

# Individual Tax Provisions of the 2025 Tax Act

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## **Permanent Extension of the 2017 Tax Cuts and Jobs Act (TCJA) Tax Rates and**

**Brackets:** The seven federal income tax rates (10%, 12%, 22%, 24%, 32%, 35%, and 37%) established under the TCJA are made permanent, avoiding a scheduled reversion in 2026 to the highest tax rate of 39.6%. The top marginal rate for estates and trusts will remain at 37%.

**Standard Deduction Increases & Permanency:** For tax years beginning after 2024, the larger standard deductions introduced under the TCJA are now **permanent**, with slightly higher amounts for 2025. For single filers it will increase from \$15,000 to \$15,750, for heads of household from \$22,500 to \$23,625, and for married individuals filing jointly from \$30,000 to \$31,500. After 2025, the standard deduction will adjust for inflation.

**Expanded Child Tax Credit:** The Child Tax Credit is increased from \$2,000 to \$2,200 per child effective 2025. The Phaseout thresholds for the Child Tax Credit for 2025 are \$200,000 for Single filers and \$400,000 for Married Filing Jointly couples. These thresholds will remain in place for 2026 and will be adjusted annually for inflation starting in 2026.

**Other Dependent Credit:** Families who have dependents that don't qualify for the Child Tax Credit—such as older children, parents, or other adult relatives—may still be eligible for the Other Dependent Credit. The \$500 credit is now permanent rather than the previously scheduled expiration. The credit remains non-refundable. Thus, it can reduce your tax liability to zero but won't result in a refund if the credit exceeds your tax owed.

**New Deduction for Seniors (65+):** Individuals 65 or older may claim an additional \$6,000 deduction (per person), from 2025 through 2028. The deduction phases out at \$75,000 Modified adjusted GROSS INCOME (MAGI) for singles, and \$150,000 for joint filers.

**Tax-Free Tips Deduction:** A new deduction allows employees and self-employed individuals to exclude tip income from federal income tax (though tips must still be reported)—up to \$25,000, for 2025–2028. This deduction phases out beginning at \$150,000 income for singles, and \$300,000 for joint filers.

**Deduction for Qualified Overtime Pay:** A new deduction is available for the "extra" half-time portion of overtime pay of up to \$12,500 for singles, \$25,000 for married joint filers (2025–2028). This deduction phases out at the same income thresholds as tips (\$150K single / \$300K joint).

**Auto Loan Interest Deduction:** Taxpayers may deduct up to \$10,000 in auto loan interest annually for new vehicles assembled in the U.S., bought between 2025–2028. This deduction Phase-out begins to phase out beginning at \$100,000 for singles and \$200,000 for joint filers.

**Expanded SALT Deduction Cap:** The state and local tax (SALT) deduction cap is raised from \$10,000 to \$40,000, indexed for inflation at 1% annually beginning in 2026 through 2029. For taxpayers who earn more than \$250,000 (\$500,000 for married couples), the added \$30,000 is phased down to a floor of \$10,000.

**Charitable Deduction Changes:** For taxpayers electing to itemize deductions, beginning in 2026, only contributions exceeding 0.5% of the taxpayer's adjusted gross income will be deductible.

For taxpayers claiming the standard deduction (non-Itemizers), the charitable deduction is up to \$1,000 for single persons and \$2,000 for joint filers.

Cash gifts to public charities will continue to be deductible for up to 60% of the individual's adjusted gross income, instead of falling to 50% as scheduled under the TCJA.

**Trump Accounts:** Trump Accounts are newly introduced federal tax-advantaged account that operate like a quasi-IRA for the benefit of a minor. Contributions can only be made in calendar years before the beneficiary turns 18 and distributions can only be made starting in the calendar year when the beneficiary turns 18. Investments in Trump accounts are generally limited to mutual funds and indexed ETFs and cannot have annual fees and expenses of more than 0.1%. A fund must be comprised primarily of United States companies.

These accounts allow family members to give up to \$5,000 per year (adjusted for inflation after 2027) per beneficiary account and the account grows tax deferred until the beneficiary reaches age

18. Once a beneficiary turns 18, he or she may withdraw without penalty, but withdrawals in excess of contributions are subject to ordinary income taxation.

Employers may contribute up to \$2,500 per year (adjusted for inflation after 2027), on a tax-free basis, on behalf of their employees' dependents or their teenage employees; this contribution counts towards the \$5,000 annual limit.

In addition, there is a contribution pilot program that provides a \$1,000 tax credit for opening a Trump account for a child born between January 1, 2025, and December 31, 2028.

**529 Plans:** The 529 Plan is a tax-advantaged savings vehicle originally implemented to encourage families to save for future college education. Money is invested in the 529 account and if account funds are used for "qualified higher educational expenses," then no tax is due on distribution. While originally implemented to provide tax favored treatment when used for the costs of higher education, the definition was expanded to include elementary and secondary school tuition costs. Further, the amount that qualified to be withdrawn in any year to cover such costs was limited to \$10,000.

The definition has now been further expanded to include additional expenses for K-12 education, including purchasing curricular materials, online educational materials, tutoring, standardized testing fees, and education related therapies for students with disabilities. Further, the cap on withdrawals for K-12 education has increased to \$20,000 per year.

**Elimination of Personal Exemptions:** The personal exemption deduction has been permanently repealed. Prior to the TCJA, individuals who itemized could deduct up to \$4,050 for themselves, a spouse, and each dependent.

**Estate & Gift Tax Exemption Increase:** Effective January 1, 2026, the federal estate, gift, and generation-skipping transfer tax exclusion amount has been permanently increased to \$15 million for US individuals (currently \$13.99 million)... The new exclusion amount will adjust for inflation each year beginning on January 1, 2027.

As under prior law, the federal generation-skipping transfer tax exemption is the same as the federal estate and gift tax exclusion amount.