One, Big, Beautiful Bill Act Provisions for SPEC Employees and Partners

This document provides information for SPEC Employees and Partners involved in the VITA/TCE programs.

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**.

In alignment with the IRS's phased implementation of the OBBBA, no changes will be made to Form W-2 or the federal income tax withholding tables for TY25. Updates have been applied to Form W-4 for TY26.

These decisions are intended to avoid disruptions during the tax filing season and to give the IRS, business and tax professionals enough time to implement the changes effectively.

New deductions effective beginning 2025:

No tax on tips

Effective for 2025 through 2028, employees and self-employed individuals may deduct qualified tips received in occupations listed by the IRS as customarily and regularly receiving tips.

Taxpayers may be able to claim a deduction for qualified tips paid to them in 2025, and that are reported on a **Form W-2**, Form 1099-NEC, Form 1099-MISC, Form 1099-K or reported directly by the individual on **Form 4137**. Because no changes have been made to the 2025 Form W-2, Form 1099-NEC, Form 1099-MISC, or Form 1099-K, you may not find a separate accounting for cash tips received by you on these forms. See **Notice 2025-69** and the Instructions for Form 1040 for more information about how to identify the qualified tips included in the amounts reported on these forms.

No tax on overtime

Effective for 2025 through 2028, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay (such as the "half" portion of "time-and-a-half" compensation) that is required by the Fair Labor Standards Act (FLSA) and reported on a Form W-2, Form 1099-NEC, Form 1099-MISC, or other specified statement furnished to the individual. Because no changes have been made to the 2025 Form W-2, Form 1099-NEC, or Form 1099-MISC, you may not find a separate accounting for qualified overtime compensation received by you on these forms. See **Notice 2025-69** and the Instructions for Form 1040 for more information about how to identify the qualified overtime included in the amounts reported on these forms.

No tax on car loan interest

Effective for 2025 through 2028, individuals may be eligible to deduct up to $10,000 of qualified passenger vehicle loan interest (QPVLI) paid during the year. QPVLI is interest paid on a loan that meets certain requirements including the proceeds were used to purchase an applicable passenger vehicle for personal use. (Lease payments do not qualify.)

Enhanced Deduction for Seniors

New deduction: Effective for 2025 through 2028, individuals who are age 65 and older and who meet certain other requirements may claim an additional deduction of $6,000. To claim this deduction, married individuals must file jointly, and each taxpayer must have a valid Social Security

number. This new deduction is in addition to the current higher standard deduction for taxpayers who are 65 or older. The new deduction may be claimed whether the taxpayer itemizes or claims the standard deduction.

Changes to other existing credits and deductions

The following provisions changed due to the OBBBA:

- Limitation on deduction for state and local, etc. taxes (SALT)
- Child Tax Credit/Additional Child Tax Credit
- Qualified higher education expenses for the purposes of 529 accounts
- Qualified Charitable Distributions
- Adoption Credit

Energy credits and deductions are expiring under OBBBA

OBBBA accelerated the termination of several energy credit and deduction provisions.The following incentives expire the soonest:

Section Title	Termination Date
Energy efficient home improvement credit	The credit will not be allowed for any property placed in service after December 31, 2025.
Residential clean energy credit	The credit will not be allowed for any expenditures made after December 31, 2025.
Previously-owned clean vehicles credit	The credit will not be allowed with respect to any vehicle acquired after September 30, 2025.
Alternative fuel vehicle refueling property credit	The credit will not be allowed for any property placed in service after June 30, 2025.
New clean vehicle credit	The credit will not be allowed for any vehicle acquired after September 30, 2025.
New energy efficient home credit	The credit will not be allowed for any qualified new energy efficient home acquired after June 30, 2025.
Qualified commercial clean vehicle credit	The credit will not be allowed for any vehicle acquired after September 30, 2025.
Energy efficient commercial buildings deduction	The deduction will not be allowed with respect to any property the construction of which begins after June 30, 2025.

Additional information on OBBBA

For the latest information on the One, Big, Beautiful Bill Act visit **One, Big, Beautiful Bill provisions** on **IRS.gov**. You can also go to **One, Big, Beautiful Bill news** to see the latest news releases on the bill, or subscribe to **IRS Newswire** and **tax tips** to receive up to date news in your inbox on all IRS topics.