

# **BASIC PROVISIONS OF THE “BIG BEAUTIFUL BILL”**

## **Individuals**

### **1. Tax inflation adjustments**

#### **Standard deduction increases**

##### **Tax year 2026**

- \$32,200 for married couples filing jointly
- \$16,100 for single filers and married individuals filing separately
- \$24,150 for heads of household

##### **Tax year 2025**

- \$31,500 for married couples filing jointly
- \$15,750 for single filers and married individuals filing separately
- \$23,625 for heads of household

#### **Marginal rates for tax year 2026**

- **37%** for income **over \$640,600** (single) **or \$768,700** (married filing jointly)
- **35%** for income **over \$256,225** (single) **or \$512,450** (married filing jointly)
- **32%** for income **over \$201,775** (single) **or \$403,550** (married filing jointly)
- **24%** for income **over \$105,700** (single) **or \$211,400** (married filing jointly)
- **22%** for income **over \$50,400** (single) **or \$100,800** (married filing jointly)
- **12%** for income **over \$12,400** (single) **or \$24,800** (married filing jointly)

- **10%** for income **up to \$12,400** (single) or **\$24,800** (married filing jointly)

#### **Alternative minimum tax exemption amounts for tax year 2026**

- \$90,100 for single filers (phased out at \$500,000)
- \$140,200 for married couples filing jointly (phases out at \$1,000,000)

#### **Estate tax exclusion for tax year 2026**

- Basic exclusion amount is \$15,000,000
- Up from \$13,990,000 for 2025 decedents

#### **Adoption credit limits for tax year 2026**

- Maximum adoption credit is \$17,670, which is higher than the \$17,280 limit for 2025.
- Up to \$5,120 of this credit may be refundable.

#### **Employer-provided childcare credit expansion for tax year 2026**

- Maximum amount increases from \$150,000 to \$500,000
- Maximum increase to \$600,000 if employer is an eligible small business

## **2. Deduction for seniors**

### **Overview of the deduction**

- Effective 2025 through 2028, individuals age 65 and older may claim an additional \$6,000 deduction.
- This is in addition to the standard deduction for seniors available under existing law.
- Applies per eligible individual (or \$12,000 for a married couple if both spouses qualify).
- Phases out for taxpayers with modified adjusted gross income over \$75,000 (\$150,000 for joint filers).

### **Who qualifies**

- You must be age 65 on or before the last day of the tax year.
- Available for eligible taxpayers (both itemizing and non-itemizing).

### **How to claim the deduction**

- Include your Social Security number on the return.
- File jointly, if you're married.

## **3. No tax on tips**

### **Overview of the deduction**

- Effective 2025 through 2028, employees and self-employed individuals may deduct qualified tips they received in occupations the IRS identified as “customarily and regularly receiving tips” on or before December 31, 2024, and are reported on a Form W-2, Form 1099, another statement furnished to the individual, or on Form 4137 if the individual directly reports the tips.
- “Qualified tips” include voluntary cash or charged tips received from customers, including shared tips.
- Maximum annual deduction is \$25,000.
- For self-employed individuals, deduction cannot exceed net income (before this deduction) from the trade or business where tips were earned.
- Phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

### **Who qualifies**

Individuals who:

- Have a Social Security number (SSN)
- Claim itemized or non-itemized deductions

### **Who doesn't qualify**

Individuals who are:

- Self-employed in a Specified Service Trade or Business (SSTB) under Section 199A
- Employees of an employer in an SSTB

#### **How to claim the deduction**

- Include your Social Security number on the return
- File jointly if you're married

#### **Reporting requirements**

- Employers and other payors must report certain cash tips and the occupation of the tip recipient on IRS (or SSA) information returns.
- Treasury and IRS will provide penalty relief for tax year 2025.

## **4. No tax on overtime**

#### **Overview of the deduction**

- Effective 2025 through 2028, individuals may deduct the portion of qualified overtime pay that exceeds their regular rate of pay (for example, the “half” portion of “time-and-a-half”).
- Overtime must be reported on Form W-2, Form 1099, another statement furnished to the individual, or directly by the individual.
- Maximum annual deduction is \$12,500 (\$25,000 for joint filers).
- Phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

#### **Who qualifies**

Taxpayer who:

- Have a Social Security number (SSN)
- Claim itemized or non-itemized deductions

#### **How to claim the deduction**

- Include your Social Security number on the return.
- File jointly if you're married.

## **Reporting requirements**

- Employers and other payors must report qualified overtime compensation on IRS (or SSA) information returns.
- Treasury and the IRS will provide transition relief for tax year 2025.

# **5. No tax on car loan interest**

## **Overview of the new deduction**

- Effective 2025 through 2028, individuals may deduct interest paid on a loan used to purchase a qualified vehicle for personal use that meets other eligibility criteria. Lease payments do not qualify.
- Maximum annual deduction is \$10,000.
- Phases out for taxpayers with modified adjusted gross income over \$100,000 (\$200,000 for joint filers).

## **What counts as qualified interest**

Interest must be paid on a loan that:

- Originated after December 31, 2024
- Was used to purchase a vehicle originally used by the taxpayer
- Was secured by a lien on the vehicle
- Was for a personal-use (nonbusiness) vehicle

If a qualifying vehicle loan is later refinanced, interest paid on the refinanced amount is generally eligible for the deduction.

## **What counts as a qualified vehicle**

A qualified vehicle is a car, minivan, van, SUV, pickup truck or motorcycle that:

- Has a gross vehicle weight rating of less than 14,000 pounds
- Underwent final assembly in the United States.

**To verify final assembly, check one of these:**

- The vehicle label at the dealership
- The vehicle identification number (VIN)
- The National Highway Traffic Safety Administration, [NHTSA VIN Decoder \(verify vehicle assembly location\)](#)

**Who qualifies**

- Available to both itemizing and non-itemizing taxpayers.
- You must include the VIN on your return for any year you claim the deduction.

**Reporting requirements**

- Lenders or other recipients of qualified interest must file information returns with the IRS and provide statements to taxpayers showing the total amount of interest received during the taxable year.

## **6. Health Savings Account expansion for participants**

**Overview of changes and benefits**

**Telehealth and remote care services**

- Telehealth and other remote care services can now be received before meeting a high-deductible health plan deductible.
- People can still contribute to their Health Savings Account (HSA) even after using telehealth before meeting the deductible.
- This rule is permanent for plan years starting on or after January 1, 2025.

**Expanded eligibility for Bronze and Catastrophic plans**

- Starting January 1, 2026, bronze and catastrophic health insurance plans are treated as HSA-compatible.
- This applies whether the plans are bought through an insurance exchange or not.

- This change makes more people eligible to contribute to an HSA, including individuals who previously could not because their plan did not meet the strict HDHP definition.

#### **Direct primary care arrangements**

- Beginning January 1, 2026, people enrolled in certain direct primary care (DPC) service arrangements may:
  - Contribute to an HSA if they otherwise qualify.
  - Use HSA funds tax-free to pay periodic DPC fees.

## **Families and dependents**

### **7. Trump Accounts under the Working Families Tax Cuts**

#### **Overview of Trump Accounts**

- Parents, guardians, or others can establish a Trump Account for an eligible child.
- Trump Accounts cannot be funded before July 4, 2026.
- The federal government will make a one-time \$1,000 contribution for each eligible child's account.
- Authorized contributions from individuals and employers are allowed up to \$5,000 per year.
- Employers can contribute up to \$2,500 per year toward an employee's or dependent's Trump Account without it counting as taxable income for the employee.
- Funds must be invested in certain mutual funds or exchange-traded funds that track a U.S. stock index such as the S&P 500.

#### **Withdrawal and use**

- Generally, money cannot be withdrawn before the year the child turns 18.

- After that point, the account is treated like a traditional IRA with similar tax rules.

## **8. Adoption credit enhancement**

### **Overview of the change**

- Beginning tax years after December 31, 2024, up to \$5,000 (indexed for inflation) of the adoption credit may be refundable.
- Any credit amount carried forward from prior years cannot be used to calculate the refundable portion.

# **Businesses**

## **9. Passenger vehicle loan interest transition relief for 2025**

### **Transition relief overview**

IRS provides transitional relief for tax year 2025 for lenders and other recipients of qualified interest who must file information returns with the IRS and provide statements to borrowers showing the total amount of interest received on qualified passenger vehicle loans and other relevant information

### **How the relief applies for 2025**

- Applies to reporting requirements under the One, Big, Beautiful Bill for qualified passenger vehicle loans.
- Lenders and other payors should refer to Notice 2025-57 and other related guidance to determine how the 2025 reporting rules apply.

## **10. Employee Retention Credit (ERC) limitation**

### **Overview of the limitation**

- The One Big, Beautiful Bill Act limits credits and refunds for employee retention credits (ERC) claimed for the third and fourth quarters of 2021 that were filed after January 31, 2024.
- IRS FAQs provide general information, including when a claim was timely filed and what appeal rights apply if an ERC claim is disallowed.

## **Other changes**

### **Investment and community development**

**Rural Opportunity Zones**

**Tax benefit for agricultural and rural lending**

### **Clean energy**

**Clean vehicle credit expirations**

**Home energy credit expirations**

**Carbon capture and sequestration credit**

### **Tax exempt entities and charitable giving**

**Indian tribal governments and the Adoption Credit**

**Tax credit for donations to scholarship organizations**

### **Other taxes**

**Dyed Fuel Claims**

**Excise tax on certain remittance transfers**