

# Tax changes for the 2025 tax year (filing in 2026) are heavily influenced by the

**One Big Beautiful Bill Act (OBBBA)**, signed into law on July 4, 2025, which makes many 2017 Tax Cuts and Jobs Act (TCJA) provisions permanent and introduces new temporary deductions. Key changes include a significant increase in the standard deduction, an expanded child tax credit, and new deductions for seniors, tip income, and overtime pay.

## 2025 Standard Deductions

The standard deduction has been increased for 2025:

- **Single / Married Filing Separately:** \$15,750
- **Married Filing Jointly / Qualifying Surviving Spouse:** \$31,500
- **Head of Household:** \$23,625
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## Key 2025 Tax Law Changes

- **Child Tax Credit (CTC):** Increased to **\$2,200** per qualifying child (under age 17), with up to \$1,700 refundable.
- **SALT Deduction Cap:** The limit on State and Local Tax deductions increases to **\$40,000** for married couples filing jointly for 2025. This phases out for those with MAGI over \$500,000.
- **Senior Deduction:** A new, temporary "bonus" deduction of **\$6,000** for individuals 65+ (\$12,000 for married couples) is available for 2025–2028. This is available regardless of whether the taxpayer itemizes.
- **Tip Income Deduction:** Eligible workers can deduct up to **\$25,000** in tips.
- **Overtime Pay Deduction:** A deduction is available for qualified overtime pay, up to \$12,500 for single filers or \$25,000 for joint filers.
- **Car Loan Interest Deduction:** Up to **\$10,000** of interest on loans for new, U.S.-assembled personal vehicles purchased on or after Jan. 1, 2025, can be deducted.
- **Clean Energy Credits:** Electric vehicle credits are eliminated for vehicles acquired after Sept. 30, 2025, and residential energy credits (solar, heat pumps) expire at the end of 2025.

## 2025 Tax Brackets and Rates

The seven federal income tax brackets (10%, 12%, 22%, 24%, 32%, 35%, and 37%) have been made permanent.

- **37% Top Rate:** Applies to taxable income over **\$626,350** (single) or **\$751,600** (married filing jointly).

## Retirement and Savings Limits (2025)

- **401(k) Contributions:** Increased to **\$23,500** (\$31,000 if 50 or older).
- **IRA Contributions:** Remains **\$7,000** (\$8,000 if 50 or older).
- **HSA Contributions:** Increases to **\$4,300** for individuals and **\$8,550** for families.

## Estate and Gift Tax

- **Annual Gift Exclusion:** Increases to **\$19,000** per recipient.
- **Estate Tax Exemption:** Rises to **\$13.99 million** for 2025, and increases to \$15 million in 2026.

## New "Trump Accounts"

Starting in 2026 (for children born between 2025–2028), the federal government will contribute **\$1,000** into a new, tax-advantaged "Trump Account" for eligible children.

*Note: The IRS announced that despite the passage of the OBBBA, there will be no changes to 2025 withholding tables or Form W-2 for that year.*