Global mobility tax provisions in “One Big Beautiful Bill”

KPMG analysis and observations

This report reflects the legislation signed into law by the president on July 4, 2025 (Pub. L. No. 119-21) and was last updated on July 18, 2025.

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Introduction

President Trump on July 4, 2025, signed into law new tax legislation that extends or even makes permanent key tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA) that were set to expire at the end of 2025. Several new measures were also introduced that may be of interest to global mobility program managers and assignees. While the new law contains a myriad of individual and business tax provisions, this report details the provisions that would have the greatest impact on global mobility programs and does not address all tax provisions affecting individuals, such as the new deductions for tips and overtime pay. Analysis of these provisions can be found in the KPMG report on compensation and benefits tax provisions.

The new legislation is described in more detail on the pages that follow, but here are some selected highlights:

Individual tax provisions schedule to expire on December 31, 2025, that are now permanent:

- Reduced individual income tax rates and modified tax brackets (10% through 37%)
- Increased standard deduction (slight change to base year for inflation adjustments)
- No deduction for personal exemptions
- Increased exemption for Alternative Minimum Tax and higher phase-out threshold (slight change to base year for inflation adjustments)
- Limitation on deduction for qualified residence interest
- Limitation on casualty loss deduction
- Termination of miscellaneous itemized deductions
- Limitation on moving expense deductions and reimbursements

Changes effective for tax year 2025:

- Increase in standard deduction
- Extension and enhancement of increased child tax credit and the credit for other dependents
- Extended period for federally-declared disasters allowing personal casualty losses
- Increased SALT deduction of $40,000 subject to phase-down
- For tax years 2025-2028, temporary deduction for seniors (65+) of $6,000 per qualified individual

Changes effective for tax year 2026:

- Limitation on benefit of itemized deductions for individuals in the highest tax bracket
- Excise tax of 1% on remittance transfers
- Permanent and expanded deduction for charitable contributions for individuals who do not itemize deductions

Proposals not included in the new legislation:

- Retaliatory tax on certain U.S. nonresident individuals and non-U.S. corporations removed following the announcement of an agreement with the other G7 countries (read *TaxNewsFlash*).
- Increased standard deduction for 2026-2028
- Election for citizens abroad to be taxed as nonresidents

In addition to the detailed analysis, an Appendix that summarizes the tax law changes, KPMG observations and effective dates is included at the end of this report.

This report is one of a series of reports that KPMG has prepared on the bill, which can all be found here.

Read the budget reconciliation bill, known as the "One Big Beautiful Bill," passed by the House of Representatives on May 22, 2025 (H.R. 1 (House bill))

Read the Senate version of H.R. 1 (Senate bill), passed on July 1, 2025.

Extension and enhancement of reduced rates

Income rates

Prior law

The United States imposes a progressive system of federal income tax with seven rates that apply to different ranges of income (tax brackets). A taxpayer's marginal tax rate increases as income increases. The Tax Cuts and Jobs Act (TCJA) retained the seven-rate structure but temporarily modified the tax rates for individual taxpayers for tax years 2018 through 2025. Prior to the TCJA, the tax rates were: 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. For tax years 2018 through 2025, the tax rates range from 10% to 37% (10%, 12%, 22%, 24%, 32%, 35%, and 37%). In addition, the TCJA increased the range of each tax bracket subject to the new rates, compared to prior law.

The TCJA also largely eliminated the "marriage penalty" that resulted when two individuals paid more income tax as a married couple than they would have paid had they remained unmarried. Under pre-2018 law, the tax brackets applicable to married couples filing jointly were less than double the tax brackets for single individuals. For tax years 2018 through 2025, except for the top tax bracket, the married filing jointly (MFJ) tax brackets are double the single tax brackets. Thus, for example, in tax year 2025, the marriage penalty only applies to couples whose combined taxable income exceeds $751,600.

The net capital gains and qualified dividends tax rates (0%, 15%, and 20%) did not change under the TCJA, but the income "breakpoints" to which the tax applies were modified.

New law

The law makes permanent the regular income tax rate schedules for individuals, estates, and trusts enacted by the TCJA. This includes the modified TCJA income breakpoints applicable to the net capital gain and qualified dividends tax rates.

Indexing for inflation

Prior law

The income tax bracket thresholds, the amounts where a higher rate bracket begins and a lower rate bracket ends, are indexed for inflation using a cost-of-living adjustment (COLA). Under the TCJA, the income tax brackets are adjusted annually for inflation each tax year using the percentage by which the Chained Consumer Price Index for all Urban Consumers ("chained CPI") for the prior year exceeds the chained CPI for 2017.

New law

The law modifies the base tax year for measuring prior year chained CPI for certain tax brackets. For tax years beginning after December 31, 2025, the law adjusts the base tax year from 2017 to 2016 for measuring prior year chained CPI for the 10% and 12% tax brackets, and the starting point for the 22% tax bracket. The base tax year for the ending point of the 22% tax bracket, as well as the 24%, 32%, 35%, and 37% tax brackets remain unchanged, continuing to reference 2017.

Effective date

This provision is effective for tax years beginning after December 31, 2025.

KPMG observation

There is limited impact to global mobility programs given these rates and brackets (indexed for inflation) have been in place since the 2018 tax year. However, cost projections for tax years after 2025 that were performed before the new law took effect may need to be updated to consider these reduced rates.

Extension and enhancement of increased standard deduction

Prior law

The standard deduction is a specific dollar amount that reduces the amount of income on which an individual is taxed. An individual who does not elect to itemize deductions reduces adjusted gross income (AGI) by the amount of the applicable standard deduction in arriving at taxable income.

The standard deduction is the sum of the basic standard deduction (see table below) and the additional standard deduction amounts for age and/or blindness. For tax year 2025, the additional standard deduction based on age or blindness is $1,600 for a married taxpayer (for each spouse meeting the applicable criteria in the case of a joint return) and surviving spouse, and $2,000 for single individuals and heads of household. The basic and additional standard deduction amounts are indexed annually for inflation.

The TCJA temporarily increases the basic standard deduction for tax years 2018 through 2025. The additional standard deduction was not modified by the TCJA.

New law

The new law makes the TCJA increases to the basic standard deduction permanent and modifies the COLA for the standard deduction (using chained CPI for 2024 as opposed to 2017) for tax years after 2025. The law slightly increases the standard deduction amount for tax year 2025 compared to prior law.

	Basic standard deduction amounts	
Filing status	**Tax year 2025**	
	Prior law	**Current law**
Single or married filing separately	$15,000	$15,750
Married filing jointly and surviving spouse	$30,000	$31,500
Head of household	$22,500	$23,625

Effective date

This provision is effective for tax years beginning after December 31, 2024.

> **KPMG observation**
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> The impact of the higher basic standard deduction amounts on global mobility assignments is likely negligible as generally the increased amounts have been in place since tax year 2018. The increase in the basic standard deduction amount partially offsets the effect of the loss of the personal exemption deduction (discussed below). However, cost projections and hypothetical tax withholding calculations may need to be updated to account for the slightly increased standard deduction (and changes to itemized deductions discussed below) in 2025, and for post-2025 tax years to account for these otherwise expiring provisions being made permanent.

> **KPMG observation**
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> There are about 10 states that have standard deductions set at the same level as the federal income tax. About half of these states conform to federal taxable income in its entirety, while the other half have independently set the standard deduction at the federal amount.

Termination of deduction for personal exemptions other than temporary senior deduction

Prior law

In determining taxable income, an individual reduces AGI by any personal exemption deductions and either the applicable standard deduction or their itemized deductions. Personal exemptions generally are allowed for the taxpayer (both taxpayers in the case of a joint return) and any qualifying dependents of the taxpayer. The personal exemption amount is subject to a phase out based on the taxpayer's AGI and filing status. The amounts of the personal exemption and phaseout thresholds are indexed annually for inflation.

Under the TCJA the personal exemption deductions were suspended (reduced to zero) for tax years 2018 through 2025. Under the prior law, the personal exemption amount for tax year 2026 is projected to be $5,300.

New law

The new law permanently reduces the amount of the personal exemption to $0 and temporarily adds a new deduction for seniors of $6,000 for each "qualified individual" for tax years 2025 through 2028.

The temporary deduction for seniors is subject to phase out when modified adjusted gross income (MAGI) exceeds $75,000 ($150,000 for married filing jointly) and is completely phased out at MAGI of $175,000 ($250,000 if married filing jointly). This phase out is not adjusted for inflation. A "qualified individual" is a taxpayer who has attained age 65 before the close of the year. Additionally, the qualified individual's Social Security Number (SSN) and if married, the SSN of the spouse, must be included in the tax return to claim the deduction. A married taxpayer must file a joint return with their spouse for the tax year to qualify for the deduction.

Effective date

This provision is effective for tax years beginning after December 31, 2024. The senior deduction is effective for tax years 2025 through 2028.

KPMG observation

Prior to the suspension of the personal exemption under the TCJA, nonresident alien employees could reduce their taxable compensation for services performed in the United States (i.e., U.S.-source compensation) by the personal exemption amount, thereby eliminating U.S. federal income tax on earnings below the personal exemption threshold. The personal exemption effectively provided nonresident alien employees with a maximum amount of U.S.-source compensation income that could be received in a tax year without triggering a U.S. federal income tax liability.

In addition, a nonresident alien did not have to file a U.S. federal income tax return if the individual's only U.S. trade or business was the performance of personal services, their U.S.-source compensation was less than the personal exemption amount, and there was no other need to file an income tax return (e.g., to claim a treaty exemption or to request a refund of over-withheld taxes).

Though certain exceptions apply, the permanent suspension of the personal exemption deduction means that nonresidents who receive U.S.-source compensation will continue to be subject to U.S. federal income tax on all U.S.-source compensation income and are required to file a federal income tax return.

The permanent suspension of the personal exemption means continuous tax and compliance expenses for global mobility programs with respect to nonresident alien short-term business travelers who earn a modest amount of U.S.-source income. This is especially significant for travelers from countries that do not have an income tax treaty with the United States.

Otherwise, for resident aliens or U.S. citizens, the impact to global mobility programs is likely limited, considering the effective elimination of the personal exemption deduction has been in place since the 2018 tax year.

KPMG observation

On the campaign trail, President Trump promised "no tax on Social Security". However, Congress was not able to fully deliver on this campaign promise due to limitations surrounding the budget reconciliation process being used to pass this legislation. This is because the tax on these benefits is partially dedicated to the Social Security and Medicare trust funds and one of the limitations of the budget reconciliation process is a restriction on changes impacting Social Security.

In an attempt to partially deliver on the "no tax on Social Security" pledge, the new law provides temporary tax relief to certain individuals eligible for Social Security benefits. This temporary benefit is unlikely to be of significance to global mobility programs given the age requirement.

KPMG observation

The new law will have a limited impact on states as they generally establish their own personal exemption allowances (if any) and do not conform to most federal credits. The five states that conform to federal taxable income have adopted the zero personal exemption allowance as in current law. There are 10 states, however, that have set their standard deductions at the same level as the federal, five of which establish federal taxable income as their starting point for state tax calculations and would incorporate the senior deduction in the new law, presuming continued conformity.

Extension and enhancement of increased child tax credit

Child tax credit

Prior law

Under the TCJA, the child tax credit (CTC) in 2025 allows for a credit of up to $2,000 per qualifying child, though this amount is not indexed for inflation. Up to $1,700 of this $2000 credit can be refundable as the additional child tax credit (ACTC) and this portion is indexed for inflation. To qualify for the ACTC, there is an earned income threshold of $2,500.

The credit begins to phase out at a MAGI of $400,000 for joint filers and $200,000 for all other filers, with these thresholds not being indexed for inflation. Additionally, the taxpayer must include the qualifying child's SSN, issued on or before the due date of the return, on his or her tax return to claim the credit.

The CTC was scheduled to revert to its pre-TCJA level beginning with the 2026 tax year. This means the credit would have been reduced to $1,000 per qualifying child, with a maximum of $1,000 refundable, and an earned income threshold of $3,000. The MAGI phase-out thresholds would have also reverted to their 2017 levels: $110,000 for joint filers, $75,000 for single or head of household filers, and $55,000 for married individuals filing separately, none of which are indexed for inflation. For the pre-TCJA CTC, the qualifying child's name and taxpayer identification number, either an SSN or an Individual Taxpayer Identification Number (ITIN) issued on or before the due date of the return, must be included on the tax return.

New law

The new law makes the TCJA changes to the CTC permanent, subject to certain modifications.

The new law:

- Permanently increases the nonrefundable CTC to $2,200 per qualifying child beginning in tax year 2025. This nonrefundable CTC amount is indexed for inflation for tax years after 2025, using chained CPI for 2024.
- Makes permanent the maximum ACTC amount per qualifying child of $1,400 (as adjusted for inflation) and the ACTC earned income threshold of $2,500.
- Makes the TCJA's MAGI phaseout thresholds permanent ($400,000 for joint filers and $200,000 for all other filers). These MAGI thresholds are not indexed for inflation.

The new law also modifies the TCJA's SSN requirement. Under the new law, to claim the CTC the taxpayer is required to include on their income tax return both the taxpayer's and the qualifying child's SSN.

KPMG observation

Children of foreign-national taxpayers on U.S. assignment often are not eligible for an SSN. The qualifying child SSN requirement introduced in the TCJA and now made permanent means many accompanying dependents will not be qualifying children for CTC purposes. Additionally, the new law imposes a new SSN requirement on the taxpayer, effectively denying the credit for foreign national assignees with ITINs. This change will likely have limited impact on programs, as it is relatively rare for a taxpayer with an ITIN to have a dependent child with a SSN.

KPMG observation

About 30 states with a broad-based income tax also provide a child and dependent care credit, and it is commonly tied in some manner to the federal credit. In some cases, the state credit is a percentage of the federal credit allowed, and in other cases, it is based on the federally allowed expenses with a rate set independently by the state. The impact on state income taxes will depend on the manner in which they conform to the federal credit.

Credit for other dependents

Prior law

The TCJA temporarily provides for a $500 nonrefundable credit for dependents who do not qualify for the CTC, including children aged 17 or over, children with no SSN, and qualified dependents who are not children (e.g., parents or siblings). The credit is available for dependents who are U.S. citizens, U.S. nationals, or U.S. resident aliens who have either an SSN or an ITIN. The credit for other dependents begins to phase out at the same MAGI ranges as the CTC ($200,000, or $400,00 for married taxpayers filing a joint return).

The $500 credit for other dependents was scheduled to expire for tax years beginning after December 31, 2025.

New law

The new law makes the credit for other dependents permanent. This credit is not adjusted for inflation.

KPMG observation

As noted above, children of foreign-national taxpayers on U.S. assignment often are not eligible for an SSN. These children may still qualify for the other dependent credit if they have an ITIN. However, the ITIN application process is administratively burdensome and it takes several weeks for ITIN applications to be processed. As there is no longer a dependent personal exemption, global mobility programs will want to consider whether the cost of the ITIN application outweighs the tax benefit provided by the $500 other dependent credit.

Effective date

These provisions are effective for tax years beginning after December 31, 2024.

Extension of increased alternative minimum tax exemption amounts and modification of phase-out thresholds

Prior law

The alternative minimum tax (AMT) is a parallel tax regime that is imposed in tandem with the regular income tax. The AMT was enacted so that taxpayers at higher income levels pay at least a minimum amount of tax. The AMT is calculated by reducing or disallowing certain deductions (including the state income tax and property tax deductions) and exclusions that are allowed for regular income tax purposes to arrive at alternative minimum taxable income, subtracting the AMT exemption amount, and applying the applicable AMT tax rate.

For tax year 2025, AMT income is taxed at 26% on the first $239,100 ($119,550 in the case of a married individual filing a separate return) and at 28% for AMT income over these amounts.

For tax years 2018 through 2025, the TCJA increased the AMT exemption amounts and the thresholds at which AMT exemptions phase out for individual taxpayers. For 2025, these amounts are as follows:

- For married taxpayers filing a joint return (or for a surviving spouse), the AMT exemption amount is $137,000; the phase-out threshold is $1,252,700.
- For married taxpayers filing a separate return, the AMT exemption amount is $68,500; the phase-out threshold is $626,350.
- For all other individual taxpayers, the exemption amount is $88,100; the phase-out threshold is $626,350.

For tax years 2018 to 2025, both the increased exemption amounts, and phase-out thresholds are adjusted annually for inflation using the percentage by which chained CPI for the prior year exceeds the chained CPI for 2017.

New law

The new law makes the TCJA's increase in the AMT exemption amounts permanent and reverts the exemption phaseout thresholds to 2018 levels of $500,000 ($1,000,000 in the case of taxpayers filing a joint return).

Further, the rate at which the AMT exemption phases out is increased from 25% to 50%, resulting in the exemption amount being reduced more quickly as income increases beyond the applicable phase out threshold.

For tax years beginning after December 31, 2025, calendar year 2017 has been retained as the base tax year for measuring chained CPI for the AMT exemption amounts. Beginning after December 31, 2026, the new law modifies the base year for measuring prior year chained CPI for the $1,000,000 phase-out threshold by using chained CPI for 2025 instead of 2017. This modification will result in a lower phase-out threshold for taxpayers filing joint returns than would otherwise occur if the TCJA were extended or made permanent without the CPI modification.

Effective date

These provisions are effective for tax years beginning after December 31, 2025.

KPMG observation

For tax years 2018 to 2025, the higher AMT exemption amounts and phase-out thresholds resulted in fewer individuals being subject to the AMT. This, in turn, may have lowered overall assignment costs for global mobility programs.

Extension of the increase in the AMT exemption amounts and phase-out thresholds will have a limited impact currently on global mobility programs as these increases have been in effect since tax year 2018.

Under the new law, using calendar year 2017 as the base tax year for calculating the COLA adjustment for AMT exemption amounts will have little effect, as this adjustment method has been in place since the 2018 tax year. However, for married taxpayers filing jointly, the use of calendar year 2025 instead of 2017 in the inflation adjustment calculation will lead to a lower phase out threshold than would otherwise occur if the TCJA provisions had been allowed to expire.

Cost projections for tax years after 2025 that were performed before the new law took effect may need to be updated to consider this extension and modification to the phase out threshold.

Extension and modification of limitation on deduction for qualified residence interest

Prior law

Generally, personal interest is not deductible. Qualified residence interest is not considered personal interest and is allowed as an itemized deduction, subject to limitations.

Qualified residence interest includes interest paid or accrued on “acquisition indebtedness” and “home-equity indebtedness” if secured by a qualified residence of the taxpayer. A qualified residence is the taxpayer’s principal residence or a qualifying second home (e.g., a vacation home).

Acquisition indebtedness includes any debt incurred in acquiring, constructing, or substantially improving a taxpayer’s qualified residence. Home equity indebtedness includes any debt other than acquisition indebtedness.

Prior to the TCJA, a taxpayer could deduct interest paid or accrued on up to $1 million ($500,000 if married filing a separate return) of acquisition indebtedness (deductible in computing AMT taxable income).

Additionally, a taxpayer was able to deduct interest paid or accrued on up to $100,000 ($50,000 if married filing separately) of home equity indebtedness (not deductible in computing AMT taxable income).

Under the TCJA, for tax years 2018 through 2025, the acquisition indebtedness limit is temporarily reduced from $1 million ($500,000 if married filing a separate return) to $750,000 ($375,000 if married filing a separate return). Debt incurred before December 15, 2017, is not affected by the reduction and is grandfathered. Any debt incurred before December 15, 2017, but refinanced later, is covered under pre-TCJA law to the extent the amount of the debt does not exceed the amount refinanced. Additionally, for those same years, interest on home-equity indebtedness is excluded from the definition of "qualified residence interest," and is therefore not deductible.

For tax years after December 31, 2025, the $1 million limitation on acquisition indebtedness would apply, regardless of when the debt was incurred, and the deduction for home equity indebtedness would be available, unless the TCJA provisions were extended.

New law

The new law permanently reduces the qualified residence interest deduction for home mortgage acquisition debt to $750,000 ($375,000 if married filing a separate return) and makes home equity indebtedness nondeductible.

In addition, the new law classifies certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest, thus allowing for the deduction of the mortgage insurance premium payments.

Effective date

This provision is effective for tax years beginning after December 31, 2025.

KPMG observation

Itemized deductions, such as the mortgage interest deduction, have a direct impact on an employee's actual and hypothetical tax liability. As such, changes to itemized tax deductions will likely affect the overall cost of international assignments, but the impact on a global mobility program will depend upon that program's assignee population, policies, and the other provisions in the new law.

Given that it is difficult to estimate how a change to a specific itemized deduction will affect assignment costs without considering the impact of the other provisions in the law, it is recommended that global mobility programs update cost projections and hypothetical tax calculations to determine how the changes may impact program costs. Global mobility program managers may want to review their tax equalization policies and discuss how they plan on implementing a communication strategy to educate employees about any potential changes that may be made to the tax equalization policy and/or hypothetical tax withholding.

Extension and modification of limitation on casualty loss deduction

Prior law

Under pre-TCJA law, a deduction could be claimed for any theft or casualty loss sustained during the tax year that was not compensated by insurance or otherwise, subject to certain limitations. The TCJA limited the deduction for personal casualty and theft losses (i.e., those losses not connected with a trade or business, or a transaction entered into for profit) to those incurred in a federally declared disaster (effectively denying a deduction for victims of theft or victims of smaller natural disasters).

New law

The new law permanently limits the itemized deduction for personal casualty losses but extends the definition of disaster loss to include those arising from both federally declared disasters and certain state-declared disasters.

Effective date

This provision is effective for tax years beginning after December 31, 2025.

KPMG observation

Unlike other itemized deductions, such as mortgage interest, casualty and theft losses are triggered by unexpected events and, thus, are generally unable to be accounted for in advance with respect to cost projections and hypothetical tax calculations.

In addition, the permanent extension of the federally declared disaster requirement for personal casualty losses generally limits the ability of globally mobile employees to claim personal casualty losses with respect to property located outside the United States.

However, even though employees who experience a casualty loss not attributable to a federally declared disaster are not be able to claim a deduction, employers may be able to provide tax-free assistance to impacted employees, including employees located outside the United States, through various programs (e.g., section 139 disaster relief payments and working condition fringe benefits).

Extension of rules for treatment of certain disaster-related personal casualty losses

Prior law

An individual may claim an itemized deduction for a personal casualty loss as a result of a federally declared disaster to the extent that the total loss amount (after a reduction for the $100 floor for each loss) exceeds 10% of an individual's adjusted gross income (AGI). For tax years beginning after December 31, 2017, and before January 1, 2026, all other personal casualty losses are deductible only to the extent that the losses do not exceed the individual's personal casualty gains.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 (TCDTRA), amended by the Federal Disaster Tax Relief Act of 2023 (FDTRA), allows deductions for specific qualified disaster-related personal casualty losses without regard to the 10% AGI threshold, to the extent they exceed $500 per casualty. This deduction is in addition to the standard deduction, and a deduction for such losses is allowed against alternative minimum taxable income. The expanded deduction applies to disasters declared by the President under the Stafford Act between January 1, 2020, and 60 days after FDTRA's enactment (December 12, 2024), excluding any disaster which had been declared only by reason of COVID-19. The incident period must begin on or after December 28, 2019, and before FDTRA's enactment.

New law

The new law extends the eligibility window for these enhanced tax benefits. Now, any area declared by the President under the Stafford Act from January 1, 2020, to 60 days after the law was enacted (September 2, 2025) is covered, if the incident occurs between December 28, 2019, and August 3, 2025 (30 days after the law's enactment).

Effective date

The provision took effect on July 4, 2025, the date of enactment.

KPMG observation

More taxpayers will now qualify for enhanced casualty loss deductions if they were affected by disasters declared after December 12, 2024 (the FDTRA cutoff), but before August 3, 2025. Taxpayers in newly included disaster areas will benefit from lower thresholds for deducting losses, the ability to claim deductions without itemizing, and relief from AMT limitations.

Termination of miscellaneous itemized deductions other than educator expenses

Prior law

Prior to the enactment of the TCJA, individuals could claim itemized deductions for certain miscellaneous expenses. Most were not deductible unless, in the aggregate, they exceeded 2% of the taxpayer's AGI. These included investment fees, certain repayments of income, unreimbursed business expenses incurred by an employee (such as home office expenses or unreimbursed travel expenses), and certain losses related to activities not undertaken with a profit motive (hobby losses).

The TCJA suspended itemized deductions for this category for tax years 2018 through 2025. Thus, absent action from Congress, miscellaneous itemized deductions would once again become deductible beginning with the 2026 tax year.

New law

The new law makes the TCJA's temporary repeal of miscellaneous itemized deductions permanent. The new law eliminates certain unreimbursed employee expenses for eligible educators from the list of miscellaneous itemized deductions. Thus, under the new law, eligible educators will be permitted to claim an itemized deduction for certain unreimbursed employee expenses. The itemized deduction is separate from the $300 above the line deduction that is allowable to eligible educators under current law and is not subject to the $300 limit.

An eligible educator is an individual who is a kindergarten through grade 12 teacher, instructor, counselor, interscholastic sports administrator or coach, principal, or aide in a school for at least 900 hours during a school year. The term "school" means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.

Under the new law, an eligible educator may claim an itemized deduction for unreimbursed employee expenses that are considered "educator expenses." Educator expenses include expenses such as books, supplies, computer equipment and supplementary materials used by eligible educators as part of instructional activity, as well as expenses incurred by reason of the participation of the educator in professional development courses related to the curriculum in which the educator provides instruction or to the students for which the educator provides instruction.

Effective date

This provision is effective for tax years beginning after December 31, 2025.

KPMG observation

Given the rise in popularity of work-from-home and other flexible work arrangements since the enactment of the TCJA, many employees who did not incur unreimbursed employee business expenses prior to the enactment of the TCJA may find that they are currently incurring significant unreimbursed employee business expenses, such as home office expenses. As the new law makes the TCJA suspension permanent, these employees will not be able to claim a deduction for their unreimbursed home office expenses absent a future change in the law.

Additionally, the permanent suspension of miscellaneous itemized deductions means tax-equalized employees who repay tax equalization balances to their employers will not receive a benefit on their tax returns for the repayments if the aggregate amount repaid during the tax year does not exceed $3,000. However, employees who repay tax equalization balances in excess of $3,000 during a tax year generally still receive a benefit on their tax returns, as these repayments are subject to claim of right treatment and are not considered miscellaneous itemized deductions.

Limitation on individual deductions for certain state and local taxes

Prior law

Prior to the TCJA, individuals were allowed to claim a deduction for certain taxes paid or accrued, whether or not incurred in a trade or business. These taxes include state, local and foreign real property taxes; state and local personal property taxes; and state, local and foreign income, war profits, and excess profits taxes. An itemized deduction could be claimed for state and local general sales taxes in lieu of the itemized deduction for state and local income taxes.

The TCJA temporarily limited itemized deductions for state and local income taxes, state and local property taxes, and sales taxes to $10,000 in the aggregate ($5,000 for married taxpayers filing separately). This limitation, often referred to as the "SALT cap," does not apply to taxes incurred in carrying on a trade or business or otherwise incurred for the production of income. The TCJA also temporarily disallowed any deduction for foreign real property taxes, other than those incurred in a trade or business.

In the General Explanation of Public Law 115-97, prepared by the Staff of the Joint Committee on Taxation ("JCT Bluebook"), the JCT indicates that the SALT cap is intended to apply to the tenant-stockholder deduction. However, the TCJA provision makes no reference to the tenant-stockholder deduction, and the JCT Bluebook noted a technical correction may be needed to achieve this result.

In response to the SALT cap, some states sought to mitigate the impact on their residents by creating programs whereby taxpayers could make charitable contributions to certain charitable organizations and receive a tax credit against their state and local tax liability (SALT credit programs). In response to this workaround, the U.S. Department of Treasury and Internal Revenue Service issued regulations generally limiting the potential benefit of these programs.

New law

The new law temporarily increases the SALT cap for tax years 2025 through 2029. Beginning with the 2025 tax year, the SALT limitation amount is increased to $40,000 ($20,000 for married filing separately), subject to a phasedown based on MAGI. For tax years 2025 through 2029, the SALT limitation amount is reduced by 30% of the excess of MAGI over a threshold amount, but not below $10,000 ($5,000 for married filing separately). For tax year 2025, the threshold amount is $500,000 ($250,000 for married filing separately), For tax years 2026 through 2029, the SALT limitation amount and the MAGI threshold amount will increase by 1% each year.

For tax years 2030 and beyond, the SALT cap permanently reverts to $10,000 and is not subject to a phasedown.

Notably, the new law does not clarify whether tenant-stockholders in cooperative housing corporations are subject to the SALT cap.

Additionally, the new law permanently denies a deduction for personal foreign real property taxes.

Effective date

The provision is effective for tax years beginning after December 31, 2024.

KPMG observation

The increase in the SALT deduction cap will impact the actual and hypothetical tax liabilities of employees, with employees in high tax states being the most impacted. The effect on a global mobility program will depend on that program's employee population.

High-income taxpayers may not receive the full benefit of the increase in the SALT cap given the new limit on the tax benefit of itemized deductions (discussed below). Furthermore, the SALT deduction is an add-back for AMT purposes. Thus, the increase in the SALT cap may result in more taxpayers being subject to AMT. This interplay between the SALT cap and AMT could impact the tax liabilities of assignees, particularly those with higher incomes or substantial assignment-related allowances.

KPMG observation

The modified limitation on individual deductions for state and local taxes will generally apply in those states that allow itemized deductions at the state level, presuming states maintain their current conformity to the code. In determining their itemized deduction allowances, states generally conform to federal definitions and allowances, but nearly all states with itemized deductions do not allow the deduction of individual income taxes. There are about 10 states with broad-based income taxes that do not allow itemized deductions. The impact will differ among states depending on whether they conform to the actual amount of federal deduction allowed or follow only the definitions of deductible taxes. The TCJA limitation on deductions for state and local taxes had a significant impact on taxpayers, particularly those in states with relatively higher reliance on personal income taxes. As a result, states began to explore options to "work around" the limitation and enable taxpayers to ameliorate the impact of the limitation to some degree. One approach taken by many states was to allow a partnership to elect to pay a tax on the income of the partnership at the entity level, with the partners, in return, receiving a credit or deduction computed on the basis of the income taxed at the partnership level. While the House bill and the initial Senate Finance version of the Senate bill sought to curtail the work around nature of these passthrough entity taxes (PTETs), the new law preserves the deduction for taxes paid under PTET regimes, even though a state-level credit or deduction is allowed. For further discussion, read the Passthroughs report located on KPMG's dedicated webpage.

Limitation on tax benefit of itemized deductions

Prior law

Prior to enactment of the TCJA, the total amount of allowable itemized deductions (other than medical expenses, investment interest, and casualty, theft, or gambling losses) was reduced by the lesser of 3% of the amount by which the taxpayer's AGI exceeded a threshold amount or 80% of the otherwise allowable itemized deductions (referred to as the "Pease limitation").

The TCJA suspended the Pease limitation for tax years 2018 through 2025. The Pease limitation was scheduled to resume for tax years beginning after December 31, 2025.

New law

The new law replaces the Pease limitation with a new limitation on itemized deductions.

The new law reduces the amount of the otherwise allowable itemized deduction by 2/37 of the lesser of:

- The amount of allowable itemized deductions, or
- The amount by which the taxpayer's taxable income (increased by the taxpayer's itemized deductions) exceeds the threshold at which the 37% rate of tax applies to the taxpayer.

For example, assume a single taxpayer has AGI of $700,000 and itemized deductions of $70,000, of which $45,000 is attributable to state and local income taxes. The taxpayer's MAGI is equal to their AGI. The taxpayer's SALT deduction is capped at $10,000 under the new law due to the taxpayer's MAGI (see discussion above). Thus, the taxpayer's taxable income is $665,000, after applying otherwise allowable deductions of $35,000. Assume the 37% bracket is projected to apply to single individuals with taxable income over $639,275.

The amount of the taxpayer's allowable itemized deductions of $35,000 is less than the amount by which the taxpayer's taxable income (increased by the taxpayer's itemized deductions) exceeds the 37% threshold for a single taxpayer ($60,725). Thus, the taxpayer's allowable itemized deductions of $35,000 would be reduced by $1,892 ($35,000 x 2/37).

Effective date

The provision is effective for tax years beginning after December 31, 2025.

KPMG observation

The new limitation on itemized deductions operates to further reduce the benefits provided by the state and local tax deduction (discussed above) for high-income earners (taxpayers in the top income tax bracket). Notably, for the 2025 tax year, the increase in the SALT cap is unaffected by the new overall limitation on itemized deductions, as this provision is not set to take effect until the 2026 tax year.

As tax equalization policies reference hypothetical itemized deductions, it is recommended that global mobility programs update cost projections and hypothetical tax calculations to determine how the changes may impact program cost. In the interim, global mobility program managers may want to review their tax equalization policies and discuss how they plan on implementing a communication strategy to educate employees about any potential changes that may be made to the tax equalization policy and/or hypothetical tax withholding.

KPMG observation

From a state and local tax perspective, most jurisdictions with a broad-based income tax allow itemized deductions at the state level, and they generally follow federal definitions and allowances, with some modifications. As such, most changes in federal itemized deductions as well as any revised overall limitation on itemized deductions that may be claimed are likely to be reflected in most states. All changes in itemized deductions would flow through to those states conforming to federal taxable income, absent other modifications they may have.

Extension and modification of limitation on deduction and exclusion for moving expenses

Prior law

Moving expense deduction

Prior to the TCJA, individuals were allowed a deduction for unreimbursed moving expenses paid or incurred in connection with starting work either as an employee or as a self-employed individual at a new principal place of work regardless of whether they itemized their deductions. The expenses were deductible only if specific distance and employment status requirements were met. Special rules for certain members of the U.S. Armed Forces (and family members) are allowed a deduction for certain unreimbursed moving expenses.

The TCJA suspended the deduction for moving expenses for years 2018 through 2025. The rules providing moving expense deductions for members of the U.S. Armed Forces (or their spouse or dependents) were retained.

Exclusion for qualified moving expense reimbursements

Prior to the TCJA, qualified moving expense reimbursements were excludable from an employee's gross income and from the employee's wages for employment tax purposes. Such expenses included amounts received (directly or indirectly) from an employer as payment or reimbursement for expenses that would have been deductible as moving expenses if directly paid or incurred by the employee. Qualified moving expenses reimbursements did not include amounts actually deducted by the individual. For members of the U.S. Armed Forces, moving and storage reimbursements and allowances for these expenses were excluded from gross income.

The TCJA suspended the exclusion from gross income and wages for qualified moving expense reimbursements for tax years 2018 through 2025. However, the exclusion was preserved for U.S. Armed Forces members on active duty who move pursuant to a military order and incident to a permanent change of station.

New law

The new law makes the TCJA modifications to the moving expense deduction and qualified moving expense reimbursement exclusion permanent. However, the new law permits certain members of the intelligence community who move pursuant to a change in assignment which requires relocation to claim the deduction and exclusion. Such members include employees and new appointees of the Central Intelligence Agency, the National Security Agency, and the Office of the Director of National Intelligence, among others (the full list of agencies that are part of the intelligence community can be found in section 3 of the National Security Act of 1947).

The new law effectively repeals the moving expense deduction and qualified moving expense reimbursement exclusion for taxpayers who are not members of the U.S. Armed Forces or the intelligence community.

Effective date

The provision is effective for tax years beginning after December 31, 2025.

KPMG observation

In parallel with the suspension of the moving expense deduction, the suspension of the exclusion for moving expense reimbursements under TCJA likely increased the cost of relocating employees for global mobility programs as it resulted in employer moving expense reimbursements (including any gross up for taxes) being treated as taxable wages to the employees. As such, the new law has increased program costs for global mobility programs when compared to the costs a global mobility program would have incurred if the deduction and exclusion became available again in 2026 as originally scheduled under TCJA.

Given that the reimbursement or payment of qualified moving expenses by an employer have been considered taxable wages to employees since 2018, payroll and benefit systems should not have to be updated to reflect the new law.

Excise tax on certain remittance transfers

Prior law

The U.S. Internal Revenue Code currently does not impose an excise tax on remittance. The non-tax aspects of electronic fund transfers are primarily governed by the Electronic Fund Transfer Act (15 U.S.C. 1693) and related legislation, which provides the definitions of certain terms included in the law described below.

New law

The new law imposes a 1% remittance tax on any electronic transfer of funds requested by a sender located in the United States, including U.S. territories, U.S. possessions, and the District of Columbia, to a recipient who is located in a non-U.S. country initiated by a remittance transfer provider (RTP). The 1% excise tax is payable by the sender of any U.S. outgoing remittance transfer. It is collected by the RTP and remitted to the U.S. Treasury on a quarterly basis. To the extent the tax is not collected from the sender, it is owed by the RTP.

The new law expressly provides that the excise tax applies to any remittance transfer for which the sender provides cash, a money order, a cashier's check, or any similar physical instrument (to be determined by the U.S. Treasury).

The new law permits two exemptions from the imposition of the excise tax. The excise tax does not apply to any remittance transfer for which the funds being transferred are withdrawn from an account held in or by a financial institution that is a bank insured by the Federal Deposit Insurance Corporation, a commercial bank or trust company, a private banker, an agency or branch of a foreign bank in the United States, a credit union, a broker or dealer registered with the Securities and Exchange Commission, or a broker or dealer in securities or commodities, provided that such financial institution is subject to the requirements of subchapter II of chapter 53 of title 31 of the United States Code (which imposes records and reports requirements on U.S. regulated financial institutions).

Under the second exemption, remittance transfers using a U.S.-issued debit or credit card are not subject to the excise tax.

The new law applies the anti-conduit rules to remittance transfers. Under the anti-conduit rules, the Secretary may prescribe regulations recharacterizing any multi-party financing transaction as a transaction directly among any two or more parties if the Secretary determines that recharacterization is appropriate to prevent the avoidance of tax. The new law treats a remittance transfer as a financing transaction.

Effective date

The excise tax is effective for transfers made after December 31, 2025.

KPMG observation

It is relatively common for foreign nationals on assignment to the United States to send money to family members or other persons located outside the United States by electronic transfer from a U.S. financial institution.

The 1% excise tax applies to *any* individual, without exception. However, this excise tax is relatively limited in scope compared to earlier proposals in the House, as most transfers from accounts at U.S. banks and other financial institutions, as well as transfers funded with U.S.-issued debit or credit cards are exempt from the tax. Hence, any assignees to the United States who are eligible to open U.S. bank accounts would be able to remit funds to family members in their home countries without having to pay the excise tax. As it applies to *any* individual, including U.S. citizens, treaty relief from the excise tax is not available under the non-discrimination article of the relevant treaty.

Permanent and expanded reinstatement of partial deduction for charitable contributions of individuals who do not elect to itemize

Prior law

Under prior law, individuals are allowed an income tax deduction for charitable contributions, subject to various limitations based on the type of taxpayer, the nature of the property contributed, and the recipient organization. However, the deduction is available only to those who itemize deductions. Taxpayers who take the standard deduction cannot deduct charitable contributions made during the tax year.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created a provision that allowed taxpayers a partial above the line deduction for charitable contributions without the need to itemize. For the 2021 tax year, individuals who did not itemize deductions could claim a deduction up to $300 ($600 for joint returns) for certain charitable contributions. This deduction was only available for contributions made in cash to specific charitable organizations and did not include contributions of noncash property or contributions to certain types of funds. Contributions carried forward to tax year 2021 from prior years were not eligible for this deduction. Additionally, an increased penalty for underpayment of tax due applied to an overstatement of this deduction. This provision was not extended beyond tax year 2021.

New law

The new law permanently reinstates the partial deduction for cash charitable contributions for individuals who do not itemize their deductions. The maximum deduction is $1,000 ($2,000 for married taxpayers filing jointly).

Effective date

The provision is effective for tax years beginning after December 31, 2025.

KPMG observation

Reinstating the partial deduction for cash charitable contributions for non-itemizers will likely reduce U.S. federal tax costs for many assignee who claim the standard deduction. However, the impact on overall program cost is likely limited due to both the relatively low deduction amount and changes to the SALT cap (which may cause more assignees to itemize their deductions).

KPMG observation

The deduction is applied after the calculation of AGI. As such, it will likely flow through to only the handful of states that begin their taxable income computations with federal taxable income, absent further state conformity changes to adopt a similar provision.

Enforcement of remedies against unfair foreign taxes

The proposed section 899, “Enforcement of Remedies Against Unfair Foreign Taxes,” which would have imposed a retaliatory tax on certain non-U.S. corporations and individuals if their home jurisdiction had adopted taxes on U.S. taxpayers deemed to be discriminatory or extraterritorial, was not included in the new law.

Its removal from the legislation was reportedly at the request of Treasury Secretary Bessent, as the U.S. Treasury Department announced an agreement with the other six G7 countries (i.e., Canada, France, Germany, Italy, Japan, and the UK) under which U.S. companies will be excluded from the imposition of any Pillar Two taxes, in exchange for removing the proposed new section 899 from the bill. Following the announcement, House Ways and Means Committee Chairman Jason Smith (R-MO) and Senate Finance Committee Chairman Mike Crapo (R-ID) issued a statement providing:

> *At the request of Secretary Bessent and in light of this joint understanding to preserve U.S. tax sovereignty and allow U.S. tax laws to co-exist with the Pillar 2 regime, we will remove proposed tax code Section 899 from the One, Big, Beautiful Bill Act, and we look forward to active engagement with Treasury on these important issues.*

KPMG observation

Proposed section 899 would have imposed a retaliatory tax on certain non-U.S. corporations and individuals if their home jurisdiction had imposed taxes on U.S. taxpayers deemed to be discriminatory or extraterritorial. Such taxes potentially would have included taxes imposed under an undertaxed profits rule (UTPR), digital services taxes (DSTs), or diverted profits taxes (DPTs).

Congress has not moved to amend section 891 or strike the provision from the Code, thus it is still in effect. Section 891 allows the President to double the U.S. tax rates on citizens and corporations of a foreign country if the President finds that the foreign country imposes discriminatory or extraterritorial taxes on U.S. citizens or businesses.

To date, section 891 has never been invoked. However, President Trump directed Treasury Secretary Bessent to identify whether any foreign countries that impose UTPR or DSTs are actionable under section 891.

Treasury’s announcement and request to remove proposed section 899 from the legislation strongly suggests the administration is no longer considering section 891 with respect to countries who have implemented the Pillar Two UTPR. However, Treasury’s announcement only addresses Pillar Two taxes and did not discuss whether the agreement also covers DSTs or DPTs.

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Appendix

Description of provision	Change to law	KPMG observations	Effective date
Extension and enhancement of reduced rates	Makes permanent the regular income tax rate schedules for individuals, estates, and trusts enacted by the TCJA.	Limited impact to global mobility programs given these rates and brackets have been in place since tax year 2018. Cost projections for tax years after 2025 may need updating.	Tax years beginning after December 31, 2025
Extension and enhancement of increased standard deduction	Makes the TCJA increases to the basic standard deduction permanent, modifies the COLA for tax years after 2025, and slightly increases the standard deduction amount for tax year 2025.	Impact is likely negligible as increased amounts have been in place since tax year 2018. Cost projections may need updating.	Tax years beginning after December 31, 2024
Termination of deduction for personal exemptions other than temporary senior deduction	Permanently reduces personal exemption to $0; adds temporary senior deduction.	Continuous tax and compliance expenses for nonresident alien short-term business travelers.	Tax years beginning after December 31, 2024 (senior deduction effective tax years 2025 through 2028)
Extension and enhancement of increased child tax credit	Permanently increases nonrefundable CTC to $2,200 per child, indexed for inflation. Makes $500 credit for other dependents permanent.	SSN requirement may limit eligibility for foreign-national taxpayers' children. Dependents may need to apply for an ITIN to qualify for the credit.	Tax years beginning after December 31, 2024
Extension of increased alternative minimum tax exemption amounts and modification of phase-out thresholds	Makes the TCJA’s increase in AMT exemption amounts permanent and reverts	Limited impact on global mobility programs as these increases have been in	Tax years beginning after December 31, 2025

Description of provision	Change to law	KPMG observations	Effective date
	phase-out thresholds to 2018 levels.	effect since tax year 2018.	
Extension and modification of limitation on deduction for qualified residence interest	Permanently reduces home acquisition debt limit to $750,000 and makes home equity indebtedness nondeductible.	Changes to itemized deductions will affect the overall cost of international assignments.	Tax years beginning after December 31, 2025
Extension and modification of limitation on casualty loss deduction	Permanently limits deduction for personal casualty losses but extends definition to include state-declared disasters.	Limits ability to claim personal casualty losses for certain globally mobile employees.	Tax years beginning after December 31, 2025
Extension of rules for treatment of certain disaster-related personal casualty losses	Extends eligibility window for enhanced tax benefits for disaster-related losses.	More taxpayers will qualify for enhanced casualty loss deductions.	Effective July 4, 2025
Termination of miscellaneous itemized deductions other than educator expenses	Makes TCJA's repeal of miscellaneous itemized deductions permanent, but allows eligible educators to claim an itemized deduction for certain unreimbursed employee expenses.	Permanent suspension may affect employees with significant unreimbursed expenses, such as home office expenses.	Tax years beginning after December 31, 2025
Limitation on individual deductions for certain state and local taxes	Temporarily increases SALT cap to $40,000 ($20,000 for married filing separately), subject to phasedown based on MAGI, but not below $10,000, for tax years 2025-2029.	Increase impacts tax liabilities, especially in high-tax states. More taxpayers may be subject to AMT.	Tax years beginning after December 31, 2024

Description of provision	Change to law	KPMG observations	Effective date
Limitation on tax benefit of itemized deductions	Replaces Pease limitation with new limitation reducing itemized deductions by 2/37 of the lesser of two specific thresholds.	Further reduces benefits of SALT deduction for high-income earners.	Tax years beginning after December 31, 2025
Extension and modification of limitation on deduction and exclusion for moving expenses	Permanently repeals moving expense deduction and exclusion for reimbursements, except for U.S. Armed Forces and intelligence community members.	Increased costs for global mobility programs due to taxable reimbursements.	Tax years beginning after December 31, 2025
Excise tax on certain remittance transfers	Imposes a 1% remittance tax on electronic transfers from the United States to recipients in non-U.S. countries.	Limited scope as most transfers from U.S. banks and with U.S.-issued credit and debit cards are exempt.	Transfers made after December 31, 2025
Permanent and expanded reinstatement of partial deduction for charitable contributions	Reinstates deduction for cash charitable contributions for non-itemizers up to $1,000 ($2,000 for joint filers).	May reduce federal tax costs for assignees claiming the standard deduction if they make qualifying cash charitable contributions.	Tax years beginning after December 31, 2025