

## Signed into law July 4, 2025 | Comprehensive Tax Summary

## PERMANENT TAX CHANGES

Tax Brackets & Standard Deduction

**Tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, 37%** (permanent) • Standard deduction: **\$15,750 single, \$23,625 head of household, \$31,500 married filing joint** • *This means most people can earn these amounts before paying any federal income tax*

SALT & Major Deductions

State and local tax (SALT) deduction cap: **\$40,000 (2025), \$40,400 (2026)**, increases 1% annually through 2029, then drops to \$10,000 • **High earners (>\$500K income): SALT deduction reduced by 30%** • *This affects taxpayers in high-tax states like NY, CA, NJ who itemize deductions* • Mortgage interest deduction capped at \$750K loan amount • Alternative Minimum Tax (AMT) exemption made permanent

Estate Tax

Estate tax exemption: **\$15M (2026)**, adjusted for inflation • *This means a married couple can pass \$30M to heirs with no federal estate tax*

## NEW TAX BREAKS (2025-2028)

Worker Benefits

**\$25K tip income deduction** (phases out for higher earners) • **\$12.5K overtime pay deduction** (\$25K for married couples) • **\$10K car loan interest deduction** (US-assembled vehicles only, income limits apply) • *Restaurant workers, service employees, and overtime workers get significant tax breaks*

Family & Education Benefits

Child tax credit: **\$2,200 (2025)**, adjusted for inflation • Senior deduction: **\$6K (age 65+)**, phases out for higher earners • 529 education savings: K-12 expanded, **\$20K annual contribution limit** • *Parents can now use 529 plans for private elementary/high school tuition* • Dependent care savings account: **\$7,500** • Trump Savings Accounts: \$1K government contribution, \$5K annual limit • *New government-seeded savings accounts for children born between 2025 to 2028*

Charitable & Other Deductions

Charitable deduction for non-itemizers: **\$1K single/\$2K married (2026)** • Scholarship tax credit: **\$1,700 (2027)** • Gambling losses: 90% deductible (2026) • For itemizers: Must donate above 0.5% of income to claim charitable deduction

## ENDING TAX CREDITS

Clean Energy Credits End

Electric vehicle credits: **September 30, 2025** • Home energy improvement credits: **December 31, 2025** • Residential solar/clean energy credits: **December 31, 2025** • Commercial building energy credits: **June 30, 2026** • New energy-efficient home credits: **June 30, 2026** • Clean hydrogen credits: **January 1, 2028** • Sustainable aviation fuel credits: **September 30, 2025**

Other Deduction Changes

Miscellaneous itemized deductions: permanently suspended (except educator expenses) • Personal exemptions: remain at \$0 • High earner deduction limits return in 2026 • Top tax bracket: itemized deduction benefits limited

## TAX REPORTING CHANGES

1099 Reporting Thresholds

Payment app reporting (1099-K): **\$20K + 200 transactions (2025)** • General 1099 reporting: **\$600 → \$2,000** (after 12/31/25), adjusted for inflation

New Taxes

College endowment tax: **1.4% → 8%** (schools with 3,000+ students) • Foreign money transfer tax: **1% on cash/money orders** (excludes credit card transactions)

## OTHER MAJOR CHANGES

The law includes significant changes to small business income deductions (QBI), qualified small business stock (QSBS), international taxation, and other complex provisions. These primarily affect business owners and high-net-worth individuals. Consult your tax advisor for details on how these may impact your specific situation.

“...just because tax season always comes doesn’t mean we can’t control how much we pay. *Or when we pay it*”  
-Steven Jarvis CPA

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