATION

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ONE BIG BEAUTIFUL BILL ACT (OBBBA)

- The OBBBA contains \$12.9 trillion in tax provisions.
- The Congressional Budget Office has estimated that the tax title of the Act will increase the deficit by \$3.4 trillion over 10 years.
- While most of the tax provisions extend or modify current law, the title contains new additions to the tax code as well.
- Today, we review **highlights only**.



MASSIVE NEW TAX LAW...

- There are some new provisions and twists to familiar provisions, many of which were made permanent, but this in some respects is more about **what might have been**.



EXTENSION – INDIVIDUAL INCOME TAX RATES

- The OBBBA extended the individual income tax rates and brackets put in place by the Tax Cuts and Jobs Act.
- This maintains the **status quo**.
- Had the change not been made, rates would have generally increased, and the income threshold at which you reach a higher rate would have generally decreased in 2026.

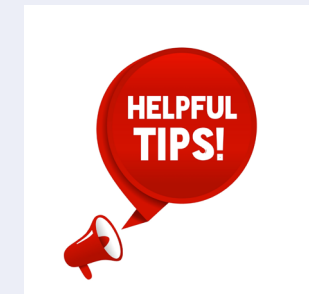
Tax Rates & Brackets (2026)		
Bracket	Current Law	Provision
1	10.0%	10.0%
2	15.0%	12.0%
3	25.0%	22.0%
4	28.0%	24.0%
5	33.0%	32.0%
6	35.0%	35.0%
7	39.6%	37.0%

Ordinary Income Tax Rates – What Would Have Been

Tax Rate		Single		Married, Filing Jointly	
2024	2026	2024 Brackets*	2026 Brackets**	2024 Brackets*	2026 Brackets**
10%	10%	\$0-\$11,600	No change	\$0-\$23,200*	No change
12%	15%	\$11,601-\$47,150	No change	\$23,201-\$94,300	No change
22%	25%	\$47,151-\$100,525	\$47,151-\$114,200	\$94,301-\$201,050	\$94,301-\$190,325
24%	28%	\$100,526-\$191,950	\$114,201-\$238,250	\$201,051-\$383,900	\$190,326-\$290,050
32%	33%	\$191,051-\$243,725	\$238,251-\$517,875	\$383,901-\$487,450	\$290,051-\$517,875
35%	35%	\$243,726-\$609,350	\$517,876-\$520,025	\$487,451-\$731,200	\$517,876-\$585,050
37%	39.6%	Over \$609,350	Over \$520,025	Over \$731,200	Over \$585,050

EXTENSION WITH TWIST – STANDARD DEDUCTION

- **Standard Deduction** – For 2025, OBBBA provides a standard deduction of **\$15,750** for singles, **\$23,625** for heads of household, and **\$31,500** for marrieds filing joint, beginning in 2025.
- This is a small increase for 2025, and a big increase (more than 100 percent) above what was scheduled for 2026.
- Even fewer will itemize deductions.
 - **If you are charitably minded, consider gifts of grain.**
 - **If you are 70 ½ consider a QCD.**



INCREASED STANDARD DEDUCTION

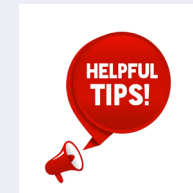
Qualified Charitable Distributions			
	2023*	2024	2025
One-time distribution from IRA to charitable trust or annuity	\$50,000	\$53,000	\$54,000
Annual limit on qualified charitable distributions	\$100,000	\$105,000	\$108,000
*Indexed for inflation for tax years beginning after 2023			

TEMPORARY DEDUCTION FOR SENIORS

- For tax years **2025-2028**, the OBBBA provides seniors (those 65 years of age and older) with an **additional \$6,000 deduction** under I.R.C § 151.
- If seniors are married, each spouse who is 65 and older is entitled to the deduction, **as long as they file a joint return** and meet the income requirements.
- This deduction **did not change the taxation of social security**.
- It does mean that **90 percent of social security recipients will no long pay federal income tax on their social security benefits**.

TEMPORARY DEDUCTION FOR SENIORS

- The senior deduction begins to phase out for taxpayers with incomes of \$75,000 (single) or \$150,000 (MFJ). The deduction is available for seniors who take the standard deduction and for those who itemize deductions.
- Taxpayers must have a social security number to claim this deduction.
- **For MFJ, this can mean a \$46,700 automatic deduction (including standard deduction).**



TEMPORARY DEDUCTION FOR SENIORS

TREASURY/IRS AND OMB USE ONLY DRAFT

SCHEDULE 1-A
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Deductions

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2025

Attachment
Sequence No. **1A**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

TEMPORARY DEDUCTION FOR SENIORS

Part V

Enhanced Deduction for Seniors

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31	Enter the amount from line 3	31	
32	Enter \$75,000 (\$150,000 if married filing jointly)	32	
33	Subtract line 32 from line 31. If zero or less, enter \$6,000 on line 35	33	
34	Multiply line 33 by 6% (0.06)	34	
35	Subtract line 34 from \$6,000. If zero or less, enter -0-	35	
36a	If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35	36a	
b	If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35	36b	
37	Enhanced deduction for seniors. Add lines 36a and 36b	37	

— DO NOT FILE

Schedule 1-A (Calculation of MAGI)

SCHEDULE 1-A (Form 1040) Department of the Treasury Internal Revenue Service	Additional Deductions Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold;">2025</div> Attachment Sequence No. 1A
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number
Part I Modified Adjusted Gross Income (MAGI) Amount		
1 Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b	1	
2a Enter any income from Puerto Rico that you excluded	2a	
b Enter the amount from Form 2555, line 45	2b	
c Enter the amount from Form 2555, line 50	2c	
d Enter the amount from Form 4563, line 15	2d	
e Add lines 2a, 2b, 2c, and 2d	2e	
3 Add lines 1 and 2e	3	

This is how the MAGI is calculated for determining whether tips, overtime, senior, and personal car loan interest **phases out**.

Schedule 1-A (These are *Below the Line* Deductions)

That means they don't impact AGI and they don't impact whether return needs to be filed. You must file a return to claim.

Part V Enhanced Deduction for Seniors

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

31	Enter the amount from line 3	31	
32	Enter \$75,000 (\$150,000 if married filing jointly)	32	
33	Subtract line 32 from line 31. If zero or less, enter \$6,000 on line 35	33	
34	Multiply line 33 by 6% (0.06)	34	
35	Subtract line 34 from \$6,000. If zero or less, enter -0-	35	
36a	If you have a valid social security number (see instructions) and were born before January 2, 1961, enter the amount from line 35	36a	
b	If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1961, enter the amount from line 35	36b	
37	Enhanced deduction for seniors. Add lines 36a and 36b	37	

Part VI Total Additional Deductions

38	Add lines 13, 21, 30, and 37. Enter here and on Form 1040 or 1040-SR, line 13b, or on Form 1040-NR, line 13c	38	
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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	
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	
16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> 	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	
19	Child tax credit or credit for other dependents from Schedule 8812	19	
20	Amount from Schedule 3, line 8	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	
24	Add lines 22 and 23. This is your total tax	24	

Standard deduction for—

- Single or Married filing separately, \$15,750
- Married filing jointly or Qualifying surviving spouse, \$31,500
- Head of household, \$23,625
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

Schedule 1 (These are Above the Line Deductions)

Schedule 1 is where we find above the line deductions that will impact MAGI.

Part II Adjustments to Income			
11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903. If claiming only storage fees (see instructions), check here <input type="checkbox"/>	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions):		
20	IRA deduction. If you are married filing separately and lived apart from your spouse for the entire year (see instructions), check here <input type="checkbox"/>	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	

EXTENSION WITH TWIST – CHILD TAX CREDIT

- Beginning in 2025, the OBBBA permanently creates an enhanced child tax credit of **\$2,200** (*up from \$2,000 scheduled for 2025 and \$1,000 scheduled for 2026*) for qualifying children under 17.
- This amount is adjusted for inflation after 2025. The OBBBA also permanently retains the current, higher income phase-out thresholds that were scheduled to sunset (\$200,000 for singles and \$400,000 for MFJ).
- The OBBBA also makes permanent the \$500 nonrefundable credit for other dependents.
- **Children and at least one parent must have SSN.**

EXTENSION WITH TWIST – QBI DEDUCTION

- The OBBBA makes permanent the **20 percent qualified business income deduction** for sole proprietors and pass-through businesses under I.R.C. § 199A.
- This includes the I.R.C. § 199A(g) deduction for agricultural cooperatives and their patrons.
- Beginning in 2026, the Act also increases the phase-in range of the SSTB and wage and investment limitations for businesses.
 - This phase-in range for the income phase-out increases from \$50,000 to \$75,000 for singles and from \$100,000 to \$150,000 for joint filers.
 - **More opportunity for deduction with higher incomes** (est. > \$200,000 / \$400,000)

QUALIFIED BUSINESS INCOME DEDUCTION

- The Act includes a new minimum \$400 deduction for taxpayers with at least \$1,000 in “active” qualified business income.
- Both amounts will be adjusted annually for inflation. To qualify for this minimum deduction, the taxpayer must ***materially participate*** in the business, as defined by I.R.C. § 469(h).
- The enhancements to the QBI deduction are effective in 2026.

EXAMPLE

- Chuck is 18 with a small livestock herd. He is a full-time student, but he operates his livestock business regularly and continuously. He is the only operator. Chuck receives \$1,800 in QBI from his business.
- He is entitled to a \$400 QBI deduction (even though 20 percent of his QBI would yield a \$360 deduction), because:
 - He has at least \$1,000 in active QBI, and
 - He materially participates in the business under § 469(h).



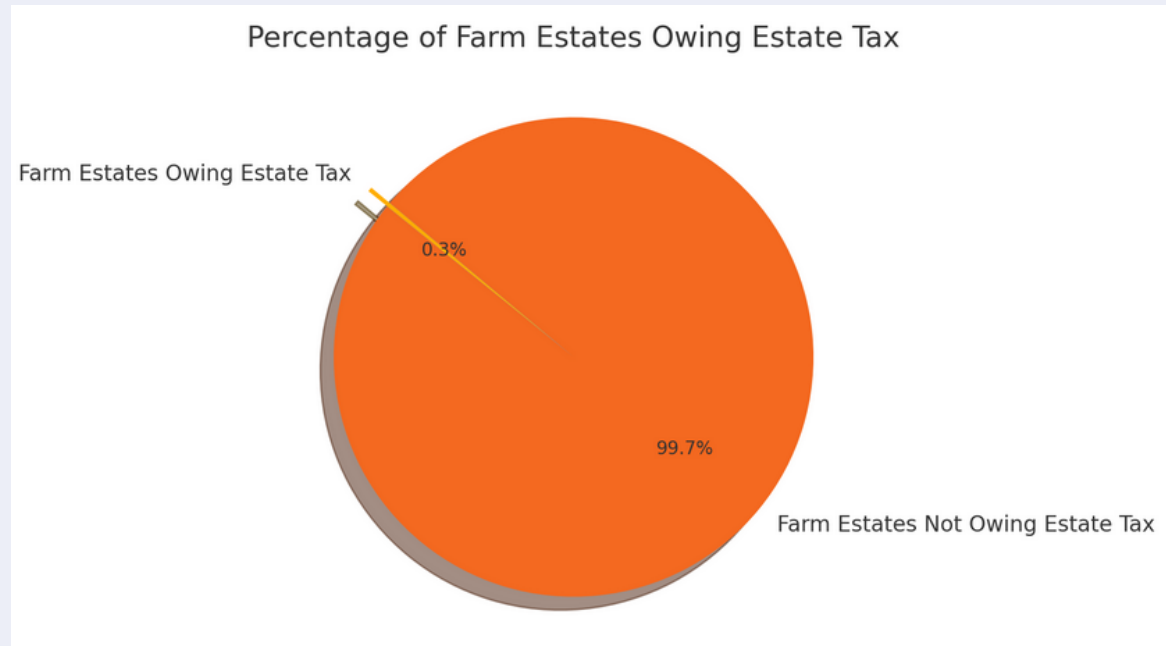
EXTENSION WITH A TWIST: ESTATE AND GIFT TAX EXEMPTION

- The OBBBA permanently increases the estate and gift tax exemption (basic exclusion), beginning in 2026, to **\$15 million per person**, indexed for inflation each year after that. The basic exclusion for 2025 remains \$13.99 million per person.

1997 = \$600,000
1998 = \$625,000
1999 = \$650,000
2000 and 2001 = \$675,000
2002-2009 = \$1.0 million
2010 = \$5 million or opt out with no step up
2011 = \$5.0 million
2012 = \$5.12 million
2016 = \$5.45 million
2017 = \$5.49 million
2018 = \$11.2 million
2019 = \$11.4 million
2020 = \$11.58 million
2021 = \$11.7 million
2022 = \$12.06 million
2023 = \$12.92 million
2024 = \$13.61 million
2025 = \$13.99 million

EXEMPTION FROM TAX

- For 2024, USDA, Economic Research Service (ERS) estimated 41,104 estates would result from principal operator deaths, and out of those, approximately 0.7 percent—or 266 estates—would be required to file an estate tax return but would not owe estate tax. About another 0.3 percent—or 141 estates—would be required to file an estate tax return and would owe estate tax.



PORTABILITY REMAINS IMPORTANT

- Unused exclusion amount of spouse dying after 12/31/2010 may be used by surviving spouse
- Only available if election made on timely filed estate tax return (**Form 706**) of predeceased spouse – whether or not estate tax return is otherwise required.
- Spouses can apply up to \$30 exemption in 2026.

Form 706 (Rev. August 2019) Department of the Treasury Internal Revenue Service		United States Estate (and Generation-Skipping Transfer) Tax Return ▶ Estate of a citizen or resident of the United States (see instructions). To be filed for decedents dying after December 31, 2018. ▶ Go to www.irs.gov/Form706 for instructions and the latest information.			OMB No. 1545-0015
Part 1 – Decedent and Executor	1a Decedent's first name and middle initial (and maiden name, if any)	1b Decedent's last name		2 Decedent's social security no.	
	3a City, town, or post office; county; state or province; country; and ZIP or foreign postal code	3b Year domicile established	4 Date of birth	5 Date of death	
	6a Name of executor (see instructions)	6b Executor's address (number and street including apartment or suite no.; city, town, or post office; state or province; country; and ZIP or foreign postal code) and phone no.			
	6c Executor's social security number (see instructions)				
	6d If there are multiple executors, check here <input type="checkbox"/> and attach a list showing the names, addresses, telephone numbers, and SSNs of the additional executors.				
	7a Name and location of court where will was probated or estate administered				7b Case number
	8 If decedent died testate, check here <input type="checkbox"/> and attach a certified copy of the will. 9 If you extended the time to file this Form 706, check here <input type="checkbox"/>				
	10 If Schedule R-1 is attached, check here <input type="checkbox"/> 11 If you are estimating the value of assets included in the gross estate on line 1 pursuant to the special rule of Reg. section 20.2010-2(a)(7)(ii), check here <input type="checkbox"/>				

LATE PORTABILITY ELECTION CAN BE MADE WITHIN FIVE YEARS

- Rev. Proc. 2022-32

- Under the recent procedure, which supersedes Rev. Proc. 2017-34, an extension request must be made **on or before the fifth anniversary of the decedent's death.**
- This simplified method, which doesn't require a user fee, should be used in lieu of the letter ruling process.

INCOME TAX PLANNING REMAINS PRIMARY CONCERN

- This means that income tax planning remains the primary concern for most farm families.
- The OBBBA did not change the basis adjustment at death or the long-time provisions for:
 - Special use valuation
 - Conservation easement valuation
 - Gift tax
 - Portability



EXTENSION WITH BIG TWIST – SALT DEDUCTION

- The TCJA set a limit for the state and local deduction at \$10,000. Beginning in 2025, the OBBBA sets a \$40,000 limit.
- In 2026, the OBBBA raises the limit to \$40,400. Each year, through 2029, the limit increases to 101 percent of the prior year's limit. Beginning in 2030, the limit is reset at \$10,000.



SALT DEDUCTION

- From 2025 – 2029, the deduction limit is reduced by 30 percent of the amount by which the taxpayer's MAGI exceeds \$500,000 in 2025, \$505,000 in 2026, and 101 percent of the prior year's income threshold through 2029. In no case can the deduction limit fall below \$10,000.
- Unlike earlier bills, the OBBBA does not address or seek to limit the pass-through entity tax (PTET) workarounds that have been enacted by most states.
- **Planning Considerations:**
 - If you're high income, PTET is important.
 - If you're not high income, PTET may no longer be necessary.





NEW TAX PROVISIONS IN THE BILL

DEDUCTION FOR QUALIFIED OVERTIME COMPENSATION

- The Act creates a federal income tax deduction for qualified overtime compensation received during the year. I.R.C. § 225. The deduction is limited to \$12,500 (\$25,000 in the case of a joint return), and it is in effect for tax years 2025-2028.
- **Qualified overtime compensation** is overtime pay required under the Fair Labor Standards Act.
- This deduction begins to phase out for those with MAGI above \$150,000 (\$300,000 MFJ).



DEDUCTION FOR QUALIFIED OVERTIME COMPENSATION

- FLSA exempts “any employee employed in agriculture” from overtime pay requirements,. [29 U.S.C. § 213(b)(12)].
 - “Agriculture” includes farming in all its branches and among other things includes the cultivation and tillage of the soil, dairying, the production, cultivation, growing, and harvesting of any agricultural or horticultural commodities, the raising of livestock, bees, fur-bearing animals, or poultry, and any practices (including any forestry or lumbering operations) performed by a farmer or on a farm as an incident to or in conjunction with such farming operations, including preparation for market, delivery to storage or to market or to carriers for transportation to market. [29 U.S.C. § 7(f)].

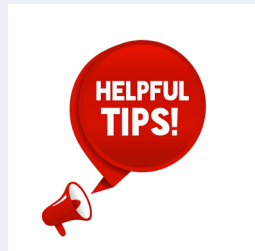
DEDUCTION FOR QUALIFIED OVERTIME COMPENSATION

- FLSA also exempts secondary agriculture labor, which includes all practices, including forestry or lumbering operations, performed: (1) by a farmer or on a farm, and (2) as an incident to or in conjunction with such farming operations.
- Agriculture does not include employment outside of the scope of either primary or secondary agriculture.
 - Example: packing or processing other farms' produce.



Agricultural Labor FLSA Exemption

If an employee performs one hour of non-agriculture work in a week, all hours exceeding 40 will be subject to overtime pay for that week, even if the rest of the overtime was agriculture work.



DEDUCTION FOR TIPS

- Effective for 2025 through 2028, employees and self-employed individuals may deduct qualified tips received in occupations that are listed by the IRS as **customarily and regularly receiving tips on or before December 31, 2024**, and that are reported on a Form W-2, Form 1099, or other specified statement furnished to the individual or reported directly by the individual on Form 4137.



DEDUCTION FOR TIPS

- “Qualified tips” are voluntary cash or charged tips received from customers or through tip sharing.
- Maximum annual deduction is \$25,000; for self-employed, deduction may not exceed individual’s net income (without regard to this deduction) from the trade or business in which the tips were earned.
- Deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).
- IRS released proposed rules on eligible categories (no ag).
<https://www.federalregister.gov/documents/2025/09/22/2025-18278/occupations-that-customarily-and-regularly-received-tips-definition-of-qualified-tips>

PERSONAL CAR LOAN INTEREST

- OBBBA creates a new deduction for “qualified passenger vehicle loan interest.” I.R.C. § 163(h).
- This deduction is in place for tax years 2025-2028.
- Generally, qualified passenger vehicle loan interest is interest paid or accrued on debt incurred after December 31, 2024, for the purchase of (and secured by a first lien on) a **new** passenger vehicle for personal use.
- Deductible interest per year is capped at \$10,000 and phases out when MAGI exceeds \$100,000 (singles) or \$200,000 (MFJ). It is totally eliminated when MAGI reaches \$150,000 (singles) or \$250,000 (MFJ).

PERSONAL CAR LOAN INTEREST

- An applicable passenger vehicle is a **new** car, minivan, van, SUV, pick-up truck or motorcycle.
 - Must be less than 14,000 pounds.
 - Final assembly of the vehicle must occur in the United States.
- Does not matter if taxpayer itemizes.



Part IV

No Tax on Car Loan Interest

Caution: Fill out Part IV only if you paid or accrued qualified passenger vehicle loan interest. See instructions to learn more about what is an applicable passenger vehicle.

22	Applicable passenger vehicle (see instructions). If more than two VINs, see instructions.	
		Interest for this loan:
	(i) Vehicle identification number (VIN)	(ii) Deducted on Schedule C, Schedule E, or Schedule F
		(iii) Schedule 1-A
a	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>	
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23	Add lines 22a and 22b, column (iii)	23
24	Enter the smaller of the amount on line 23 or \$10,000	24
25	Enter the amount from line 3	25
26	Enter \$100,000 (\$200,000 if married filing jointly)	26
27	Subtract line 26 from line 25. If zero or less, enter the amount from line 24 on line 30	27
28	Divide line 27 by \$1,000. If the resulting number isn't a whole number, increase the result to the next higher whole number. (For example, increase 1.5 to 2, and increase 0.05 to 1.)	28
29	Multiply line 28 by \$200	29
30	Qualified car loan interest deduction. Subtract line 29 from line 24. If zero or less, enter -0-	30

PERSONAL CAR LOAN INTEREST – TRANSITIONAL RELIEF

- On October 21, 2025, IRS issued **Notice 2025-57**, transitional relief for lenders required to report information indicating the total amount of interest received in calendar year 2025 on a specified passenger vehicle loan.
- Reporting required if interest is \$600 or more

TREASURY/IRS AND OMB USE ONLY DRAFT

XXXX ☐ VOID ☐ CORRECTED

RECIPIENT'S/LENDER'S name				OMB No. 1545-XXXX Form 1098-VLI (December 2026) For calendar year _____			
Street address			Room/suite no.				
City/town	State/province	Country	ZIP/foreign code				
Telephone number:				Copy A For Internal Revenue Service Center For filing information, Privacy Act, and Paperwork Reduction Act Notice, see the General Instructions for Certain Information Returns. www.irs.gov/Form1099			
RECIPIENT'S/LENDER'S TIN		BORROWER'S/PAYER'S TIN				1 Vehicle loan interest received by lender \$ _____	
BORROWER'S/PAYER'S name							
Street address		Apt. no.					
City/town	State/province	Country	ZIP/foreign code				
Account number (see instructions)				2a Year _____			
				2b Make _____			
				2c Model _____			
				2d VIN _____			
				3a Loan origination date _____			
				3b Loan acquisition date _____			
				4 Outstanding principal \$ _____			
				5 Refund of overpaid interest \$ _____			

Form **1098-VLI** (12-2026) Created 10/16/25 Cat. No. 95868I www.irs.gov/Form1098VLI Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Instructions for Borrower/Payer

A person that receives specified passenger vehicle loan (SPVL) interest payments of \$600 or more during the year on one or more SPVLs must furnish this statement to you.

You may be able to deduct vehicle loan interest that you actually paid during the calendar year on your income tax return. However, you may not be able to deduct the full amount of interest reported on this statement. Do not contact the recipient/lender for explanations of the requirements for (and how to figure) any allowable deduction for the interest paid. Instead, for more information, see the Instructions for Form 1040.

PERSONAL CAR LOAN INTEREST – TRANSITIONAL RELIEF

- Lenders satisfy reporting obligations (and no penalties assessed) in 2025 if:
 - They make a statement available to the individual on or before January 31, 2026, indicating the total amount of interest received in calendar year 2025 on a specified passenger vehicle loan.
- This statement can be made available, for example, through:
 - an online account portal that the individual can easily access,
 - a regular monthly statement,
 - an annual statement that is provided to the individual, or
 - by other similar means designed to provide accurate information to the individual regarding the total amount of interest received in calendar year 2025 on a specified passenger vehicle loan.

PERSONAL CAR LOAN INTEREST

- An applicable passenger vehicle is a new car, minivan, van, SUV, pick-up truck or motorcycle.
 - Must be less than 14,000 pounds.
 - Final assembly of the vehicle must occur in the United States.
- Does not matter if taxpayer itemizes.





PERMANENT BUSINESS TAX REFORM

BONUS DEPRECIATION

- The TCJA allowed 100 percent bonus depreciation through 2022 for qualifying property acquired and placed into service after September 27, 2017.
- It then established a phase-out over the next four years, in increments of 20 percent.
- For assets placed in service in 2025, the phase-out limited the bonus depreciation deduction to 40 percent of the basis.
- Bonus depreciation was scheduled to end in 2027.

BONUS DEPRECIATION

- The OBBBA **permanently** increases bonus depreciation to 100 percent of basis for **property acquired and placed into service after January 19, 2025.**
 - This includes trees and vines planted or grafted after January 19, 2025.
- For property (or trees or vines) placed in service during the first taxable year ending after January 19, 2025, **the taxpayer can elect to have 40 percent bonus depreciation apply.**
- We love 100 percent bonus, but the 40 percent election (or election out) may be beneficial when incomes are down. We don't want to create a loss or lose other tax benefits. Electing out is also a viable option.



EXAMPLE

- Luis is a calendar-year farmer who purchases a new combine for \$500,000 on February 15, 2025. He places it in service immediately after purchase. The purchase occurs after January 19, 2025, so it qualifies for bonus depreciation under the new law. Luis has three options:
 - Full 100% Bonus Depreciation (Default)
 - Elect 40% Bonus Depreciation (Special Election)
 - Elect out of Bonus Depreciation
- If he elects 40 percent bonus, he deducts $40\% \times \$500,000 = \$200,000$ in 2025. The remaining \$300,000 of basis is recovered over the normal MACRS schedule for 5-year farm equipment.

SECTION 179

- The Act permanently increases the maximum Section 179 deduction to **\$2,500,000** (up from \$1,250,000) and increases the phaseout threshold amount to **\$4,000,000** (up from \$3,100,000) for **property placed in service in taxable years beginning after 2024**.
- These amounts will be indexed for inflation after 2025.



EXAMPLE

- John, a calendar year taxpayer, placed into service the following new equipment for his farming business in December of 2025:

- | | |
|-----------------|-------------|
| ■ Poultry Barns | \$1,500,000 |
| ■ Combine: | \$700,000 |
| ■ New Tractor: | \$400,000 |
| ■ Used Tractor: | \$200,000 |

EXAMPLE

- The total cost of John's equipment (\$2,800,000) exceeds the 2025 Section 179 limit (\$2,500,000) by \$300,000.
- If John chooses to fully expense the combine and the used tractor and the poultry barns, he may expense \$100,000 of the basis of the new tractor, leaving a basis of \$300,000.
- He may then deduct that full basis as additional first-year depreciation deduction (100 percent of the basis) in 2025 for the new tractor.
- Alternatively, he can elect 40 percent bonus or elect out of bonus altogether and depreciate the remaining basis over five years.
- **Section 179 is very flexible! It's the precision tool for tax planning.**



MEALS FOR THE CONVENIENCE OF EMPLOYER

- In 2026, on-premises meals provided by a farm corporation for the convenience of the employer are no longer deductible (they were 50 percent deductible).
- OBBBA changed the law to state that meals provided on certain fishing boats and at certain fish processing facilities are allowed a full deduction after December 31, 2025.
- All other meals rules remain the same.



EXAMPLE

- KRC, Inc., a small family-owned farm corporation, operates a breakroom kitchen where it provides daily lunches to its five full-time employees during the busy harvest season.
 - The meals are offered for the convenience of the employer because the farm is in a rural area with no nearby food options, and management wants to ensure workers remain on-site and available during limited daylight hours.
- In 2025, KRC, Inc. is able to take a 50 percent deduction for the cost of the meals provided. The employees do not provide the cost of the meals in their wages because these are meals provided for the convenience of the employer under I.R.C. § 119.

MEALS FOR THE CONVENIENCE OF EMPLOYER

- In 2026, KRC, Inc. can no longer deduct the cost of the meals. If the meals continue, the employees continue to exclude the value from their income under I.R.C. § 119.





SMALL BUSINESS AND RURAL AMERICA

1099-MISC AND 1099-NEC REQUIREMENTS

- Current law requires those engaged in a trade or business to file an information return if they make payments to any person totaling \$600 or more in the course of the trade or business. [I.R.C. § 6041(a)].
- A copy of the Form 1099-NEC or 1099-MISC must also be provided to the payee.
- The OBBBA increases the payment threshold for these information returns to \$2,000 per payee, **beginning with payments made in 2026.**
 - The OBBBA also ensures that backup withholding requirements correspond to the new threshold.

GAIN FROM THE SALE OR EXCHANGE OF FARMLAND PROPERTY TO QUALIFIED FARMERS

- The Act creates a new election through which those selling farmland property to a **qualified farmer** can choose to pay their taxes on the gain in **four equal installments**. I.R.C. § 1062.
- The election is available to individuals, trusts, and entities that have either farmed the property or leased it to a qualified farmer for 10 years prior to the sale.



GAIN FROM THE SALE OR EXCHANGE OF FARMLAND PROPERTY TO QUALIFIED FARMERS

- The seller can only make the election if the land is **subject to a covenant or other legally enforceable restriction** which prohibits the use of the property other than as a farm for farming purposes for 10 years after the date of the sale or exchange.
- **A copy of the covenant must be filed with the first tax return.**
- A “qualified farmer” is an individual who is **actively engaged in farming.**
- This provision is effective for sales or exchanges occurring in tax years **beginning after July 4, 2025.**

EXAMPLE

- Landowner recognizes \$1 million in capital gain in 2026.
- Assuming a 20 percent tax rate, total tax liability is \$200,000.
- Landowner under new provision may pay \$50,000 each year (2027 filing season and each of the following three years).
- Assuming an interest rate of 3.7 percent, paying overtime would yield approximate \$11,000 savings.

EXAMPLE

1. Use Restriction

The Property shall be used exclusively for **farming purposes**, which include the cultivation, production, and management of crops, livestock, and other agricultural commodities, and related conservation or soil management practices.

For a period of ten (10) years from the date of this Covenant, the Property shall **not be used for any residential, commercial, industrial, or recreational purposes** unrelated to farming.

EXAMPLE

3. Enforcement

This Covenant may be enforced by the Grantor, his estate, or any authorized taxing authority with an interest in ensuring compliance with the requirements of I.R.C. § 1062. Enforcement may include, but is not limited to, injunctive relief or other equitable remedies.

Limitation of Section 1062

Although I.R.C. § 1062 allows landowners to defer the payment of tax over a four-year period, it does not change the tax calculation. In other words, the landowner is not given I.R.C. § 453 treatment because the landowner has received payment for the land in the sale year.



CHANGES TO INFLATION REDUCTION ACT CREDITS

CLEAN VEHICLE CREDITS

- The Act ends all clean vehicle credits—including the I.R.C. § 30D clean vehicle credit, the I.R.C. § 25E previously owned clean vehicle credit, and the I.R.C. § 45W commercial clean vehicle credits—for all vehicles purchased after **September 30, 2025**.
 - The Act also ends the alternative fuel vehicle refueling property credit under I.R.C. § 30C for property acquired after June 30, 2026.



HOME ENERGY CREDITS

- The OBBBA repeals the energy efficient home improvement credit under I.R.C. § 25C for property placed in service after December 31, 2025. This credit applies to energy efficient windows, doors, HVAC property, and home energy audits.
- Likewise, the OBBBA terminates the residential clean energy credit under I.R.C. § 25D for expenditures made after December 31, 2025. This is the 30 percent credit for the installation of solar, small wind, and geothermal heat pump property in a home.



CLEAN ELECTRICITY PRODUCTION CREDIT

- The Act restructures the I.R.C. § 45Y clean electricity production credit, in particular **restricting the credit for wind and solar facilities where construction begins after July 4, 2026.**
- For those projects, **no credit is allowed if the facility is placed in service after December 31, 2027.**
- If construction begins on or before July 4, 2026, it must be placed into service within a four-year window.
- For all types of projects receiving material assistance from a prohibited foreign entity, no credit is allowed where construction begins after December 31, 2025.
- For other projects (not wind or solar) the credit phases out for projects where construction begins in 2034 and ends where construction begins after 2035.

CLEAN ELECTRICITY INVESTMENT CREDIT

- The Act changes the I.R.C. § 48E clean electricity investment credit, restricting the credit for wind and solar facilities **where construction begins after July 4, 2026.**
 - For those projects, no credit is allowed if the facility is placed in service after **December 31, 2027.**
- For all types of projects receiving material assistance from a prohibited foreign entity, no credit is allowed where construction begins after December 31, 2025. For other projects (not wind or solar) the credit phases out for projects where construction begins in 2034 and ends where construction begins after 2035.



EXAMPLE

- Fresh Milk Dairy is a family-owned farm milking 75 cows in rural Wisconsin. In 2026, the farm decides to install a solar panel system on its milking parlor and bulk tank room to reduce long-term utility costs.
 - The total installed cost of the solar project is \$100,000. The Dairy begins construction in May of 2026 and places the property into service in September of 2026.
- FM Dairy is eligible for a \$30,000 credit for its < 1 MW facility $[\text{.30} \times 100,000]$. The basis of the solar property is reduced by $\frac{1}{2}$ of the credit or \$15,000. FM Dairy may apply 100% bonus depreciation to recover the cost of the remaining \$85,000 in basis.

CLEAN FUEL PRODUCTION CREDIT

- The Act extends the clean fuel production credit under I.R.C. § 45Z for fuel sold through December 31, 2029.
- The Act also restricts the credit to fuel produced from domestic feedstocks. For fuel produced after 2025, the Act reduces the credit for sustainable aviation fuel from \$1.75 per gallon to \$1.00 per gallon.



CARBON OXIDE CAPTURE AND SEQUESTRATION CREDIT

- The Act largely leaves the current I.R.C. § 45Q carbon oxide sequestration credit intact.
- It does add a provision to allow all uses (not just sequestration) to receive the same \$85/ton rate.
- The credit is not scheduled to expire until 2033.
- The Act terminates transferability of the credit to specified foreign entities.



AFFORDABLE CARE ACT SUBSIDY EXPANSION ENDS

- The American Rescue Plan Act of 2021 significantly expanded the availability of the Affordable Care Act's premium tax credit (PTC) under IRC § 36B.
- On August 23, 2022, the Inflation Reduction Act extended these changes through 2025.
- Generally, the extended law allows many higher income individuals to qualify for a PTC. It also increases the amount of the premium tax credit available to those with lower incomes.

OBBBA DID NOT EXTEND

- The ACA originally created the PTC for taxpayers whose household income was between 100 and 400 percent of the federal poverty level (FPL), but this rule was modified **through 2025**. The PTC is generally paid in advance through an “advance premium tax credit” (APTC), which reduces or eliminates the premium that an individual enrolled in a Marketplace plan must pay.
- Currently, taxpayers with incomes at or above 400 percent of the FPL can receive a PTC for any amount by which the premium for the second lowest cost silver plan exceeds 8.5 percent of their household income. That will go away if Congress does not extend (Cost - \$350 billion/10 years).

EXAMPLE

Seth is 62 and Larie is 61. They are married and they have projected MAGI of \$87,000 in 2025. Their SLCSP in Iowa was \$1,803/month. This means health insurance premium coverage cost \$21,636 a year if they choose the second-lowest-cost silver plan. This plan had an \$11,000 deductible and a maximum out of pocket limit of \$17,200.

In 2025, Seth and Larie were eligible for a monthly PTC of \$1,194. They paid \$609 per month for their coverage, and the PTC, paid in advance, picked up the difference. Their premium cost for 2025 was \$7,308.



EXAMPLE

In 2026, Seth and Larie are not eligible for the PTC because their MAGI is greater than or equal to 400 percent of the FPL.

If they choose to purchase the coverage on the Marketplace, they must pay \$2,369/month or \$28,428/year.

- \$12,000 deductible and \$17,800 out-of-pocket maximum.



EXAMPLE

- Ronald and Kari are 45 years old with two dependent children. Their household income is 95,000 a year, which is 304 percent of the FPL.
- In 2025, they received Marketplace coverage, paying **\$5,795** (\$483/month) for their coverage. They received an APTC of \$15,205.
- If the enhancements are not extended, they will qualify for an APTC of \$14,448, and they will owe a yearly premium of **\$9,312**.

EQUITABLE TREATMENT OF CERTAIN ENTITIES



EQUITABLE TREATMENT OF CERTAIN ENTITIES

- The OBBBA for the first time allows “**qualified pass-through entities**,” including S corporations and LLCs not taxed as C corporations, to be treated in the same manner that general partnerships are currently treated under the payment limitation attribution rules.
- For example, S corporation shareholders or LLC members actively engaged in farming would each have their own payment limit, not capped by a separate entity payment limit.

EXAMPLE – *PRE-OBDBA RULES*

- Triple Harvest Farms is a general partnership made up of:
 - Jake (1/3 ownership)
 - Luke (1/3 ownership)
 - Anna (1/3 ownership)
- All three siblings are individuals and actively engaged in farming under FSA rules.
- The partnership is not structured as an LLC or S corporation, but a true general partnership.

EXAMPLE – PRE-OBBBA RULES

- Since all three siblings are actively engaged in farming, and the partnership is a general partnership, each is considered a separate person for payment limitation purposes.
- Triple Harvest Farms as a whole is eligible for up to \$375,000 in total payments ($3 \times \$125,000$) for each program, assuming program eligibility and production justify it, and all recordkeeping and certification requirements are met.

EXAMPLE – PRE-OBBBA RULES

- Now assume Triple Harvest is an LLC, taxed as a partnership.
- The total payment limit for the LLC as a whole is \$125,000 (not \$375,000 like it would be in a general partnership).
- The LLC's payment limit is split among the owners based on their ownership share, in this case, each member receives a \$41,667 payment.

OBBBA CHANGE

- Pass-through entities such as LLCs, S corporations, and partnerships are now treated like general partnerships.
 - Payment limits are attributed to each member, not to the entity.
- Each member who is actively engaged in farming may receive a full payment limit of \$155,000, rather than splitting a single entity cap.

EXAMPLE - OBBBA CHANGE

- Because of changes made by OBBBA, each member of Triple Harvest Farms from the last example would be eligible for their own program payment since they are all actively engaged in farming.
- Additionally, the payment limits have increased from \$125,000 to \$155,000 per person.
- If Triple Harvest Farms qualifies for the maximum payment, the payments made to members could total up to \$465,000 ($3 \times \$155,000$), as opposed to the pre-OBBBA limit of \$125,000.

SIGNIFICANCE OF OBBBA CHANGE

▪ Pre-2025 (2024)

- LLC gets one \$125K limit
- \$125,000 total

Post-2025 (OBBBA)

AEF Members Have Individual Limit
\$465,000 total (3 × \$155,000)

This change largely eliminates the payment limitation penalty that has been associated with creating a pass-through entity with liability protection. **But AGI limits must still be considered.**

