

Income Insights: Big Beautiful Bill's Impact for Individuals

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The One Big Beautiful Bill Act, signed into law on July 4, 2025, enacts sweeping changes to the U.S. Tax Code with a focus on extending and enhancing provisions from the 2017 Tax Cuts and Jobs Act (TCJA). The most significant provisions affecting individual taxpayers are summarized below.

Tax rates and brackets

- The **TCJA tax brackets** (10%, 12%, 22%, 32%, 35%, and 37%) have been made **permanent**.
- An **additional year of inflation adjustment** has been applied to the 10% and 12% brackets starting in 2025.

Standard deduction and personal exemption

- The **enhanced standard deduction** has been made permanent and has increased to:
 - \$31,500 for joint filers
 - \$23,625 for heads of household
 - \$15,750 for single filers

It will be indexed for inflation each year thereafter.

- The **elimination** of the **personal exemption** has been made **permanent**.

Senior deduction (2025–2028)

- A temporary \$6,000 deduction for seniors (per qualifying individual) has been made available to both itemizers and non-itemizers.
- The deduction phases out when modified adjusted gross income (AGI) exceeds \$75,000 (\$150,000 for joint senior filers).

Temporary deductions (2025–2028)

- A **tip income deduction** of up to \$25,000 will be temporarily available for workers in traditionally tipped industries. This deduction phases out when AGI exceeds \$150,000 (\$300,000 for joint filers).
- An **overtime income deduction** of up to \$12,500 (\$25,000 for joint filers) will be temporarily available. This deduction phases out when AGI exceeds \$150,000 (\$300,000 for joint filers).
- An **auto loan interest deduction** of up to \$10,000 for U.S.-assembled new vehicles will be temporarily available. This deduction phases out when AGI exceeds \$100,000 (\$200,000 for joint filers).



Child tax credit

- The TCJA child tax credit has been made **permanent**.
- The maximum credit has been increased to \$2,200 per child in 2026 and will be indexed for inflation thereafter.

Charitable contributions

- There will now be a **0.5% floor** on itemized charitable deductions.
- A **permanent above-the-line charitable deduction** has been added:
 - \$1,000 for individuals
 - \$2,000 for joint filers

Mortgage interest deduction

- The **\$750,000 principal cap** for mortgage interest deduction has been made **permanent**.

SALT deduction cap

- This has temporarily **increased to \$40,000 in 2025** and will rise 1% annually through **2029**.
- It will be **phased out** for incomes **above \$500,000**.
- In **2030**, it will revert to a **\$10,000 cap**.

Itemized deductions

- The **value of itemized deductions** has been capped at **35%** for top-bracket taxpayers.
- The following have been made permanent:
 - Limits on **personal casualty losses**
 - The elimination of **miscellaneous itemized deductions** (except educator expenses)
 - The repeal of the **Pease limitation**
 - Restrictions on **moving expenses** (except for military and intelligence personnel)

Alternative minimum tax (AMT)

- The **AMT exemption increase** has been made permanent.
- **Phaseout thresholds will revert** to 2018 levels (\$500,000 for single filers/\$1 million for joint filers), indexed for inflation.

Repeal of green energy credits

- Several **Inflation Reduction Act** credits for individuals have been repealed (e.g., EV and energy efficiency) after 2025.

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