



Tax Provisions with One Big Beautiful Bill for Individuals

Federal Tax Law Changes – What It Means for You

A significant federal tax reform bill was recently signed into law, bringing both permanent and temporary updates that could impact your personal taxes beginning in 2025. Below is a summary of the key changes that may affect your household finances, deductions, and credits.

Standard Deduction made permanent

-The standard deduction has been locked in at higher levels:

- \$15,750 (Single)
- \$23,625 (Head of Household)
- \$31,500 (Married Filing Jointly)

SALT Deduction Cap Increased Temporarily

- The State and Local Tax (SALT) deduction cap increases to \$40,000 for tax years 2025–2029.
- Begins to phase out when your Modified Adjusted Gross Income (MAGI) exceeds \$500,000, reducing the benefit for higher earners.
- The cap returns to \$10,000 in 2030.

Senior Deduction (Temporary)

- Seniors age 65 and over can claim an additional \$6,000 deduction per person for tax years 2025–2028.
- Phases out for those earning over \$75,000 (single) or \$150,000 (joint) MAGI.

Child Tax Credit (CTC)

- The credit increases to \$2,200 per qualifying child.
- \$1,400 of this is refundable, meaning you may receive that portion even if you owe no tax.
- Income thresholds and phaseout rules remain but are now permanent.

Dependent Care Assistance (DCAP)

- Employer-sponsored dependent care plans (e.g., FSAs) now allow for \$7,500 in pre-tax contributions, up from \$5,000.

Adoption Tax Credit

- A new \$5,000 refundable portion is added to the existing adoption credit to provide upfront support.

Charitable Contributions

- Nonitemizers can deduct up to \$1,000 (single) / \$2,000 (joint) without itemizing.
- Itemizers must meet a 0.5%/1% AGI floor before charitable contributions can be deducted.

Education – Expanded 529 Plans

- 529 plans can now be used to pay for K–12 private education, credentialing programs, and other non-traditional schooling expenses, in addition to college.

Trump Accounts (New for Minors)

- New tax-deferred savings accounts for children.
- Up to \$5,000 per year may be contributed.
- Eligible for a \$1,000 refundable credit under a pilot incentive program.

Premium Tax Credit (PTC)

- There is no longer a cap on repaying excess premium tax credits, if you receive more assistance than you're eligible for, the full amount must now be paid back.

Form 1099 Updates

- The reporting threshold for Form 1099-K returns to \$20,000 in payments and 200 transactions.
- Starting in 2026, the general reporting threshold for issuing 1099 forms will increase to \$2,000.

Clean Energy and EV Credits

- The Electric Vehicle (EV) credit remains available through September 30, 2025.
- Residential energy efficiency credits (e.g. for insulation, windows, heat pumps) continue through end of 2025.

Casualty Loss Deduction

- Losses from natural disasters are deductible if the event is federally declared and now includes state declared disasters.

Child and Dependent Care Tax Credit (CDCTC)

- Now covers up to 50% of qualifying care expenses for eligible dependents (up from 35%).
- Maximum qualifying expenses remain at \$3,000 for one dependent, \$6,000 for two or more.
- Income phaseouts apply, reducing the credit for higher earners.

Tip Income Deduction (2025–2028)

- Applies to qualified tips (voluntary cash or charged tips, including shared tips).
- Deduction limit, up to \$25,000 per year.
- Phases out for taxpayers with modified adjusted gross income over \$150,000 for single filing and \$300,000 for joint filers.
- For self-employed individuals, deduction cannot exceed net business income from the activity where the tips were earned.

Overtime Pay Deduction (2025–2028)

- Individuals can deduct the “extra” portion of overtime pay (the “half” in time-and-a-half) required under federal law.
- Deduction applies to overtime reported on Form W-2, 1099, or similar statements.
- Annual limit: \$12,500 (single) or \$25,000 (joint filers).
- Phases out for taxpayers with modified adjusted gross income over \$150,000 for single filing and \$300,000 for joint filers.
- Must file jointly if married and include your Social Security Number on your return.