



***Digging deeper: The overlooked
tax provisions of the Working
Families Tax Cuts every CPA
should understand***

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Presenter:

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Objectives

- Identify the Individual overlooked tax provisions enacted under the **Working Families Tax Cuts**.
- Identify the Business overlooked tax provisions enacted under the **Working Families Tax Cuts**.
- Locate and use IRS guidance and official resources to support accurate tax return preparation.



Taxation Is Based On Tax Residency Status

U.S. citizens and residents

- Generally taxed on worldwide income at rates specified in Internal Revenue Code (IRC) § 1
- May be subject to employment taxes

Nonresidents

- Taxed on U.S. source investment income and income that is effectively connected with the conduct of a U.S. trade or business under IRC § 871



Rules About Tax Residency

- **First, apply IRC § 7701(b) and regulations.**
- **Then, consider residence articles in income tax treaties.**
- **If the individual would be treated as a tax resident of both the U.S. and treaty country under domestic law, apply the treaty's tie-breaker rule.**



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Individual Tax Provisions



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- **Child Tax Credit** - The child tax credit goes up from \$2,000 to \$2,200 in 2025 and adjusts with inflation. Children must have valid Social Security Numbers (§70104).
- **Child & Dependent Care Credit** - The credit rate increases to 50%, and more low-to-middle income families will qualify starting in 2026 (§70405).
- **Flexible Spending for Dependent Care** - You can set aside up to \$7,500 (or \$3,750 if married filing separately) tax-free starting in 2026 (§70404).



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- Charitable Donations - The first 0.5% of AGI of a taxpayer's donations are not deductible, but a special deduction allows up to \$1,000 (individual) or \$2,000 (couple) above the line deduction. (§§ 70425 and 70425).
- Misc. Deductions - Job-related expenses like tax prep fees are permanently not deductible. Teachers can still deduct supplies with expanded rules. (§70110).



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- 529 Education Plans - Amends definition of “qualified higher education expense” to include certain expenses in connection with enrollment, or attendance at an elementary, secondary public, private, or religious school (§70413):
 - For tax years beginning after Dec. 31, 2025, the amount increases the annual aggregate per beneficiary distribution limitation from \$10,000 to \$20,000 and covers more expenses like tutoring and testing.



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Adoption Credit (§70402) –

- Up to \$5,000 of the adoption credit is refundable per eligible child per year.
- Indian tribal governments now have equal authority with states for special-needs determinations (§70403).
- The maximum credit or employer benefit exclusion is \$17,280 per eligible child.
- Phaseout starts at \$259,190 Modified Adjusted Gross Income (MAGI) and ends at \$299,190.



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- Disaster Losses – Working Families Tax Cuts extended the special rules for claiming qualified disaster-related personal casualty losses under § 301 of the Taxpayer Uncertainty and Disaster Relief Act of 2020. § 70438 of OBBBA.
- These rules cover disasters declared between January 1, 2020, and September 2, 2025, if the incident period began on or after December 28, 2019, and before September 2, 2025 (§ 301 of the Taxpayer Uncertainty and Disaster Relief Act of 2020 and § 70438 of OBBBA).
- Under OBBBA, the temporary rule limiting personal casualty losses to federally declared disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law 100-707) is now made permanent and expanded to include certain state-declared disasters. (§70109).



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- Gambling Losses - You can only deduct 90% of gambling losses, and only up to your total winnings effective after December 31, 2025 (§70114).
- Saver's Credit for ABLE Accounts - The rule allowing extra contributions to an ABLE account by the designated beneficiary is now permanent, subject to existing annual limits.
 - These contributions are also permanently treated as eligible for the Retirement Savings Contributions Credit (Saver's Credit).
 - Starting in tax years after 2026, the maximum Saver's Credit increases to \$2,100.



Health Savings Accounts for Participants

Telehealth and remote care services

- Telehealth and other remote care services can now be received before meeting a high-deductible health plan deductible.
- People can still contribute to their Health Savings Account (HSA) even if their plan allows them to use telehealth services before meeting their deductible.
- This rule is permanent for plan years starting on or after Jan. 1, 2025.



Health Savings Accounts for Participants

Expanded eligibility for bronze and catastrophic plans

- Starting Jan. 1, 2026, bronze and catastrophic health insurance plans are treated as HSA-compatible.
- This applies whether the plans are bought through an insurance exchange or not, if the plans are available through the exchange.
- This change makes more people eligible to contribute to an HSA, including individuals who previously could not because their plan did not meet the strict HDHP definition.



Health Savings Accounts for Participants

Direct primary care arrangements

- Beginning Jan. 1, 2026, people enrolled in certain direct primary care (DPC) service arrangements may:
 - Contribute to an HSA if they otherwise qualify.
 - Use HSA funds tax-free to pay periodic DPC fees.

Related resources

- [New tax benefits for health savings account participants \(IR-2025-119\).](#)



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- Tax credit for donations to Scholarship Granting Organizations (SGOs) (§70411) - You can get a credit of up to \$1,700 for cash contributions to certain organizations that grant scholarships to eligible students for qualified elementary or secondary education expenses (SGOs).
- SGOs must meet certain statutory requirements, including being on a list of qualifying SGOs provided to the IRS.
- The credit allowed to any taxpayer for any tax year shall not exceed \$1,700.
- The credit (under new section 25F) is effective for tax years ending after December 31, 2026.
- Related exclusion from income (new section 139K) applies to scholarships received after December 31, 2026, for tax years ending after such date.



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- **Employer Student Loan Help** - Employers can keep giving up to \$5,250 tax-free per year toward your student loan payments made after December 31, 2025 (§70412).
- **Education Credits** - To claim credits like American Opportunity Tax Credit (AOTC) or Lifetime Learning Credit (LLC), you must include valid SSNs and school IDs effective after December 31, 2025 (§70606).



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Business Tax Provisions



Exceptions from Limitations on Deduction for Business Meals

§70305 of Public Law 119-21 I.R.C. §274

- Effective for amounts paid or incurred after December 31, 2025, §274(o) disallows expenses of an employer associated with providing food and beverages to employees (1) through an eating facility that meets the requirements for de minimis fringes and (2) for the convenience of the employer.
- §70305 amended § 274(o), by adding exceptions for:
 - goods or services sold by the taxpayer in a bona fide transaction for an adequate and full consideration in money or money's worth (274(e)(8)), and
 - food or beverages provided to crew members of certain commercial vessels, fishing vessels, fish processing facilities, or fish tender vessels, and certain oil or gas platforms, drilling rigs or related support camps (274(n)(2)(C)).



Enhancement of Employer-Provided Child Care Credit

§70401 of Public Law 119-21 I.R.C. §45F

- Employers may claim a general business credit for certain expenses associated with providing childcare for their employees.
- The amount of qualified childcare expenditures taken into account to determine the childcare credit is increased from 25% to 40% (50% for an eligible small business).
- The maximum credit amount for a tax year cannot exceed \$500,000 (\$600,000 for an eligible small business).
- For tax years beginning after 2026, the \$500,000 and \$600,000 limits are adjusted for inflation.



Extension and Enhancement of Paid Family and Medical Leave Credit §70304 of Public Law 119-21 I.R.C. §45S

- Eligible employers may claim a general business credit under I.R.C. §45S, equal to 12.5% of eligible wages (based on the normal hourly wage rate) paid to qualifying employees during any period in which such employees are on family and medical leave if the rate of payment under the program is 50% of the wages normally paid to an employee for actual services performed for the employer.
- The credit is increased by 0.25% (but not above 25% percent) for each percentage point by which the rate of payment exceeds 50%.
- The maximum amount of family and medical leave that may be considered with respect to any qualifying employee for any tax year is 12 weeks.



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Expanding Application of Tax on Excess Compensation within Tax-Exempt Organizations

§70416 of Public Law 119-21 I.R.C. §4960

- I.R.C. §4960(c)(2) is amended to expand the definition of a *covered employee* for purposes of determining whether there is an excise tax on excess remuneration paid by an ATEO and excess parachute payment paid by such an organization.
- For purposes of this section the term *covered employee* means any employee of an applicable tax-exempt organization (or any predecessor of such an organization) and any former employee of such an organization (or predecessor) who was such an employee during any tax year beginning after December 31, 2016.



**1% Floor on Deduction of
Charitable Contributions Made by Corporations**

**§70246 of Public Law 119-21
I.R.C. §168(n)**

- There is a 1% floor and a 10% cap on corporate charitable contribution deductions.
- I.R.C. §170(b)(2)(A) is amended to allow a charitable contribution deduction for a corporation only to the extent that the aggregate of such contributions exceeds 1% of the corporation's tax- able income (before the charitable contribution) for the tax year and does not exceed 10% of the corporation's taxable income for the tax year. A disallowed charitable contribution deduction can be carried forward 5 years.
- Only contributions that are disallowed because they exceed the 10% cap are eligible for the full carryforward.



Permanent Renewal and Enhancement of Opportunity Zones

§70421 of Public Law 119-21 I.R.C. §§1400Z-1 and 1400Z-2

- Congress established Qualified Opportunity Zones as a part of the Tax Cuts and Jobs Act of 2017.
- Qualified Opportunity Zones are an economic development tool designed to encourage long-term investment in low-income communities throughout the country (and U.S. territories).
- Qualified Opportunity Zones encourage investment by providing tax benefits to investors.



Permanent Renewal and Enhancement of Opportunity Zones – cont.

**§70421 of Public Law 119-21
I.R.C. §§1400Z-1 and 1400Z-2**

- Investors receive tax benefits by investing in Qualified Opportunity Funds using eligible gains and electing to defer paying tax on those gains.
- Qualified Opportunity Funds invest in eligible property and businesses located in Qualified Opportunity Zones.
- Investors receive the tax benefits without having to live, work or operate a business in a Qualified Opportunity Zone.



Permanent Renewal and Enhancement of Opportunity Zones – cont. 2

§70421 of Public Law 119-21 I.R.C. §§1400Z-1 and 1400Z-2

- The OBBB establishes a fixed, decennial schedule for opportunity zone designations. The designation of tracts as QOZs remain in effect for 10 years beginning on the January 1 following the certification and designation of the tract as a QOZ and ending on the day before 10 years from the beginning date (e.g., the new QOZs will be designated on January 1, 2027, and their designation will end December 31, 2036).
- Notice 2025-50 issued on September 30, 2025:
 - 1) Defines “Rural Area” for purposes of the current Qualified Opportunity Zones (QOZs).
 - 2) Delineates the reduced “Substantial Improvement Threshold” for rural QOZ investments added by OBBB.



Modification and Extension on Limitation on Excess Business Losses of Noncorporate Taxpayers

§70601 of Public Law 119-21 I.R.C. §461

- The excess business loss rules are made permanent.
- An excess business loss for the tax year is the excess of aggregate deductions of the taxpayer attributable to the taxpayer's trades or businesses over the sum of aggregate gross income or gain attributable to the taxpayer's trades or businesses plus a threshold amount.
- The threshold amount is indexed for inflation for tax years beginning after 2018. The threshold amount for a tax year beginning in 2025 is \$313,000 (\$626,000 MFJ) as indexed. There is a change in the inflation adjustment calculation that applies to tax years beginning after December 31, 2025.



Excise Tax on certain remittance Transfer
Beginning Jan. 1, 2026, remittance transfer providers must:

- Collect the **1% excise tax on applicable remittance transactions** when the sender pays with cash, a money order, a cashier's check, or a similar physical instrument
- Make semimonthly deposits
- File quarterly returns with the IRS



OBBB Resources

- [Working Families Tax Cuts](#)
- [H.R.1 - 119th Congress \(2025-2026\)](#)
- [International taxpayers](#)



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Publication 5136, IRS Services Guide



IRS Services Guide



Help for Individual Taxpayers

If you need help with	Here's where to find it on www.irs.gov
General tax law information	- Search Interactive Tax Assistant, Tax Topics and Frequently Asked Questions to get answers to your tax questions. - Go to IRS.gov/Pub 17, Your Federal Income Tax for Individuals, for information about filing your tax return. - Use your mobile device to access IRS eBooks for instructions and publications. - Understand the Taxpayer Bill Of Rights. - Find tax law information in your electronic filing software. - Go to the Let Us Help You page for online tools and resources. If your issue cannot be resolved online, use the toll-free number.
One, Big, Beautiful Bill Act	Search One, Big, Beautiful Bill for the latest provisions, news and notices.
Finding a qualified tax professional	- Search IRS.gov/chooseataxpro on IRS.gov to help you locate a qualified tax preparer. Learn to recognize red flags when choosing a tax professional.
Preparing a federal tax return	Find free options on IRS.gov or in your community for those who qualify: - Go to IRS.gov/FreeFile to find brand name tax software to prepare and e-file your return for free. You can also find Free File Fillable Forms that are available to all taxpayers, regardless of income. - Go to IRS.gov/VITA to find no-cost tax help. Select Tax Help on the IRS2Go app, or call 1-800-906-9887 to find the nearest location for no-cost tax preparation. The military community may also use MiTax. - Go to IRS.gov/TCE for no-cost help with your taxes, particularly for those who are 60 years of age and older, or call 1-888-227-7669 to find the nearest location for free tax preparation. - Tip: Use Direct Deposit when filing your return for a quicker refund. It's fast and safe.
Determining the appropriate amount of withholding	Go to the Tax Withholding Estimator tool and perform a Paycheck Checkup to see if the correct amount of tax is being withheld.
International tax issues	Search the International Taxpayers page.
An issue that requires face-to-face assistance	- Service is by appointment. Contact Your Local Office lists locations. Call 844-545-5640 for an appointment. - Click the Help link at the top of the IRS.gov page.
Getting a transcript, a copy of your tax return or information return documents, and other details about your tax return	- Go to IRS.gov/GetTranscript or Online Account. - Call the automated transcript toll-free line: 1-800-908-9946. - Mail in Form 4506-T (available on IRS.gov).
Requesting IRS records through Freedom Of Information Act	Search Freedom of Information to get FOIA guidelines for requesting IRS records.
Making a tax payment	Go to IRS.gov/payments for optimal ways to pay including online, by phone or with a mobile device using the IRS2Go app. If you prefer to make a cash payment, go to Pay With Cash.
Having trouble paying a tax bill in full	Learn your options if you can't pay what you owe. Direct Pay with bank account. - Go to IRS.gov/OPA or IRS.gov/payments for an online payment agreement or other options to pay over time. - Go to IRS.gov/OIC to find the Offer In Compromise pre-qualifier tool to settle for less than you owe.
Checking on the status of a refund	- Go to IRS.gov/refunds for refund status. - Select Refund Status on the IRS2Go mobile app. - Call the automated refund hotline: 1-800-829-1954.
Checking the status of an amended return	Search Where's My Amended Return to check status.

Securely accessing and viewing your IRS tax information or determining how much you owe	Access your Online Account to see important information when preparing to file your tax return, check your refund, view your account, make a payment and much more.
Reconciling advance payments of the premium tax credit	- Go to IRS.gov/aca to determine if you must reconcile advance payments or if you can claim a Premium Tax Credit. - Go to HealthCare.gov for information about the Health Insurance Marketplace.
Understanding an IRS Notice or Letter	Search understanding your notice to find additional information about your IRS notice or letter.
Getting an Employer Identification Number (EIN)	- Go to IRS.gov/EIN for an Online EIN Application. - Available Monday - Friday, 7 a.m. to 10 p.m. Eastern time.
Getting an Individual Taxpayer Identification Number (ITIN)	Go to IRS.gov/ITIN to learn more about renewing an expired ITIN and to get an application.
Understanding Identity Theft issues and other tax scams	- Search Identity Theft for information and videos. - Learn how to recognize and report tax scams. - Get an IP PIN as a proactive step to protect yourself from tax-related identity theft.
Obtaining a tax form or publication	Go to IRS.gov/forms-pubs.
Contacting a local Taxpayer Advocate	Search Taxpayer Advocate or call them at 1-877-777-4778 or TTY/TID: 1-800-829-4059.
Understanding tax relief for spouses	- Go to IRS.gov for information on Innocent or injured Spouse. - Call toll-free: 1-855-851-2009.
Keeping up with the latest IRS news and information	- Connect with IRS social media items for individual taxpayers. - Find the latest IRS news and the most current tax tips.



Help for Tax Professionals

If you need help with	Here's where to find it
General Tax Professional Information	Go to IRS.gov/for-tax-pros to find tools and information.
Handling Identity Theft	Publication 5199, Tax Preparer Guide to Identity Theft - Tax preparers play a critical role in helping individual and business clients who are victims of tax-related identity theft.
Getting a Preparer Tax Identification Number (PTIN)	- Go to IRS.gov/PTIN to get PTIN requirements and renew or sign up for a PTIN. - Call toll-free: 1-877-613-7846. - International: 1-915-342-5655 (not toll-free). - TTY: 1-877-613-3686.
Submitting authorizations, viewing clients information and acting on behalf of an individual taxpayer	Go to Tax Pro Account.
Getting a Power of Attorney (POA)	Search POA for information on Form 2848 and Instructions.
Checking your POA/TIA paper processing status	Go to IRS.gov/processingtimes.
Contacting the Practitioner Priority Service	Call toll-free: 1-866-860-4259 for help with a client account issue.
Keeping up with the latest IRS information affecting tax professionals	- Search Join e-news to subscribe to e-News for Tax professionals. - Follow IRS on X (formerly Twitter), Instagram, and Facebook.