

# ONE BIG BEAUTIFUL BILL – Individual Changes 1 of 5

Provision	Tax Code Section	Before the OBBBA	New Law
<b>Individual income tax rates</b>	1(j)	Tax rates for 2025 are set by the Tax Cuts and Jobs Act (TCJA) at 10%, 12%, 22%, 24%, 32%, 35%, and 37%.	Effective 2026, the OBBBA sets permanent individual tax rates at 10%, 12%, 22%, 24%, 32%, 35%, and 37%, replacing scheduled higher post-TCJA rates.
<b>Child and dependent care credit</b>	21	The maximum federal child and dependent care non-refundable tax credit for 2025 is \$1,050 for one child and \$2,100 for two or more children.	Effective 2026, the maximum federal child and dependent care non-refundable tax credit is \$1,500 for one child and \$3,000 for two or more children.
<b>Adoption</b>	23	Allowed a non-refundable income tax credit of up to \$17,280 for qualified adoption expenses and carryforward of unused credits for up to five years. Phaseouts applied.	Effective 2025, the credit remains at \$17,280 and up to \$5,000 of it becomes refundable. Phaseouts apply.
<b>Child tax credit</b>	24(h)	Allowed a maximum 2025 child tax credit of up to \$2,000 per qualifying child, with up to \$1,400 per child refundable.	Effective 2025, raises the child tax credit to \$2,200. Retains \$1,400 refundable. Phaseouts apply.
<b>Energy-efficient home credit</b>	25C	Allows a credit equal to 30% of expenditures on energy-efficient home improvements for property placed in service through December 31, 2032.	Terminates the credit for property placed in service after December 31, 2025.
<b>Residential clean energy credit</b>	25D	Allows a 30% tax credit for residential expenditures through 2032 for solar electric, solar water heating, fuel cell, small wind energy, geothermal heat pump, and battery storage property.	Terminates the credit for property placed in service after December 31, 2025.
<b>Scholarships</b>	25F	IRC Section 25F did not exist.	Beginning in 2027, creates a non-refundable tax credit of up to \$1,700 for qualifying contributions to Section 501(c)(3) scholarship-granting organizations.

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<b>Premium tax credit</b>	36B	Caps the amount that individuals with household incomes below 400% of the federal poverty level must repay if they receive excess advance premium tax credits due to underestimating their income.	Effective 2026, requires full repayment of excess credits and increases the difficulty of qualifying for the credits. Eliminates credit eligibility for most non-citizens starting in 2027.
<b>Alternative minimum tax (AMT)</b>	55	TCJA increased the exemptions and reduced the number of taxpayers subject to the AMT.	Effective 2026, exemption amounts remain the same. Phaseouts increase from 25% to 50% and begin at \$1 million for married individuals filing jointly and \$500,000 for single filers.
<b>Standard deduction</b>	63(c)(7)	TCJA increased the standard deduction.	Effective 2025, increases the standard deduction to \$15,750 for individuals, \$31,500 for joint filings, and \$23,625 for heads of households.
<b>Itemized deduction for miscellaneous expenses</b>	67(g)	TCJA disallows miscellaneous itemized deductions from 2018 to 2025.	Effective 2026, permanently disallows miscellaneous itemized deductions.
<b>Overall limitation on itemized deductions</b>	68(f)	No overall limit on itemized deductions for 2025.	Effective 2026, taxpayers in the 37% tax bracket will reduce their itemized deductions by 2/37 of the lesser of (a) their deductions or (b) the amount by which their income exceeds the 37% threshold.
<b>Student loans</b>	108(f)(5)	Exempts income from the discharge of student debt due to death or total disability of the student—expires December 31, 2025.	Effective 2026, the exemption becomes permanent.
<b>Personal exemptions</b>	151(d)(5)	No exemptions, but exemptions were set to return after 2025.	Effective 2025, permanently repeals personal exemptions.
<b>Enhanced deduction for seniors</b>	151(d)(5)(C)	Section 151(d)(5)(C) did not exist.	Effective 2025–2028, creates a \$6,000 deduction for those 65 or older with modified adjusted gross income up to \$75,000 (\$150,000 joint). Phases out at 6% above these limits.

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<b>Mortgage interest deduction</b>	163(h)(3)(F)	Limits home-mortgage interest deductions to \$750,000 of acquisition debt, including home equity loans used to buy, build, or improve a home. Expires December 31, 2025.	Effective 2026, permanently caps the mortgage interest on home acquisition debt at \$750,000, including home equity loans used to buy, build, or improve a home. Mortgage insurance premiums are now deductible, but limited.
<b>Car loan interest</b>	163(h)(4)	The car loan interest deduction did not exist.	Effective 2025–2028, created a new Section 163(h)(4) allowing individuals to deduct up to \$10,000 of qualifying car loan interest per year, subject to phaseouts starting at \$100,000 of modified adjusted gross income for single filers (\$200,000 for married filing jointly).
<b>State and local tax (SALT) deduction</b>	164(b)(6)	The TCJA capped the individual deduction for state and local taxes at \$10,000 (\$5,000 for married filing separately).	Effective 2025, the individual SALT deduction cap is \$40,000 for 2025—phases out the deduction (but not below \$10,000) for taxpayers with a modified adjusted gross income exceeding \$500,000.
<b>Losses from gambling</b>	165(d)	Taxpayers can deduct gambling expenses (including expenses for professional gamblers), but only to the extent of winnings.	Starting in 2026, taxpayers can deduct only 90% of gambling losses (including expenses for professional gamblers) against winnings.
<b>Personal casualty and theft loss deduction</b>	165(h)(5)	Limits personal casualty losses to those incurred from federally declared disasters.	Effective 2026, permanently limits the deduction to personal casualty losses resulting from federally declared disasters and certain state-declared disasters.
<b>0.5 percent floor on itemized charitable contributions</b>	170(b)(1)(I)	Section 170(b)(1)(I) did not exist.	Effective 2026, charitable itemized deductions are deductible to the extent they exceed a new base floor (generally, 0.5% of adjusted gross income).
<b>Charitable contributions for non-itemizers</b>	170(p)	Section 170(p) expired. It applied during 2020 and 2021. For 2025, the non-itemizer deduction does not exist.	Effective 2026, non-itemizers can deduct cash charitable contributions of up to \$1,000 (\$2,000 if married and filing jointly).

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<b>Moving expense deduction</b>	217(k)	No moving expense deduction or exclusion from income, except for active-duty military personnel who moved under a military order.	Effective 2026, no deduction or exclusion except for active-duty military and certain intelligence employees who moved under orders.
<b>Health savings account (HSA) direct primary care</b>	223(c)(1)(E)	Section 223(c)(1)(E) did not exist.	Effective 2026, HSA holders will be able to pay up to \$150/month (\$300 family) for direct primary care, without losing HSA eligibility—fees are considered HSA-qualified expenses.
<b>Telehealth in HSAs</b>	223(c)(2)(E)	Created in 2021, expired in 2024.	Effective 2025, reinstates the previous rule allowing high-deductible health plans to provide telehealth coverage before meeting deductibles.
<b>HSAs qualify with bronze and catastrophic plans</b>	223(c)(2)(H)	Section 223(c)(2)(H) did not exist.	Effective 2026, HSAs may treat bronze and catastrophic plans as high-deductible health plans.
<b>No tax on tips</b>	224	The “no tax on tips” section did not exist.	Effective 2025–2028, individuals can deduct up to \$25,000 in qualified tip income—which phases out at modified adjusted gross income of \$150,000, \$300,000 if married filing jointly.
<b>No tax on overtime</b>	225	Section 225 did not exist.	Effective 2025–2028, an individual can deduct up to \$12,500 in qualified overtime pay—phases out at a modified adjusted gross income of \$150,000, or \$300,000 if married filing jointly.
<b>Trump account</b>	530A, 128, 139J, 6434, 6659	Sections 530A, 128, 139J, 6434, and 6659 did not exist.	Starting in 2026, a tax-free account is available for children under 18, with annual contributions from parents and others capped at \$5,000. An employer may contribute up to \$2,500. For children born between 2025 and 2028, parents can opt for a one-time government contribution of \$1,000.
<b>529 roll over to ABLE account</b>	529(c)(3)(C)(i)(III)	Allows taxpayers to roll over Section 529 plan distributions to ABLE accounts. Expires December 31, 2025.	Effective 2026, permanently allows taxpayers to roll over Section 529 plan distributions into ABLE accounts.

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<b>529 distribution limit</b>	529(e)(3)	Limits the annual aggregate per-beneficiary distribution to \$10,000.	Effective 2026, raises the limit to \$20,000.
<b>529 allowed for postsecondary credentialing expenses</b>	529(e)(3)(C)	Section 529(e)(3)(C) did not exist.	Effective July 5, 2025 adds defined postsecondary credentialing expenses to the definition of “qualified higher education expenses.”
<b>ABLE account contribution limit</b>	529A(b)(2)(B)	Allows annual ABLE contributions from the account owner, parents, and others of up to \$19,000, plus an “ABLE to Work” extra, which allows account owners to contribute their earnings in an amount up to the prior-year federal poverty level (\$15,060). Expires December 31, 2025.	Effective 2026, permanently allows the additional ABLE to Work contributions to ABLE accounts.
<b>Estate and gift tax</b>	2010(c)(3)(C)	Estate and lifetime gift tax exemption amount is \$13.99 million (2025, inflation-adjusted); reverts to \$5 million (indexed) after 2025.	Effective 2026, makes the exemption permanent and increases it to \$15 million, and indexes it for inflation beginning in 2027.
<b>Excise tax on firearm silencers</b>	5811(a)	Imposes an excise tax of \$200 on silencers, short-barreled rifles, short-barreled shotguns, and any other weapons.	Effective for quarters after October 2, 2025, eliminates the \$200 excise tax on all but machine guns and destructive devices.