



Highlights

- Initial Bill Text is 400 Pages But Changes Are Likely
- Most TCJA Individual Provisions Made Permanent
- New Provisions Eliminate Taxes on Tip and Overtime Income
- Increase in SALT Cap
- Early Termination of Green Energy Credits

Inside

Extended Individual Provisions	2
New Individual Provisions	3
Business Provisions	4
Green Energy Terminations	4
IRS Procedural Provisions	4

Tax Briefing | Budget Reconciliation Bill

Ways and Means Committee Releases Tax Portion of Reconciliation Bill

On May 12, 2025, the House GOP finally unveiled the tax portion of their long-awaited budget reconciliation bill. The text of the “One, Big, Beautiful Bill” includes permanent extension and limited modification of many soon-to-expire tax provisions, new provisions promised by President Trump during his 2024 campaign, elimination or modification of many green energy provisions, and many new provisions affecting individuals and businesses.

Upon its passage, the majority of the provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) included expiration dates in order to satisfy budgetary requirements. Lower individual rate brackets, higher standard deductions, the elimination of the personal exemption, the cap on the deduction of state and local taxes, changes to the alternative minimum tax and many

other provisions are all set to expire at the end of 2025. If Congress takes no action, then the federal tax system will largely revert back to the rules applicable in 2017.

Throughout the 2024 campaign, President Trump, as well as many GOP lawmakers, proposed making these soon-to-expire provisions a permanent part of the tax code. The proposed act would do just that, but it comes at a high price tag (some estimates have it at \$5 trillion over ten years). Much of this cost is balanced by reduced outlays in many government programs not related to taxation, and by the elimination of many of the “green” tax provisions from the Inflation Reduction Act.

COMMENT. *It is still early days for this massive legislation, and at the time of publication of this CCH Tax Briefing, the situation is very fluid.*

“If Congress takes no action, then the federal tax system will largely revert back to the rules applicable in 2017.”

The legislation still needs approval by House committees before going on to the full House, and a markup session is scheduled in the House for May 13. The House has a goal to pass the full bill by Memorial Day. Then, the Senate will take its turn, and there will undoubtedly be changes in the upper chamber. The GOP has a self-imposed deadline of July 4 for passage of the legislation, but it isn't clear if that is a realistic goal. The bill includes an increase in the debt ceiling, which is estimated to be reached in August. If this bill is the chosen vehicle for the debt ceiling increase, action must be taken before the end of summer.

COMMENT. *This CCH Tax Briefing is not intended to comprehensively cover all provisions proposed in the nearly 400-page bill, but rather the highlights. It is not clear how many of these provisions will survive negotiations.*

■ EXTENDED INDIVIDUAL PROVISIONS

Individual Extenders

Many of the provisions of the TCJA applicable to individuals are among those scheduled to expire at the end of 2025. These include:

- 10, 12, 22, 24, 32, 35 and 37 percent brackets applicable since 2018;
- Elimination of personal exemptions;
- Increased alternative minimum tax exemption and threshold amounts;
- Lower limitation on the deduction of mortgage interest;
- Limitation on the casualty loss deduction;
- Termination of the miscellaneous itemized deduction; and
- Allowance of rollovers from qualified tuition programs to ABLE accounts.

The proposed legislation would make all these provisions permanent with little to no modification.

Standard Deduction

The TCJA nearly doubled the standard deduction for tax years beginning after 2017. For 2025, the inflation adjusted amounts are \$30,000 for joint filers, \$22,500 for heads of households, and \$15,000 for single taxpayers and married taxpayers filing separately. These higher amounts are set to expire after 2025. The proposed bill would make those higher amounts permanent. For tax years 2025 through 2028, the amounts above would increase by \$2,000, \$1,500, and \$1,000, respectively. In the case of seniors, an additional standard deduction of \$4,000 would be available during those same years.

COMMENT. *Presumably, this \$4,000 amount would be on top of the current additional deduction for the elderly.*

SALT Deduction

One of the most controversial provisions of the TCJA was the imposition of a \$10,000 cap on the deduction for state and local taxes (SALT). Before the ink was dry on the 2017 legislation, lawmakers in higher tax states on both sides of the aisle were introducing legislation intended to increase or outright repeal the cap. The proposed bill takes the former approach, with a higher \$30,000 cap on SALT for taxpayers with incomes below \$200,000 (\$400,000 for joint filers).

COMMENT. *This has proven to be one of the stickier points for legislators in their negotiations. Lawmakers pushing for the change have already identified a \$30,000 cap as too low, so it would not be surprising to see this number increase in the coming days and weeks.*

Child Tax Credit

The TCJA increased the amount of the child tax credit from \$1,000 to \$2,000 for tax years 2018 through 2025, as well as nearly quadrupling the phaseout thresholds to \$400,000 for joint filers and \$200,000 for other filers. The proposed bill would make those amounts permanent, as well as temporarily increasing the credit amount

to \$2,500 for tax years 2025 through 2028 and adjusting the \$2,000 amount for inflation after 2028. The refundable portion of the child tax credit (“additional child tax credit”) would be capped at \$1,400 under the proposed text. The bill would also require the taxpayer claiming the credit, the taxpayer’s spouse (if married), and the child for whom the credit is claimed to have Social Security numbers.

COMMENT. *An increase in the child tax credit amount is a proposal that has enjoyed support on both sides of the aisle since the amount was temporarily increased to \$3,000 for 2021.*

Estate Taxes

The estate tax basic exclusion amount, which the TCJA doubled for decedents dying through 2025 (inflation adjusted to \$13.99 million in 2025) is increased again under the proposed bill, to a base amount of \$15 million for decedents dying in 2026, adjusted for inflation thereafter. This amount would be permanent.

COMMENT. *The \$15 million amount is probably not far off from where inflation would have taken the exclusion amount for 2026 if the TCJA was not scheduled to expire.*

■ NEW INDIVIDUAL PROVISIONS

No Tax on Tips

One of the big talking points for President Trump during the campaign was the elimination of tax on tip income. Historically, tip income was not subject to tax until the early 1980’s when legislation passed during the Reagan administration treated it like regular income. The proposed bill does not provide an exclusion from income for tips, but rather provides a deduction from income for amounts received as tips. Under the proposal, taxpayers would not be required to itemize deductions to claim the deduction, but a Social Security number

would be required to claim the deduction. The deduction would not be allowed for tax years beginning after 2028.

The bill would also extend the employer credit for Social Security taxes on employee cash tips to the beauty service industry (the credit currently only applies to the food and beverage industry).

No Tax on Overtime

During his campaign, President Trump also proposed making overtime compensation tax free. Under the proposed bill, taxpayers would be able to claim a deduction for the amount of overtime pay received as required under section 7 of the Fair Labor standards Act of 1938. Like the deduction for tip income, taxpayers would not have to itemize deductions to claim the deduction, but would be required to provide a Social Security number. The deduction would not be allowed for tax years beginning after 2028.

COMMENT. *The proposed bill does not provide extensive rules for the application of this provision, leaving the rules of application up to Treasury Regulations.*

Automobile Loan Interest

The proposed bill includes a deduction of up to \$10,000 for interest paid on an automobile loan in 2025 through 2028 for a car purchased after 2024. The deduction is available for both itemizers and non-itemizers.

MAGA Accounts

The proposed bill also includes provisions for the creation of tax-favored “money account for growth and advancement” or “MAGA accounts.” These accounts appear to operate similarly to ABLE accounts, but are available more broadly to all children.

Additional Provisions

The proposed bill also includes:

- A tax credit for contributions to scholarship-granting organizations;
- An expansion of 529 programs to include elementary, secondary, and home schooling expenses; and

- The resurrection of the COVID-era allowance of a charitable contribution deduction for non-itemizers.

■ BUSINESS PROVISIONS

Bonus Depreciation

The proposed bill would provide 100 percent bonus depreciation through 2029 for property acquired after January 19, 2025. The bill also proposes a special depreciation allowance for qualified production property used in agricultural or chemical production.

Research and Experimental Expenditures

The proposed bill would reinstate a deduction for domestic research and experimental expenditure costs incurred after 2024 through 2029. Taxpayers can elect whether to deduct or amortize the expenditures, though the requirement to amortize under current law is suspended while the deduction is available.

Qualified Business Income Deduction

The TCJA's qualified business income deduction under Code Sec. 199A would be made permanent under the proposed bill. Additionally, the amount of the deduction would be increased to 23 percent from the current 20 percent for tax years beginning after 2024. Additional changes are proposed modifying the limitations and qualification for the deduction.

Additional Provisions

The proposed bill also would provide:

- Renewal and enhancement of Opportunity Zones
- Increase in the 179 deduction limitations after 2024
- An exclusion of interest received by qualified lenders secured by rural or agricultural real property
- Modifications to the low-income housing credit.

International Extensions

The proposed bill would make permanent many international and foreign-related provisions under the TCJA, including the:

- Deduction for foreign-derived intangible income (FDII) and global intangible low-taxed income (GILTI); and
- Base erosion minimum tax amount.

■ GREEN ENERGY TERMINATIONS

The proposed legislation would offset some of the high cost of the permanent extension of TCJA provisions and elimination of taxes on tip and overtime income with the early termination of so-called "green energy credits." Many of these credits were created or enhanced by the Inflation Reduction Act of 2022. The affected credits would include the following (termination generally after 2025 unless noted):

- Previously owned clean vehicle credit;
- Clean vehicle credit (proposed termination generally after 2026);
- Qualified commercial clean vehicle credit;
- Alternative fuel refueling property credit;
- Energy efficient home improvement credit;
- Residential clean energy credit; and
- New energy efficient home credit.

Additionally, many of the credits for clean energy production are either terminated or subject to accelerated phaseouts.

■ IRS PROCEDURAL PROVISIONS

The proposed legislation includes a number of provisions that impact IRS operations. The bill would mandate that the IRS implement the use of artificial intelligence in reducing and recouping improper tax payments. The bill would also impose a penalty up to \$200,000 on promoters of fraudulent COVID-era employee retention credit schemes.

Perhaps the most widely applicable operations provision of the proposed bill is the termination of the IRS Direct File program. The bill requires the termination of the program within 30 days after passage and appropriates funding for the IRS to research a public-private partnership to replace the current "free file" program.

2025 | Depreciation Key Facts and Figures

ANNUAL CODE SEC. 280F "LUXURY VEHICLE*" LIMITS

Placed-in-Service Year	1st Year	2nd Year	3rd Year	4th Year & Later
2024	20,400**/12,400	19,800	11,900	7,160
2023	20,200**/12,200	19,500	11,700	6,960
2022	19,200**/11,200	18,000	10,800	6,460
2021	18,200**/10,200	16,400	9,800	5,860
2019 – 2020	18,100**/10,100	16,100	9,700	5,760

* Vehicle includes passenger cars, trucks, vans, and SUVs. If a truck, van, or SUV exceeds 6,000 pounds GVWR, it is not subject to the limits.

** Higher limit applies if bonus depreciation claimed.

CODE SEC. 179 HEAVY VEHICLE EXPENSING LIMIT*

Placed-in-Service Year	Dollar Limitation
2025	\$31,300
2024	\$30,500
2023	\$28,900
2022	\$27,000
2021	\$26,200
2020	\$25,900
2019	\$25,500

* Heavy vehicles include SUVs, trucks with bed-length under 6', and vans with a seating capacity of less than 10 persons behind driver's seat that are exempt from the Code Sec. 280F luxury vehicle caps.

STANDARD MILEAGE RATES

Year	Business	Medical/Moving	Charitable	Basis Adjustment
2025	70	21*	14	33
2024	67	21*	14	30
2023	65.5	22*	14	28
2022	58.5/62.5**	18*/22**	14	26
2021	56	16*	14	26

* Moving expense deduction is repealed, effective for tax years beginning after 2017 and before 2026, except for members of U.S. Armed Forces.

** These increased rates are applicable from 7/1/22 - 12/31/22.

DECLINING BALANCE RATES*

Property Class	Method	DB Rate	Year of Switch to SL Method
3-Year	200% DB	66.67%	3rd
3-Year	150% DB	50.00%	2nd
5-Year	200% DB	40.00%	5th
5-Year	150% DB	30.00%	4th
7-Year	200% DB	28.57%	6th
7-Year	150% DB	21.43%	4th
10-Year	200% DB	20.00%	7th
10-Year	150% DB	15.00%	5th
15-Year	150% DB	10.00%	7th
20-Year	150% DB	7.50%	9th

* These rates are used to compute depreciation if the optional table percentages are not used.

BONUS DEPRECIATION RATES*

Placed-In-Service	Rate
Sept. 28, 2017 – 2022	100%
2023	80%
2024	60%
2025	40%
2026	20%
2027	0%

* Property acquired before Sept. 28, 2017 and placed in service after September 27, 2017 qualifies for 50 percent rate if placed in service in 2017, 40 percent in 2018, and 30 percent in 2019.

CODE SEC. 179 EXPENSING

Tax Years Beginning in:	Dollar Limitation	Investment Limitation
2025	\$1,250,000	\$3,130,000
2024	\$1,220,000	\$3,050,000
2023	\$1,160,000	\$2,890,000
2022	\$1,080,000	\$2,700,000
2021	\$1,050,000	\$2,620,000
2020	\$1,040,000	\$2,590,000
2019	\$1,020,000	\$2,550,000

ASSETS WITH SPECIAL DEPRECIATION PERIODS

Asset Type	Recovery Period		Applies to Property Placed In Service
	GDS	ADS	
Qualified improvement property*	15	20	after 2017
New farm machinery	5	10	after 2017
Qualified leasehold improvement property*	15	39	before 2018
Qualified retail improvement property*	15	39	before 2018
Qualified restaurant improvement property*	15	39	before 2018
Qualified restaurant buildings*	15	39	before 2018

* Straight-line method must be used.

DEPRECIATION PERIODS FOR COMMON ASSETS & BUSINESSES*

	GDS	ADS
Automobiles, taxis, trucks (light general purpose)	5	5
Breeding cattle and dairy (purchased)	5	7
Buses	5	9
Calculators, copiers, accounting machines	5	6
Computers and peripheral equipment	5	5
Farm buildings	20	25
Land improvements such as shrubbery, fences, roads, and bridges not specifically included in another business asset class	15	20
Nonresidential real property placed in service after May 12, 1993	39	40
Nonresidential real property placed in service before May 13, 1993	31.5	40
Office furniture and fixtures such as desks, files, safes, communications equipment	7	10
Research and experimentation property	5	Class life
Residential rental property placed in service after 2017	27.5	30
Residential rental property placed in service before 2018	27.5	40
Retail motor fuel outlets	15	20
Service station buildings and land improvements used in marketing petroleum products	15	20
Single purpose agricultural or horticultural structures	10	15
Tractor units for over-the-road use	3	4
Trailers and trailer mounted containers	5	6
Trees or vines bearing fruits or nuts placed in service after 1988	10	20
Trucks (heavy general purpose)	5	6
Vessels, barges, tugs and similar water transportation equipment not used in marine construction	10	18
Property not described above used in a business relating to the provision of personal or professional services or in a wholesale or retail trade or business	5	9
Property not described above used in the provision of entertainment services upon payment of a fee or admission charged	7	10

* See Rev. Proc. 87-56 for comprehensive asset classification list.

OPTIONAL TABLE PERCENTAGES*

Half-Year Convention																					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
3-Year Property	33.33	44.45	14.81	7.41																	
5-Year Property	20.00	32.00	19.20	11.52	5.76																
7-Year Property	14.29	24.49	17.49	12.49	8.93	8.92	8.93	4.46													
10-Year Property	10.00	18.00	14.40	11.52	9.22	7.37	6.55	6.55	6.56	6.55	3.28										
15-Year Property	5.00	9.50	8.55	7.70	6.93	6.23	5.90	5.90	5.91	5.90	5.91	5.90	5.91	5.90	5.91	2.95					
20-Year Property	3.750	7.219	6.677	6.177	5.713	5.285	4.888	4.522	4.462	4.461	4.462	4.461	4.462	4.461	4.462	4.461	4.462	4.461	4.462	4.461	2.231

Mid-Quarter Convention																					
Property Placed in Service in First Quarter																					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
3-Year Property	58.33	27.78	12.35	1.54																	
5-Year Property	35.00	26.00	15.60	11.01	11.01	1.38															
7-Year Property	25.00	21.43	15.31	10.93	8.75	8.74	8.75	1.09													
10-Year Property	17.50	16.50	13.20	10.56	8.45	6.76	6.55	6.55	6.56	6.55	0.82										
15-Year Property	8.75	9.13	8.21	7.39	6.65	5.99	5.90	5.91	5.90	5.91	5.90	5.91	5.90	5.91	5.90	0.74					
20-Year Property	6.563	7.000	6.482	5.996	5.546	5.130	4.746	4.459	4.459	4.459	4.459	4.460	4.459	4.460	4.459	4.460	4.459	4.460	4.459	4.460	0.565

Property Placed in Service in Second Quarter																					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
3-Year Property	41.67	38.89	14.14	5.30																	
5-Year Property	25.00	30.00	18.00	11.37	11.37	4.26															
7-Year Property	17.85	23.47	16.76	11.97	8.87	8.87	8.87	3.34													
10-Year Property	12.50	17.50	14.00	11.20	8.96	7.17	6.55	6.55	6.56	6.55	2.46										
15-Year Property	6.25	9.38	8.44	7.59	6.83	6.15	5.91	5.90	5.91	5.90	5.91	5.90	5.91	5.90	5.91	2.21					
20-Year Property	4.688	7.148	6.612	6.116	5.658	5.233	4.841	4.478	4.463	4.463	4.463	4.463	4.463	4.463	4.462	4.463	4.462	4.463	4.462	4.463	1.673

Property Placed in Service in Third Quarter																					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
3-Year Property	25.00	50.00	16.67	8.33																	
5-Year Property	15.00	34.00	20.40	12.24	11.30	7.06															
7-Year Property	10.71	25.51	18.22	13.02	9.30	8.85	8.86	5.53													
10-Year Property	7.50	18.50	14.80	11.84	9.47	7.58	6.55	6.55	6.56	6.55	4.10										
15-Year Property	3.75	9.63	8.66	7.80	7.02	6.31	5.90	5.90	5.91	5.90	5.91	5.90	5.91	5.90	5.91	3.69					
20-Year Property	2.813	7.289	6.742	6.237	5.769	5.336	4.936	4.566	4.460	4.460	4.460	4.460	4.461	4.460	4.461	4.460	4.461	4.460	4.461	4.460	2.788

Property Placed in Service in Fourth Quarter																					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
3-Year Property	8.33	61.11	20.37	10.19																	
5-Year Property	5.00	38.00	22.80	13.68	10.94	9.58															
7-Year Property	3.57	27.55	19.68	14.06	10.04	8.73	7.64														
10-Year Property	2.50	19.50	15.60	12.48	9.98	7.99	6.55	6.55	6.56	6.55	5.74										
15-Year Property	1.25	9.88	8.89	8.00	7.20	6.48	5.90	5.90	5.90	5.91	5.90	5.91	5.90	5.91	5.90	5.17					
20-Year Property	0.938	7.430	6.872	6.357	5.880	5.439	5.031	4.654	4.458	4.458	4.458	4.458	4.458	4.458	4.458	4.458	4.458	4.459	4.458	4.459	3.901

* The optional table percentages for 3-, 5-, 7-, and 10-year property are based on the 200% DB method. The percentages for 15- and 20-year property are based on the 150% DB method.

39-YEAR NONRESIDENTIAL REAL PROPERTY (PLACED IN SERVICE AFTER MAY 12, 1993)

Month Placed in Service												
Recovery Year	1	2	3	4	5	6	7	8	9	10	11	12
1st	2.461	2.247	2.033	1.819	1.605	1.391	1.177	0.963	0.749	0.535	0.321	0.107
2nd-39th	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564	2.564
40th	0.107	0.321	0.535	0.749	0.963	1.177	1.391	1.605	1.819	2.033	2.247	2.461

31.5-YEAR NONRESIDENTIAL REAL PROPERTY (PLACED IN SERVICE BEFORE MAY 13, 1993)

Month Placed in Service												
Recovery Year	1	2	3	4	5	6	7	8	9	10	11	12
1st	3.042	2.778	2.513	2.249	1.984	1.720	1.455	1.190	0.926	0.661	0.397	0.132
2nd-7th	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175	3.175
8th	3.175	3.174	3.175	3.174	3.175	3.174	3.175	3.175	3.175	3.175	3.175	3.175
9th-31th (odd)	3.174	3.175	3.174	3.175	3.174	3.175	3.174	3.175	3.174	3.175	3.174	3.175
10th-30th (even)	3.175	3.174	3.175	3.174	3.175	3.174	3.175	3.174	3.175	3.174	3.175	3.174
32th	1.720	1.984	2.249	2.513	2.778	3.042	3.175	3.174	3.175	3.174	3.175	3.174
33th	0.000	0.000	0.000	0.000	0.000	0.000	0.132	0.397	0.661	0.926	1.190	1.455

27.5-YEAR RESIDENTIAL RENTAL PROPERTY

Month Placed in Service												
Recovery Year	1	2	3	4	5	6	7	8	9	10	11	12
1st	3.485	3.182	2.879	2.576	2.273	1.970	1.667	1.364	1.061	0.758	0.455	0.152
2nd-9th	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636	3.636
10th-26th (even)	3.637	3.637	3.637	3.637	3.637	3.637	3.636	3.636	3.636	3.636	3.636	3.636
11th-27th (odd)	3.636	3.636	3.636	3.636	3.636	3.636	3.637	3.637	3.637	3.637	3.637	3.637
28th	1.970	2.273	2.576	2.879	3.182	3.485	3.636	3.636	3.636	3.636	3.636	3.636
29th	0.000	0.000	0.000	0.000	0.000	0.000	0.152	0.455	0.758	1.061	1.364	1.667

DEPRECIATION RECAPTURE*

Property Type	Recapture Percentage
Section 1245 property	100%
MACRS residential and nonresidential real property	None
Bonus depreciation claimed on section 1250 property	Bonus in excess of SL depreciation
179 expense claimed on qualified real property	100%
ACRS 15-, 18-, and 19-year nonresidential real property depreciated using an accelerated method is treated as section 1245 property	100%
Other ACRS 15-, 18-, and 19-year real property is now fully depreciated section 1250 property	None

* Ordinary income recapture applies to extent of gain. Section 179 allowance and bonus depreciation are treated as depreciation subject to recapture.

Unrecaptured depreciation on section 1250 property owned by individuals, estates, or trusts is subject to a 25% tax rate.

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2025 | Federal Tax Key Facts and Figures

INCOME TAXES

2024			
If Taxable Income Is:			
Over	But Not More Than	The Tax Is	Of the Amount Over
Married Filing Jointly:			
\$0	\$23,200	\$0 + 10%	\$0
23,200	94,300	2,320.00 + 12%	23,200
94,300	201,050	10,852.00 + 22%	94,300
201,050	383,900	34,337.00 + 24%	201,050
383,900	487,450	78,221.00 + 32%	383,900
487,450	731,200	111,357.00 + 35%	487,450
731,200		196,669.50 + 37%	731,200
Married Filing Separately:			
\$0	\$11,600	\$0 + 10%	\$0
11,600	47,150	1,160.00 + 12%	11,600
47,150	100,525	5,426.00 + 22%	47,150
100,525	191,950	17,168.50 + 24%	100,525
191,950	243,725	39,110.50 + 32%	191,950
243,725	365,600	55,678.50 + 35%	243,725
365,600		98,334.75 + 37%	365,600
Head of Household:			
\$0	\$16,550	\$0 + 10%	\$0
16,550	63,100	1,655.00 + 12%	16,550
63,100	100,500	7,241.00 + 22%	63,100
100,500	191,950	15,469.00 + 24%	100,500
191,950	243,700	37,417.00 + 32%	191,950
243,700	609,350	53,977.00 + 35%	243,700
609,350		181,954.50 + 37%	609,350
Single:			
\$0	\$11,600	\$0 + 10%	\$0
11,600	47,150	1,160.00 + 12%	11,600
47,150	100,525	5,426.00 + 22%	47,150
100,525	191,950	17,168.50 + 24%	100,525
191,950	243,725	39,110.50 + 32%	191,950
243,725	609,350	55,678.50 + 35%	243,725
609,350		183,647.25 + 37%	609,350
Estates and Trusts:			
\$0	\$3,100	\$0 + 10%	\$0
3,100	11,150	310.00 + 24%	3,100
11,150	15,200	2,242.00 + 35%	11,150
15,200		3,659.50 + 37%	15,200

2025			
If Taxable Income Is:			
Over	But Not More Than	The Tax Is	Of the Amount Over
Married Filing Jointly:			
\$0	\$23,850	\$0 + 10%	\$0
23,850	96,950	2,385.00 + 12%	23,850
96,950	206,700	11,157.00 + 22%	96,950
206,700	394,600	35,302.00 + 24%	206,700
394,600	501,050	80,398.00 + 32%	394,600
501,050	751,600	114,462.00 + 35%	501,050
751,600		202,154.50 + 37%	751,600
Married Filing Separately:			
\$0	\$11,925	\$0 + 10%	\$0
11,925	48,475	1,192.50 + 12%	11,925
48,475	103,350	5,578.50 + 22%	48,475
103,350	197,300	17,651.00 + 24%	103,350
197,300	250,525	40,199.00 + 32%	197,300
250,525	375,800	57,231.00 + 35%	250,525
375,800		101,077.25 + 37%	375,800
Head of Household:			
\$0	\$17,000	\$0 + 10%	\$0
17,000	64,850	1,700.00 + 12%	17,000
64,850	103,350	7,442.00 + 22%	64,850
103,350	197,300	15,912.00 + 24%	103,350
197,300	250,500	38,460.00 + 32%	197,300
250,500	626,350	55,484.00 + 35%	250,500
626,350		187,031.50 + 37%	626,350
Single:			
\$0	\$11,925	\$0 + 10%	\$0
11,925	48,475	1,192.50 + 12%	11,925
48,475	103,350	5,578.50 + 22%	48,475
103,350	197,300	17,651.00 + 24%	103,350
197,300	250,525	40,199.00 + 32%	197,300
250,525	626,350	57,231.00 + 35%	250,525
626,350		188,769.75 + 37%	626,350
Estates and Trusts:			
\$0	\$3,150	\$0 + 10%	\$0
3,150	11,450	315.00 + 24%	3,150
11,450	15,650	2,307.00 + 35%	11,450
15,650		3,777.00 + 37%	15,650

EDUCATION INCENTIVES

Tuition Deduction – “Above-the-line” deduction for qualified tuition and related expenses repealed for tax years after 2020.

Student Loan Interest Deduction – “Above-the-line” deduction up to \$2,500 (2024 and 2025); no time limit on deductibility period; subject to income limitations.

Education Credits – American Opportunity Credit is up to \$2,500 in 2024 and 2025 per student for first four years of higher education expenses paid. Lifetime Learning Credit is 20% of tuition paid up to \$2,000 per return for 2024 and 2025. Both credits are subject to income limitations and cannot be used in conjunction with each other for the same student.

Section 529 Plans (Qualified Tuition Programs) – Distributions used for qualified higher education expenses are income tax free. Contributions are potentially subject to gift tax, but are eligible for the per-donee annual exclusion (\$18,000 for 2024; \$19,000 for 2025). Donor can elect to treat up to \$90,000 of the contribution in 2024 (\$95,000 in 2025) as if it had been made ratably over a 5-year period.

Coverdell Education Savings Accounts (Education IRAs) – Contribution limit is \$2,000 in 2024 and 2025; subject to income limitations.

OTHER TAX RATES

Long-Term Capital Gains and Qualified Dividends Tax Rates for Taxpayers with Taxable Income in the Specified Ranges*				
2024	0%	15%	20%	
MFJ/SS	\$0 - \$94,050	\$94,051 - \$583,750	over \$583,750	
MFS	\$0 - \$47,025	\$47,026 - \$291,850	over \$291,850	
HoH	\$0 - \$63,000	\$63,001 - \$551,350	over \$551,350	
Single	\$0 - \$47,025	\$47,026 - \$518,900	over \$518,900	
E&T	\$0 - \$3,150	\$3,151 - \$15,450	over \$15,450	
2025	0%	15%	20%	
MFJ/SS	\$0 - \$96,700	\$96,701 - \$600,050	over \$600,050	
MFS	\$0 - \$48,350	\$48,351 - \$300,000	over \$300,000	
HoH	\$0 - \$64,750	\$64,751 - \$566,700	over \$566,700	
Single	\$0 - \$48,350	\$48,351 - \$533,400	over \$533,400	
E&T	\$0 - \$3,250	\$3,251 - \$15,900	over \$15,900	

* Short-term gain taxed at ordinary rates.

* Additional 3.8% tax imposed on the lesser of the individual's Net Investment Income or the excess of the individual's MAGI over certain thresholds (\$250,000 for married couples filing jointly or surviving spouse, \$125,000 for married couples filing separately, and \$200,000 for all other taxpayers).

Kiddie Tax

- Under age 19 (or certain full-time students under age 24) with unearned income consisting solely of interest, dividends and CGD; and child's gross income is less than \$13,000 in 2024 or \$13,500 in 2025 – use Form 8814 with parent's return.
- If child files own return – use Form 8615 with child's return to calculate tax at parent's marginal rate.

	2024	2025	
First	\$1,300	\$1,350	No Tax
Next	\$1,300	\$1,350	Taxed at child's marginal rate
Amount Over	\$2,600	\$2,700	Taxed at parent's marginal rate

AMT Rates for Individuals

	AMTI Threshold		AMT Rate
	2024	2025	
Single, MFJ, HoH	\$0 - \$232,600	\$0 - \$239,100	26%
	\$232,601 or more	\$239,101 or more	28%
MFS	\$0 - \$116,300	\$0 - \$119,550	26%
	\$116,301 or more	\$119,551 or more	28%
	AMT Exemption		
	2024	2025	
Single, HoH	\$85,700	\$88,100	
MFJ, SS	\$133,300	\$137,000	
MFS	\$66,650	\$68,500	

SOCIAL SECURITY

Maximum Compensation Subject to FICA

	2024	2025
OASDI Maximum	\$168,600	\$176,100
HI Maximum	No Limit	No Limit

- OASDI tax rate – 2024 & 2025: 12.4% self-employed, 6.2% employees
- HI tax rate* – 2024 & 2025: 2.9% self-employed, 1.45% employees

* Additional 0.9% tax imposed on employment wages for certain higher-income taxpayers (income of more than \$250,000 for married couples filing jointly or surviving spouse, \$125,000 for married couples filing separately, and \$200,000 for all other taxpayers)

Maximum Amount of Earnings to Still Receive Full Benefits

	2024	2025
Under full retirement age	\$22,320	\$23,400

MAGI Amounts for Benefits to Be Taxable

	50% Taxable	85% Taxable
Married Filing Jointly	\$32,000	\$44,000
Single, HOH, MFS Living Apart	\$25,000	\$34,000

DEDUCTIONS

Standard Deduction			
	Year	Annual	Add'l Age 65 or Older or Blind
Married Filing Jointly/ Surviving Spouse	2024	\$29,200	\$1,550
	2025	\$30,000	\$1,600
Married Filing Separately	2024	\$14,600	\$1,550
	2025	\$15,000	\$1,600
Head of Household	2024	\$21,900	\$1,950
	2025	\$22,500	\$2,000
Single	2024	\$14,600	\$1,950
	2025	\$15,000	\$2,000
Phaseout of Itemized Deductions Does Not Apply in 2024 or 2025			
Code Sec. 179 Expense Allowance			
	2024	2025	
Dollar limitation	\$1,220,000	\$1,250,000	
Investment limitation	\$3,050,000	\$3,130,000	
Qualified Business Income Deduction Phase-In Thresholds			
	Taxable Income Phase-In		
	2024	2025	
MFJ	\$383,900 - \$483,900	\$394,600 - \$494,600	
MFS	\$191,950 - \$241,950	\$197,300 - \$247,300	
All Others	\$191,950 - \$241,950	\$197,300 - \$247,300	

ESTATE & GIFT TAXES

	2024	2025
Annual Gift Tax Exclusion	\$18,000	\$19,000
for Noncitizen Spouses	\$185,000	\$190,000
Estate Tax Exclusion	\$13,610,000	\$13,990,000
Applicable Credit	\$5,389,800	\$5,541,800
Gift Tax Exclusion	\$13,610,000	\$13,990,000
Generation-Skipping Transfer Tax Exemption	\$13,610,000	\$13,990,000

CREDITS & EXCLUSIONS

Child Tax Credit		
	2024	2025
Credit Amount	\$2,000	\$2,000
Refundable Amount	\$1,700	\$1,700
\$2,000 credit amount for 2024 and 2025 phases out \$50 for every \$1,000 AGI over \$400,000 (MFJ), \$200,000 (all others)		
Foreign Income		
	2024	2025
Foreign earned income exclusion	\$126,500	\$130,000
Maximum foreign housing exclusion of qualified housing expenses	\$17,710 (\$37,950 - \$20,240)	\$18,200 (\$39,000 - \$20,800)

INDIVIDUAL ESTIMATED TAXES

Individuals can base federal estimated tax payments on:	
1) 90% of current tax,	
2) 100% of prior year's tax, or	
3) 110% of prior year's tax if prior year's AGI is > \$150,000 (> \$75,000 for Married Filing Separately)	
• Annualization exception	
• No penalty if tax less withholding < \$1,000 or no tax liability in preceding tax year	

IRAs

Contribution Limits - Traditional and Roth				
		2024	2025	
Regular		\$7,000	\$7,000	
Catch-up*		\$1,000	\$1,000	
*Individuals who will be at least age 50 by the end of the year can make catch-up contributions.				
Roth IRAs				
MAGI Phaseout Ranges for Contributions to Roth IRAs				
		2024	2025	
Married Filing Jointly		\$230,000 – \$240,000	\$236,000 – \$246,000	
Single, Head of Household		\$146,000 – \$161,000	\$150,000 – \$165,000	
Married Filing Separately		\$0 – \$10,000	\$0 – \$10,000	
Traditional IRA Deductibility Rules				
Modified AGI				
Filing Status	Covered by Qualified Retirement Plan?	2024	2025	Deductibility
Single, HoH	No	Any amount	Any amount	Full deduction
	Yes	\$77,000 or less \$77,001 – \$86,999 \$87,000 or more	\$79,000 or less \$79,001 – \$88,999 \$89,000 or more	Full deduction Partial deduction No deduction
Married Filing Jointly	Neither spouse	Any amount	Any amount	Full deduction
	Both spouses covered	\$123,000 or less \$123,001 – \$142,999 \$143,000 or more	\$126,000 or less \$126,001 – \$145,999 \$146,000 or more	Full deduction Partial deduction No deduction
	One spouse covered: for covered spouse	\$123,000 or less \$123,001 – \$142,999 \$143,000 or more	\$126,000 or less \$126,001 – \$145,999 \$146,000 or more	Full deduction Partial deduction No deduction
	One spouse covered: for non-covered spouse	\$230,000 or less \$230,001 – \$239,999 \$240,000 or more	\$236,000 or less \$236,001 – \$245,999 \$246,000 or more	Full deduction Partial deduction No deduction
Married Filing Separately*	Neither spouse	Any amount	Any amount	Full deduction
	Either spouse	\$9,999 or less	\$9,999 or less	Partial deduction
		\$10,000 or more	\$10,000 or more	No deduction

*Shared residence		
QUALIFIED PLANS		
	2024	2025
Maximum elective deferral to retirement plans [e.g., 401(k), 403(b), 457]	\$23,000	\$23,500
Maximum elective deferral to starter 401(k) plan	\$6,000	\$6,000
Maximum elective deferral to pension-linked emergency savings account	\$2,500	\$2,500
Maximum elective deferral to SIMPLE IRAs*	\$16,000	\$16,500
Maximum uniform non-elective contribution to SIMPLE plans	\$5,000	\$5,100
Limit on annual additions to defined contribution plans or SEPs	\$69,000	\$70,000
Maximum annual compensation taken into account for contributions	\$345,000	\$350,000
Annual benefit limit under defined benefit plans	\$275,000	\$280,000
Threshold amount for definition of highly compensated employee	\$155,000	\$160,000
Threshold amount for definition of key employee in top-heavy plans	\$220,000	\$230,000
Catch-up Contribution Limits (age 50 or older)**		
401(k), 403(b), SARSEP and 457 plans	\$7,500	\$7,500
SIMPLE IRAs*	\$3,500	\$3,500
Starter 401(k)	\$1,000	\$1,000
* The limitation for 2024 and 2025 is \$17,600. (\$21,450 for individuals age 50 or older) for certain smaller SIMPLE plans or employers meeting contribution/matching requirements.		
** The limit is increased for individuals who will turn 60, 61, 62, or 63 in 2025 to \$11,250 (\$5,250 for SIMPLE plans). After 2025, catch-up contributions for employees with compensation exceeding \$145,000 (as adjusted for inflation) must be to a Roth account.		

