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October 16, 2025.

Dear Client,

On July 4, 2025 the President signed the new 2025 Tax Bill, known as the One Big Beautiful Bill Act or OBBB. There are tons of rumors going around about what changes and what doesn't, but here is the correct information that will affect you and most Americans.

Deductions, Brackets and Rates

Tax rates did not increase or decrease from 2025. I know what you have read, but they are the same in 2025 that they were in 2024, and that includes capital gains rates.

Tax brackets increased slightly, meaning that you can make a bit more money this year without going into a new bracket.

There are two types of deductions: the standard deduction (which did increase by about \$3,000 for a married couple from 2024); and itemized deductions. All Americans are allowed the standard deduction, which for 2025 is \$15,750 if single and \$31,500 if married. If you are able to come up with more than that from a short list of itemized deductions, you are allowed to deduct more than the standard deduction. There are five main categories of allowable itemized deductions:

1. Medical deductions which did not change from 2024, and need to be pretty large in order to deduct them;
2. Taxes, which increased to a maximum deduction of \$40,000 in 2025 vs. \$10,000 in 2024. This category includes property tax and state and local income tax paid;
3. Interest paid on your home mortgage, which is unchanged from 2024;
4. Charitable contributions, which are unchanged from 2024
5. Miscellaneous itemized deductions, which are also unchanged from 2024, the only significant one is gambling losses.

There is a new deduction for seniors which allows an additional deduction of \$6,000 for each filer that has reached age 65 by December 31, 2025 (\$12,000 if both 65), in addition to the normal small additional senior deduction. The bad news is that Social Security is still taxable if the deduction is not enough to offset it, and the deduction phases out for seniors making more than \$75,000 for a single filer or \$150,000 for a joint filer.

Car Loan Interest Deduction

There is also a new deduction this year for car loan interest if you bought a new (not used) car in 2025 (and 2026-2028) if it was assembled in the US. This deduction phases out starting at \$100,000 of income if single, and \$200,000 if filing jointly. This amount is deductible in addition to the standard deduction, so you don't need to itemize.

Tip Deduction

For those folks whose W-2 reflects tip income, or who self-report tip income, they can deduct the lesser of the tip income from their W-2's or \$25,000. This deduction phases out starting at \$150,000 of income if single, and \$300,000 if filing jointly. This amount is deductible in addition to the standard deduction, so you don't need to itemize.

Overtime Deduction

For those folks whose W-2 reflects overtime pay income they can deduct the lesser of the overtime income from their individual W-2's or \$12,500 each. This deduction phases out starting at \$150,000 of income if single, and \$300,000 if filing jointly. This amount is deductible in addition to the standard deduction, so you don't need to itemize.

Tax Credits

The credit for children reported as dependents on your returns increases from \$2,000 to \$2,200.

The credit for an electric car ends on September 30, 2025, and the credits for insulation, storm windows, doors, furnaces, water heaters, solar power, geothermal energy and wind energy systems end on December 31, 2025.

There are a number of individual changes that go into effect in 2026, but this short summary addresses 2025 individual tax changes. We are able to help you plan for any major tax events such as these law changes, retirement, home sales or inheritances if you would give us a call for an appointment.

Let me know if you have any questions!

Thank you,

Garry H. Slatnick

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