CFP BOARD OF STANDARDS

CFP BOARD

KEY ELEMENTS ‘ONE BIG BEAUTIFUL BILL ACT’

PROVISIONS EFFECTIVE NOVEMBER 4, 2025

IMPACT | CONSIDERATIONS | LEARNING OBJECTIVES FOR THE CFP® CERTIFICATION EXAMINATION

ACKNOWLEDGEMENT

CFP Board acknowledges the individuals who contributed to the development of our *Key Elements* document to recognize their thoughtful insights, collaborative efforts, and commitment to creating a resource that reflects our shared objectives and values.

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EXECUTIVE SUMMARY

The *Key Elements* document provides a focused analysis of the most relevant provisions of the "One Big Beautiful Bill Act of 2025" (OBBBA 2025) as they pertain to the practice of financial planning and the CFP® certification examination. This landmark legislation introduces significant changes to federal tax policy, retirement planning, education funding and health-care-related financial considerations, each of which has implications for the knowledge and competencies required of CFP® professionals.

PURPOSE

The purpose of this document is to equip CFP® professionals, CFP Board Registered Programs, CFP® examination candidates, and other stakeholders with a practical summary of the legislative changes introduced by the OBBBA 2025 that are most relevant to CFP® certification. It is intended to support planning considerations and impacts for CFP® professionals, curriculum development, and candidate exam preparation.

In addition to its use in education programs and exam preparation, the *Key Elements* document serves as a resource to upskill current CFP® professionals on recent tax policy changes, enhancing their ability to effectively serve the public. It can also be leveraged by continuing education (CE) sponsors to inform CE program development and ensure alignment with current legislative and professional standards.

This document outlines the potential impact of the OBBBA 2025 on financial planning strategies, highlights key regulatory updates and identifies learning objectives aligned with CFP Board's Principal Knowledge Topics. While comprehensive in scope, it is not an exhaustive summary of the OBBBA 2025. Rather, it emphasizes those elements deemed most relevant to the generalist perspective of CFP® professionals and the integrated nature of the CFP® exam.

The content herein reflects CFP Board's commitment to maintaining a current and rigorous certification process that aligns with evolving laws and client needs.

Document Development

The development of the *Key Elements* document followed a structured, collaborative process designed to ensure accuracy, relevance and alignment with CFP Board's educational and certification standards.

The process included the following key phases:

1. **Legislative Review and Impact Assessment**
   A team of subject matter experts (SMEs), including CFP® professionals, tax specialists and policy analysts, conducted a comprehensive review of the OBBBA 2025. This phase focused on identifying provisions with direct implications for Financial Planning; Risk Management & Insurance; Investment; Tax, Retirement Savings and Income; and Estate Planning.
2. **Relevance Mapping to CFP® Exam Content**
   The identified legislative changes were mapped against CFP Board's Principal Knowledge Topics 2021 and the current CFP® exam blueprint. This ensured that only content relevant to the generalist perspective of CFP® certification was included, and that it aligned with the exam's integrated, application-based approach.

3. **Drafting and Peer Review**
   Initial content was drafted by a working group of SMEs and content developers. The draft was then reviewed by a broader panel of SMEs — including educators from CFP Board Registered Programs — to validate technical accuracy, clarity and instructional value.
4. **Refinement and Finalization**
   Feedback from the peer review process was incorporated into a revised draft. The document was then edited for consistency, tone and accessibility, ensuring it could serve both as a reference for educators and a study aid for candidates.
5. **Approval and Publication**
   The final version of the document was reviewed and approved by CFP Board's internal academic and certification teams. Upon approval, it was published and distributed to stakeholders, with guidance on how to integrate the content into curricula and exam preparation.

Content Definitions

Changes	A specific provision or amendment introduced by the legislation that alters existing tax law. This includes modifications to tax rates, deductions, exemptions, credits or other financial planning-related rules.
Impact	The practical effect of the legislative change on taxpayers, financial planning strategies or the broader economic environment. This section explains how the change influences financial outcomes or planning decisions.
Planning Opportunities	Specific strategies CFP® professionals can use to help taxpayers benefit from the changes.
Considerations	Key factors to evaluate when and whether the tax law change applies to a taxpayer scenario. This includes understanding nuances, exceptions and limitations of the provision, as well as identifying strategic planning opportunities that can be leveraged to optimize a taxpayer's financial position. These considerations help ensure that advice is both compliant and tailored to the taxpayer's goals and circumstances.
Learning Objectives	Specific knowledge and skills candidates are expected to acquire for the CFP® exam. These objectives guide exam preparation and ensure candidates can apply, analyze and evaluate the tax law changes in a financial planning context.

Disclaimer

OBBBA 2025 has removed most, but not all, of the sunset provisions introduced by the "Tax Cuts and Jobs Act of 2017" (TCJA). OBBBA 2025 can be changed by future legislation. Additional regulatory guidance is expected. Unless otherwise stated in this document, sunset provisions still apply and are addressed in the relevant sections.

Some changes will be captured in the Examinations Tax Tables.

The information provided in this *Key Elements* document is for general informational purposes only and does not constitute legal advice. No attorney-client relationship is created or intended to be created by this document or the provision of this information. The recipient should not rely on this document or its contents as a substitute for professional legal advice. For specific legal and tax questions or concerns, the recipient is advised to seek the counsel of a qualified attorney and tax professional.

TAX REFORM

Focus: Income tax, deductions, credits, AMT, QBI, SALT, estate/gift tax, charitable giving.

1 AMT THRESHOLDS RAISED AND PHASEOUT RATE INCREASED

SECTION 70107, EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AMOUNTS AND MODIFICATION OF PHASEOUT THRESHOLDS

THIS INFORMATION IS CAPTURED IN THE TAX TABLE DOCUMENT.

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- Beginning in 2026, the alternative minimum tax (AMT) exemption & phaseout threshold amounts

AMT Exemption Amounts	2025	2026
Single, HOH	$88,100	TBD
MFJ, surviving spouse	$137,000	TBD
MFS	$68,500	TBD
Estate & Trusts	$30,700	TBD

AMT Exemption Phaseout Threshold	2025	2026
Single, HOH	$626,350	$500,000
MFJ, surviving spouse	$1,252,700	$1,000.000
MFS	$626,350	TBD
Estate & Trusts	$102,500	TBD

HOH = Head of household

MFJ = Married filing jointly

MFS = Married filing separately

- Above the $500,000/$1,000,000 AMT income threshold, the exemption is now reduced at a rate of 50%, which is an increase from the previous 25% reduction rate.

Impact:

- Starting in 2026, the AMT exemption will be significantly higher, meaning most middle- and upper-middle-income taxpayers will no longer need to be concerned about AMT.
- Under certain circumstances, it may be advantageous for some taxpayers to accelerate income into 2025, before new AMT rules take effect. Starting in 2026, more high-income taxpayers may be subject to AMT due to a steeper phaseout of the exemption once income exceeds the threshold.

Planning Opportunities and Considerations:

- Consider evaluating timing strategies to minimize tax liability between 2025 and 2026 for taxpayers who expect significant AMT-triggering income.

  For example, individuals holding incentive stock options (ISOs) may consider exercising in 2025 if they anticipate a much larger bargain element in 2026 (i.e., the difference between the exercise price and fair market value).
- In certain situations, taxpayers may benefit from waiting until 2026 because of OBBBA's substantial increase in the AMT exemption threshold, even though the phaseout rate becomes steeper once the threshold is exceeded.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Identify income-shifting techniques (e.g., transfer and timing) and explain how income shifting benefits a taxpayer.
- Identify client situations in which the AMT may be imposed.

2 EXPANDED SALT DEDUCTION WITH INCOME-BASED PHASEOUT

SECTION 70120, LIMITATION ON INDIVIDUAL DEDUCTIONS FOR CERTAIN STATE AND LOCAL TAXES, ETC.

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

E.39 INCOME TAXATION OF TRUSTS AND ESTATES

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

E.43 CHARITABLE/PHILANTHROPIC CONTRIBUTIONS AND DEDUCTIONS

Changes:

- Effective in 2025 through 2029, the state and local taxes (SALT) itemized deduction cap is $40,000 ($20,000 for married filing separately). This is an increase from $10,000.
- The new caps increase by an additional 1% each year through 2029. The SALT deduction cap then reverts to $10,000 for all taxpayers in 2030 except $5,000 for married filing separately, which matches levels from 2018 through 2024.
- Taxpayers with incomes between $500,000 and $600,000 are subject to a gradual phaseout that reduces the value of the deduction down to $10,000 (or $5,000 if married filing separately).

Impact:

- From 2025 through 2029, taxpayers can deduct up to $40,000 in state and local taxes from their federal taxable income, subject to the new modified adjusted gross income (MAGI) phaseout. This is a significant increase from the $10,000 limit that applied before.
- Many qualifying taxpayers will benefit from itemizing instead of using the standard deduction. However, increased taxes claimed as an itemized deduction may increase the chance that the taxpayer will be subject to the alternative minimum tax (since SALT taxes claimed as an itemized deduction are added back to income when calculating alternative minimum taxable income (AMTI).
- The benefit of the increased deduction for higher income taxpayers will be limited by the AMTI calculation.
- Taxpayers from high tax states may benefit from this increase.

Planning Opportunities and Considerations:

- Consider strategies to exceed the standard deduction threshold in order to maximize the taxpayer's write-off. This may involve timing and coordinating itemized deductions, such as mortgage interest and medical expenses, to ensure they collectively surpass the standard deduction.
- Strategies may include bunching property and other assessed tax payments, if permitted by the taxpayer's state, and using a donor-advised fund to make a completed charitable gift that can be distributed over several years. This approach may be especially useful in 2029 or in any year when a higher deduction is needed. For example, a taxpayer might choose to make their fourth-quarter estimated state tax payment by December 31 rather than waiting until January 15 of the following year to ensure it counts toward the current tax year.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; and credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Identify adjustments, deductions and exclusions that may be available to sole proprietors, partners, LLPs, LLCs, and S-Corp and C-Corp owners.
- Explain how a client will report income and appropriate deductions from a trust or estate on their income tax return.
- Evaluate opportunities to maximize the availability and timing of deductions.
- Identify qualified charitable contributions of cash, property and appreciated assets and the advantages, disadvantages and tax effects of such gifts.

3 EXPANDED AND INDEXED ESTATE & GIFT TAX EXEMPTIONS

SECTION 70106, EXTENSION AND ENHANCEMENT OF INCREASED ESTATE AND GIFT TAX EXEMPTION AMOUNTS

B.16 GIFT/INCOME TAX STRATEGIES

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.39 INCOME TAXATION OF TRUSTS AND ESTATES

Changes:

- Beginning in 2026, the federal estate and lifetime gift tax exemption will be set at $15,000,000 per individual. Starting in 2027, this exemption will be indexed for inflation.
- Portability of the federal estate and gift tax exemption between spouses will continue under OBBBA, allowing married couples to effectively shelter $30,000,000.
- The federal generation-skipping transfer (GST) tax exemption continues to align with the estate and gift tax exemption. However, unlike the estate and gift tax exemption, the GST exemption is not portable between spouses.
- The inflation-indexing base year has been shifted from 1996 to 1997 for both the federal estate and lifetime gift tax exemption and the annual gift tax exclusion.

Impact:

- The original exemption would have reverted to roughly $7,000,000 per individual and $14,000,000 per married couple in 2026 and affected far more high-net-worth households.
- As a result of this change, individuals with a net worth equal to or less than $15,000,000 and couples with a net worth equal to or less than $30,000,000 are exempt from gift and estate taxes at the federal level.
- Taxpayers in states that impose a state-level estate or inheritance tax will want to continue to consider the state-specific limitations in their planning.
- The shift in the inflation-indexing base year from 1996 to 1997 will slightly accelerate future annual increases to the federal estate and lifetime gift tax exemption, as well as the annual gift tax exclusion — both of which are tied to CPI-U inflation. This change also slightly increases the annual ABLE account contribution limit (see Section 70115 on page 24).

Planning Opportunities and Considerations:

- High–net-worth individuals and couples now have more opportunity to implement gifting strategies and other transfers without the fear that these exemptions will sunset at year-end 2025 and subject millions more of assets to taxation.
- Higher limits and inflation indexing provide additional capacity for gifts and transfers. Greater certainty may prompt a flurry of transfers to generation-skipping trusts, legacy trusts, Irrevocable Life Insurance Trusts and other vehicles used in multi-generation wealth transfer before the assets intended to be gifted or transferred appreciate further. While passage of OBBBA repeals the sunset provisions found in prior law, future legislation could reduce or even eliminate these exemptions.

Learning Objectives:

- Evaluate and recommend the availability of and qualifications for gift tax exclusions for the client's gifting goals.
- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Outline the basic income tax compliance rules for trusts and estates, including when a return is required and how it is filed.

4 EXPANDED PARTIAL DEDUCTION FOR CHARITABLE CONTRIBUTIONS FOR STANDARD DEDUCTION FILERS

SECTION 70424, PERMANENT AND EXPANDED REINSTATEMENT OF PARTIAL DEDUCTION FOR CHARITABLE CONTRIBUTIONS OF INDIVIDUALS WHO DO NOT ELECT TO ITEMIZE

B.16 GIFT/INCOME TAX STRATEGIES

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

E.43 CHARITABLE/PHILANTHROPIC CONSIDERATIONS AND DEDUCTIONS

G.57 GIFT, ESTATE AND GST TAX COMPLIANCE AND CALCULATION

Changes:

- Beginning in the 2026 tax year, a permanent charitable contribution deduction limit of $1,000 for single filers and $2,000 for married couples filing jointly will apply to certain contributions.
- Donations to 509(a)(3) organizations and donor-advised funds (DAFs) are excluded. The deduction is not subject to the new 0.5% AGI floor for itemized deductions of charitable contributions.

Impact:

- This new deduction is available to single and MFJ taxpayers who do not itemize using Schedule A.
- It may encourage direct charitable giving, similar to the temporary deductions allowed in 2020 ($500 single, $1,000 MFJ) and 2021 ($600 single, $1,200 MFJ).
- Taxpayers may claim this deduction regardless of income level or other deductions.

Planning Opportunities and Considerations:

- This change may encourage new or increased direct charitable giving, considering the potential for reduced taxable income.
- Planners with taxpayers that take the standard deduction but have a need to reduce their taxable income may consider using the charitable deduction for tax management.
- Depending on the taxpayer, this may encourage broader estate and legacy planning.
- Planners who work with charitable organizations may consider educating the executive and/or board members on the increase for the organization's development purposes.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Evaluate and recommend the availability of and qualifications for gift tax exclusions for the client's gifting goals.
- Evaluate opportunities to maximize the availability and timing of deductions.

5 NEW 0.5% AGI FLOOR FOR CHARITABLE CONTRIBUTION DEDUCTIONS

SECTION 70425, 0.5% FLOOR ON DEDUCTION OF CONTRIBUTIONS MADE BY INDIVIDUALS

B.16 GIFT/INCOME TAX STRATEGIES

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

E.43 CHARITABLE/PHILANTHROPIC CONSIDERATIONS AND DEDUCTIONS

G.57 GIFT, ESTATE AND GST TAX COMPLIANCE AND CALCULATION

Changes:

- Beginning in the 2026 tax year, the charitable contribution deduction for individual taxpayers who itemize is only available if the aggregate contributions exceed 0.5% of their adjusted gross income (AGI) (computed without regard for the charitable deduction).
- Carryovers of contributions made in the 2026 tax year are subject to the 0.5% floor, but carryovers of contributions made prior to 2026 are not subject to the 0.5% floor.
- The new law also sets an ordering rule specifying which types of charitable contributions are reduced first by the floor.

Impact:

- The creation of a floor for itemized deduction limit is tied to aggregated (and potential carryover) amounts. This may limit the deduction from one year to the next, depending on the taxpayer's AGI.
- Previously, the limit was based on the taxpayer's AGI, type of property donated, type of charity and amount of qualified charitable contribution.

Planning Opportunities and Considerations:

- Consider reviewing the ordering rules with more advanced charitable contribution plans to evaluate if the aggregate contributions will exceed the 0.5% floor.
- Taxpayers may choose to make larger charitable contributions in 2025 to avoid the floor when it goes into effect in 2026.
- Planners may also encourage collaboration with tax professionals to review broader tax management plans. Taxpayers may choose to "bunch" donations from multiple years into a single year in order to exceed the floor. For example, specifically target contribution amounts to exceed the AGI limit to have carryover deductions.
- Taxpayers age 70.5 and above with traditional IRAs may make qualified charitable distributions (QCDs) which are not subject to the 0.5% floor.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Evaluate and recommend the availability of and qualifications for gift tax exclusions for the client's gifting goals.
- Evaluate opportunities to maximize the availability and timing of deductions.
- Identify the gift tax consequences of lifetime transfers to individuals and charities and recommend when filing a gift tax return is necessary.

6 PERMANENT DEDUCTIBILITY OF MORTGAGE INTEREST AND PMI

SECTION 70108, EXTENSION AND MODIFICATION OF LIMITATION ON DEDUCTION FOR QUALIFIED RESIDENCE INTEREST

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

More guidance is needed before this concept will be tested on the CFP® exam.

Changes:

- The mortgage interest provision permanently extends the limitation on the deduction of interest paid on acquisition indebtedness (e.g., a mortgage or home equity line of credit (HELOC)) of up to $750,000, subject to future legislative changes.
- The HELOC interest can only be considered acquisition debt if the loan proceeds are used to buy, build or substantially improve a qualified residence (i.e., primary home or qualifying secondary residence under IRC §163(h)(4), the personal use test).
- Premiums for private mortgage insurance (PMI) are now deductible if they are paid on a primary home or qualifying secondary residence under IRC §163(h)(4).

Impact:

- PMI is now deductible and effective for tax years beginning after December 31, 2025.
- The treatment of PMI deductibility in previous years may be subject to further IRS guidance.

Planning Opportunities and Considerations:

- PMI will become a key planning opportunity for those that are not putting 20% down on their home purchase.
- This change does not apply to taxpayers who do not itemize deductions.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.

7 ENHANCED AND EXTENDED CHILD TAX CREDIT

SECTION 70104, EXTENSION AND ENHANCEMENT OF INCREASED CHILD TAX CREDIT

B.9 CASH FLOW MANAGEMENT

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

Changes:

- Legislative action extends the increased child tax credit provision introduced in the "Tax Cuts and Jobs Act of 2017" (TCJA). The original provision was set to expire on December 31, 2025.
- In 2025, the child tax credit increases from $2,000 to $2,200 and will be subject to annual inflation-indexed increases.
- The refundable additional credit per qualifying child increases from $1,400 to $1,700 in 2025 and will also be indexed for inflation annually.

MAGI Phaseout Threshold	
Single, HOH	$200,000
MFJ, surviving spouse	$400,000

- The $500 nonrefundable credit for non-child dependents is also extended, though it is not indexed for inflation.
- To claim the child tax credit, at least one taxpayer and each dependent must now have a valid Social Security Number.

Impact:

- The legislation removes uncertainty surrounding post-2025 child and dependent tax credits.
- Modest increases in the child tax credit and additional child tax credits for tax year 2025 benefit eligible families early in 2026.
- The application of inflation indexing on the child tax credit and additional child tax credits makes their future increases more predictable and reliable.

Planning Opportunities and Considerations:

- Households with eligible dependents can expect modest improvements in annual cash flow beginning next year, as these changes take effect for 2025 tax returns.
- Total projected child tax credits for eligible households in future years can now be modeled more reliably. Taxpayers near the threshold may need to consider timing of discretionary income flows to qualify for the child tax credit if desired.
- Households may use refundable credit from qualifying children to fund a Roth IRA if qualified to attain retirement savings goals.

Learning Objectives:

- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Explain the tax implications of supporting an elderly parent, adult child, or family member with special needs.

8 ENHANCEMENT OF CHILD AND DEPENDENT CARE TAX CREDIT

SECTION 70405, ENHANCEMENT OF CHILD AND DEPENDENT CARE TAX CREDIT

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- Beginning in the 2026 tax year, the child and dependent care tax credit (CDCTC) has been effectively increased.
- Although the expense limit remains the same ($3,000 for one qualifying dependent, $6,000 for two or more), the maximum credit rate begins at 50% of AGI instead of 35%.
- The credit reduces to its minimum of 20% on a much shallower slope.
- The exclusion for employer-sponsored child care, which was $5,000 ($2,500 for married filing separately), is now $7,500 ($3,500 for married filing separately).

Impact:

- This provision increases the value and reach of the CDCTC, but primarily for middle-income taxpayers who do not expect a refund, benefiting from the shallower phaseout of the credit.
- The credit remains nonrefundable.

Planning Opportunities and Considerations:

- The overall credit will remain modest in scope but increases in the maximum credit rate will provide an increased benefit to taxpayers with an AGI range between $30,000 and $100,000.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system, including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.

9 ENHANCED ADOPTION CREDIT

SECTION 70402, ENHANCEMENT OF ADOPTION CREDIT

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- The adoption credit, which helps offset qualifying adoption expenses, is now partially refundable.
- Up to $5,000 of the credit can be refunded to the taxpayer on their return.

Impact:

- Before this provision, the credit was nonrefundable, meaning the credit could at best reduce a taxpayer's tax liability to zero.

Planning Opportunities and Considerations:

- Notify those adopting or planning to adopt about the changes to the adoption credit.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system, including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.

10 MISCELLANEOUS DEDUCTIONS ELIMINATED, TEACHER EXPENSES ADDED

SECTION 70110, TERMINATION OF MISCELLANEOUS ITEMIZED DEDUCTIONS OTHER THAN EDUCATION EXPENSES

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- The "Tax Cuts and Jobs Act of 2017" (TCJA) suspended miscellaneous itemized deductions subject to the 2% floor from 2018 through 2025. As a result, taxpayers could no longer deduct costs such as investment advisory or custodial fees, tax preparation fees or unreimbursed job expenses.
- Under the new provision, all miscellaneous itemized deductions subject to the 2% floor are permanently eliminated, with one exception: out-of-pocket expenses paid by K-12 teachers.
- Beginning in 2026, these teacher expenses may be claimed as a miscellaneous itemized deduction on Schedule A without regard to the 2% floor, and there is no dollar limit.
- The current above-the-line deduction of $300 for K-12 teachers, available through the end of 2025, will be repealed starting in 2026.

Impact:

- Beginning in 2026, K-12 teachers incurring classroom-related expenses are not able to take an above-the-line deduction of up to $300 (thereby affecting AGI) but are permitted to take an itemized deduction for those expenses without limitation.
- As relatively few taxpayers claim itemized deductions after the passage of TCJA, the beneficial effect for K-12 educators is somewhat limited: Itemized deductions must carry more value than the standard deduction for this deduction to generate a tax benefit.
- The elimination of all miscellaneous deductions subject to the 2% floor will make it more difficult for taxpayers to build enough itemized deductions to make itemizing worthwhile.
- Aside from a small group of K-12 school staff who can use the new educator expense itemized deduction starting in 2026, most miscellaneous itemized deductions are permanently repealed. This change matters most for people who were already close to the break-even point for itemizing.

Planning Opportunities and Considerations:

- Taxpayers may continue to consider other strategies, such as itemized deduction bunching — combining several years' worth of planned charitable donations and discretionary medical expenses into a single tax year, to bring itemized deductions over the enhanced standard deduction amount.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.

11 ADDITIONAL BELOW-THE-LINE DEDUCTION FOR SENIORS

SECTION 70101, EXTENSION AND ENHANCEMENT OF REDUCED RATES

SECTION 70102, EXTENSION AND ENHANCEMENT OF INCREASED STANDARD DEDUCTION

SECTION 70103, TERMINATION OF DEDUCTION FOR PERSONAL EXEMPTIONS OTHER THAN TEMPORARY SENIOR DEDUCTION

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

E.41 TAX CONSEQUENCES OF PROPERTY TRANSACTIONS

F.45 SOCIAL SECURITY AND MEDICARE PLANNING

Changes:

- This section introduces a new below-the-line deduction for seniors, replacing prior provisions. It is effective from the 2025 tax year through the 2028 tax year.
- The provision establishes a $6,000 deduction for each taxpayer age 65 or older ($12,000 for married couples filing jointly if both spouses are 65 or older). The deduction is subject to a modified adjusted gross income (MAGI) phaseout, beginning at $75,000 for single filers and $150,000 for joint filers.
- The phaseout reduces the deduction for each taxpayer at a rate of 6 cents for every dollar of MAGI that exceeds this threshold.

Impact:

- Starting in 2025 and ending in 2028, taxable income will be reduced for qualifying taxpayers age 65 and older.
- It is perhaps more important to note that this change does not exempt all Social Security benefits from federal taxation.
- Social Security benefits remain partially taxable as they have been in tax years immediately prior to 2025.

Planning Opportunities and Considerations:

- Like the standard deduction, the temporary senior deduction does not reduce a taxpayer's adjusted gross income. It is, however, available regardless of whether the taxpayer itemizes or takes the standard deduction.
- Consider the impact of Roth conversions on MAGI for taxpayers who can benefit from this deduction.
- Consider reevaluating 2025 tax optimization recommendations for taxpayers and/or their spouses who will be 65 or older by December 31, 2025, particularly any planned Roth conversions that could increase MAGI above the phaseout threshold.
- Consider checking in with taxpayers to ensure they understand how this deduction affects them.
- Importantly, consider that Social Security income may be partially taxable. This is especially relevant if the taxpayer initially claimed benefits under the assumption that those benefits would not be subject to tax.
- If a taxpayer has generated additional income (e.g., by claiming a pension or performing a Roth conversion), consider discussing whether the taxpayer will want to delay/withdraw their Social Security retirement claims and/or repay the Social Security retirement benefits if they have already started claiming.

Learning objectives

- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Identify income-shifting techniques (e.g., transfer and timing) and explain how income shifting benefits a taxpayer.
- Advise clients in consideration of proposed program reforms.
- Describe the taxation of Social Security benefits.

12 NO TAX ON LIMITED TIPS

SECTION 70201, NO TAX ON TIPS

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

More guidance is needed before this concept will be tested on the CFP® exam.

Changes:

- Up to $25,000 of qualified tips may be deducted for taxpayers in certain occupations in tax years 2025 through 2028.
- The deduction begins to phase out after the taxpayer reaches $150,000 of modified adjusted gross income (MAGI), or $300,000 of MAGI for married filing jointly returns.
- Eligible occupations are limited to those the Treasury Department designates as traditionally tip based. The provision explicitly excludes specified service trades or businesses (SSTBs), and no portion of deducted tip income may be treated as qualified business income (QBI).
- The Treasury Department issued a Notice of Proposed Rulemaking on September 19, 2025, which proposes regulations and guidance concerning qualified tips and eligible occupations.

Impact:

- Take-home pay will increase for eligible employees and independent contractors.
- Importantly, this deduction applies only to federal income tax. Social Security and Medicare taxes will still be assessed as usual.

Planning Opportunities and Considerations:

- Eligible taxpayers do not need to itemize to benefit from the provision.
- Consider encouraging qualifying taxpayers to be proactive by requesting records of all qualifying cash tips earned since January 1, 2025. This is especially important because employers may not yet be familiar with the new rule or may need time to update their payroll systems.
- Waiting until tax season in 2026 increases the risk of mistakes, missing data or the employer being unable to provide the needed information in time to file. Taxpayers should consider keeping their own detailed records of all qualifying tips received.
- Consider performing due diligence to ensure that tip income is being reported correctly both for the taxpayer's benefit and in the financial/tax planning software.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete Form 1040 using various income sources (e.g., wages, retirement income, interest, dividends, capital gains, self-employment, rental income or losses), itemized deductions, credits, and estimated or carryover payments.
- Recommend strategies to minimize tax liability and maximize after-tax returns for taxpayers and dependents, in alignment with IRS Code.
- Identify available adjustments, deductions and exclusions for sole proprietors, partners, LLPs, LLCs, and S-Corp and C-Corp owners.

13 NO TAX ON LIMITED OVERTIME

SECTION 70202, NO TAX ON OVERTIME

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

More guidance is needed before this concept will be tested on the CFP® exam.

Changes:

- From 2025 through 2028, salaried and hourly W-2 employees who earn Fair Labor Standards Act (FLSA) overtime may qualify for a deduction of up to $12,500 (single) or $25,000 (married filing jointly) on their overtime premium pay.

Impact:

- Take-home pay will increase for eligible employees.
- The deduction only affects federal income tax. Social Security and Medicare taxes will still apply.

Planning Opportunities and Considerations:

- Consider helping taxpayers determine their eligibility.
- Eligibility is limited to nonexempt W-2 employees who earn FLSA overtime and does not include employees who simply receive additional pay outside of overtime.
- Consider monitoring taxpayer's income thresholds, helping verify reporting accuracy and developing timing strategies before the law expires at the end of 2028.
- Eligible taxpayers do not need to itemize to benefit from this provision.
- Employers may not yet be familiar with the new rule and may need time to update their payroll systems. Reporting qualified overtime pay will likely require an additional box on the W-2 form.
- To avoid delays or missing information during tax season in 2026, consider encouraging affected taxpayers to proactively request records from their employers for all qualifying overtime premium pay earned since January 1, 2025.
- Taxpayers may consider maintaining their own detailed records of qualifying overtime hours and pay, as relying solely on employer documentation may increase the risk of errors or incomplete data.
- Business owner taxpayers may potentially take advantage of this if their eligible child(ren) works in their business.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Identify adjustments, deductions and exclusions that may be available to sole proprietors, partners, LLPs, LLCs, and S-Corp and C-Corp owners.

14 NO TAX ON CAR LOAN INTEREST

SECTION 70203, NO TAX ON CAR LOAN INTEREST

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

More guidance is needed before this concept will be tested on the CFP® exam.

Changes:

- From tax years 2025 through 2028, eligible taxpayers may deduct up to $10,000 per year of qualifying interest paid on car loans.
- This applies to interest on loans used to purchase a car primarily for personal use.
- The provision excludes leases and loans used to buy luxury vehicles above set value and business-use vehicles.

Impact:

- Take-home pay increases for qualifying borrowers by lowering their taxable income.

Planning Opportunities and Considerations:

- Because auto-loan lenders do not report deductible interest on an IRS Form 1098 as mortgage lenders do, taxpayers should consider collecting and keeping detailed annual records of loan statements showing how much interest was paid.
- Some taxpayers may benefit by accelerating payments within a calendar year if the $10,000 cap is not yet reached.
- Consider refinancing or partial-lump-sum payoff strategies before the deduction expires in 2029 for taxpayers with high-interest car loans.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Evaluate opportunities to maximize the availability and timing of deductions.

15 EXPANSION AND PERMANENCE OF THE QBI DEDUCTION

SECTION 70105, EXTENSION AND ENHANCEMENT OF DEDUCTION FOR QUALIFIED BUSINESS INCOME

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- The qualified business income (QBI) deduction was created by the "Tax Cuts and Jobs Act of 2017 (TCJA 2017)." It allows eligible taxpayers to deduct up to 20% of their net business income from certain types of businesses. This includes income from sole proprietorships, partnerships, S corporations and some rental real estate if the rental activity qualifies as a trade or business under Section 199A rules.
- Under the original TCJA 2017 rules, the QBI deduction was set to end after December 31, 2025. That expiration date has now been removed.
- For specified service trades or businesses (SSTBs), such as law, health, accounting, consulting and other personal service industries, the income threshold before the deduction begins to phase out will increase starting with tax year 2026[1].
- Under TCJA 2017, the phaseout range was $50,000 for single taxpayers and $100,000 for married couples filing jointly. Under OBBBA, these ranges will expand to $75,000 for single taxpayers and $150,000 for married couples filing jointly.
- Businesses that are not SSTBs still need to meet the wage/property test if their income is above the threshold. Beginning in 2026, any qualifying business with at least $1,000 in QBI will be guaranteed a minimum deduction of $400. Also starting in 2026, the income thresholds, phaseout ranges, exclusion thresholds and minimum deduction amounts will be adjusted each year for inflation.

Impact:

- Starting in 2026, SSTBs will receive the greatest net benefit from these changes as the QBI deduction now phases out more gradually at higher net income levels for these business types.
- The removal of the sunset provision and the addition of inflation indexing provides more certainty and clarity to the QBI deduction. Qualifying small business owners with net business income as low as $1,000 will now receive some benefits, which may provide some tax advantages to individuals who perform supplemental income activity.

Planning Opportunities and Considerations:

- Retirement contributions, deferred billing and expense timing continue to be important strategies to enhance the QBI deduction for SSTBs. Starting in 2026, more SSTBs should benefit from the deduction. SSTB taxpayers, as well as taxpayers with side businesses, may want to identify opportunities to maximize deductions.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Compare the income and payroll tax effects of wage versus ownership income.
- Identify adjustments, deductions and exclusions that may be available to sole proprietors, LLPs, LLCs, and S-Corp and C-Corp owners.
- Evaluate opportunities to maximize the availability and timing of deductions.

1 As referenced in Section 199A(d)(2), which references Section 1202(e)(3)(A).

16 SECTION 179 EXPENSING LIMIT INCREASED

SECTION 70306, INCREASED DOLLAR LIMITATIONS FOR EXPENSING OF CERTAIN DEPRECIABLE BUSINESS ASSETS

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- The Section 179 expense limit, which allows businesses to fully deduct the cost of qualifying equipment and software, is increased from $1,250,000 to $2,500,000 for 2025.
- The phaseout threshold where the deduction begins to be reduced is increased from $3,130,000 to $4,000,000. These thresholds will now be indexed for inflation starting in 2026.

Impact:

- This significantly expands the ability of small and mid-sized businesses to expense asset purchases immediately instead of depreciating them over time as the deduction limit and phaseout threshold have been significantly increased.

Planning Opportunities and Considerations:

- Taxpayers who operate capital-intensive businesses or have planned expansions may consider bringing forward capital purchases to 2025 or later. The higher thresholds provide more flexibility in year-end tax planning.
- Unlike bonus depreciation, Section 179 is limited to taxable income. Consider ensuring that taxpayers expecting a loss in the current year use an optimized expensing strategy (e.g., combining full expensing under Section 70301 or deferring deductions).
- Consider the disposition of property and recapture rules when comparing between using the Section 179 expensing limit or bonus depreciation.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Identify adjustments, deductions and exclusions that may be available to sole proprietors, partners, LLPs, LLCs and S-Corp and C-Corp owners.
- Evaluate opportunities to maximize the availability and timing of deductions.

17 RESTORATION OF 100% BONUS DEPRECIATION

SECTION 70301, FULL EXPENSING FOR CERTAIN BUSINESS PROPERTY

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- The provision retroactively restores the 100% bonus depreciation expensing option for qualified property acquired after January 19, 2025.
- Under prior law (TCJA 2017), bonus depreciation was already in the process of phasing out. It dropped to 80% in 2023, 60% in 2024, 40% in 2025 and was scheduled to reach 0% by 2027.

Impact:

- This change allows businesses (including small businesses and sole proprietors) to fully deduct the cost of eligible equipment, machinery and qualifying property in the year it is placed into service, rather than depreciating it over time.
- This provides flexibility to reduce taxable income and potentially improve short-term cash flow in the current year at the cost of eliminating depreciation deductions in future years.

Planning Opportunities and Considerations:

- This change is retroactive to January 19, 2025. Businesses that have acquired qualifying business property (e.g., eligible equipment, machinery and qualifying property) after January 19, 2025, may elect to use 100%, 40% (which was the transition percentage in place for 2025 before OBBBA) or no bonus depreciation.
- There may be valid reasons to elect to lower or use bonus depreciation, such as preserving deductions for future years with higher projected income. Seek the taxpayer's consent to coordinate with their tax professional and align any revised depreciation strategy with the broader financial plan.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Identify adjustments, deductions and exclusions that may be available to sole proprietors, partners, LLPs, LLCs and S-Corp and C-Corp owners.
- Evaluate opportunities to maximize the availability and timing of deductions.

18 EXPANDED EXCLUSION OF QUALIFIED SMALL BUSINESS STOCK GAIN

SECTION 70431, EXPANSION OF QUALIFIED SMALL BUSINESS STOCK GAIN EXCLUSION

D.34 INVESTMENT STRATEGIES

D.35 ALTERNATIVE INVESTMENTS AND LIQUIDITY RISK

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

E.41 TAX CONSEQUENCES OF PROPERTY TRANSACTIONS

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

G.61 INTRA-FAMILY AND OTHER BUSINESS TRANSFER TECHNIQUES

Changes:

- The provision expands the qualified small business stock (QSBS) exclusion, which continues to apply to individual taxpayers, estates and trusts.
- Beginning after July 4, 2025, a new tiered exclusion applies to qualified stock acquired after that date:

Holding Period	Exclusion
5 years or more	100%
4 years	75%
3 years	50%

- A 7% AMT addback still applies to gains from the sale of QSBS that are excluded from the taxpayer's gross income. The rule was updated to clarify how exclusions apply to stock acquired before September 28, 2010.
- The bill also increases the $10,000,000 gain exclusion cap to $15,000,000 ($7,500,000 for married filing separately) for stock acquired after July 4, 2025. The cap will be adjusted for inflation beginning with the 2027 tax year.
- Additionally, the small business gross asset test for QSBS eligibility increases from $50,000,000 to $75,000,000.

Impact:

- The new tiered exclusions may encourage investors to make investments due to the shorter terms as opposed to tying up capital for at least five years.
- This could also make QSBS more attractive since business owners may be able to realize tax benefits sooner.
- The higher gain caps may increase the number of qualifying taxpayers and allow business owners to defer their capital gains.

Planning Opportunities and Considerations:

- Consider collaborating with business owners and their tax advisors by reviewing eligibility and the planned timing of sales considering the revised rule.
- Business entities operating as partnerships or S corporations may explore whether converting the entity to a C corporation may qualify to take advantage of the revised rule without adverse tax liabilities.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Identify adjustments, deductions and exclusions that may be available to sole proprietors, partners, LLPs, LLCs and S-Corp and C-Corp owners.
- Identify income-shifting techniques (e.g., transfer and timing) and explain how income shifting benefits a taxpayer.

RETIREMENT & SAVINGS

Focus: ABLE accounts, Trump accounts, saver's credit.

19	ABLE ACCOUNT ENHANCEMENTS AND SAVER'S CREDIT EXTENSION
	SECTION 70115, EXTENSION AND ENHANCEMENT OF INCREASED LIMITATION ON CONTRIBUTIONS TO ABLE ACCOUNTS
	SECTION 70116, EXTENSION AND ENHANCEMENT OF SAVER'S CREDIT ALLOWED FOR ABLE CONTRIBUTIONS
	SECTION 70117, EXTENSION OF ROLLOVERS FROM QUALIFIED TUITION PROGRAMS TO ABLE ACCOUNTS PERMITTED

B.14 EDUCATION SAVINGS VEHICLES

B.16 GIFT/INCOME TAX STRATEGIES

D.27 CHARACTERISTICS, USES AND TAXATION OF INVESTMENT VEHICLES

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.41 TAX CONSEQUENCES OF PROPERTY TRANSACTIONS

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

Changes:

- This section indefinitely extends two additional contribution pathways for ABLE accounts that the TCJA 2017 introduced that were set to expire at the end of 2025:
  1. An additional contribution limit for ABLE account owners who worked and did not participate in an employer sponsored retirement plan in the same calendar year, and
  2. 529 plan assets may continue to be transferred tax-free to qualifying ABLE accounts up to the contribution limit, including the additional contribution limit under ABLE-to-Work.
- Note that the regular ABLE contribution limit is directly tied to the annual gift tax exclusion ($19,000 in 2025): Section 70106 of OBBBA changes the inflation-indexing base year from 1996 to 1997, slightly accelerating its growth.
- This section also addresses the nonrefundable saver's credit for ABLE contributions. This credit has been extended indefinitely. Its maximum benefit increases from $1,000 to $2,100 in 2027, and further increases will be automatically inflation-indexed.

Impact:

- The enhancements to ABLE accounts introduced in TCJA 2017 are prolonged beyond 2025, and some improvements to inflation indexing have been introduced by this section and elsewhere in the legislation.

Planning Opportunities and Considerations:

- Recommending long-term strategies to fund ABLE accounts where suitable.
- Increased contribution limits and inflation indexing both increase the potential benefit of strategies using these accounts.
- The increased saver's credit will improve the value of funding ABLE accounts for lower-income taxpayers.
- Note that the 529 plan-to-ABLE rollover eligibility remains more restrictive than 529 plan-to-529 plan rollovers. The beneficiary of the 529 plan must either be the same individual as the ABLE account owner or must be a sibling, stepsibling or half-sibling for the transfer to avoid being subject to tax and penalty.

Learning Objectives:

- Evaluate and recommend the availability of and qualifications for gift tax exclusions for the client's gifting goals.
- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.
- Explain the tax implications of supporting an elderly parent, adult child, or a family member with special needs.

20 'TRUMP ACCOUNTS' AND CONTRIBUTION PILOT PROGRAM

SECTION 70204, 'TRUMP ACCOUNTS' AND CONTRIBUTION PILOT PROGRAM

B.14 EDUCATION SAVINGS VEHICLES

D.27 CHARACTERISTICS, USES AND TAXATION OF INVESTMENT VEHICLES

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

F.47 TYPES OF RETIREMENT PLANS

Further regulatory guidance is expected on the new "Trump Accounts" created under Section 70204 of the OBBBA.

Changes:

- Section 70204 creates a pilot program for new tax-deferred savings accounts titled "Trump Accounts."
- "Trump Accounts" may be established by a parent for their child before the year in which they turn 18.
- These accounts may not be opened and funded before July 4, 2026.
- The maximum annual contribution is not tax deductible by the contributor. The account has tax-deferred growth benefits.
- Accounts for children born within the years 2025 through 2028 may qualify for a $1,000 contribution directly from the federal government.
- The federal one-time contribution does not count toward the annual maximum of $5,000, which will be inflation indexed after 2027.
- Employers may contribute up to $2,500 of this initial $5,000 annual limit and may deduct this contribution as a business expense, provided the employer meets regulatory guidelines.
- All contributions are irrevocable gifts to the child. Withdrawals from "Trump Accounts" are not permitted until the calendar year in which the child turns 18 and may only be withdrawn by the child as legal owner.
- Each withdrawal will be taxed as ordinary income and a return of basis, pro rata.
- Funds may grow tax deferred in these accounts until the account owner's required beginning date for traditional IRA distributions, at which point required minimum distributions must begin.
- Pathways for the account owner to continue contributions to their own accounts are expected to follow traditional IRA limits with some restrictions on the deductibility of contributions.

Impact:

- These accounts offer parents, guardians and other individuals an entirely new type of tax-deferred investment account type to benefit children.
- These accounts may also be valuable for helping teach financial literacy to children, provided that their parents or guardians participate in these accounts and are able to share and interpret account statements. Contribution limits are modest, and a provision to allow five-year forward gifting was not included in the legislation as passed by Congress, so the new account type does not seriously challenge 529 plans for either gifting and transfer strategy or tax efficiency of use, provided that qualifying education costs are expected.
- Guidance on "Trump Accounts" is incomplete and evolving, especially with respect to their interaction and rollover potential with IRAs. Monitor ongoing regulatory developments and review plans with these accounts regularly.

Planning Opportunities and Considerations:

- "Trump Accounts" immediately appear more valuable than UGMAs and UTMAs for irrevocable gifts up to $5,000 where education is not the intended purpose. "Trump Accounts" may be considered a substitute for contributions to a minor's Individual retirement account when the minor has no earned income. The potential of a lifetime of tax-deferred asset growth is difficult to match.
- The potential of gifting assets to a child who will enjoy a lifetime of tax-deferred growth is significant. This alone is a compelling reason to recommend the establishment and funding of these accounts to taxpayers who have the ability and inclination to do so. However, consider discussing the possibility of the account owner distributing all funds at age 18.

- If the taxpayer has spendthrift or control concerns, 529 plans may be a more suitable asset location to receive gifts, especially given recent expansions to their qualified use.

Learning Objectives:

- Select the appropriate use for each asset class and investment vehicle based upon its risk/return characteristics and expected cash flows.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Explain tax planning opportunities and implications for funding and paying higher education expenses.

SOCIAL AND HEALTH-CARE BENEFITS

Focus: Medicaid, Medicare, HSAs, long-term care, health-care access.

21	MEDICAID CHANGES: IMPACTS ON COVERAGE AND ACCESS
	SECTION 71107, ELIGIBILITY REDETERMINATIONS
	SECTION 71108, REVISING HOME EQUITY LIMIT FOR DETERMINING ELIGIBILITY FOR LONG-TERM CARE SERVICES UNDER THE MEDICAID PROGRAM
	SECTION 71109, ALIEN MEDICAID ELIGIBILITY
	SECTION 71119, REQUIREMENT FOR STATES TO ESTABLISH MEDICAID COMMUNITY ENGAGEMENT REQUIREMENTS FOR CERTAIN INDIVIDUALS
B.9 CASH FLOW MANAGEMENT	
C.19 HEALTH INSURANCE AND HEALTH-CARE COST MANAGEMENT (INDIVIDUAL AND IN A GROUP)	
C.21 LONG-TERM CARE INSURANCE AND LONG-TERM CARE PLANNING (INDIVIDUAL AND GROUP)	
E.36 FUNDAMENTAL AND CURRENT TAX LAW	
F.45 SOCIAL SECURITY AND MEDICARE PLANNING	
F.46 ELDER CARE AND SPECIAL NEEDS PLANNING	
G.56 ESTATE AND INCAPACITY PLANNING DOCUMENTS	

Changes:

- Medicaid funding has been reduced, which may affect patients, providers and communities in various ways. The 41 states that have expanded Medicaid to low-income adults under the Affordable Care Act (ACA) are expected to experience more significant changes.

  Sections that apply to personal financial planning have been grouped for brevity.

- **SECTION 71107, ELIGIBILITY REDETERMINATIONS**

  Program enrollees in states with Medicaid expansion are now subject to redetermination every six months after December 31, 2026. States will be required to verify that the enrollee is meeting work requirements or exemption criteria.

- **SECTION 71108, REVISING HOME EQUITY LIMIT FOR DETERMINING ELIGIBILITY FOR LONG-TERM CARE SERVICES UNDER THE MEDICAID PROGRAM**

  The home equity limit for determining eligibility for long-term care services has increased from $500,000 to $1,000,000, effective January 1, 2028.

- **SECTION 71109, ALIEN MEDICAID ELIGIBILITY**

  Beginning October 1, 2026, Medicaid and Children's Health Insurance Program (CHIP) applicants and current enrollees must be a resident of 1 of the 50 states, the District of Columbia or a territory of the United States, and either be a citizen or national of the United States or an alien lawfully admitted for permanent residence. There are some exceptions for aliens with other immigration statuses.

- **SECTION 71119, REQUIREMENT FOR STATES TO ESTABLISH MEDICAID COMMUNITY ENGAGEMENT REQUIREMENTS FOR CERTAIN INDIVIDUALS**

  Able-bodied program applicants or current enrollees in states with Medicaid expansion will be required to affirm monthly that they spend no less than 80 hours per month working, participating in a work program, completing community service, participating in an educational program or participating in a combination of those activities.

  Limited exceptions are made for certain individuals, including those under 19 years of age and individuals experiencing certain short-term hardship events.

  This requirement has two phases — by December 31, 2026, states must begin outreach regarding the new requirements and then implement no later than January 1, 2028.

Impact:

- The Medicaid and Children's Health Insurance Program (CHIP) primarily serve low- to moderate-income individuals, including pregnant women, children under 18, individuals with disabilities and seniors requiring long-term care. Medicaid expansion has also provided coverage for many young adults.
- Beginning October 1, 2026, eligibility for Medicaid and CHIP will be limited to U.S. citizens and a narrower group of lawfully present immigrants. This includes lawful permanent residents (green card holders), Cuban and Haitian entrants, individuals residing under Compacts of Free Association and lawfully residing children and pregnant women in states that elect to cover them under the Immigrant Children's Health Improvement Act. Other immigrant groups, such as asylum seekers, refugees and certain survivors of abuse, will no longer qualify for coverage under these programs.
- Non-immigrant visa holders, including visitors, tourists, diplomats and students, remain ineligible for Medicaid and CHIP, consistent with their temporary status in the U.S.
- Starting January 1, 2027, two administrative changes will apply to the remaining eligible population.
- Eligibility redetermination will occur twice per year, rather than annually.
- Most enrollees will be subject to new community engagement requirements, which may include work, education or community service activities. Exemptions apply to individuals under age 19 and those experiencing short-term hardship or other qualifying conditions.
- While some enrollees may meet these new requirements without issue, others may face challenges in maintaining coverage due to increased administrative steps. Populations that may be more affected include older adults, individuals experiencing homelessness and those with mental or physical health conditions.

Planning Opportunities and Considerations:

- The increase in allowable home equity when qualifying for Medicaid may expand eligibility for some individuals. However, other changes will affect current enrollees, including those who may lose eligibility or become subject to new eligibility criteria.
- Consider reviewing current Medicaid and CHIP coverage to prepare for potential changes in access to services and care for low-income or pro bono households. Understanding the updated eligibility requirements will be important for effective planning. Some individuals, including immigrants and others with limited resources, may need to explore alternative coverage options or contingency plans.
- In general, gaps in coverage or services may be addressed through social service agencies and nonprofit organizations that offer health-related support or financial assistance. Consider identifying alternative providers, coverage options or assistance programs to help individuals maintain access to necessary care.

Learning Objectives:

- Identify opportunities and challenges related to a client's cash inflows and outflows and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.
- Plan/prepare/categorize and label funds to help clients navigate an unanticipated financial emergency.
- Evaluate the potential impacts on short-term and long-term goals, including unexpected job and/or income loss and adverse health events.
- Communicate potential solutions, including government-offered solutions.
- Demonstrate empathy, reliability and competence to help clients navigate the implications of a crisis.
- Develop an appropriate long-term care insurance plan based on needs, financial resources, policy coverage and cost.
- Advise clients in consideration of proposed program reforms.

22 MEDICARE ELIGIBILITY TIGHTENED AND PTC RULES OVERHAULED

SECTION 71201, LIMITING MEDICARE COVERAGE OF CERTAIN INDIVIDUALS

SECTION 71302, DISALLOWING PREMIUM TAX CREDIT DURING PERIODS OF MEDICAID INELIGIBILITY DUE TO ALIEN STATUS

SECTION 71303, REQUIRING VERIFICATION OF ELIGIBILITY FOR PREMIUM TAX CREDIT

SECTION 71304, DISALLOWING PREMIUM TAX CREDIT IN CASE OF CERTAIN COVERAGE ENROLLED IN DURING SPECIAL ENROLLMENT PERIOD

SECTION 71305, ELIMINATING LIMITATION ON RECAPTURE OF ADVANCE PAYMENT OF PREMIUM TAX CREDIT

B.9 CASH FLOW MANAGEMENT

C.19 HEALTH INSURANCE AND HEALTH-CARE COST MANAGEMENT (INDIVIDUAL AND IN A GROUP)

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

F.45 SOCIAL SECURITY AND MEDICARE PLANNING

F.46 ELDER CARE AND SPECIAL NEEDS PLANNING

G.56 ESTATE AND INCAPACITY PLANNING DOCUMENTS

Changes:

- The Medicare program has undergone changes that may affect patients, providers and communities across the country.

  Sections that apply to personal financial planning have been grouped for brevity.

SECTION 71201, LIMITING MEDICARE COVERAGE OF CERTAIN INDIVIDUALS

- As of January 4, 2027, the program will limit eligibility to citizens or nationals of the United States, or aliens who are lawfully admitted for permanent residence. There are some exceptions for aliens with other immigration statuses. Enrollees will be notified of eligibility or benefit termination by Social Security.

SECTION 71302, DISALLOWING PREMIUM TAX CREDIT DURING PERIODS OF MEDICAID INELIGIBILITY DUE TO ALIEN STATUS

- Effective after December 31, 2025, PTCs are not allowed during periods of Medicaid ineligibility for lawfully present immigrants with income below 100% of the Federal Poverty Limit due to alien status.

SECTION 71303, REQUIRING VERIFICATION OF ELIGIBILITY FOR PREMIUM TAX CREDIT

- Effective after December 31, 2027, any individual applying for enrollment or covered by a qualified health plan enrolled through an exchange must be verified as eligible annually to receive PTCs. Applicants must verify information such as income, immigration status, eligibility for other coverage, residence and family size.

SECTION 71304, DISALLOWING PREMIUM TAX CREDIT IN CASE OF CERTAIN COVERAGE ENROLLED IN DURING SPECIAL ENROLLMENT PERIOD

- PTCs are not allowed for individuals who enroll through special enrollment periods based solely on household income. Exceptions are given for some cases tied to qualifying life events or changes in circumstances.

SECTION 71305, ELIMINATING LIMITATION ON RECAPTURE OF ADVANCE PAYMENT OF PREMIUM TAX CREDIT

- The Internal Revenue Service (IRS) may recapture advance PTCs from individuals who are not ultimately eligible, without a cap to the amount.

Impact:

- The changes to Medicare generally result in removing coverage from a segment of the population that had been lawfully eligible. For all enrollees, it may also limit or eliminate PTCs that had been previously available. Older immigrants and/or their spouses who worked, paid Medicare taxes and were eligible for Medicare Part A will first lose access to PTCs and then, ultimately, Medicare eligibility entirely. Those immigrants include permanent residents without green cards, refugees, and asylum seekers age 65 and older.
- Also, there is an overlap with the changes to Medicaid. A dual Medicare-Medicaid program that covers low-income seniors has been impacted by continuing delays in previous reforms for automatic enrollment for some crossover plans. In this case, it is anticipated there will be a lack of enrollee awareness and/or administrative burden, resulting in loss of premium-free Medicare Part B or reduced drug costs. Necessary education and outreach to impacted individuals is warranted as the changes begin with the 2026 tax year.
- Changes to Medicare eligibility and related programs will affect certain segments of the population beginning in 2026 and 2027. While an increase in allowable home equity may expand eligibility for some individuals, other provisions will result in the loss of coverage or the introduction of new eligibility criteria for others.
- For older immigrants and their spouses who previously qualified for Medicare Part A based on work history and tax contributions, recent legislation will phase out access to premium tax credits (PTCs) and, ultimately, Medicare eligibility. This includes individuals such as lawful permanent residents without green cards, refugees and asylum seekers age 65 and older.
- Additionally, changes to dual Medicare-Medicaid programs will affect low-income seniors. Automatic enrollment in programs such as the Low-Income Subsidy (LIS), which helps cover prescription drug costs, may be discontinued for individuals who lose Medicaid eligibility. These individuals will need to apply separately for assistance through the Social Security Administration or state Medicaid agencies.
- Administrative updates also include delays in previously planned reforms to streamline enrollment in Medicare Savings Programs, which help cover Medicare Part B premiums and other costs. These delays may result in increased administrative burden and reduced awareness among eligible enrollees.
- To prepare for these changes, beginning with the 2026 tax year, it is recommended to review current coverage options with individuals, especially those with limited resources. Exploring alternative coverage, providers or assistance programs may help mitigate potential gaps in access to care.

Planning Opportunities and Considerations:

- Consider reviewing eligibility rules, re-qualification requirements and effective dates. Review existing impacted individuals' Medicare coverage to plan for how to bridge the gap to services and care. It will also be critical to have a solid grasp of the new eligibility requirements.
- Some individuals may have a simple solution to the changes; however, consider exploring alternative coverage, providers, or assistance programs to meet or cover any gaps. More vulnerable individuals will need to come up with contingency plans for loss of eligibility.

Learning Objectives:

- Identify opportunities and challenges related to an individual's cash inflows and outflows, and make recommendations to assist in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the individual's probability of success in meeting short-term and long-term goals.
- Plan/prepare/categorize and label funds to help individuals navigate an unanticipated financial emergency.
- Evaluate the potential impacts on short-term and long-term goals, including unexpected job and/or income loss and adverse health events.
- Communicate potential solutions, including government-offered solutions.
- Demonstrate empathy, reliability and competence to help clients navigate the implications of a crisis.
- Incorporate expected retiree health costs in an individual's retirement plan, in consideration of household financial resources, existing or future coverage under group insurance plans and Medicare.
- Social Security and Medicare Planning.

23 EXPANDED HSA ELIGIBILITY AND TELEHEALTH COVERAGE

SECTION 71301, PERMITTING PREMIUM TAX CREDIT ONLY FOR CERTAIN INDIVIDUALS

SECTION 71306, PERMANENT EXTENSION OF SAFE HARBOR FOR ABSENCE OF DEDUCTIBLE FOR TELEHEALTH SERVICES

SECTION 71307, ALLOWANCE OF BRONZE AND CATASTROPHIC PLANS IN CONNECTION WITH HEALTH SAVINGS ACCOUNTS

SECTION 71308, TREATMENT OF DIRECT PRIMARY CARE SERVICE ARRANGEMENTS

B.7 FINANCIAL PLANNING PROCESS

B.9 CASH FLOW MANAGEMENT

C.19 HEALTH INSURANCE AND HEALTH-CARE COST MANAGEMENT (INDIVIDUAL AND GROUP)

C.21 LONG-TERM CARE INSURANCE AND LONG-TERM CARE PLANNING (INDIVIDUAL AND GROUP)

C.24 BUSINESS OWNER INSURANCE SOLUTIONS

E.36 FUNDAMENTAL AND CURRENT TAX LAW

Changes:

- The provision expands the types of health plans and participants eligible to use a health savings account (HSA).

Sections that apply to personal financial planning have been grouped together for brevity.

SECTION 71301, PERMITTING PREMIUM TAX CREDIT ONLY FOR CERTAIN INDIVIDUALS

- Beginning after December 21, 2025, premium tax credits (PTCs) for plans through the ACA marketplace will only be available for citizens or nationals of the United States, or aliens who are lawfully admitted for permanent residence. There are some exceptions for aliens with other immigration statuses.
- Monthly eligibility verification will be required.

SECTION 71306, PERMANENT EXTENSION OF SAFE HARBOR FOR ABSENCE OF DEDUCTIBLE FOR TELEHEALTH SERVICES

- Allows a plan to be treated as a high-deductible health plan (HDHP) if it has a deductible for telehealth and other remote care services, effective for plan years beginning after December 31, 2024. This is a permanent extension for telehealth arrangements.

SECTION 71307, ALLOWANCE OF BRONZE AND CATASTROPHIC PLANS IN CONNECTION WITH HEALTH SAVINGS ACCOUNTS

- Allows patients with bronze and catastrophic-level plans through the Affordable Care Act (ACA) marketplace.

SECTION 71308, TREATMENT OF DIRECT PRIMARY CARE SERVICE ARRANGEMENTS

- Allow patients to pay for primary service arrangements from an HSA instead of being reimbursed through their health insurance plan. The monthly fee may not exceed $150 ($300 family). Services excluded from this arrangement are procedures requiring general anesthesia, prescription drugs and laboratory services.

Impact:

- HSAs allow individuals and/or families to put pre-tax dollars into an HSA for use in paying for qualified medical expenses. The contributions go into the account pre-tax, grow tax-deferred and can be used tax-free for qualified medical expenses.
- To contribute to the HSA, the covered individual must be using a high-deductible health plan (HDHP). Unused HSA assets may be rolled over tax-deferred year-to-year, and once the account owner reaches age 65, they may use the assets as a taxable distribution for any purpose, like a traditional IRA. Updates to HSAs include who is eligible to open an account and how they can be used.
- Previously, individuals enrolled in bronze or catastrophic plans under the ACA were not allowed to open and contribute to HSAs. This added eligibility will likely increase the number of individuals contributing, lower taxable income and introduce the potential for long-term savings for individuals and families. The triple tax-free nature of this account also lends to long-term goals supporting retirement and senior health expense planning. Medicare premium distributions are qualified expenses for HSAs.

- Telehealth coverage will also now be eligible in HDHPs for purposes of using HSAs, making virtual care access a permanent HSA benefit.

Planning Opportunities and Considerations:

- The broader program eligibility will likely increase tax-advantaged health-care savings potential for individuals with HSAs. Consider reevaluating cash flow and the ability to use the program based on surplus income. Ensure the household(s) (if applicable) are eligible based on plan qualifications and project the benefit of maximizing contributions to meet short-term and long-term goals.
- Consider HSA funding for future long-term care insurance and/or Medicare premiums, as applicable.

Learning Objectives:

- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for households consistent with IRS Code.
- Recognize the potential sources of income during retirement including Social Security retirement benefits, employer-sponsored plan benefits, personal savings and investments, individual retirement plans and employment income.

24 SNAP BENEFIT MODIFICATIONS

SECTION 10101, REEVALUATION OF THRIFTY FOOD PLAN
SECTION 10102, MODIFICATIONS TO SNAP WORK REQUIREMENTS FOR ABLE-BODIED ADULTS
SECTION 10105, MATCHING FUNDS REQUIREMENTS

B.9 CASH FLOW MANAGEMENT

B.10 FINANCING STRATEGIES AND DEBT MANAGEMENT

C.21 LONG-TERM CARE INSURANCE AND LONG-TERM CARE PLANNING

E.43 CHARITABLE/PHILANTHROPIC CONTRIBUTIONS AND DEDUCTIONS

F.46 ELDER CARE AND SPECIAL NEEDS PLANNING

G.64 PLANNING FOR SPECIAL NEEDS AND CIRCUMSTANCES

H.68 PRINCIPLES OF COUNSELING

H.70 CRISIS EVENTS WITH SEVERE CONSEQUENCES

Changes:

SECTION 10101, REEVALUATION OF THRIFTY FOOD PLAN

- Increases to SNAP benefits provided through the Thrifty Food Plan will now be tied to CPI-U, the Consumer Price Index for All Urban Consumers. This replaces the use of CPI-FAH, the Consumer Price Index for Food at Home. Future periodic Thrifty Food Plan reevaluations, which typically take place, are prohibited from increasing benefit levels.

SECTION 10102, MODIFICATIONS TO SNAP WORK REQUIREMENTS FOR ABLE-BODIED ADULTS

- This section constrains eligibility for SNAP benefits in the following ways:
  - Able-bodied adults without dependents ages 18-49 to 55 (depending on the state) were required to work, undergo job training, perform voluntary community service or participate in education programs for 80 hours a month to continue to receive benefits past three months every three years. The maximum age is now raised to 65.
  - Veterans, homeless individuals and former foster children are no longer exempt from this requirement.
  - Parents with dependents under 18 were exempt from this requirement. The exemption age has been lowered to apply only to parents with children under age 14.
  - States are prohibited from issuing waivers of the work requirement for individuals who cannot find work unless their area has a 10% or greater unemployment rate.
- This section also extends eligibility for exemptions from Able-Bodied Adults Without Dependents (ABAWD) time limits to individuals who meet the definition of "Indian" under the Indian Health Care Improvement Act (IHCIA), including qualifying

members of federally recognized Native American nations and tribes, as well as other individuals eligible for Indian Health Services.

SECTION 10105, MATCHING FUNDS REQUIREMENTS

- Beginning on October 1, 2027 (federal fiscal year 2028), states will be required to contribute increased, standardized matching funds toward federal SNAP benefit grants.

Impact:

- These changes are expected to gradually erode the real purchasing power of SNAP benefits, forcing households to make difficult budget trade-offs and rely more heavily on food banks and community charities, resources that are already strained in many areas.
- While some individuals will gain eligibility under the new provisions, the overall net effect will be the loss of SNAP benefits for hundreds of thousands of Americans, including veterans and older adults who may struggle to secure employment, particularly if attempting to reenter the workforce to gain or requalify for benefits after a period of joblessness.
- State governments facing tight budgets may respond by adding eligibility restrictions or implementing waiting lists, further limiting access to assistance. Local community-based resources serving those in need may be overwhelmed, making them attractive suggestions for charitable giving.

Planning Opportunities and Considerations:

- Planners engaged with low-income and pro bono clients may face significant challenges creating realistic budgets for households relying on SNAP benefits, particularly when household debt reduction is a priority.
- Because the inflation rate of a market basket of food is typically more volatile than general inflation (with CPI-FAH often having a beta of 1.2 to 1.5 relative to CPI-U), periods of high inflation or supply shocks may rapidly intensify budgetary pressure on household food needs, especially if wage growth lags behind price increases.
- This suggests that inflationary pressure will force individuals into negative cash flows that, without an adequate emergency fund, could lead the individuals to taking on high-interest debt if charitable resources are unavailable.
- For individuals affected by cuts to SNAP benefits, consider identifying and verifying the usability of alternative food resources such as food banks, veterans' support groups and OAA Title III programs such as Meals on Wheels.
- Many of these resources have also seen grant reductions. Consider reliable and/or accessible resources in assisting individuals to maintain necessary cash flow.
- Consider periodically reassessing any recommended strategy that includes reliance on state and federal programs with respect to the government's ability to provide matching funds.

Learning Objectives:

- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Communicate the need for liquid assets and emergency funds, and recommend strategies for accumulating the appropriate levels of funds.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.
- Develop an appropriate long-term care insurance plan based on needs, financial resources, policy coverage and cost.
- Identify qualified charitable contributions of cash, property and appreciated assets and the advantages, disadvantages and tax effects of such gifts.
- Compare and coordinate other available sources of government benefits.
- Identify and recommend strategies to mitigate risk exposure.
- Demonstrate how a planner can develop a relationship of honesty and trust in client interaction.
- Plan/prepare/categorize and label funds to help clients navigate an unanticipated financial emergency.
- Evaluate the potential impacts on short-term and long-term goals, including unexpected job and/or income loss and adverse health events.
- Communicate potential solutions, including government-offered solutions.
- Demonstrate empathy, reliability and competence to help clients navigate the implications of a crisis.

25 ENHANCED DEPENDENT CARE ASSISTANCE PROGRAM

SECTION 70404, ENHANCEMENT OF THE DEPENDENT CARE ASSISTANCE PROGRAM

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.37 INCOME TAX FUNDAMENTALS AND CALCULATIONS

E.40 TAX REDUCTION/MANAGEMENT TECHNIQUES

Changes:

- Starting in 2026, employees may contribute $7,500 to dependent care flexible spending accounts (FSAs), an increase from $5,000.
- The amount increases from $2,500 to $3,750 for married individuals filing separately.

Impact:

- This change improves the ability of working parents to pay for qualifying dependent care expenses (e.g., day care, after-school care) with pre-tax dollars, reducing their taxable income.

Planning Opportunities and Considerations:

- Consider reviewing individual benefit elections annually during open enrollment periods and coordinating optimal Driving Clean Assistance Program (DCAP) participation relative to the taxpayer's income and care needs.
- Dual-income households with high child-care costs and higher income may receive more benefit from DCAP participation than from the child and dependent care tax credit alone.
- Remind individuals that the same expenses cannot be claimed under both benefits.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system, including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Recommend actions to minimize tax liability and maximize after-tax returns for clients and dependents consistent with IRS Code.

EDUCATION & STUDENT AID

Focus: 529 plans, Pell Grants, student loans, education tax credits.

26 EXPANDED QUALIFIED EXPENSES FOR 529 DISTRIBUTIONS

SECTION 70413, ADDITIONAL EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS

SECTION 70414, CERTAIN POSTSECONDARY CREDENTIALING EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS

B.14 EDUCATION SAVINGS VEHICLES

B.15 EDUCATION FUNDING

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

Changes:

- Starting in 2025, the definition of "qualified higher education expenses" for 529 plan distributions is expanded to include the purchase of computers, tablets, internet access, required software and other digital learning materials, even if not specifically required by the school.
- Starting in 2025, individuals can use 529 plan distributions tax-free for postsecondary credentialing expenses. This includes expenses related to earning certifications (including continuing education), licenses and professional credentials from accredited institutions or programs approved by the U.S. Department of Education.

Impact:

- Families using 529 plan funds will now have more flexibility to cover these additional expenses without triggering taxes or penalties on distributions. This change reflects the increasing integration of digital resources in education.
- 529 plans now offer tax-free funding for a wider array of career and vocational training paths, not just traditional K-12 tuition, college or university degrees. This change can particularly benefit students pursuing skilled trades or those needing credentials for mid-career changes.

Planning Opportunities and Considerations:

- Consider reviewing 529 plan distribution strategies to ensure that education expenses qualify under the expanded rules. As more technology expenses become allowable, households may consider reallocating additional taxable funds toward 529 accounts. This change also supports families with students at schools that do not provide digital equipment but expect students to have it.
- Consider updating the expanded use cases for 529 plans, particularly for children not planning to pursue a four-year degree. Parents saving for education can be reassured that funds will remain useful even if unexpected aid is received or educational plans shift. For adults returning to school, this may also support flexible workforce reentry strategies.

Learning Objectives:

- Compare and contrast the tax implications and other features for the primary account types or strategies used for accumulating savings for higher education expenses.
- Recommend appropriate education savings vehicles given tax implications, dollar amount of savings needed and the client's preferences and situation.
- Explain tax planning opportunities and implications for funding and paying higher education expenses.

27 SOCIAL SECURITY NUMBER REQUIREMENT FOR EDUCATION-RELATED TAX CREDITS

SECTION 70606, SOCIAL SECURITY NUMBER REQUIREMENT FOR AMERICAN OPPORTUNITY AND LIFETIME LEARNING CREDITS

B.7 FINANCIAL PLANNING PROCESS

B.9 CASH FLOW MANAGEMENT

B.10 FINANCING STRATEGIES AND DEBT MANAGEMENT

B.15 EDUCATION FUNDING

E.36 FUNDAMENTAL AND CURRENT TAX LAW

Changes:

- After December 31, 2025, individual taxpayers cannot claim American Opportunity Tax Credits nor Lifetime Learning Credits unless the person claiming the credit and/or the student has a Social Security Number (SSN). This requirement applies to the individual taxpayer and their spouse, if applicable (i.e., tax filing single or MFJ). Tax Identification Numbers (TINs) will no longer be accepted.
- In the case of the American Opportunity Tax Credit only, the applicable institution also must have an Employer Identification Number (EIN).

Impact:

- Current students and/or their families may not feel the impact of the loss of the tax credits; however, those with less financial resources or who rely on the tax credit in annual budgeting will have to adjust to higher taxes. Taxpayers in the early stages of planning education goals and/or who plan to leverage the credits to afford their education may need more extensive investigation and revision to their existing plan, coordination with education financial aid and/or the need to secure other types of financing.
- In the case of families with more than one previously eligible student, there may be a higher reliance on the tax credit. A variety of actions are suggested to address the increase in taxes: proactive budgeting, revisiting ways to reduce education costs, researching public or private student aid and raising awareness of other tax-related changes.

Planning Opportunities and Considerations:

- Anticipate revisiting the financial planning process with each taxpayer impacted by the change, specifically:
  - analyzing the taxpayer's current cash flow and debt in order to address the extra cost;
  - revisiting the planning recommendations if priorities change regarding goals; and/or,
  - monitoring the existing plan for potential updates.
- Consider overall education funding to address the extra cost; otherwise, they must anticipate and may absorb higher taxes.

Learning Objectives:

- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.
- Plan/prepare/categorize and label funds to help clients navigate an unanticipated financial emergency.
- Evaluate the potential impacts on short-term and long-term goals, including unexpected job and/or income loss and adverse health events.
- Communicate potential solutions.
- Demonstrate empathy, reliability and competence to help clients navigate the implications of changes in policy.

28 FEDERAL LOAN RESTRICTIONS FOR LOW-EARNING ACADEMIC PROGRAMS

SECTION 84001, INELIGIBILITY BASED ON LOW EARNING OUTCOMES

A.5 CONSUMER PROTECTION LAWS

B.7 FINANCIAL PLANNING PROCESS

B.9 CASH FLOW MANAGEMENT

B.10 FINANCING STRATEGIES AND DEBT MANAGEMENT

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

Changes:

- Beginning July 1, 2026, institutions will not be allowed to award federal student loans for educational programs with "low earning outcomes." Educational programs include undergraduate degrees, graduate or professional degrees or graduate certificates. "Low earning" is defined as when median earnings (determined by the Secretary of Education) of the programmatic cohort of students who received funds under this title is less than a working adult in the same field of study with a lesser credential or no credential.
- The standard used to determine whether or not a student falls under this section depends on the educational program, age (25 to 34 years old), when they were enrolled, the year of determination, other program enrollment and other factors.

Impact:

- The onus is on institutions to provide notice to current and future students if a program does not satisfy the earning outcomes; however, a lack of awareness or general awareness could result in unintended loss of funding.
- If an educational program loses eligibility under this section, it may not apply to regain eligibility for two years. If a student loses eligibility under this section, it will solely be up to them to self-fund, find alternative funding or cease the educational program.
- Expanded exempt assets will likely increase the number of students qualifying for need-based financial aid and broaden access for rural and coastal students.
- Loan limits will likely reduce the number of applicants pursuing graduate and professional programs, as well as put pressure on institutions to increase their aid programs.
- Necessary education and outreach to impacted individuals is warranted as the changes begin with the 2026 tax year.

Planning Opportunities and Considerations:

- Consider determining if individuals are in an impacted educational program or planning to finance an impacted educational program.
- The burden remains on the educational program itself to report program eligibility based on the new standard; however, job and wage outlook in general could be added to the initial stages of education expense planning.
- If there is any concern about program eligibility, evaluate other forms of funding, including private loans. Consider completing the monitoring progress and updating step of the financial planning process for rediscovery concerning cash flow, debt management and the resulting changes to other goals.

Learning Objectives:

- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.
- Plan/prepare/categorize and label funds to help clients navigate an unanticipated financial emergency.
- Communicate potential solutions, including government-offered solutions.
- Demonstrate empathy, reliability and competence to help clients navigate the implications of a crisis.
- Evaluate the client's qualifications for various types of financial aid as part of an education plan.

29 STUDENT AID AND LOAN CHANGES: NEW LIMITS, REPAYMENT RULES AND ASSET EXEMPTIONS

SECTION 80001, EXEMPTION OF CERTAIN ASSETS

SECTION 81001, ESTABLISHMENT OF LOAN LIMITS FOR GRADUATE AND PROFESSIONAL STUDENTS AND PARENT BORROWERS

SECTION 82001, LOAN REPAYMENT

SECTION 82002, DEFERMENT; FORBEARANCE

SECTION 82003, LOAN REHABILITATION

SECTION 82004, PUBLIC SERVICE LOAN FORGIVENESS

B.7 FINANCIAL PLANNING PROCESS

B.9 CASH FLOW MANAGEMENT

B.10 FINANCING STRATEGIES AND DEBT MANAGEMENT

B.13 EDUCATION NEEDS ANALYSIS

B.14 EDUCATION FUNDING

B.16 GIFT/INCOME TAX STRATEGIES

E.36 FUNDAMENTAL AND CURRENT TAX LAW

G.57 GIFT, ESTATE AND GST TAX COMPLIANCE AND CALCULATION

Changes:

- Many changes to student loans will be phased in over the next two years, impacting current and future students. In particular, the income-contingent repayment (ICR) plan will sunset, and borrowers may anticipate higher payments and longer terms for repayment.

  The sections that apply to personal financial planning have been grouped for brevity.

SECTION 80001, EXEMPTION OF CERTAIN ASSETS

- Effective July 1, 2026, and applicable to award years 2026-2027 moving forward, the eligibility formula for student aid will exclude the value of certain family-owned assets on Free Application for Federal Student Aid (FAFSA):
  - family farms on which the family resides;
  - small businesses with 100 or fewer full-time employees, owned and operated by the family; and
  - commercial fishing businesses.

SECTION 81001, ESTABLISHMENT OF LOAN LIMITS FOR GRADUATE AND PROFESSIONAL STUDENTS AND PARENT BORROWERS

- These changes will be captured on the Tax Tables document.
- The maximum annual loan limit for graduate students is now $20,500, and for professional students (e.g., law or medical school), it is $50,000; with lifetime limits of $100,000 and $200,000, respectively. Grad PLUS loans have been terminated, effective July 1, 2026.
- Annual and lifetime loan limits have also been adjusted for graduate and professional student borrowers and parent borrowers beginning July 1, 2026. The amounts are in addition to any amount borrowed for non-graduate education:
  - Graduate, professional and parent PLUS borrowers have different limits.
  - Limits are annual, aggregate lifetime (also depends on if the student was ever a graduate student) and a lifetime maximum aggregate.
  - Caps for part-time student borrowers are reduced in direct proportion to enrollment. Borrowers with loans for programs that are in process as of June 30, 2026, may be exempt. Institutions can impose their own loan limits, as long as they are applied consistently to all students.

SECTION 82001, LOAN REPAYMENT

- This section basically transitions student loans to income-based repayment plans. As a start, student loan forgiveness Common Origination Disbursement (COD) relief enacted by the American Rescue Plan Act (ARPA) will not be extended past December 31, 2025; however, the student loan forgiveness due to death and/or disability will be permanent. Beginning July 1, 2026, existing Income-Contingent Repayment (ICR) Plans will be replaced with a single Repayment Assistance Plan (RAP).
- New borrowers will choose between standard repayment plans, Repayment Assistance Plans (RAPs) or Income-Based Repayment (IBR) plans. Payments under RAP count toward Public Service Loan Forgiveness (PSLF) eligibility.
- The U.S. Department of Education will transition existing borrowers on an ICR to RAP or IBR no later than July 1, 2028. Eligibility for RAP or IBR will be recertified annually, with procedures to be developed by the Department of Education.

SECTION 82002, DEFERMENT; FORBEARANCE

- The economic hardship and unemployment deferment will be eliminated for borrowers who receive federal student loans on or after July 1, 2027. This also caps forbearance for Direct Loans at nine months over two years.

SECTION 82003, LOAN REHABILITATION

- Borrowers with defaulted FFEL or Perkins loans may rehabilitate their loans twice instead of once, beginning July 1, 2027. A minimum payment will still be required for borrowers with one or more defaulted loans.

SECTION 82004, PUBLIC SERVICE LOAN FORGIVENESS

- On-time payments made under the new RAP will count toward the 120 qualifying payments required for Public Service Loan Forgiveness.

Impact:

- There is a mix of changes, including new limits and restrictions, to student loans. Expanded exempt assets will likely increase the number of students qualifying for need-based financial aid and broaden access for rural and coastal students.
- Loan limits, repayment changes, and the elimination of economic hardship and unemployment deferment will likely impact current loan holders and/or reduce the number of applicants pursuing graduate and professional programs.
- The changes may make it more challenging for students to manage their debt, which may detrimentally impact students' future after they finish school. Educational institutions will also have added pressure to increase their aid programs. Prompt education and outreach to impacted taxpayers is stressed since this series of changes begins in the 2026 tax year.

Planning Opportunities and Considerations:

- Individuals who are graduate or professional students, or parents planning to use federal student loans, need to be aware that they may need to contribute additional funds or use private loans, which offer fewer protections, if federal borrowing limits do not cover college costs.
- Consider completing the monitoring progress and updating step of the financial planning process for rediscovery concerning cash flow, debt management and the resulting changes to other goals.

Learning Objectives:

- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.
- Plan/prepare/categorize and label funds to help clients navigate an unanticipated financial emergency.
- Communicate potential solutions, including government-offered solutions.
- Demonstrate empathy, reliability and competence to help clients navigate the implications of a crisis.
- Evaluate the client's qualifications for various types of financial aid as part of an education plan.

30 IMPLEMENTATION DELAYED FOR BORROWER DEFENSE TO REPAYMENT (BDR) AND CLOSED SCHOOL DISCHARGE (CSD) REGULATIONS

SECTION 85001, DELAY OF RULE RELATING TO BORROWER DEFENSE TO REPAYMENT

B.7 FINANCIAL PLANNING PROCESS

B.9 CASH FLOW MANAGEMENT

B.10 FINANCING STRATEGIES AND DEBT MANAGEMENT

E.36 FUNDAMENTAL AND CURRENT TAX LAW

Changes:

- This provision further delays implementation of the borrower defense to repayment (BDR) and closed school discharge (CSD) regulations, currently delayed due to a pending legal challenge. Constructively, it restores the BDR and CSD regulations that took effect July 1, 2020.

Impact:

- BDR is a legal ground for discharging federal Direct Loans if the borrower's school engaged in misconduct related to certain details of their federal loan or educational service programs. The borrower must also demonstrate that the misconduct has harmed them. If the borrower is discharged from any remaining balance due, there may also be a refund for loan payments already made.
- Parent PLUS borrowers are also eligible for BDR if the misconduct occurred to their child; however, their own application must be submitted.

Planning Opportunities and Considerations:

- Consider reviewing any and all federal student loans for potential application of this section.
- If an individual's application fully discharges federal Direct Loans, complete the monitoring progress and updating step of the financial planning process. This step ensures you can focus on rediscovering changes in cash flow, debt management and impacts on other goals.

Learning Objectives:

- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.
- Evaluate the client's qualifications for various types of financial aid as part of an education plan.

31 PELL GRANT CHANGES: EXPANDED WORKFORCE ACCESS AND STRICTER ELIGIBILITY

SECTION 83001, ELIGIBILITY
SECTION 83002, WORKFORCE PELL GRANTS
SECTION 83004, FEDERAL PELL GRANT EXCLUSION RELATING TO OTHER GRANT AID

B.7 FINANCIAL PLANNING PROCESS

B.9 CASH FLOW MANAGEMENT

B.10 FINANCING STRATEGIES AND DEBT MANAGEMENT

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

Changes:

SECTION 83001, ELIGIBILITY

- Pell Grant eligibility based on income has been updated:
  - Foreign income for a dependent student's parents or an independent student's spouse, if applicable, will now be included in AGI for purposes of determining eligibility beginning July 1, 2026.
  - Students with a Student Aid Index (SAI) that equals or exceeds twice the amount of the maximum Pell Grant will be deemed ineligible for that academic year.
  - Students are ineligible if they receive non-federal grants exceeding the cost of attendance.

SECTION 83002, WORKFORCE PELL GRANTS

- The program has been expanded to students in short-term workforce programs at accredited postsecondary institutions beginning July 1, 2026. There are program eligibility requirements regarding:
  - the number of credit hours and length of the program;
  - program accreditation, performance benchmarks, placement success, costs and credit transfer opportunities;
  - alignment with high-skill, high-wage, or in-demand sectors or occupations; and,
  - meeting state workforce hiring requirements.
- Another expansion will include recognized credential programs that prepare students for certain certificate or degree programs at institutions of higher education. The institutions must also meet certain operational history metrics.

SECTION 83004, FEDERAL PELL GRANT EXCLUSION RELATING TO OTHER GRANT AID

- Beginning July 1, 2026, a student will not be eligible for a Pell Grant during any period when the student receives grant aid in an amount that equals or exceeds the student's cost of attendance for that period. The definition of grant aid includes:
  - from non-federal sources, including states;
  - institutions of higher education; and/or,
  - private sources.

Impact:

- The eligibility requirements are both expanding and becoming stricter for Pell Grants. Short-term accredited workforce training programs are now eligible. These grants will count toward the students' overall Pell eligibility limit. Also, approved programs do not include remedial, non-credit, correspondence, English language learning and study abroad coursework. Other grant aid(s) cannot be combined with regular Pell grants.
- Scholarships, income limits and credit hour requirements have become stricter, and loan limits will likely reduce the number of applicants pursuing graduate and professional programs. A side effect will likely be added pressure on institutions to increase their aid programs. Prompt education and outreach to impacted taxpayers is stressed since this series of changes begins starting with the 2026 tax year.

Planning Opportunities and Considerations:

- Individuals who previously considered or are in workforce-type educational programs are encouraged to reevaluate their education funding plans and program eligibility. The Workforce Pell Grant could provide significant financial support.
- Regarding the new loan limits, consider reevaluating impacted taxpayers' total cost of attendance and all sources of financial aid to determine whether they are within or over the limit. Future graduate and/or professional students, or parents planning to finance a college education with federal student loans, may need to reevaluate funding plans.
- Additional personal contributions may be needed, or reliance on private student loans (which have fewer protections). Consider completing the monitoring progress and updating step of the financial planning process for rediscovery concerning cash flow, debt management and the resulting changes to other goals.

Learning Objectives:

- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.
- Plan/prepare/categorize and label funds to help clients navigate an unanticipated financial emergency.
- Communicate potential solutions, including government-offered solutions.
- Demonstrate empathy, reliability and competence to help clients navigate the implications of a crisis.
- Evaluate the client's qualifications for various types of financial aid as part of an education plan.

CLEAN ENERGY & ENVIRONMENTAL POLICY

Focus: Termination of tax credits and subsidies.

32 TERMINATION OF CLEAN ENERGY TAX CREDITS

SECTION 70431, EXPANSION OF QUALIFIED SMALL BUSINESS STOCK GAIN EXCLUSION

B.7 FINANCIAL PLANNING PROCESS

B.9 CASH FLOW MANAGEMENT

B.10 FINANCING STRATEGIES AND DEBT MANAGEMENT

E.36 FUNDAMENTAL AND CURRENT TAX LAW

E.38 CHARACTERISTICS AND INCOME TAXATION OF BUSINESS ENTITIES

E.42 TAX IMPLICATIONS OF SPECIAL CIRCUMSTANCES

Changes:

- Certain subsidies previously associated with energy and environmental initiatives from the Inflation Reduction Act have been discontinued. As a result, seven years of tax credits have been removed from financial planning models, with deadlines beginning on September 30, 2025.

Sections that apply to personal financial planning have been grouped together for brevity.

SECTION 70501, TERMINATION OF PREVIOUSLY OWNED CLEAN VEHICLE CREDIT

- Terminates for vehicles acquired after September 30, 2025. Previously, it was up to $4,000 and expired in 2032.

SECTION 70502, TERMINATION OF CLEAN VEHICLE CREDIT

- Terminates for vehicles acquired after September 30, 2025. Previously, it was up to $7,500 and expired in 2032.

SECTION 70503, TERMINATION OF QUALIFIED COMMERCIAL CLEAN VEHICLES CREDIT

- Terminates for vehicles acquired after September 30, 2025. Previously, it was up to $40,000 and expired in 2032.

SECTION 70505, TERMINATION OF ENERGY-EFFICIENT HOME IMPROVEMENT CREDIT

- Terminates for property placed in service after December 31, 2025. Previously, it was 30% of qualified costs with a $1,200 annual limit and expired in 2032.

SECTION 70506, TERMINATION OF RESIDENTIAL CLEAN ENERGY CREDIT

- This was also known as the "Home Solar Credit." Terminates for property placed in service after December 31, 2025. Previously, it was 30% of qualified costs, phased down after 2032 and expired in 2034.

SECTION 70507, TERMINATION OF ENERGY-EFFICIENT COMMERCIAL BUILDINGS DEDUCTION

- Terminates for property with construction beginning after June 30, 2026. Previously, it was a deduction based on the cost of energy-efficient commercial building property, with a maximum amount ranging from $0.50 to $5.00 per square foot.

SECTION 70508, TERMINATION OF NEW ENERGY-EFFICIENT HOME CREDIT

- Terminates for homes acquired after June 30, 2026. Previously, it was up to $5,000 per home and expired in 2032.

Impact:

- Terminating the clean energy credits may result in taxes increasing for those who planned on using any of the listed clean energy credits. Necessary awareness for those impacted:
  - personal and commercial vehicle credits expire on September 30, 2025;
  - residential home improvement and clean energy credits expire on December 31, 2025;
  - residential new energy-efficient home credits expire on June 30, 2026; and,
  - energy-efficient commercial building credits expire on June 30, 2026.
- Two points of clarification should be noted. The Inflation Reduction Act of 2022 generally used "placed in service" and not "acquired" when describing the expiration dates. This could matter if a qualifying purchase was acquired yet not received immediately. To that end, residential and commercial credits listed will be paid only for projects and/or new homes put into service no later than December 31, 2025, not acquired by that deadline. For example, in the case of solar credits, the system must be installed, functioning and certified by the deadline.

Planning Opportunities and Considerations:

- For the initial deadlines in 2025, anticipate revisiting the financial planning process with each taxpayer impacted by the repeal, specifically:
  - analyzing the current cash flow and debt in order to address the extra cost;
  - revisiting the planning recommendations if priorities change regarding goals; and/or,
  - monitoring the existing plan for potential updates.
- For those who may be impacted by repeals with deadlines in 2026, there may be less urgency; however, be aware of action that must be taken in the 2025 tax year, regardless of deadlines.
- Considering personal vehicles and home projects or purchases, individuals may have a simple solution available to address the extra cost. Individuals with larger real estate portfolios, higher leverage using the credits and/or commercial property owners anticipate more extensive investigation and revision to their existing plan, coordination with other tax and legal professionals, and the need to secure financing.
- Some individuals may have impact to their portfolio if it contains investments with renewable energy exposure.

Learning Objectives:

- Compare and contrast the fundamental components of the income tax system including filing forms, filing status, income, exemptions, exclusions, deductions, adjustments, credits and tax rates.
- Complete a Form 1040 including the receipt of wages, retirement income, interest and dividends; capital gains, self-employment, rental income or losses; itemized deductions; credits and estimated or carryover payments.
- Identify opportunities and challenges related to a client's cash inflows and outflows, and make recommendations to assist the client in meeting their current needs and long-term financial goals.
- Evaluate the financial effects of reducing or increasing debt on the client's probability of success in meeting short-term and long-term goals.

Disclaimer

OBBBA 2025 has removed most, but not all, of the sunset provisions introduced by the "Tax Cuts and Jobs Act of 2017" (TCJA). OBBBA 2025 can be changed by future legislation. Additional regulatory guidance is expected. Unless otherwise stated in this document, sunset provisions still apply and are addressed in the relevant sections.

Some changes will be captured in the Examinations Tax Tables.

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