



**One Big Beautiful Bill Act:
Key Individual Tax Provisions**

Jake Lincoln, CPA



Permanent/Long-run

Temporary (2025–2028)

Temporary (2025–2029)

Bigger baseline benefits

- Higher standard deduction (2025+), inflation-indexed
- TCJA individual tax rates made permanent
- Child Tax Credit increased (\$2,200/child)

Worker-focused deductions

- Tip income deduction (up to \$25,000)
- Overtime premium pay deduction (up to \$12,500 / \$25,000)
- Car loan interest deduction (up to \$10,000)
- Extra \$6,000 senior deduction (age 65+)

Itemizers & higher earners

- SALT cap raised to \$40,000 (2025), then grows through 2029
- AMT: TCJA exemptions made permanent, but phaseout begins earlier
- Planning is increasingly about managing MAGI phaseouts



Provision	Effective years	Key limit (high level)	Phase-out starts (MAGI)
Standard deduction	2025+	TY2025: \$15,750 single; \$23,625 HOH; \$31,500 MFJ	N/A
TCJA tax rates	2026+	Rates remain 10/12/22/24/32/35/37%	N/A
Child Tax Credit	2025+	\$2,200 per qualifying child	200k single / 400k MFJ
SALT cap	2025–2029	Cap \$40,000 in 2025; +1%/yr thru 2029; Back to \$10,000 in 2030+	~\$500k+ (see formula)
Tip income deduction	2025–2028	Up to \$25,000 qualified tips	150k single / 300k MFJ
Overtime deduction	2025–2028	Up to \$12,500 single / \$25,000 MFJ	150k single / 300k MFJ
Senior extra deduction (65+)	2025–2028	\$6,000 per eligible individual	75k single / 150k MFJ
Car loan interest	2025–2028	Up to \$10,000 interest (qualifying U.S.-assembled new vehicle)	100k single / 200k MFJ
AMT changes	2026+	Exemptions permanent; phaseout begins at 626k single / 1.25m MFJ	626k single / 1.25m MFJ

Note: thresholds are simplified; some rules vary by filing status and must be computed using statutory formulas.



Standard deduction amounts under OBBB

Illustrative tax savings from the *increase* vs. prior TCJA levels:

Example (TY2025): MFJ in 22% bracket

- Standard deduction increased from \$30,000 → \$31,500 (Δ \$1,500)
- Approx federal tax savings \approx \$1,500 \times 22% = \$330

How taxpayers can take advantage

- Compare itemizing vs. standard each year (SALT, mortgage interest, charity).
- “Bunch” deductions (e.g., charity) into one year if you are near the itemizing break-even.
- For investors: the higher standard deduction can make capital gains harvesting more tax-efficient in low brackets.
- Update withholding/estimated tax if your taxable income drops (avoid “surprise refunds” or underpayment).



What changed

- The TCJA marginal rate structure (10%–37%) no longer sunsets after 2025.
- Bracket thresholds remain inflation-indexed (OBBB provides technical inflation adjustments).
- Practical impact: more certainty for multi-year planning (Roth conversions, capital gains, timing of deductions).

TY2026 marginal rate thresholds (selected):

Rate	Single (starts over)	MFJ (starts over)
37%	\$626,350	\$751,600
35%	\$250,525	\$501,050
32%	\$197,300	\$394,600
24%	\$103,350	\$206,700
22%	\$48,475	\$96,950
12%	\$11,925	\$23,850

Planning angle for individuals

- Roth conversion “fill the bracket” strategy is easier when rates are less likely to jump after 2025.
- Coordinate conversions with Medicare IRMAA, NIIT thresholds, and new MAGI-based phaseouts (tips/overtime/SALT).
- For retirees: consider “tax bracket smoothing” across 60s–70s (before RMDs).



Key rules (CTC)

- Maximum credit increased to \$2,200 per qualifying child (inflation-indexed).
- Full credit generally available up to \$200,000 (single/HOH) or \$400,000 (MFJ).
- Above the threshold, the credit phases down by \$50 per \$1,000 of MAGI ($\approx 5\%$).
- Work-authorized SSNs required for taxpayer(s) and child to claim the credit.

Savings example

Example: MFJ with 2 qualifying children, MAGI below \$400k

- Prior max: $\$2,000 \times 2 = \$4,000$
 - New max: $\$2,200 \times 2 = \$4,400$
- Increase = \$400 of federal tax reduction (dollar-for-dollar).

Planning note: if you are near the phase-out, managing MAGI (Roth conversions, capital gains, bonuses) can preserve the credit.

Phase-out checkpoints (illustrative)

- Single/HOH: full credit \leq \$200,000 MAGI
- MFJ: full credit \leq \$400,000 MAGI

Phase-down rate:

- $-\$50$ credit for each $+\$1,000$ MAGI over threshold

Quick math:

If MFJ MAGI is \$410k \rightarrow \$10k over \rightarrow credit reduced by \$500.



What changed

- Cap is \$40,000 in TY2025 (vs. \$10,000 previously).
- Cap increases by 1% per year for 2026–2029.
- Cap reverts to \$10,000 starting in TY2030.
- Higher-income reduction: cap is reduced by 30% of MAGI above the threshold (floor: \$10,000).

Example savings (if you itemize and are not in AMT)

Assume TY2025: MFJ, itemizing, \$45k of eligible SALT (property + state income tax).

- Old cap: \$10k deductible; new cap: up to \$40k deductible
- Incremental deduction: \$30k
- If marginal rate ~35%, tax savings $\approx \$30,000 \times 35\% = \$10,500$

Caution: SALT does not help if you take the standard deduction or if AMT disallows it.

TY2025 cap vs. MAGI (illustrative)

Formula (TY2025): $\text{cap} = \$40\text{k} - 30\% \times (\text{MAGI} - \$500\text{k})$, but not below \$10k.



Key rules

- Effective TY2025–TY2028; available whether or not you itemize.
- Max deduction: \$25,000 of qualified tips (reported on W-2/1099/etc.).
- Not eligible if working in a “specified service trade or business” for §199A purposes (per IRS guidance).
- Phase-out: max reduced by \$100 for each \$1,000 MAGI above \$150k (single) / \$300k (MFJ).
- Tip income **still** subject to payroll taxes (Social Security/Medicare).

Savings example

Example: single taxpayer, \$20,000 qualified tips, 12% marginal bracket

- Deduction: \$20,000
- Approx federal income tax savings $\approx \$20,000 \times 12\% = \$2,400$

Phase-out illustration:

- Single MAGI \$180k \rightarrow \$30k over threshold \rightarrow max reduced by $\sim 10\% \times \$30k = \$3,000$
 \rightarrow \$25,000 max becomes \sim \$22,000.

Single filer phase-out (illustrative)

Rule: reduce max by \$100 per \$1,000 over \$150k (single).



Key rules

- Effective TY2025–TY2028; available whether or not you itemize.
- Deduction covers the “premium” portion required by FLSA (e.g., the extra **half** in time-and-a-half).
- Max deduction: \$12,500 (single) / \$25,000 (MFJ).
- Phase-out: reduce max by \$100 per \$1,000 MAGI over \$150k (single) / \$300k (MFJ).
- **Still** subject to payroll taxes.

Savings example

Single taxpayer has \$8,000 of qualified overtime premium pay.

Assume 22% marginal bracket:

- Savings $\approx \$8,000 \times 22\% = \$1,760$

Phase-out example

MFJ MAGI = \$340,000 (i.e., \$40k above \$300k).

Max = \$25,000, reduced by $\sim \$4,000$.

- Allowed max $\approx \$21,000$
- If you only have \$12k of premium pay, you can still deduct the full \$12k.



Key rules

- Additional \$6,000 deduction per eligible individual age 65+ (so \$12,000 if both spouses qualify).
- Available whether you itemize or take the standard deduction.
- Phase-out: reduced by 6% of MAGI above \$75k (single) / \$150k (MFJ).

Example savings & phase-out

Single (age 67), MAGI = \$95,000

- MAGI exceeds \$75k by \$20k → reduction = $6\% \times \$20k = \$1,200$
- Allowed deduction = $\$6,000 - \$1,200 = \$4,800$
- If marginal rate is 22% → tax savings $\approx \$4,800 \times 22\% = \$1,056$

Phase-out range (single): \$75k to \$175k (deduction hits \$0).

Planning ideas (retirees)

- • Coordinate distributions (IRA, brokerage, Roth) to keep MAGI below the phase-out when possible.
- • Review withholding on pensions/RMDs: the deduction may increase refunds if withholding isn't adjusted.
- • If you're close to the threshold, consider deferring capital gains or using loss harvesting.
- • Remember: this is in addition to the existing extra standard deduction for age 65+.



Key rules

- Effective TY2025–TY2028; available whether or not you itemize.
- Deduct up to \$10,000 of interest on a qualified vehicle loan.
- Loan must be originated after 12/31/2024; vehicle generally must be new (original use starts with taxpayer).
- Vehicle must have final assembly in the U.S. (check label/VIN guidance).
- Phase-out: reduce by \$200 for each \$1,000 MAGI above \$100k (single) / \$200k (MFJ).

Example

Single taxpayer pays \$4,500 of eligible interest in TY2026; marginal bracket 24%.

- Savings $\approx \$4,500 \times 24\% = \$1,080$

Phase-out illustration:

- Single MAGI \$130k \rightarrow \$30k over \$100k threshold
- Reduction = $\$200 \times 30 = \$6,000$
- Max \$10,000 becomes \$4,000 (then limited to actual interest paid).

Taxpayer checklist

- 1) Keep Form 1098 (or lender statement) showing interest paid.
- 2) Confirm loan origination date (after 12/31/2024).
- 3) Confirm final assembly in U.S. (label/VIN guidance).
- 4) Watch MAGI: phase-out completes by \$150k (single) / \$250k (MFJ).
- 5) Leases do not qualify.



What changed

- TCJA AMT exemption amounts are made permanent (avoids the 2026 reversion to lower exemptions).
- But: phaseout now begins at \$626,350 (unmarried) / \$1,252,700 (MFJ).
- Phaseout rate increased: exemption reduced by 50% of income above the threshold (was 25%).
- Net result: more AMT exposure for some higher-income taxpayers vs. TCJA rules, but less than a full reversion.

TY2026 AMT (selected)

- Exemption: \$88,100 (unmarried) / \$137,000 (MFJ)
- Phaseout begins at: \$626,350 (unmarried) / \$1,252,700 (MFJ)

How taxpayers can take advantage (or avoid surprises)

- • If you itemize heavily (especially SALT) or have incentive stock options, run an AMT projection early.
- • Consider timing: exercising ISOs + capital gains + bonus income can push you into AMT phaseout faster.
- • Use withholding/estimated payments to cover AMT if projected (AMT can create underpayment penalties).
- • For investors: municipal private-activity bonds can trigger AMT preference items (check holdings).



Year-end planning checklist

- Run a “2025–2028 sunset” checklist (tips/overtime/senior/car loan).
- Project MAGI and locate each phase-out cliff (CTC, SALT, tips/overtime).
- If itemizing: consider “bunching” deductible expenses into one year.
- If investing: coordinate realized gains with bracket targets and phase-outs.
- Check AMT exposure before large ISO exercises or big capital gains years.

Filing & documentation checklist

- Confirm information reporting: W-2 tips and qualified overtime must be shown separately.
- Keep proof of age (for senior deduction) and work-authorized SSNs as required.
- For auto interest: keep lender statements; confirm origination date and U.S. final assembly.
- Update Form W-4 / estimated taxes if these deductions reduce taxable income.
- When in doubt: run a pro-forma return early — many benefits are interaction-driven.

Q&A

Thanks!

