

New IRS Schedule 1-A confirms OBBBA deductions are below the line

The recent release of draft form Schedule 1-A (Form 1040), *Additional Deductions*, makes it clear: the new deductions under the *One Big Beautiful Bill Act* (OBBBA) are below-the-line entries, available to all taxpayers regardless of whether they itemize.

These include:

- No Tax on Tips
- No Tax on Overtime
- No Tax on Car Loan Interest
- Enhanced Deduction for Seniors

What's on the new Schedule 1-A?

Part I – Modified Adjusted Gross Income (MAGI) Amount

Part II – No tax on tips

Deduction of up to \$25,000 for qualified cash tips, available to employees in Treasury-approved occupations.

- Must be reported on IRS-approved forms, such as Form 4137 (Social Security and Medicare Tax on Unreported Tip Income), or employer-furnished wage statements (e.g. Forms W-2, Wage and Tax Statement), Form 1099-NEC, (Nonemployee Compensation), Form 1099-K, (Payment Card and Third Party Network Transactions) or other applicable statements.
- Excludes service charges and electronic tips

Part III – No Tax on Overtime

Deduction of up to \$12,500 (or \$25,000 MFJ) for qualified overtime compensation.

- Applies to W-2 earners (not just independent contractors)

- Defined by the *Fair Lab Standards Act*

Part IV – No Tax on Car Loan Interest

Deduction for interest on personal use car loans, limited to \$10,000.

- Vehicle must be new – US-Assembled and taxpayer's original use
- Loan must be secured by the vehicle
- IRS may require VIN reporting and lender statement

Part V – Enhanced Deduction for Seniors

Up to \$6,000 for eligible seniors born before January 2, 1961.

- Must have valid Social Security number
- Applies per taxpayer (i.e., both spouses may qualify if filing jointly)