

MAJOR 2025 INCOME TAX Key Topics

- **IRS no longer mails refund checks.** Direct deposit ONLY to designated bank account.
- **Standard Deduction:** The standard deduction is now permanent and increased for 2025 to \$31,500 for joint filers, \$23,625 for heads of household, and \$15,750 for single filers. These amounts will be indexed for inflation in future years.
- **State and Local Tax (SALT) Deduction Cap Raised:** The cap on the deduction for state and local taxes is increased from \$10,000 to \$40,000 for 2025, with phase-outs for incomes above \$500,000. The cap will be indexed and then revert to \$10,000 in 2030
- **Child Tax Credit Increased:** The Child Tax Credit is permanently increased to \$2,200 per qualifying child, indexed for inflation. The refundable portion remains at \$1,700
- **New Deductions for Tips and Overtime:** For 2025–2028, up to \$25,000 of tips and up to \$12,500 (\$25,000 for joint filers) of overtime pay can be deducted from income, with phase-outs at higher incomes (\$150,000 single/\$300,000 joint).
- **Deduction for Seniors:** Taxpayers age 65+ with income below \$75,000 (\$150,000 joint) can deduct an additional \$6,000 per filer (\$12,000 per couple) from 2025–2028
- **Car Loan Interest Deduction:** Interest on loans for new cars assembled in the U.S. is deductible up to \$10,000, with income phase-outs (\$100,000 single/\$200,000 joint).
- **Charitable Deduction for Non-Itemizers:** Non-itemizers can deduct up to \$1,000 (\$2,000 for couples) in charitable contributions.
- New “Trump Accounts” for children, with government contributions for babies born 2025–2028.
- **ABLE Accounts:** The Act permanently provides for additional contributions to Achieving a Better Life Experience (ABLE) accounts for employed individuals with disabilities.
- **Adopted a child-** If you adopted a child this year, even if the adoption did not go through, you may be entitled to an adoption credit on your tax return.
- **Student Loan Interest** may be deductible. Be sure to obtain your Form 1098 from the lender.
- **Long Term Care Premiums are deductible**
- **Health Savings Account contributions are deductible**
- **Foreign persons.** If you received or made gifts from foreign persons you may be subject to additional tax reporting on Form 3520. Failure to do so can result in hefty penalties.
- **Business/medical/ mileage expenses** have increased for 2025 to 70 cents for business, remained at 21 cents for medical and military. Charitable mileage remains at 14 cents for charitable mileage.
- **Worked-Lived outside the U.S.**-The S. 911 Foreign Earned Income Exclusion increased to \$130,000