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One, Big, Beautiful Bill provisions

The One, Big, Beautiful Bill has a significant effect on federal taxes, credits and deductions. It was signed into law on July 4, 2025, as [Public Law 119-21](#).

These provisions go into effect in 2025:

Income tax, credits and deductions

– Tax inflation adjustments (Sec. 70101, 70102, 70106, 70107, 70401 and 70402)

Notable changes under the One, Big, Beautiful Bill

Standard Deduction: For tax year 2026, the standard deduction increases to \$32,200 for married couples filing jointly. For single taxpayers and married individuals filing separately, the standard deduction rises to \$16,100 for tax year 2026, and for heads of households, the standard deduction will be \$24,150.

(Additionally, for tax year 2025, the OBBB raises the standard deduction amount to \$31,500 for married couples filing jointly. For single taxpayers and married individuals filing separately, the standard deduction for 2025 is \$15,750, and for heads of households, the standard deduction is \$23,625.)

Standard deduction	Single; Married Filing Separately	Married Filing Jointly; Surviving Spouses	Heads of Households
TY 2025 under OBBB	\$15,750	\$31,500	\$23,625
TY 2026 under OBBB	\$16,100	\$32,200	\$24,150

Marginal Rates: For tax year 2026, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$640,600 (\$768,700 for married couples filing jointly). The other rates are:

- 35% for incomes over \$256,225 (\$512,450 for married couples filing jointly);
- 32% for incomes over \$201,775 (\$403,550 for married couples filing jointly);
- 24% for incomes over \$105,700 (\$211,400 for married couples filing jointly);
- 22% for incomes over \$50,400 (\$100,800 for married couples filing jointly);
- 12% for incomes over \$12,400 (\$24,800 for married couples filing jointly).

The lowest rate is 10% for incomes of single individuals with incomes of \$12,400 or less (\$24,800 for married couples filing jointly).

Alternative Minimum Tax Exemption Amounts: For tax year 2026, the exemption amount for unmarried individuals is \$90,100 and begins to phase out at \$500,000 (\$140,200 for married couples filing jointly for whom the exemption begins to phase out at \$1,000,000).

Estate Tax Credits: Estates of decedents who die during 2026 have a basic exclusion amount of \$15,000,000, up from a total of \$13,990,000 for estates of decedents who died in 2025.

Adoption Credits: The maximum credit allowed for adoptions for tax year 2026 is the amount of qualified adoption expenses up to \$17,670, up from \$17,280 for 2025. For tax year 2026, the amount of credit that may be refundable is \$5,120.

Employer-Provided Childcare Tax Credit: For tax year 2026, the OBBB significantly enhances an important credit for employers; it increases the maximum amount of employer-provided childcare tax credit from \$150,000 to \$500,000 (\$600,000 if the employer is an eligible small business).

For other notable items affected by indexing, see [IRS releases tax inflation adjustments for tax year 2026, including amendments from the One, Big, Beautiful Bill](#).

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Deduction for Seniors (Sec. 70103)

New deduction: Effective for 2025 through 2028, individuals who are age 65 and older may claim an additional deduction of \$6,000. This new deduction is in addition to the current additional standard deduction for seniors under existing law.

- The \$6,000 senior deduction is per eligible individual (or \$12,000 total for a married couple where both spouses qualify).
- Deduction phases out for taxpayers with modified adjusted gross income over \$75,000 (\$150,000 for joint filers).

Qualifying taxpayers: The taxpayer must attain age 65 on or before the last day of the taxable year.

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers.

Taxpayers must:

- Include the Social Security number of the qualifying individual(s) on the return
- File jointly, if married, to claim the deduction

For more information, see [One, Big, Beautiful Bill Act: Tax deductions for working Americans and seniors](#).

No tax on tips (Sec. 70201)

New deduction: Effective for 2025 through 2028, employees and self-employed individuals may deduct qualified tips received in occupations listed by the IRS as customarily and regularly receiving tips on or before December 31, 2024, and that are reported on a [Form W-2](#), Form 1099, or other specified statement furnished to the individual or reported directly by the individual on [Form 4137](#).

- “Qualified tips” are voluntary cash or charged tips received from customers or through tip sharing
- Maximum annual deduction is \$25,000; for self-employed, deduction may not exceed individual’s net income (without regard to this deduction) from the trade or business in which the tips were earned.
- Deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers)

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers. Self-employed individuals in a Specified Service Trade or Business (SSTB) under section 199A are not eligible. Employees whose employer is in an SSTB also are not eligible. Taxpayers must:

- Include their Social Security number on the return
- File jointly if married, to claim the deduction

Reporting: Employers and other payors must file information returns with the IRS (or SSA) and furnish statements to taxpayers showing certain cash tips received and the occupation of the tip recipient. See [IRS announces no changes to individual information returns or withholding tables for 2025 under the One, Big, Beautiful Bill](#).

Guidance: By Oct. 2, 2025, the [IRS must publish a list of occupations that “customarily and regularly” received tips on or before Dec. 31, 2024](#).

- The IRS will provide transition relief for tax year 2025 for taxpayers claiming the deduction and for employers and payors subject to the new reporting requirements.

No tax on overtime (Sec. 70202)

New deduction: Effective for 2025 through 2028, individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay (such as the “half” portion of “time-and-a-half” compensation) that is required by the Fair Labor Standards Act (FLSA) and reported on a Form W-2, Form 1099, or other specified statement furnished to the individual.

- Maximum annual deduction is \$12,500 (\$25,000 for joint filers).
- Deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers.

Taxpayers must:

- Include their Social Security number on the return and
- File jointly if married, to claim the deduction.

Reporting: Employers and other payors are required to file information returns with the IRS (or SSA) and furnish statements to taxpayers showing the total amount of qualified overtime compensation paid during the year.

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Guidance: The IRS will provide transition relief for tax year 2025 for taxpayers claiming the deduction and for employers and other payors subject to the new reporting requirements.

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➔ No tax on car loan interest (Sec. 70203)

New deduction: Effective for 2025 through 2028, individuals may deduct interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets other eligibility criteria. (Lease payments do not qualify.)

- Maximum annual deduction is \$10,000.
- Deduction phases out for taxpayers with modified adjusted gross income over \$100,000 (\$200,000 for joint filers).

Qualified interest: To qualify for the deduction, the interest must be paid on a loan that is:

- Originated after December 31, 2024
- Used to purchase a vehicle originally used by the taxpayer (used vehicles do not qualify)
- For a personal use vehicle (not for business or commercial use)
- Secured by a lien on the vehicle

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

Qualified vehicle: A qualified vehicle is a car, minivan, van, SUV, pick-up truck or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds, and that has undergone final assembly in the United States.

To determine if a vehicle had final assembly in the U.S., check one of these:

- The information label attached to the vehicle on a dealer's premises
- The vehicle identification number (VIN)
- The National Highway Traffic Safety Administration (NHTSA) [VIN Decoder](#) 

Taxpayer eligibility: Deduction is available for both itemizing and non-itemizing taxpayers. The taxpayer must include the vehicle identification number (VIN) of the vehicle on the tax return for any year when the deduction is claimed.

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

Guidance: The IRS will provide transition relief for tax year 2025 for interest recipients subject to the new reporting requirements.

Family and dependent credits

➔ Enhancement of Adoption Credit (Sec. 70402)

The One Big Beautiful Bill makes the adoption tax credit partially refundable up to \$5,000 (indexed for inflation) beginning in taxable years starting after Dec. 31, 2024. Any carried forward amount cannot be used to calculate the refundable portion of the credit in future years.

Business credits and deductions

➔ No tax on car loan interest (Sec. 70203)

The Department of the Treasury and the Internal Revenue Service provide transitional guidance for businesses required to report car loan interest under the One, Big, Beautiful Bill. [Notice 2025-57](#)  provides penalty relief and guidance to certain lenders for new information reporting requirements for car loan interest received in 2025 under the OBBB.

➔ Transition relief for 2025

[Notice 2025-57](#)  provides transitional relief for 2025 for lenders and other interest recipients who are required to 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 information related to the loan.

A qualified passenger vehicle is a car, minivan, van, SUV, pick-up truck or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds, and that has undergone final assembly in the United States.

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Revision to de minimis rules for third party network transactions. (Sec. 70432) The One, Big, Beautiful Bill retroactively reinstated the reporting threshold in effect prior to the passage of the American Rescue Plan Act of 2021 (ARPA) so that third party settlement organizations are not required to file Forms 1099-K unless the gross amount of reportable payment transactions to a payee exceeds \$20,000 and the number of transactions exceeds 200. See Form 1099-K FAQs for more information.		
COVID-related employee retention credits (Sec. 70605) Limitation on credits and refunds for Employee Retention Credits (ERC) claimed for the third and fourth quarters of 2021 that were filed after Jan. 31, 2024 was enacted under the One, Big, Beautiful Bill. The IRS provides FAQs that addresses general information on the limitation, when a claim is timely filed, and what appeals rights are available if an ERC claimed on a return is disallowed.		

Investment and community development

Permanent renewal and enhancement of opportunity zones (Sec. 70421)

In 2018, certain economically distressed census tracts in the United States and its territories were designated as Qualified Opportunity Zones by the Treasury Department. Taxpayers who invest in QOZs receive certain tax benefits for their investments as an incentive to improve economic growth and job creation in these underserved communities.

What's new under the OBBB

- Under the new law, a rural area means any area other than a city or town with a population greater than 50,000, and any urbanized area contiguous and adjacent to a city or town with a population greater than 50,000. This definition applies to States, the District of Columbia and U.S. territories.
- The OBBB modified the substantial improvement threshold for improvements to property located in a QOZ that is comprised entirely of a rural area. As of July 4, 2025, the substantial improvement threshold for required additions to the basis for property located in these QOZs was reduced from 100 percent to 50 percent.

See [Treasury, IRS provide guidance for Opportunity Zone investments in rural areas under the One, Big, Beautiful Bill](#) for more information.

Clean energy

Expiring clean vehicle credits (Sec. 70501, 70502 and 70503)

[New Clean Vehicle Credit](#) (30D): The credit will not be allowed for any vehicle acquired after September 30, 2025.

[Used Clean Vehicle Credit](#) (25E): The credit will not be allowed with respect to any vehicle acquired after September 30, 2025.

[Qualified Commercial Clean Vehicle Credit](#) (45W): The credit will not be allowed for any vehicle acquired after September 30, 2025.

For more information on clean energy provisions, see [FAQs for modification of sections 25C, 25D, 25E, 30C, 30D, 45L, 45W, AND 179D under Public Law 119-21, 139 Stat. 72 \(July 4, 2025\), commonly known as the One, Big, Beautiful Bill Act.](#)

Expiring home energy credits (Sec. 70505, 70506, 70507)

[Energy Efficient Home Improvement Credit](#) (25C): The credit will not be allowed for any property placed in service after Dec. 31, 2025.

[Residential Clean Energy Credit](#) (25D): The credit will not be allowed for any expenditures made after Dec. 31, 2025.

Tax exempt entities, charitable deductions and giving

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⊖ Recognizing Indian tribal governments to determine whether a child has special needs for purposes of the Adoption Credit (Sec. 70403)

The One Big Beautiful Bill recognizes Indian tribal governments for purposes of determining whether a child has special needs for purposes of the adoption tax credit.

This provision provides parity to Indian tribal governments, giving tribal governments the same ability as state governments to determine whether a child has special needs for the purposes of the adoption tax credit.

A child is considered to be special needs if:

1. A state or tribal government has determined that the child cannot or should not be returned to the home of their parents,
2. A state or tribal government has determined that it would be difficult to place the child for adoption without providing adoption assistance to the adoptive family due to a specific factor or condition (such as ethnic background, age, medical condition or disability, or membership in a minority or sibling group), and
3. The child is a United States citizen or resident.

When a child is deemed special needs by a state or tribal government, the adoptive family becomes eligible, subject to income limitations, for the full adoption tax credit (\$17,280 per eligible child in 2025) for the tax year the adoption becomes finalized, regardless of the amount of qualified adoption expenses actually paid or incurred for the adoption.

Latest news

We'll share news on the latest developments here, so **check back for updates.**

+ News releases

⊖ Fact sheets

FS-2025-08, Oct. 23, 2025 - [IRS revises and updates Form 1099-K frequently asked questions](#) [PDF](#)

FS-2025-07, Oct. 22, 2025 - [IRS frequently asked questions \(FAQs\) address Employee Retention Credits under ERC compliance provisions of the One, Big, Beautiful Bill](#)

FS-2025-03, Aug. 21, 2025 - [One, Big, Beautiful Bill Act: Tax deductions for working Americans and seniors](#)

Guidance

Find guidance on key tax provisions in the One, Big, Beautiful Bill.

+ Notices

+ Revenue procedures

+ Proposed regulations

Resources

+ Frequently asked questions

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