

Tax law changed by the OBBBA: Individual provisions

| Provision | Former law | OBBBA change |
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| Individual rates | TCJA rates/brackets set to expire 12/31/25 | TCJA rates made permanent, with brackets adjusted for inflation and bonus boost for 10% and 12% brackets |
| 199A qualified business interest deduction | 20% deduction set to expire 12/31/25; income limitation phase-in beginning at \$50k for individuals (\$100k for joint filers) | Deduction made permanent at 20%, with income limitation phase-in increased in 2026 to \$75k for individuals (\$150k for joint filers); minimum deduction set at \$400 in 2026, then adjusted for inflation |
| State & local tax (SALT) deduction | \$10k cap for most taxpayers (\$5k for married filing separately) on combined total of state and local property, income, and sales taxes; set to expire 12/31/25; pass-through entity tax (PTET) elections in numerous states allow many pass-throughs to pay state income taxes at entity level, enabling owners to deduct those taxes as business expenses and bypass SALT cap | Cap raised to \$40k for most taxpayers (\$20k for married filing separately) in tax year 2025; income phasedown of cap to floor of \$10k (\$5k for married filing separately) beginning at MAGI of \$500k and ending at \$600k for most taxpayers (\$250k to \$300k for married filing separately); maximum cap and MAGI amounts increased 1% annually through 2029, then cap is returned to \$10k (\$5k for married filing separately); no new limitations on PTET state-level workarounds |
| Alternative minimum tax | Higher exemptions and income thresholds set to expire 12/31/25, resulting in 2026 exemption of ~\$70.9k individual/\$110.4k joint filers and exemption phaseout thresholds of ~\$157.7k/\$210.3k | Higher exemptions made permanent; exemption phaseout thresholds set to 2018 levels of \$500k individual/\$1M joint, indexed for inflation; exemption phaseout increased from 25% to 50% of amount AMT income exceeds threshold |
| Estate and lifetime gift tax | Higher exemption set to expire 12/31/25, resulting in 2026 exemption of ~\$7M individual/\$14M joint filers | Higher exemption made permanent, increasing from \$13.99M to \$15M for individuals (\$30M for joint filers) in 2026, then indexed for inflation |
| Standard deduction | Increased standard deduction for non-itemizers from TCJA set to expire 12/31/25, resulting in 2026 amounts of \$8,300 individuals/\$12,150 head of household/\$16,600 joint filers | Higher standard deduction permanently extended, set at \$15,750 individual/\$23,625 head of household/\$31,500 joint filers in 2025, then annually adjusted for inflation; \$6k boost for seniors with SSN in 2025-28, with phase-down beginning at MAGI of \$75k individual/\$150k joint |

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| Itemized deductions | After 12/31/25, miscellaneous deductions again set to be subject to 2% of AGI floor; suspension of “Pease” limitation for high-income taxpayers set to expire; limit for cash contributions to public charities set to revert from 60% of AGI to 50%; mortgage interest deduction limit set to rise from \$750k to \$1M (from \$375k to \$500k for married filing separately), with interest on home equity loans deductible up to \$100k for non-home related purposes | Miscellaneous itemized deductions permanently repealed, with exception for educator expenses; “Pease” limitation permanently repealed but replaced with new overall limitation on tax benefit of itemized deductions, capping value of otherwise allowable itemized deductions at 35% for those in top tax bracket; limitation on mortgage interest permanently extended |
| Charitable contributions | Itemized deduction allowed for qualified contributions, generally limited to 60% of AGI for cash (set to fall to 50% after 2025) and 30% of AGI for appreciated assets | Beginning in 2026, itemized deduction subject to floor of 0.5% of AGI; cash contribution limitation permanently increased to 60% of AGI; permanent deduction created for non-itemizers of up to \$1k individual/\$2k joint |
| Tip income | None | New above-the-line deduction created for tax years 2025-28 for qualifying tip income of up to \$25,000; phase-out beginning at MAGI of \$150k individual/\$300k joint |
| Overtime income | None | New above-the-line deduction created for tax years 2025-28 for qualifying overtime income of up to \$12.5k individual/\$25k joint; phase-out beginning at MAGI of \$150k individual/\$300k joint |
| Car loan interest | None | New above-the-line deduction created for tax years 2025-28 for interest paid of up to \$10k on purchase of new personal vehicles; phase-out beginning at MAGI of \$100k individual/\$200k joint; vehicle’s final assembly must take place in U.S.; excludes all-terrain vehicles, trailers and campers |
| Child tax credit | Doubled credit from TCJA (max \$2k in 2025), refundable credit cap (\$1.7k in 2025) and nonrefundable credit for non-child dependents (\$500) set to expire 12/31/25; income phaseout threshold set to fall from \$400k for joint filers and \$200k for all others to \$110k/\$75k, respectively | Credit permanently increased, set at \$2.2k in 2025, then indexed for inflation; refundable credit permanently capped at \$1.4k; child and at least one parent must have SSN |

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| Tax-advantaged savings accounts for children | None | Creation of IRAs known as “Trump accounts” for children under age 18, allowing contributions by taxable entities beginning 1 year from enactment of up to \$5k annually (no limit on contributions from tax-exempt entities), indexed for inflation beginning in 2027; must be invested in diversified index tracking funds until beneficiary is age 18; government will seed accounts with \$1k for U.S. citizens born between 1/1/25 and 12/31/28; withdrawals can be made after beneficiary reaches age 18 |
| Residential energy-efficiency credits (25C & 25D) | Credits for qualified upgrades to taxpayer’s primary residence; subject to overall annual limits and caps for certain expenditures; 25C set to expire 12/31/32; 25D set to phase out in 2033-34 | Terminated 12/31/25 |
| Energy efficient home credits (45L) | Credit for qualified new homes acquired after 12/31/22 and before 1/1/33 | Terminated for homes acquired after 6/30/26 |
| Tax credit for contributions to elementary and secondary education scholarship-granting organizations | None | Credit for qualified contributions of up to \$1.7k annually, beginning in 2027; no volume cap; excess carryforward limited to 5 years; reduced based on any state credit |
| Excise tax on remittances | None | 1% on remittance transfers made after 12/31/25 using cash, money order, cashier’s check or similar financial instrument; transfers from U.S. bank accounts or using U.S. credit or debit cards exempt |
| Form 1099 reporting | Required for any non-employee paid \$2.5k or more for business services performed or goods sold in 2025, regardless of number of transactions; threshold set to fall to \$600 after 12/31/25 | Threshold increased to \$20k on >200 separate transactions for payments made after 12/31/25, then adjusted for inflation |
| Child & dependent care tax credit | Maximum credit for 35% of employment-related expenses; phasedown beginning at AGI of \$15k to no less than 20% credit | Beginning in 2026, maximum credit increased to 50%; phasedown to no less than 35% for individuals with AGI between \$15k and \$75k (between \$30k and \$150k joint filers) and to no less than 20% for those with higher AGI |
| Dependent care assistance programs | Employees may set aside up to \$5k (\$2.5k for married filing separately) of pre-tax income for employer-provided programs | For tax years after 12/31/25, annual amount excludible from employee’s income under employer-provided program increased from \$5k to \$7.5k (\$2.5k to \$3.75k for married filing separately) |



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