

LEGISLATIVE UPDATE

November 17, 2025

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Government Shutdown Ends

The 43-day government shutdown has ended, concluding a standoff that halted pay for federal employees, delayed food assistance programs, and strained air travel. The shutdown did not change Affordable Care Act premiums, though the Senate has agreed to hold a December vote on expiring ACA tax credits. The House has not made a similar commitment, and health care is expected to remain a major focus heading into the midterms.

During the shutdown, Congress passed three relatively noncontroversial appropriations bills—Agriculture/FDA, Legislative Branch, and Military Construction/VA—funding those agencies through September 2026. All remaining government funding expires January 30, 2026, leaving lawmakers about eight working weeks to address spending levels and year-end issues, including the ACA credits.

The Senate is preparing to move next on several major spending bills, though the upcoming Thanksgiving recess shortens the schedule. The House, which was out for 54 days during the shutdown, will return to votes on regulatory rollbacks, liquefied natural gas legislation, and removal of a disputed provision from the recent continuing resolution related to senators' phone records.

Committees in both chambers will hold hearings this week, including sessions on congressional stock trading rules, the shutdown's effect on aviation, and potential energy permitting reforms.

Congress will recess next week for Thanksgiving.

401(k) Limit Increases to \$24,500 for 2026, IRA Limit Increases to \$7,500

The Internal Revenue Service announced that the amount individuals can contribute to their 401(k) plans in 2026 has increased to \$24,500, up from \$23,500 for 2025.

The IRS today also issued technical guidance regarding all cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-

related items for tax year 2026 in [Notice 2025-67 PDF](#), posted today on IRS.gov.

Highlights of changes for 2026

The annual contribution limit for employees who participate in 401(k), 403(b), governmental 457 plans, and the federal government's Thrift Savings Plan is increased to \$24,500, up from \$23,500 for 2025.

The limit on annual contributions to an IRA is increased to \$7,500 from \$7,000. The IRA catch-up contribution limit for individuals aged 50 and over was amended under the SECURE 2.0 Act of 2022 (SECURE 2.0) to include an annual cost-of-living adjustment is increased to \$1,100, up from \$1,000 for 2025.

The catch-up contribution limit that generally applies for employees aged 50 and over who participate in most 401(k), 403(b), governmental 457 plans, and the federal government's Thrift Savings Plan is increased to \$8,000, up from \$7,500 for 2025. Therefore, participants in most 401(k), 403(b), governmental 457 plans and the federal government's Thrift Savings Plan who are 50 and older generally can contribute up to \$32,500 each year, starting in 2026. Under a change made in SECURE 2.0, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in these plans. For 2026, this higher catch-up contribution limit remains \$11,250 instead of the \$8,000 noted above.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), to contribute to Roth IRAs and to claim the Saver's Credit all increased for 2026.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or the taxpayer's spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor the spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.)

Here are the phase-out ranges for 2026:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is increased to between \$81,000 and \$91,000, up from between \$79,000 and \$89,000 for 2025.
- For married couples filing jointly, if the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is increased to between \$129,000 and \$149,000, up from between \$126,000 and \$146,000 for 2025.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the phase-out range is increased to between \$242,000 and \$252,000, up from between \$236,000 and \$246,000 for 2025.

- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.

Other phase-out ranges and limitations

The notice also provides limitations for 2026 for Roth IRAs, the Saver's Credit and SIMPLE retirement accounts.

- The income phase-out range for taxpayers making contributions to a Roth IRA is increased to between \$153,000 and \$168,000 for singles and heads of household, up from between \$150,000 and \$165,000 for 2025. For married couples filing jointly, the income phase-out range is increased to between \$242,000 and \$252,000, up from between \$236,000 and \$246,000 for 2025. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.
- The income limit for the Saver's Credit (also known as the Retirement Savings Contributions Credit) for low- and moderate-income workers is \$80,500 for married couples filing jointly, up from \$79,000 for 2025; \$60,375 for heads of household, up from \$59,250 for 2025; and \$40,250 for singles and married individuals filing separately, up from \$39,500 for 2025.
- The amount individuals can generally contribute to their SIMPLE retirement accounts is increased to \$17,000, up from \$16,500 for 2025. Pursuant to a change made in SECURE 2.0, individuals can contribute a higher amount to certain applicable SIMPLE retirement accounts. For 2026, this higher amount is increased to \$18,100, up from \$17,600 for 2025.
- The catch-up contribution limit that generally applies for employees aged 50 and over who participate in most SIMPLE plans is increased to \$4,000, up from \$3,500 for 2025. Under a change made in SECURE 2.0, a different catch-up limit applies for employees aged 50 and over who participate in certain applicable SIMPLE plans, which remains \$3,850. Under a change made in SECURE 2.0, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in SIMPLE plans, which remains \$5,250.

Details on these and other retirement-related cost-of-living adjustments for 2026 are in Notice 2025-67, available on [IRS.gov](https://www.irs.gov).

Interest Rates Remain the Same for the First Quarter of 2026

The Internal Revenue Service announced that interest rates will remain the same for the calendar quarter beginning Jan. 1, 2026.

For individuals, the rate for overpayments and underpayments will be 7% per year, compounded daily.

The rates are as follows:

- 7% for overpayments (payments made in excess of the amount owed), 6% for corporations.
- 4.5% for the portion of a corporate overpayment exceeding \$10,000.
- 7% for underpayments (taxes owed but not fully paid).
- 9% for large corporate underpayments.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rates are the federal short-term rate plus 3 percentage points.

Generally, in the case of a corporation, the underpayment rate is the federal short-term rate plus 3 percentage points and the overpayment rate is the federal short-term rate plus 2 percentage points. The rate for large corporate underpayments is the federal short-term rate plus 5 percentage points. The rate on the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the federal short-term rate plus one-half (0.5) of a percentage point.

The interest rates announced are computed from the federal short-term rate determined during October 2025. See the revenue ruling for details.

[Revenue Ruling 2025-22 PDF](#) announcing the rates of interest will appear in Internal Revenue Bulletin 2025-48, dated Nov. 24, 2025.

IRS Provides Penalty Relief on Tips and Overtime for Tax Year 2025

The Department of the Treasury and the Internal Revenue Service issued guidance providing penalty relief to employers and other payors for tax year 2025 regarding new information reporting requirements for cash tips and qualified overtime compensation under the One, Big, Beautiful Bill.

Transition penalty relief for tax year 2025

[Notice 2025-62 PDF](#) provides penalty relief from the new information reporting requirements for cash tips and qualified overtime compensation under the OBBB to employers and other payors for not filing correct information returns and not providing correct payee statements to employees and other payees.

Specifically, employers and other payors will not face penalties for failing to provide a separate accounting of any amounts reasonably designated as cash tips or the occupation of the person receiving such tips. In addition, employers and other payors will also not face penalties for failing to separately provide the total amount of qualified overtime compensation. The relief is limited to returns and statements filed and provided for tax year 2025 and applies only to the extent that the person required to make the return or statement otherwise files and provides a complete and correct return or statement.

Treasury and IRS are aware that employers and other payors may not currently have the information required to be reported under the OBBB, or the systems or procedures in place to be able to correctly file the additional information with the IRS, or SSA in the case of a Form W-2, and provide it to employees and other payees. Moreover, the IRS has announced that Forms W-2 and 1099 for tax year 2025 will not be updated to account for the OBBB-related changes. Therefore, tax year 2025 will be treated as a transition period for IRS enforcement and administration of the new information reporting requirements for cash tips and qualified overtime compensation under the OBBB.

While not a requirement to receive the penalty relief provided in Notice 2025-62, employers and other payors are encouraged to provide employees and payees, particularly those in a tipped occupation, with the occupation codes and separate accountings of cash tips, so the employee or payee can claim the deduction for qualified tips for tax year 2025. Likewise, employers and payors are encouraged to provide employees and payees with separate accountings of overtime compensation, so the employee or payee has readily available the information necessary to claim the deduction for qualified overtime compensation for tax year 2025. Employers and payors can make the information available to their employees and payees through an online portal, additional written statements provided to the employees or payees, other secure methods, or in the case of qualified overtime compensation in Box 14 of the employee's Form W-2.

New reporting requirements under the OBBB

No tax on tips: Certain employees and self-employed individuals who receive qualified tips may deduct qualified tips that are reported on a Form W-2, Form 1099, or reported directly by the individual on Form 4137. Employers and other payors must file information returns with the IRS, or SSA in the case of Form W-2, and provide statements to taxpayers showing certain cash tips received during the year and the occupation of the tip recipient.

No tax on overtime: Certain individuals who receive qualified overtime compensation may deduct the qualified overtime compensation that is reported on a Form W-2 or Form 1099. Employers and other payors are required to file information returns with the IRS, or SSA in the case of Form W-2, and provide statements to taxpayers showing the total amount of qualified overtime compensation paid during the year.

Additional guidance for individual taxpayers that addresses how they can claim the deductions for qualified tips and qualified overtime compensation when they file their tax year 2025 returns is forthcoming.

For more information, please see the [One, Big, Beautiful Bill provisions](#) page on IRS.gov.

TIA Right to Repair - Report Your Issue Webpage

The Tire Industry Association (TIA) is excited to announce that its [“Right to Repair - Report Your Issue” webpage](#) is now even easier to access with a new QR code, conveniently available for scanning in the shop.

This tool empowers shop owners and technicians to report instances where they face barriers to diagnosing or repairing vehicles, providing critical data to help protect the right to repair for all.

With reports increasing of automakers restricting access to both wired (OBD-II) and wireless (telematics) diagnostic and repair information, TIA aims to document the real-world impacts of these restrictions on businesses, consumers, and the broader economy.

Why the Right-to-Repair Form Matters

The form gathers key information about repair challenges, including:

- Vehicle specifics: Make, model, and year.
- Maintenance attempt details: The type of repair being performed and whether diagnostic codes were accessible.
- Barriers encountered: Lack of proper tools, unavailable OEM documentation, refusal to sell parts, or required software updates.
- Current vehicle status: Whether the repair was completed or the vehicle remains inoperable.

TIA assures users that all submissions will remain confidential, and no identifying personal or business information will be disclosed when case studies are presented on Capitol Hill.

Simply scan the QR code in your shop to access the form and help advocate for the industry’s future!

To request a QR code emailed to you, please send an email to rlittlefield2@tireindustry.org



TIA's Legislative Update will resume on 12/8.

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