

# New for Tax Season 2025

Below is a summary of several of the new tax changes from the One Big Beautiful Bill Act passed on July 4, 2025 that could affect your 2025 tax return:

- 1. Temporary Senior Deduction:** Effective for tax years 2025 through 2028, taxpayers age 65 and older can claim an additional deduction of \$6,000 for single filers and \$12,000 for married filers. This deduction is available in addition to the standard deduction. The deduction phases out when MAGI (modified adjusted gross income) exceeds:
  - \$75,000 for single/head of household
  - \$150,000 for married filing joint
- 2. Tip Income Deduction:** Effective for tax years 2025 through 2028, taxpayers who receive tips may deduct up to \$25,000 in qualified tip income. This deduction is available for employees (W-2) and independent contractors (1099-NEC). The deduction begins to phase out when MAGI exceeds:
  - \$150,000 for single/head of household
  - \$300,000 for married filing joint
- 3. Overtime Pay Deduction:** Effective for tax years 2025 through 2028, taxpayers may deduct up to \$12,500 per year (\$25,000 for MFJ filers) in qualified overtime compensation. Qualified Overtime Compensation is defined as pay that exceeds the regular rate of pay (the "half" portion of "time and a half"). This deduction has the same phase out income levels as the "Tip Income Deduction".
- 4. Vehicle Loan Interest Deduction:** Effective for tax years 2025 through 2028, taxpayers may deduct up to \$10,000 of qualified vehicle loan interest per year, regardless of whether they itemize or claim the standard deduction. Interest must be paid or accrued on qualified indebtedness:
  - Incurred after December 31, 2024
  - Used to purchase a new vehicle
  - Secured by a first lien on the vehicle
  - Cars, minivans, SUVs, trucks and motorcycles qualify if used only for personal reasons.
  - Vehicle assembly is in the USA

Leases, used vehicles, or unsecured loans do not qualify for the deduction. The phaseout for this deduction begins at \$100,000 for single filers in MAGI (\$200,000 for joint filers).