



Making the most of the new deduction for seniors

For 2025 through 2028, individuals age 65 or older generally can claim a new “senior” deduction of up to \$6,000 under the One Big Beautiful Bill Act (OBBBA). But an income-based phaseout could reduce or eliminate your deduction. Fortunately, if your income is high enough that the phaseout is a risk, there are steps you can take before year end to help preserve the deduction.

Senior deduction basics

You don’t have to be receiving Social Security benefits to claim the senior deduction. If you’re age 65 or older on December 31 of the tax year, you’re potentially eligible.

If both spouses of a married couple filing jointly are age 65 or older, each spouse is potentially eligible for the \$6,000 deduction, for a combined total of up to \$12,000. But you must file a joint return; married couples filing separately aren’t eligible.

Combining the senior and standard deductions

Taxpayers age 65 or older already are eligible for an additional standard deduction on top of the basic standard deduction. The following examples illustrate how large the three deductions can be on a combined basis for 2025:

Single filer. An unmarried individual age 65 or older can potentially deduct a total of up to \$23,750: \$15,750 for the basic standard deduction plus \$2,000 for the additional standard deduction for a senior single filer plus \$6,000 for the new senior deduction.

Joint filer. If both members of a married couple are age 65 or older, they can potentially deduct a total of up to \$46,700: \$31,500 for the joint filer basic standard deductions plus two times \$1,600 for the additional standard deductions for senior joint-filers plus two times \$6,000 for the new senior deduction.

How the phaseout works

The senior deduction begins to phase out when modified adjusted gross income (MAGI) exceeds \$75,000 for single filers or \$150,000 for joint filers. The deduction is eliminated when MAGI exceeds \$175,000 or \$250,000, respectively. Specifically, the deduction is phased out by 6% of the excess of your MAGI over the applicable phaseout threshold. For this purpose, MAGI means your “regular” AGI increased by certain tax-exempt offshore income (which most taxpayers don’t have).

Here are two examples:

Example 1. For 2025, you’re a single individual age 65 or older. Your MAGI for the year is \$130,000. Under the phaseout, your senior deduction is reduced by \$3,300 [$6\% \times (\$130,000 - \$75,000)$]. So your senior deduction is \$2,700 ($\$6,000 - \$3,300$).

Example 2. For 2025, you and your spouse file jointly. You’re both age 65 or older. Your MAGI for the year is \$220,000. Under the phaseout rule, your two senior deductions are reduced by \$4,200 each [$6\% \times (\$220,000 - \$150,000)$]. So your senior deduction is \$1,800 each ($\$6,000 - \$4,200$), or \$3,600 on a combined basis.

Year-end planning tips

If you’re concerned your 2025 MAGI could exceed the applicable phaseout threshold — or that your senior deduction could be completely phased out — there are moves you can make by December 31 to help maximize your deduction. Specifically, take steps to reduce your MAGI. Here are some potential ways to do it:

- Harvest capital losses in taxable brokerage accounts to offset capital gains that would otherwise increase your MAGI.
- Defer selling appreciated securities held in taxable brokerage accounts to avoid increasing your MAGI by the capital gains you’d recognize if you sold them.
- If you’re still working, maximize salary-reduction contributions to tax-deferred retirement accounts, like your traditional 401(k), which will reduce your MAGI.
- Defer or spread out Roth IRA conversions over several years, because your MAGI will be increased by taxable income triggered by the conversions.
- If you’re age 73 or older and thus subject to required minimum distributions (RMDs) on your traditional IRA(s), consider making IRA qualified charitable

distributions (QCDs). Done properly, the QCDs will count toward your RMD and will be excluded from your taxable income and your MAGI.

Depending on your situation, there may be other moves you can make that will reduce your MAGI.

A valuable tax saver

The new senior deduction can be a valuable tax saver for eligible taxpayers. Please contact us with any questions you have. We can help you determine the best year-end tax planning strategies for your particular situation.

© 2025