

Top 10 OBBBA provisions for individuals

Provision	Pre-OBBBA Law	New Law
New deduction for seniors	N/A.	Effective 2025–2028, a \$6,000 deduction for each qualified individual 65 or older. Subject to a MAGI limit of \$150,000 for MFJ and \$75,000 for all others, reduced by 6% of the taxpayer's MAGI in excess of those limits.
No tax on tips	N/A.	Effective 2025–2028, a deduction of up to \$25,000 on reported qualified tips (available to both itemizers and non-itemizers). Phased out for individuals with a MAGI over \$150,000 (\$300,000 for MFJ).
No tax on overtime pay	N/A.	Effective 2025–2028, a deduction of up to \$12,500 (\$25,000 for MFJ) for qualified overtime compensation (available to both itemizers and non-itemizers). Phased out for individuals with a MAGI over \$150,000 (\$300,000 for MFJ).
Car loan interest	N/A.	Effective 2025–2028, an interest deduction of up to \$10,000 per year on qualified personal car loans. Phased out for a MAGI of \$200,000 for MFJ and \$100,000 for all others. The car must have been assembled in the U.S.
State and local tax (SALT) deduction	Limited to \$10,000 (\$5,000 for MFS).	Beginning in 2025, the cap is increased to \$40,000 (\$20,000 for MFS). The deduction is reduced by 30% of the excess over a \$500,000 MAGI (\$250,000 for MFS).



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Child tax credit	Nonrefundable credit amount of \$2,000 per eligible child; up to \$1,400 refundable (indexed for inflation).	Effective 2025, nonrefundable credit amount permanently increased to \$2,200 per eligible child (refundable credit permanently increased to \$1,400). Credit amounts will be indexed for inflation beginning in 2026.
Standard deduction	Deduction for 2025 was scheduled to be \$30,000 MFJ, \$22,500 HOH, and \$15,000 for single filers.	Effective 2025, permanently increases standard deduction to \$31,500 MFJ, \$23,625 HOH, and \$15,750 for single filers (amounts will be indexed annually for inflation).
Green energy tax credits	Available through various dates.	Certain credits have been repealed (e.g., after 9/30/25 for the clean vehicle credit; after 2025 for the energy efficient home improvement credit).
Overall limit on itemized deductions	N/A for 2025.	Effective 2026, certain high-income taxpayers subject to a reduction in itemized deductions by 2/37 of the lesser of (1) total itemized deductions or (2) the amount by which income exceeds the 37% bracket threshold.
Charitable contribution deductions	Individuals had to itemize; subject to certain AGI limits.	Effective 2026, charitable contributions deducted on Schedule A will be reduced by 0.5% of AGI. Non-itemizers will be allowed to deduct charitable contributions of up to \$1,000 (\$2,000 if MFJ) per year.



Tax Cuts and Jobs Act: Common Individual Extenders

Extenders made permanent

- **Individual tax rates** applicable since 2018 are now permanent: 10, 12, 22, 24, 32, 35, and 37%.
- **Estate and gift tax exemption** amount set at \$15 million for single filers (\$30 million for joint filers) as of 2026 and adjusted for inflation thereafter.
- **Standard deduction** increase is permanent and subject to inflation adjustments starting in 2026. 2025 deduction amounts are \$15,750 for filers / \$23,625 for head of household / \$31,500 for married filing jointly.

Repeals made permanent

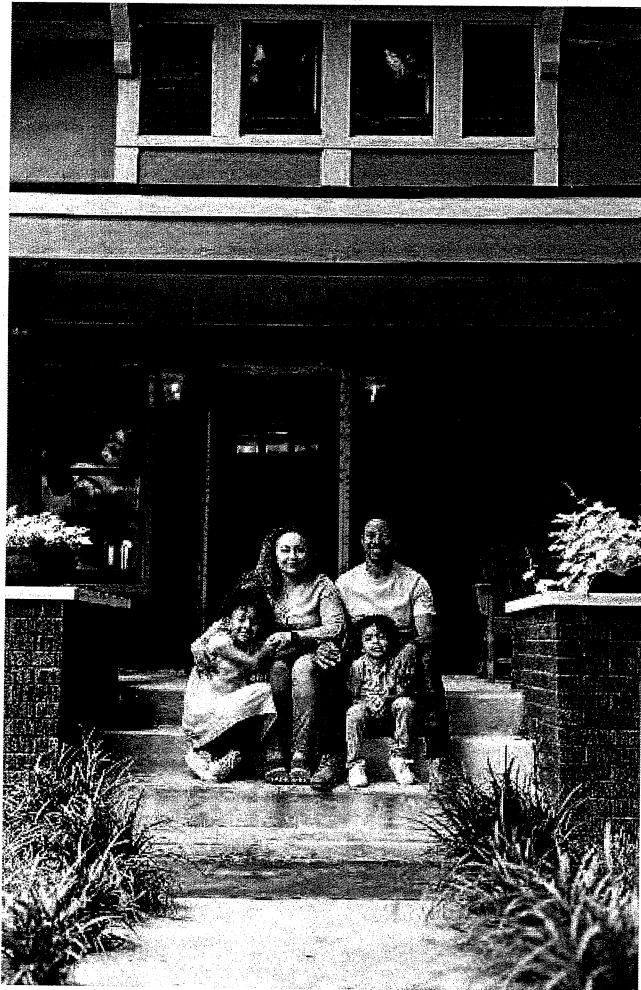
- **Personal exemptions**
- **Home equity debt** deduction
- **Moving expense** deduction repeal is permanent, except for members of the Armed Forces and the (new) Intelligence Community.

Lower limits made permanent

- **Home mortgage interest deduction** at a lower amount is permanent.
- **Personal theft and casualty loss deduction** is permanently limited to federal disasters and extended to include losses resulting from state-declared disasters.

Allowances made permanent

- **Mortgage insurance premium** deductions are permanently treated as qualified residence interest.
- **Rollovers from qualified tuition programs to ABLE accounts** are permanently allowed.



Child Tax Credit

The Act made permanent the base credit, the credit's refundable portion, and the other dependent child credit.

- **Base credit** is \$2,200 for 2025 and indexed for inflation after 2025
- **Refundable portion of credit** is \$1,700 for 2025 and indexed for inflation
- **Other dependent child (ODC)** credit is \$500 for 2025

Other changes:

- Phase-out made permanent: MAGI of \$200,000 for single filers / \$400,000 for married filing jointly

Other Family-Related Credits

Child and Dependent Care Credit. The maximum percentage rate of qualified expenses that can be deducted as a child and dependent care credit is increased starting in 2026.

- Deductible qualified expense percentage increases from 35% - 50% starting in 2026
- Stepped phase-down, no phase down below 20%

Employer Dependent Care Assistance

- Maximum increased from \$5,000 to \$7,500

Adoption credit

- Up to \$5,000 of the adoption credit is refundable starting in 2026
- The refundable portion of the credit may not be carried forward



The One Big Beautiful Bill Act: Key Highlights and Takeaways



Alternative Minimum Tax (AMT) for Individuals

AMT exemption amounts. Increases in the AMT exemption amounts for individuals are permanent for tax years beginning after 2025.

- Exemption amounts are \$500,000 for single filers (\$1 million for married filing jointly) and are indexed for inflation

Exemption phase-out threshold. The Act removed the last seven (7) years of inflation adjustments from the AMT exemption phase-out threshold for joint filers, reverting the threshold to the 2018 amount.

- The exemption phaseout rate for all individual taxpayers is increased to 50% (from 25%), starting in 2026
 - Appears to be a technical error in the phase-out language of the legislation
- More rapid phase-out partially offsets higher exemption amount

State & Local Tax (SALT) Cap

SALT Cap is temporarily increased from 2025 – 2029 before returning to TCJA levels.

- In 2025, deduction is \$40,000, with 1% annual inflation adjustments through 2029.
- The cap reverts to \$10,000 in 2030.

SALT deduction threshold. The deduction amount is reduced once it exceeds the threshold.

- The 2025 threshold is \$500,000 MAGI .
- Threshold reduction is 30% in 2025, with 1% annual inflation adjustments through 2029.
- The pass-through entity workaround was preserved.



Misc. Itemized Deduction Changes

Itemized deductions permanently repealed

- **Miscellaneous itemized deductions**, with the exception of unreimbursed educator expenses.
- **Overall itemized deduction limitation** (PEASE limitation) permanently repealed in favor of the 2/37 rule (see “new phaseout of itemized deductions rule”).

New rules/ changes to itemized deductions

- **Unreimbursed educator expenses** can be deducted as a miscellaneous itemized deduction.
 - Now includes coaches.
- **New phaseout of itemized deductions** by 2/37 of the lesser of:
 - The amount of itemized deductions.
 - The amount of taxable income that exceeds the start of the 37% tax bracket.
 - Phase-out does not apply to Qualified Business Income deduction.

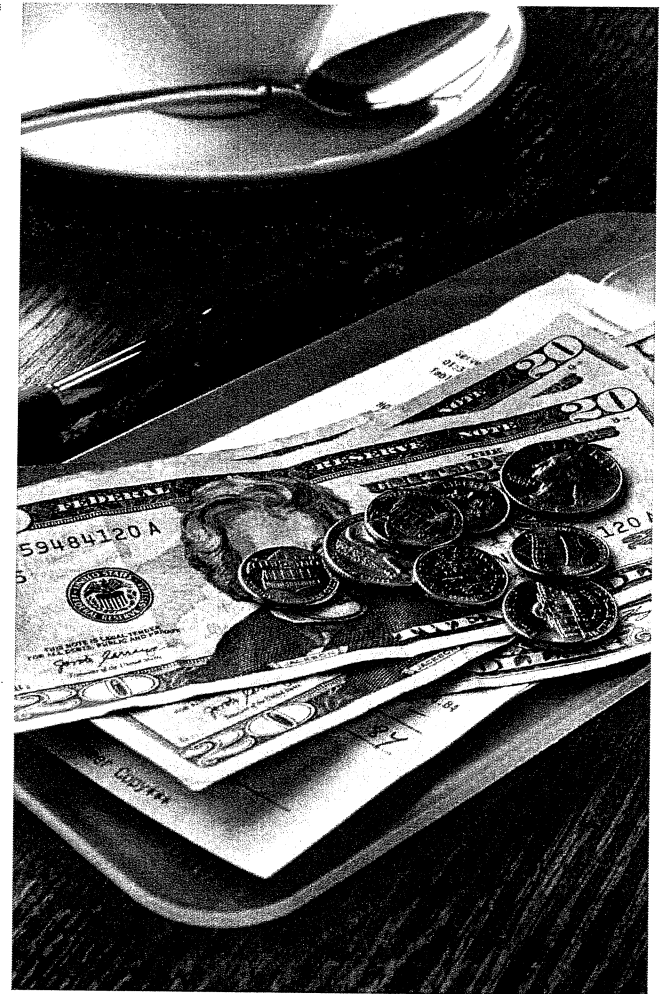
Qualified Tip Deduction

“No taxes on tips”

Individuals can claim an income tax deduction for qualified voluntary tips received in tax years 2025 through 2028.

Qualified tip: any cash tip received in an occupation that customarily and regularly receives tips on or before December 31, 2024.

- Above the line deduction, \$25,000 maximum per year.
- Phase-out starts at MAGI of \$150,000 for single filers (\$300,000 for married filing jointly) at a rate of \$100 for each \$1,000 over.
- Applies to customary tip businesses — Secretary of Treasury to provide the list.
- Tips are still subject to FICA taxes; only exempt from Federal income taxes.



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Qualified Overtime Pay Deduction

“No taxes on overtime”

Individuals can claim an income tax deduction for qualified overtime pay received in tax years 2025 through 2028.

Qualified overtime compensation: Overtime paid to an individual required under the Fair Labor Standards Act of 1938 (FLSA) that is in excess of the regular rate under the FLSA at which the individual is employed.

- Above-the-line deduction, \$12,500 maximum tax year.
- Phase-out starts at MAGI of \$100,000 for single filers (\$200,000 for married filing jointly) at a rate of \$100 for each \$1,000 over the threshold.
- Overtime pay is still subject to FICA taxes; only exempt from Federal income taxes.

The “Senior” Deduction

“No taxes on Social Security benefits”

For qualified individuals 65 and older, a temporary deduction of \$6,000 is added for tax years 2025 through 2028.

- Above the line deduction, additional \$6,000 per year.
- Phase-out begins at MAGI of \$75,000 for single filers (\$150,000 for married filing jointly), at a rate of 6%.
- Deduction is fully phased out at MAGI of \$175,000 for single filers (\$250,000 for married filing jointly).



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Car Loan Interest Deduction

For tax years 2025 through 2028, noncorporate taxpayers may claim a deduction of up to \$10,000 for interest paid or accrued on a post-2024 loan to purchase a qualified passenger vehicle for personal use.

Qualified passenger vehicle: Generally, includes a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle that is new, the final assembly of which occurs in the United States, and that meets other requirements.

- Above the line deduction capped at \$10,000 per year.
- Phase-out at MAGI of \$100,000 for single filers (\$200,000 for married filing jointly) at a rate of \$200 for each \$1,000 over the threshold.
- U.S. assembly is required to qualify for the deduction.
- Available to both itemizers and non-itemizers.

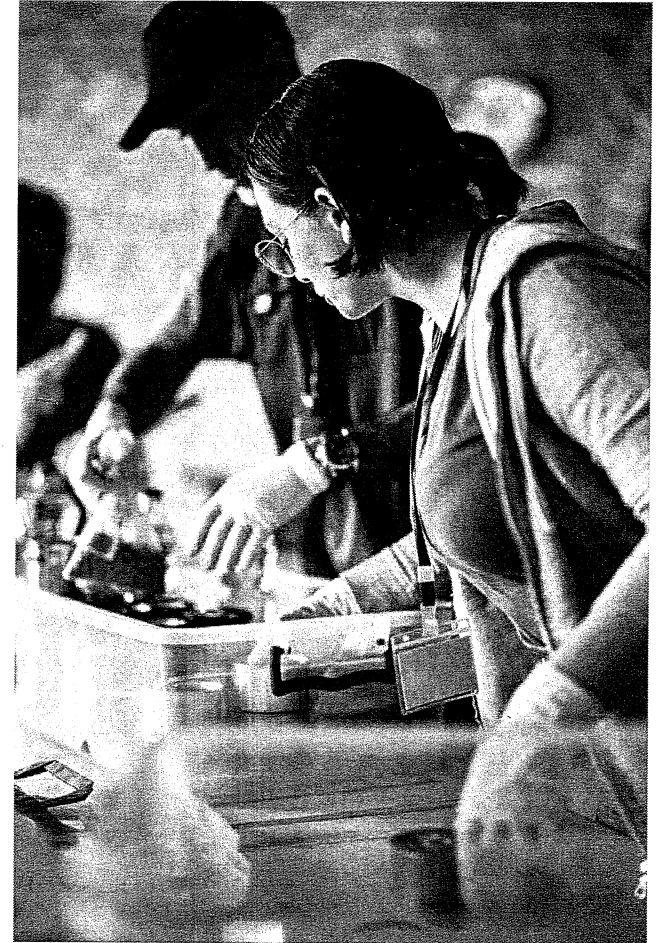
Charitable Contribution Deductions

Starting in 2026, individuals who do not itemize deductions can deduct charitable contributions made in cash during the tax year.

- Below-the-line deduction for non-itemizers, annual maximum of \$1,000 for single filers (\$2,000 for married filing jointly).

Important new changes for taxpayers who itemize:

- Floor of 0.5% for individual charitable contribution deductions.
- Floor of 1% for corporate contribution deductions.





Trump Accounts

Newly created tax-favored Trump accounts for children operate in a similar manner to individual retirement accounts.

Pilot program running from 2025 through 2028 will seed the accounts of children who are U.S. citizens at birth with \$1,000.

- Annual contribution maximum of \$5,000 annually, adjusted for inflation, from birth to age 18.
- Withdrawals commencing at age 18.
- Employer can contribute up to \$2,500 (adjusted for inflation after 2027) of the employee's income and be excluded from the employee's gross income.
- Can rollover to ABLE Accounts.