

Subject: Summary of 2025 Personal Tax Changes Under H.R. 1

Dear [Client Name],

I wanted to provide you with a summary of the key changes to personal taxes for 2025 and beyond under H.R. 1, the "One Big Beautiful Bill Act" (OBBBA). This legislation makes significant and permanent modifications to the federal income tax system for individuals. Below are the highlights most relevant to you:

1. Individual Tax Rates and Brackets

- The lower individual tax rates originally set by the Tax Cuts and Jobs Act (TCJA) are now permanent. For 2025, the top rate remains 37%. The brackets for single filers are as follows (doubled for joint filers):
 - 10%: up to \$11,925
 - 12%: \$11,925–\$48,475
 - 22%: \$48,475–\$103,350
 - 24%: \$103,350–\$197,300
 - 32%: \$197,300–\$250,525
 - 35%: \$250,525–\$626,350
 - 37%: over \$626,350

2. Standard Deduction and Personal Exemptions

- The standard deduction is increased and made permanent:
 - \$15,750 for single filers
 - \$23,625 for heads of household
 - \$31,500 for married filing jointly
- Personal exemptions remain suspended permanently. However, for 2026–2028, a temporary \$6,000 deduction is available for each taxpayer and spouse age 65 or older, subject to income phaseouts.

3. Child Tax Credit and Other Family Credits

- The Child Tax Credit is permanently increased to \$2,200 per qualifying child, with stricter Social Security number requirements and inflation adjustments.

- The child and dependent care credit is enhanced, and the adoption credit is now partially refundable and indexed for inflation.

4. Qualified Business Income Deduction (Section 199A)

- The phase-in threshold is increased to \$75,000 (\$150,000 joint), and a \$400 minimum deduction is established for active business income, both indexed for inflation.

5. Itemized Deductions

- The \$750,000 cap on mortgage interest deduction is made permanent, and mortgage insurance premiums are now treated as interest.
- The state and local tax (SALT) deduction cap is increased to \$40,000 (\$20,000 MFS) for 2025, indexed for inflation, with a phase-down for high incomes. The cap reverts to \$10,000 after 2029.
- The suspension of miscellaneous itemized deductions is made permanent, except for expanded educator expenses.
- A new formula reduces itemized deductions for high-income taxpayers.
- An above-the-line charitable deduction is made permanent and increased to \$1,000 (\$2,000 joint), with new AGI floors for itemized charitable deductions.

6. Temporary Deductions for Workers (2025–2028)

- Up to \$25,000 in qualified tips per year is deductible, phased out at higher incomes.
- Up to \$12,500 (\$25,000 joint) in qualified overtime pay per year is deductible, also phased out at higher incomes.
- Deduction of up to \$10,000/year for interest on loans for new U.S.-assembled passenger vehicles.

7. Other Notable Changes

- The estate and gift tax exemption is permanently increased to \$15 million, indexed for inflation.
- The Alternative Minimum Tax (AMT) exemption and phaseout thresholds are increased and made permanent.
- The casualty loss deduction is now available for both federally and state-declared disasters.

- Opportunity Zones, Low-Income Housing, and New Markets Tax Credits are made permanent or enhanced.
- 529 plans are expanded to cover more K-12 and postsecondary expenses.
- New tax-advantaged "Trump Accounts" for children under 18, with government-funded pilot contributions for newborns (2025–2028).

8. IRS Funding and Operations

- The IRS budget is increased, with a focus on digitalization, improved taxpayer service, and enhanced enforcement for high-income individuals and large businesses.

9. Inflation Adjustments

- Many thresholds, credits, and deductions are now indexed for inflation, with updated reference years for cost-of-living adjustments.

10. Other Provisions

- There are additional changes affecting business owners, investors, and specific industries, including full expensing for business property and modifications to various credits and deductions. Some energy credits are terminated or restricted after 2025 or 2026.

Summary Table: 2025 Key Personal Tax Provisions

Provision	2025 Amount/Rule
Standard Deduction (Single)	\$15,750
Standard Deduction (MFJ)	\$31,500
Top Individual Rate	37% over \$626,350 (single) / \$751,600 (MFJ)
Personal Exemption	\$0 (suspended permanently)
Child Tax Credit	\$2,200 per child, inflation adjusted
SALT Deduction Cap	\$40,000 (\$20,000 MFS), indexed, phases down at high income
Mortgage Interest Cap	\$750,000, permanent
Misc. Itemized Deductions	Suspended permanently (except educator expenses)

Provision	2025 Amount/Rule
Charitable Deduction (above-line)	\$1,000 (\$2,000 joint), permanent
Estate/Gift Tax Exemption	\$15 million, indexed
AMT Exemption (Single)	\$88,100
AMT Exemption (MFJ)	\$137,000

If you have any questions about how these changes may affect your specific situation, or if you would like to discuss tax planning strategies for 2025 and beyond, please let me know.