TAX YEAR
2025

New Tax Law Provisions (OBBBA – H.R.1)

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New Tax Law Provisions

Standard Deduction

The basic standard deduction amounts increased for 2025.

Single or Married Filing Separately	$15,750
Head of Household	$23,625
Married Filing Jointly, Qualified Surviving Spouse	$31,500

Senior Deduction

Deduction, per person (age 65 or older) $6,000
Deduction phases out when MAGI exceeds $75,000 ($150,000 MFJ)

Itemized Deductions — State and Local Taxes

The state and local taxes (SALT) limit increased for 2025. The SALT deduction is limited to $40,000 ($20,000 MFS), reduced by 30% of the excess of modified AGI over $500,000 ($250,000 MFS), but not less than $10,000 ($5,000 MFS). Thus, if modified AGI is $600,000 ($300,000 MFS) or more, the SALT deduction is limited to $10,000 ($5,000 MFS).

Child Tax Credit

Effective for 2025, the Child Tax Credit increased to $2,200 per qualifying child under the age of 17.

Social Security Number (SSN) required. The SSN of both the taxpayer (or spouse if filing jointly) and qualifying child must be included on the return to claim the credit. All SSNs must be issued before the due date of the return.

Adoption Credit

Beginning in 2025, up to $5,000 of the Adoption Credit is a refundable credit.

Energy Credits Terminated—2025

Credit Type	*Expiration Date*
Clean Vehicle Credit ($7,500 for new electric car)	No credit for vehicles acquired after September 30, 2025
Previously-Owned Clean Vehicle Credit ($4,000 for used electric car)	No credit for vehicles acquired after September 30, 2025
Qualified Commercial Clean Vehicle Credit	No credit for vehicles acquired after September 30, 2025
Energy Efficient Home Improvement Credit (e.g., heat pumps, central A/C, water heaters, furnaces, windows, doors)	No credit for property placed in service after December 31, 2025
Residential Clean Energy Credit (e.g., solar electric, fuel cell, small wind energy, geothermal heat pump, biomass fuel)	No credit for property placed in service after December 31, 2025

Qualified Tuition Plan (QTP)/529 Plan

Effective for distributions made after July 4, 2025, qualified elementary or secondary school distributions now include the following expenses.

- Tuition, curriculum materials, books or other instructional/educational materials, including online.
- Tutoring/educational classes outside home.
- Fees for standardized tests or AP exams.
- Fees for dual enrollment in higher education.
- Educational therapies for students with disabilities.

Credentialing expenses included. Effective for distributions made after July 4, 2025, certain required postsecondary credentialing expenses are treated as qualified higher education expenses.

New Deductions—2025

Qualified tips deduction. A federal income tax deduction of up to $25,000 is allowed for qualified tips received during

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the year. The deduction phases out when modified AGI exceeds $150,000 ($300,000 MFJ). Qualified tips are cash tips (including credit card transactions) received in an occupation which customarily and regularly received tips.

Overtime pay deduction. A federal income tax deduction of up to $12,500 ($25,000 MFJ) is allowed for qualified overtime compensation received during the year. The deduction phases out when modified AGI exceeds $150,000 ($300,000 MFJ). Qualified overtime compensation is compensation paid in excess of the regular rate at which the individual is employed. Employers must separately account for amount of qualified overtime compensation paid to employee.

Vehicle loan interest deduction. A federal income tax deduction of up to $10,000 is allowed for qualified passenger vehicle loan interest paid or accrued on a loan incurred after 2024 for the purchase of, and that is secured by a first lien on, an applicable vehicle used for personal use. The deduction phases out when modified AGI exceeds $100,000 ($200,000 MFJ).

Depreciation — 2025 Limits Changed

Section 179 expense deduction limit	$2,500,000
Section 179 investment phaseout begins	$4,000,000
Special depreciation allowance (for property placed in service after January 19, 2025)	100% (may elect to have 40% limit apply)

Domestic Research and Experimental (R&E) Costs

Effective beginning 2025, a deduction in full (no amortization) is allowed for any domestic R&E expenditures paid or incurred during the tax year.

Provisions Effective in 2026 or Made Permanent

- Current individual income tax rates remain at the lower TCJA level.
- Standard deduction permanently increased.
- Personal exemption deduction terminated.
- Miscellaneous itemized deductions subject to 2% AGI threshold permanently terminated, except for unreimbursed educator expenses.
- Mortgage interest deduction limited to $750,000 acquisition indebtedness is made permanent. Disallowance of home equity debt (if not used to buy, build, or substantially improve home) interest is made permanent. Mortgage insurance premiums treated as qualified residence interest allowed as a deduction.
- Limitation on casualty losses to federally-declared disasters made permanent and expanded to include certain state-declared disasters.
- New limit on overall itemized deductions for taxpayer's in the 37% tax rate bracket.
- Charitable contribution deduction limit for itemizers.
- Cash charitable contribution deduction of $1,000 ($2,000 MFJ) for non-itemizers.
- Moving expense deduction permanently terminated except for Armed Forces.
- Wagering losses limited to 90% of such losses, only to the extent of winnings.
- Qualified business income deduction made permanent and expanded.
- Alternative minimum tax higher exemption and phase-out thresholds are made permanent. Phase-out rate is increased from 25% to 50%.
- Form 1099 reporting threshold increases from $600 to $2,000.
- Alternative Fuel Vehicle Refueling Credit terminates for property placed in service after June 30, 2026.
- New Energy Efficient Home Credit terminates for homes acquired after June 30, 2026,
- Energy efficient commercial buildings deduction will not be allowed for any property construction which begins after June 30, 2026.
- Trump accounts are available for individuals under the age of 18. A Trump account is a type of IRA that allows earnings to grow tax deferred. Contributions are not deductible. No contribution is allowed before July 4, 2026.
- A Trump account pilot program is created that allows an individual to create a Trump account for eligible children born after December 31, 2024 and before January 1, 2029. Under the pilot program, the IRS makes a $1,000 payment to the Trump account of the eligible child.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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