What the new tax law could mean for you

As 2025 began, individual taxpayers faced uncertainty with several key provisions of the tax law that were set to expire at the end of the year. That changed on July 4, when President Trump signed the One, Big, Beautiful Bill Act (OBBBA) into law. The OBBBA not only makes many TCJA provisions permanent but also introduces several new benefits — although some other tax breaks have been removed. Below is a summary of eight areas with changes that may impact you and your family.

1. Child tax credit

Starting in 2025, the credit rises to $2,200 per qualifying child under 17 (up from $2,000). The refundable portion is set at $1,700 in 2025 and adjusted for inflation thereafter. Phaseouts begin at $200,000 for single taxpayers and $400,000 for joint filers.

A valid Social Security number for the child and at least one parent is required to claim the credit.

2. Credit for other dependents

The OBBBA retains the $500 credit for non-child dependents and makes it permanent. This applies to children who are too old to qualify for the child tax credit or elderly parents. This credit, also subject to the child tax credit phaseout rules, was set to expire after 2025.

3. Tax rates and brackets

The seven tax brackets introduced by the Tax Cuts and Jobs Act (TCJA) were set to expire after 2025. The OBBBA makes these rates — 10%, 12%, 22%, 24%, 32%, 35% and 37% — permanent, with inflation-adjusted bracket thresholds beginning in 2026.

There are no changes to long-term capital gains and qualified dividends. They'll remain taxed at 0%, 15%, or 20%. Real estate depreciation-related gains will still be taxed at up to 25%, and long-term gains on collectibles will still be taxed at 28%.

4. Increased standard deduction

The TCJA nearly doubled standard deduction amounts, and the OBBBA solidifies these increases starting in 2025 for taxpayers filing as:

- Single, $15,750 (up from $15,000 before the law),
- Head of household, $23,625 (up from $22,500), and
- Married filing jointly, $31,500 (up from $30,000).

These figures will be adjusted for inflation from 2026 onward.

Additional deductions are still available for those age 65 or older or blind. They are $2,000 for single individuals and $1,600 per spouse for married couples filing jointly.

5. New senior deduction

For tax years 2025–2028, a new senior deduction of up to $6,000 is available to individuals age 65 or older, regardless of whether they itemize. The total deduction can be up to $12,000 for joint filers where both spouses are eligible.

The deduction begins to phase out when modified adjusted gross income (MAGI) exceeds $75,000 for singles or $150,000 for joint filers. It phases out completely at MAGI of $175,000 and $250,000, respectively.

6. SALT deduction cap

The deduction limit for state and local taxes (SALT) is raised temporarily. For 2025, it's increased to $40,000 ($20,000 if married filing separately). For 2026, the deduction limit rises to $40,400 and increases by one percent over the previous year's amount in 2027–2029. The SALT deduction limit will return to $10,000 in 2030.

The deduction is phased out for higher-income taxpayers. The phaseout begins at MAGI of $500,000 for married couples filing jointly ($250,000 for singles and married individuals filing separately).

7. Estate and gift tax exemption

The lifetime estate and gift tax exemption, which is $13.99 million in 2025, will rise to $15 million in 2026 and be adjusted annually for inflation. For married couples, that's an effective exemption of $30 million in 2026 and beyond.

8. Qualified passenger vehicle loan interest

For tax years 2025–2028, taxpayers can claim a new deduction of up to $10,000 for interest paid or accrued on a loan for the purchase of a qualified passenger vehicle for personal use. There are a number of requirements to claim the deduction, including that the final assembly of the vehicle must occur in the United States. The deduction begins to phase out when the taxpayer's MAGI exceeds $100,000 ($200,000 for married couples filing jointly). The tax break is also available to individuals who don't itemize deductions on their tax returns.

Wide-ranging impacts

These are just some of the provisions in the massive new tax law. It marks a substantial shift in tax policy, locking in many benefits from the TCJA while introducing some new tax breaks. However, keep in mind that some provisions — like the SALT deduction increase — are temporary and others contain income-based limitations. Contact us if you have questions about how these changes affect your personal situation.