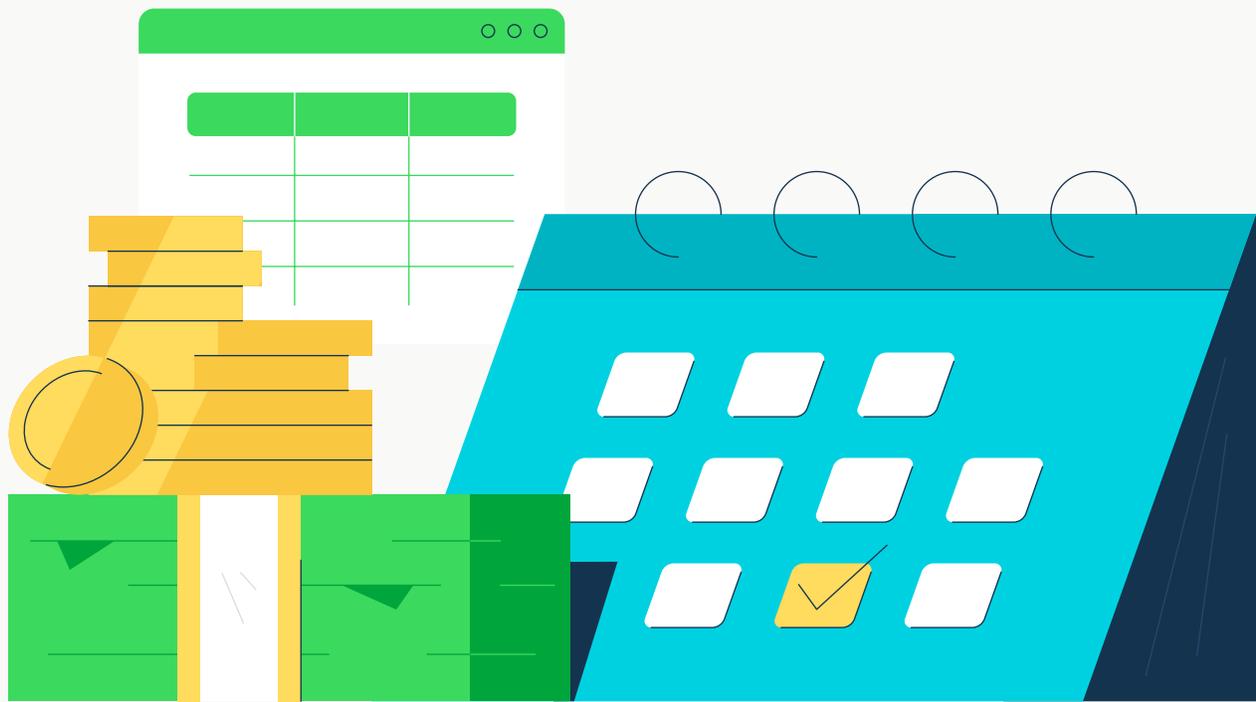




# 2025 tax year cheat sheet

Key updates and changes  
for the upcoming tax year



# One Big Beautiful Bill Act (OBBBA): Major tax changes

The OBBBA extends or makes permanent several TCJA provisions and introduces new reforms:

Permanent extensions from TCJA	New provisions starting with the 2025 tax year
<b>7 federal tax brackets</b> are now permanent	The <b>State and Local Tax (SALT) deduction</b> cap is temporarily increased with income-based phaseouts
<b>Larger standard deduction</b> amounts are also now permanent	Low- and middle-income workers can exclude certain <b>overtime pay and tips</b> from taxable income
The <a href="#">Section 199A</a> <b>Qualified Business Income (QBI) deduction</b> is expanded and made permanent	A <b>new bonus deduction</b> for seniors is available for older adults receiving Social Security
Elimination of <b>personal and dependent exemptions</b> remains in effect	Dividends from BDCs and REITs receive expanded <b>Section 199A treatment</b> , lowering their effective tax rate



# Individual tax changes

The following updates impact individuals and their take-home pay, family benefits, and year-end tax planning:

## Standard deduction and new "bonus" deduction

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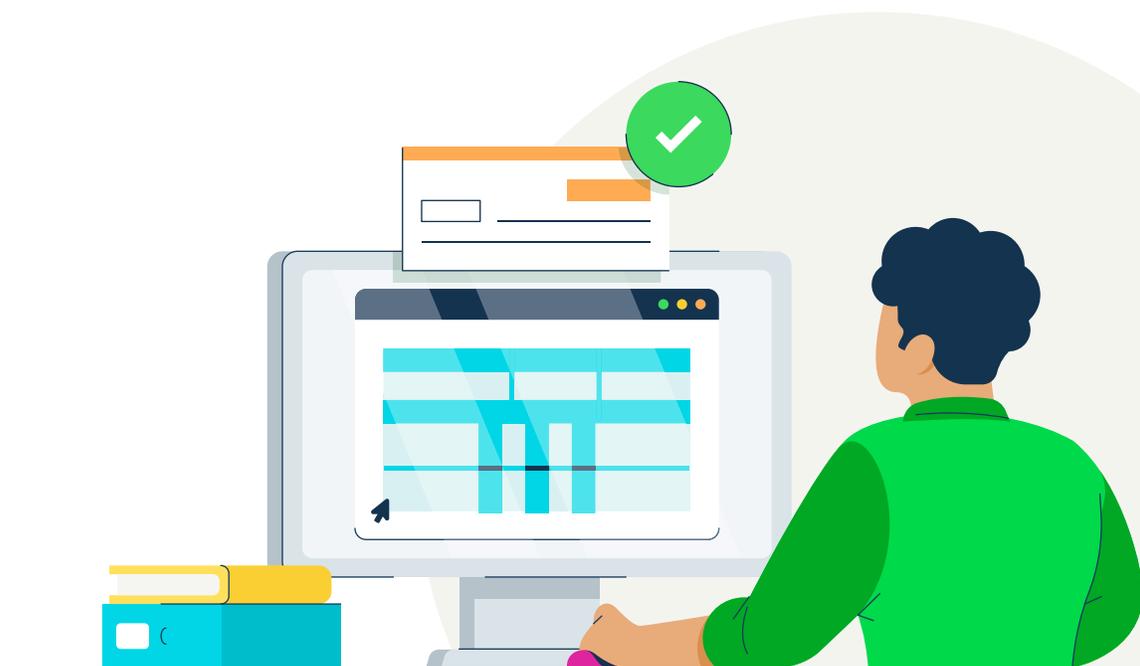
The **standard deduction**, the amount of income you can exclude from taxes, has increased for 2025:

- **Single or married filing separately:** \$15,750 (up from \$14,600)
- **Married filing jointly:** \$31,500 (up from \$29,200)
- **Head of household:** \$23,625 (up from \$21,900)

A **new "bonus" deduction** for taxpayers aged 65 and older is effective from 2025 through 2028:

- **Additional deduction** of \$6,000
- **Phaseouts** begin at Modified Adjusted Gross Income (MAGI) above \$75,000 for single filers and \$150,000 for married couples filing jointly
- The full deduction **phases out entirely** for single filers with MAGI above \$175,000 and for joint filers with MAGI above \$250,000

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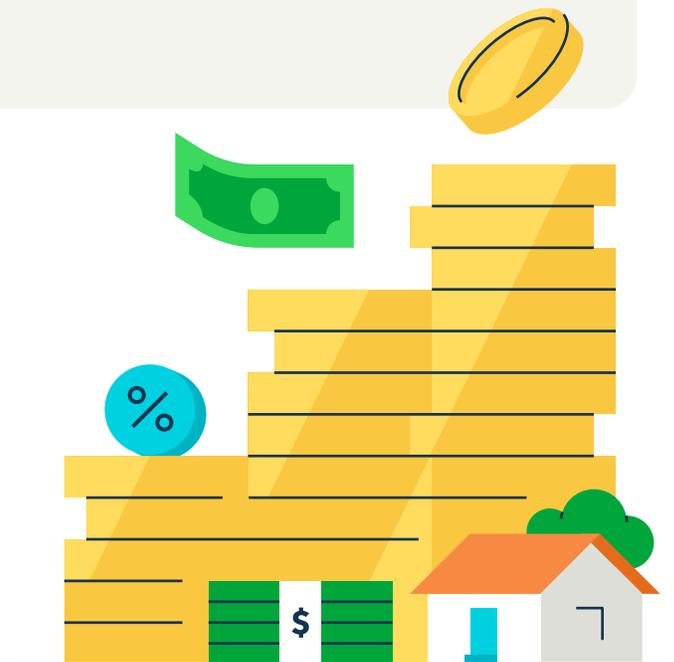
# Individual tax changes

The following updates impact individuals and their take-home pay, family benefits, and year-end tax planning:

## SALT deduction expansion

**Cap increases** to \$40,000 for married couples filing jointly (up from \$10,000)

Phaseouts	Duration
Begins at MAGI above \$500,000 for married couples filing jointly	Temporary through 2029, with thresholds increasing by 1% annually
The deduction is reduced by 30% for every dollar over the threshold, not falling below \$10,000	After 2029, the cap reverts to \$10,000 (or \$5,000 for married filing separately)
For married filing separately, the cap is \$20,000, phasing out above \$250,000 MAGI, and not falling below \$5,000	



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# Individual tax changes

The following updates impact individuals and their take-home pay, family benefits, and year-end tax planning:

## Alternative Minimum Tax (AMT)

The **exemption** amount is now **\$88,100** for individuals, \$137,000 for married couples filing jointly

**Phaseout** begins at AMT income (AMTI) of **\$626,350** for single filers and **\$1,252,700** for married couples filing jointly, at a rate of 25 cents per dollar

### Child Tax Credit

- **Maximum credit** increased to **\$2,200** per qualifying child
- The **refundable portion** remains at **\$1,700**

### Gift tax and estate tax

#### Gift tax exclusion:

- The first **\$19,000** per recipient is excluded from tax (up from \$18,000)

#### Estate tax exemption:

- For decedents dying in **2025**, the individual exemption is **\$13.99 million**
- For **2026 and beyond**, the exemption increases to **\$15 million**



# Business and self-employed updates

The following changes may impact reporting requirements, while others offer tax savings:

## Pass-through deductions (Section 199A)

- The **20% QBI deduction** is now **permanent**
- Starting in 2026, the QBI deduction increases to **23%**
- The deduction limit phase-in ranges are expanded by **\$25,000 for single filers and \$50,000 for joint filers**



Dividends from **Business Development Companies (BDCs) and Real Estate Investment Trusts (REITs)** now receive expanded Section 199A treatment

## Research and Development (R&D) expensing

Full and **immediate expensing of research and development expenses** has been restored permanently, allowing immediate write-offs for these costs

Small businesses can **amend prior filings** to claim these retroactive savings back to 2022

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# Business and self-employed updates

The following changes may impact reporting requirements, while others offer tax savings:

## Section 179 expansion

**Limit increased:** The maximum amount you can deduct for equipment purchases rises to **\$2.5 million** (up from \$1 million)

**Phase-out threshold:** The point at which the deduction begins to phase out is now **\$4 million** (up from \$2.5 million)

## 1099-K reporting threshold

The threshold for [1099-K](#) reporting for third-party payment networks (e.g., PayPal, Venmo) is now **\$20,000 AND 200 transactions** (up from \$600 with no transaction minimum)



# Employee benefits and compensation

The following changes affect employee benefits, such as overtime, as well as retirement accounts:

## New overtime and tip deductions (2025-2028)



**Tips:** Individuals can deduct up to **\$25,000** from their gross income for federal income tax purposes



**Overtime:** Individuals can deduct up to **\$12,500** (\$25,000 for joint filers) in overtime compensation



**Phaseouts:** Both deductions begin to phase out for single filers with MAGI above **\$150,000** (\$300,000 for joint filers)

These federal deductions do not affect FICA taxes or state and local income taxes on tips and overtime. State laws regarding minimum wage and overtime may also differ.

### New "Trump Accounts" (2025-2028)

A **\$1,000 tax credit** is available for accounts opened for children born in 2025-2028

There will be an **annual contribution limit of \$5,000**



Note that many of the above provisions have sunset dates between 2026–2028, making planning important. It’s always advisable to [consult a tax professional](#) for personalized advice.

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