2025 Individual Tax Law Changes

Tax Law Changes: A Comparative Overview

Understand how The One, Big, Beautiful Bill will affect you and your individual tax bill going forward.

Tax Provision	Current Law	New Law	Effective Date
Individual income tax rates	Tax Cuts and Jobs Act (TCJA) rates (lowered rates) expire after 2025; rates revert to pre- TCJA levels. Seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35% and 37%. Bracket thresholds are adjusted annually for inflation.	Makes TCJA rates permanent. All brackets continue to be indexed for inflation after 2025. Also adds an additional year of inflation adjustment to the end of the 10% and 12% brackets.	January 1, 2026
Estate and gift tax exemption	$13.61 million (2024, inflation- adjusted); reverts to ~$5 million (indexed) after 2025.	Increases exemption to $15 million (indexed from 2026); makes higher exemption permanent.	January 1, 2026
Personal exemptions	Suspended for 2018-2025.	Permanently terminates deduction for personal exemptions.	January 1, 2026

Tax Provision	Current Law	New Law	Effective Date
Standard deduction	Increased standard deduction (TCJA) expires after 2025; reverts to lower pre-TCJA levels.	Permanently increases the standard deduction- 2025 standard deductions are: Single & MFS: $15,750 (indexed). HoH: $23,625 (indexed) MFJ: $31,500 (indexed).	January 1, 2025
State and local tax (SALT) cap	$10,000 cap.	The SALT provision retroactively increases the individual limit from $10,000 to $40,000 for 2025 and $40,400 for 2026, followed by 1% increases for 2027, 2028, and 2029. Beginning in 2030, the cap would revert to $10,000. Such deduction would also be subject to a phaseout for MAGI greater than $500,000 in 2025, $505,000 in 2026, and similar 1% increases thereafter, but the deduction would not be reduced below $10,000.	January 1, 2025
Mortgage interest deduction	$750,000 acquisition indebtedness limit.	Makes $750,000 limit permanent.	January 1, 2026

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Home equity debt	Interest on home equity debt is not deductible (if the loan proceeds were used to buy, build or substantially improve the taxpayer's home or second home.	Requirement that HELOC be used to buy build or substantially improve your home or second home made permanent.	January 1, 2026
Casualty loss deduction	Limited to federally declared disasters.	Makes limitation permanent, however expands the provision to include certain state-declared disasters.	January 1, 2026
Miscellaneous itemized deductions	Suspended 2018–2025 (TCJA); Reinstated in 2026. Misc. Itemized Deductions include items like unreimbursed job expenses, broker, tax preparation and legal fees	Permanently terminates miscellaneous itemized deductions, also removes unreimbursed job expenses for eligible educators from the list of miscellaneous itemized deductions, effectively creating a separate itemized deduction category for these expenses – see next item.	January 1, 2026

Tax Provision	Current Law	New Law	Effective Date
Itemized Deductions phaseouts	Suspended for 2018-2025. Also referred to as “Pease limitation” this was a provision in the US tax code that limited the amount of itemized deductions high-income taxpayers could claim. This limitation was in effect for tax years prior to 2018.	Permanently repeals the Pease limitation phase-out. Starting in 2026 replaces the Pease limitation with a simpler, uniform phase out cap for taxpayers in the top (37% bracket) effectively capping benefit of itemized deductions at 35% of total income.	January 1, 2026
Moving expenses deduction	Suspended for 2018-2025.	Permanently terminates deduction (except for Armed Forces).	January 1, 2026
Charitable Deduction for Individuals who Itemize	Taxpayers who itemize are subject adjusted gross income limits to their charitable donations based on the type of contribution. If a contribution exceeds these limits, it can be carried forward to be deducted in a future year for up to five years.	Starting in 2026 an additional new limit on charitable deduction for taxpayers who itemize by providing a deduction only for charitable contributions to the extent that they exceed 0.5% of the taxpayer’s AGI.	January 1, 2026
Charitable deduction for non-itemizers	Not available after 2021.	The bill creates a charitable contribution deduction of $1,000 for single filers or $2,000 for MFJ for certain charitable contributions. The deduction is permanent, however it starts after 2025.	January 1, 2026

Tax Provision	Current Law	New Law	Effective Date
No tax on car loan interest	Personal interest on car loans not deductible.	Allows deduction for non-itemizers up to $10,000 of interest on new car loans (2025–2028); must be US-assembled passenger vehicles with the vehicle serving as security for the loan.	January 1, 2025 - December 31, 2028
Enhanced deduction for seniors	Additional standard deduction for age 65+.	$6,000 bonus deduction for seniors (2025– 2028); phased out at higher incomes.	January 1, 2025 - December 31, 2028
Alternative Minimum Tax (AMT) exemption	Higher exemption and phase-out thresholds (TCJA) expire after 2025.	Makes higher exemption and phase-out thresholds permanent.	January 1, 2026
No tax on tips	Tips are taxable income.	Allows deduction for qualified tips which excludes highly compensated employees. Limits the benefit to $25,000 per taxpayer. Begins to phase out the deduction when the taxpayer's modified adjusted gross income exceeds $150,000 ($300,000 for MFJ) and expires in 2028.	January 1, 2025 - December 31, 2028

Tax Provision	Current Law	New Law	Effective Date
No tax on overtime	Overtime pay is taxable income.	Allows deduction for qualified overtime compensation (excludes highly compensated employees and tips); deduction ends after 2028; limits the benefit to $12,500 per taxpayer subject to income limitations. Will require employers to report eligible overtime on W-2's.	January 1, 2025 - December 31, 2028
Child Tax Credit (CTC)	$2,000 per child.	Permanent increase of $2,200 per child, with $1,700 refundable with inflation adjustments. Note: A phase out of the credit remains at higher income levels. Phase out begins at $200,000 of adjusted gross income (AGI) for single filers, heads of household or qualifying widower(er)s. Phaseout starts at $400,000 of AGI for married filing jointly (MFJ).	January 1, 2025

Tax Provision	Current Law	New Law	Effective Date
Other Dependent Credit	Provides non-refundable credit of $500 per qualifying dependent who does not qualify for the CTC (e.g., older children, elderly parents).	$500 credit is made permanent.	January 1, 2026
Adoption credit	Nonrefundable.	Makes $5,000 of the credit refundable; inflation adjusted.	January 1, 2025
529 plan qualified expenses	Limited to higher education and $10,000 K-12 tuition.	Expands to include more K-12 and homeschool expenses, and postsecondary credentialing expenses.	January 1, 2026
Unreimbursed Educator Expenses	$300 above the line deduction for unreimbursed expenses incurred for classroom supplies, deduction amount is indexed.	Above the line deduction is still available however for educators who itemize, an additional itemized deduction is created with expanded definition of eligible expenses.	January 1, 2026
Wagering losses	Limited to itemized deduction based on the amount of winnings through 2025.	Makes limitation permanent. Further limits losses from wagering transactions to 90% of the amount of such losses, only to the extent of winnings.	January 1, 2026

Tax Provision	Current Law	New Law	Effective Date
Trump Accounts	N/A — did not exist.	The bill establishes a new type of tax-preferred account for retirement savings that can be opened and funded on behalf of any individual from birth through age 18 with no earned income requirement. The Trump accounts program continue to be developed and finalized.	Effective for children born January 1, 2025 - December 31, 2028

Source: "Key Tax Provisions – Final Legislation with Comparison Across 2025 Reconciliation Bill" by AICPA & CIMA