

# GRANITE POINT TAX GROUP, LLC



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Annual Newsletter, Vol. 16

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**P**lenty of changes to talk about this year. We'll highlight some provisions from the "One Big Beautiful Bill" (OB BB) Act. Some of these changes take effect in 2026, others affect the 2025 tax returns we'll be filing soon. There have also been a few executive orders that affect the tax world. Plus, many of the provisions from the previous tax bill were scheduled to sunset this year; some have been renewed, others not.

In addition to all these changes, the IRS is facing some real challenges. Their budget has been cut a number of times in recent years and staffing has been significantly reduced. The 43-day government shutdown led to an enormous backlog, and as of this writing the federal budget is set to once again expire at the end of this month. All of this could lead to a very messy tax season.

Lastly, a quick word about our fees. You may have noticed they've climbed pretty steeply in recent years. Unfortunately, that trend will need to continue for at least one more year, as we struggle to keep up with rising costs. Our software and insurance expenses have been especially burdensome. We're doing our best to keep our services affordable, but we gotta eat, too!

On to the updates...

## Changes for 2025

Tips and overtime pay are partially non-taxable in some cases. The OBBB allows employees in certain occupations to claim a deduction for up to \$25,000 of qualified tip income. It also allows a deduction for up to \$12,500 of overtime pay. Both deductions are subject to several limitations. For example, no deduction is allowed on Married Filing Separate tax returns. And employers were given a reprieve from separating tips and overtime pay on 2025 W-2 forms, so it will be up to taxpayers to determine those amounts from pay stubs, time sheets, or a letter from their employer.

There is a new deduction for certain taxpayers over age 65. The Senior Deduction is up to \$6,000 per spouse and is claimed in addition to the standard (or itemized) deduction. The deduction begins to phase out when household income surpasses \$150,000 (half that for singles).

Electric vehicle credits expired Sept 30 of 2025. EVs purchased after that date no longer qualify.

Paper checks are going away. An executive order directed the IRS to stop issuing paper checks to taxpayers as of September 30, 2025. There are some limited exceptions, notably for taxpayers who don't have a bank account. The EO also directed IRS to stop accepting paper checks from taxpayers, but it did not set a specific deadline – payments by check will be disallowed “as soon as practicable.”

Some taxpayers can now claim a deduction for car loan interest. The vehicle (cars, trucks, vans, SUVs, motorcycles) must new (not used), be purchased after 2024 with final assembly having occurred in the U.S., and be personal use only (no business use). The dealership will have to certify the assembly qualification. Maximum deduction is \$10,000 and begins to phase out at income of \$200k joint or \$100k single.

The itemized deduction for state and local taxes (S.A.L.T.) has been expanded from a maximum of \$10,000 to a maximum of \$40,000. Taxpayers with income over \$500k (half that for singles), however, will see that deduction whittled back down to as low as \$10k again.

Cryptocurrency and other digital asset sales will now be reported from brokers on Form 1099-DA. The 2025 form is not required to include cost basis information; taxpayers may need to determine that on their own. Future versions of the form will include this information. Decentralized exchanges (DeFi) are exempt, but those sales are still required to be reported on your tax return.

IRS Direct File has ended. This program allowed taxpayers to file their tax returns directly through the IRS website at no cost. It was generally well received, but IRS claims it was too expensive for the amount of participation. Instead, taxpayers will have to resort to commercial providers or the Free File program. Free File is a collaboration between IRS and certain large tax preparation companies. Taxpayers who qualify can file for free through these companies. The program has received dismal reviews in the past and, unsurprisingly, some companies have resorted to deceptive practices to trick taxpayers into paying for a higher level of service than needed.

Businesses will see a couple of benefits. Section 179 and Bonus Depreciation have both been expanded, allowing more assets to be deducted up front instead of being depreciated over years. And the Qualified Business Income deduction is now a permanent part of the tax code, at least inasmuch as anything about the tax code can be considered permanent.

## Changes for 2026

The enhanced Advance Premium Tax Credit for health insurance obtained through state exchanges (Obamacare) has officially ended, although at the time of this writing renewal is still at least theoretically possible. And over-claimed credits are now subject to 100% repayment, instead of the limited repayment we saw during the Covid pandemic.

A new “above the line” deduction for charitable contributions (cash only, no goods) can be claimed even if you don’t itemize. Maximum deduction is \$1,000 for singles, double that for marrieds. Additional donations are to be itemized on Schedule A like usual, except that deduction is now trimmed by 0.5% of income.

The Child and Dependent Care Credit will be a bit larger starting in 2026. Maximum credit is \$3,000 for two or more dependents, and maximum Dependent Care Benefits (through employer FSA plans) rises to \$7,500.

Total itemized deductions will face a cap for folks in the highest tax bracket. We had a similar provision during the Clinton administration. Still waiting for details on how the Trump version will actually work.

Energy credits for homeowners expired at the end of 2025. Both the Residential Clean Energy Credit and the Energy-Efficient Home Improvement Credit have lapsed.

You can now use up to \$20,000 per year of 529 College Savings Plans for K-12 expenses – double the previous limit. And more K-12 expenses qualify.

A new type of IRA called the Trump Account begins July 5, 2026. Designed for children under age 18, parents will be able to contribute up to \$5,000 per year (non-deductible) per child, and during the first five years of the program the federal government will add a one-time additional contribution of \$1,000 to the account. Earnings grow tax-deferred until distribution, which can be any time after the child reaches age 18. Distributions will be a blend of original contributions and earnings, so will be partially taxable.

The threshold for businesses to issue 1099 forms to other businesses will rise from \$600 to \$2,000.

Student loans forgiven after 2025 will no longer be tax-free. Debt forgiveness is generally taxable income (it is essentially the same as someone giving you the money and you use that money to pay off your debt), but the Biden administration allowed a tax exemption for student loan forgiveness. That exemption has expired.

Gambling doesn’t pay, at least not for taxes. Winnings are taxable income, and losses face significant restrictions. Firstly, losses can only be claimed if you itemize deductions (can’t add them to your Standard Deduction), and secondly they face an overall limitation of up to 90% of the amount of winnings. Meaning you will owe income tax on up to 10% of your winnings even if you incurred an overall loss.

Health Savings Accounts are available to a new group of taxpayers; those on the Bronze-level or Catastrophic ACA plans can contribute to an HSA since these plans are now considered high deductible health plans (HDHPs).

## Business Reminder - Nexus

As a reminder, many state and local taxing jurisdictions have changed their rules for determining which individuals and businesses are subject to their taxes (a concept known as 'nexus'). This includes Oregon, as well as Multnomah County, the City of Portland, and Portland Metro. Under the old rules, a person or business was subject to tax if they maintained a physical presence within the tax jurisdiction's boundary. Under the *\*new\** rules, a person or business is subject to tax if they conduct substantial economic activity within the jurisdiction. This could include sales or services delivered to customers located within the jurisdiction, hiring remote workers who physically live and work within the jurisdiction, and many other factors. You will need to *\*tell us\** if you or your business has been delivering goods or services to the greater Portland metro area, or any other major city or state.

If you work remotely, you may be subject to taxation in states other than the one you reside in. Most large employers seem to be aware of this possibility and generate multi-state W-2 forms for remote-work employees. Smaller employers are not so sophisticated. In either case, work delivered outside your home state can subject you to other state and/or local taxes. Our preparation fee will necessarily reflect these additional forms, which in some cases can be significant.

## Cell Phone Photos, Data Security, SMS Texting

We continue to avoid using text/SMS for sending or receiving information. Our issue with texting is twofold; first, it is very difficult to print text messages for our files. And second, there are serious privacy and security concerns with many texting applications. We'll keep you posted, but for now we are sticking with e-mail, fax, and good ol' mail & delivery services.

If you would like to send sensitive documents to us by e-mail, please go to the Upload Documents page of our website and click the Encyro link for either Matt or Rachel. This will ensure documents are fully encrypted before being sent along the wire. Please consider downloading and using a scanner app to send us documents from your phone or other mobile device. Adobe Scan and Tiny Scanner are both excellent and free. These apps use your phone's camera to create highly readable PDF documents.

## Thank You

This year we're going to thank you in advance for your patience. Tax season is likely to be a bumpy ride. We recognize that many of you wish to file quickly and wish we could accommodate all requests. But quality remains our primary focus, and that takes time. We hope you agree with our philosophy and understand the constraints and limitations we face. Thank you!

Please note that although we make every effort to confirm the information contained in this letter is accurate, we cannot guarantee it.

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