

Fact Sheet

The recently enacted One Big Beautiful Bill Act brings a number of important tax changes aimed at giving relief to workers, seniors, and everyday consumers. Taking effect from 2025 through 2028, the Act introduces new deductions for qualified tips, overtime pay, certain car loan interest, and an additional benefit for seniors.

1. Tip Income Deduction (“No Tax on Tips”)

- **Eligibility:** Employees and self-employed individuals in occupations that customarily receive tips (as listed by the IRS by Oct. 2, 2025).
 - **Qualified Tips:** Voluntary cash or charged tips reported via W-2, 1099, or Form 4137.
 - **Deduction Limit:** Up to \$25,000 annually. For the self-employed, limited to net income from the related business.
 - **Income Phaseout:** Begins at \$150,000 Modified Adjusted Gross Income (\$300,000 for joint filers).
 - **Exclusions:** Self-employed individuals and employees in Specified Service Trades or Businesses (SSTBs) are **not eligible**.
 - **Other Requirements:** Must file jointly if married and include SSN.
 - **Reporting:** Employers/payers must report tip income and occupation. IRS will provide transition relief for 2025.
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2. Overtime Pay Deduction ("No Tax on Overtime")

- **Eligibility:** Individuals receiving overtime pay (excess over regular rate, as required by the FLSA).
 - **Deduction Limit:** Up to \$12,500 annually (\$25,000 for joint filers).
 - **Income Phaseout:** Begins at \$150,000 Modified Adjusted Gross Income (\$300,000 for joint filers).
 - **Other Requirements:** Must file jointly if married and include SSN.
 - **Reporting:** Employers/payers must report total overtime paid. Transition relief applies for 2025.
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3. Car Loan Interest Deduction ("No Tax on Car Loan Interest")

- **Eligibility:** Individuals who pay interest on a qualified auto loan for a new, personal-use vehicle.
- **Deduction Limit:** Up to \$10,000 annually.
- **Income Phaseout:** Begins at \$100,000 Modified Adjusted Gross Income (\$200,000 for joint filers).

- **Vehicle Criteria:** New (not used), final assembly in the U.S., personal use, under 14,000 lbs. VIN must be included on return.
 - **Loan Criteria:** Loan must begin after Dec. 31, 2024, and be secured by the vehicle. Refinanced loans may also qualify.
 - **Reporting:** Lenders must report interest received. Transition relief applies for 2025.
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4. Senior Deduction

- **Eligibility:** Individuals age 65+ by year-end.
 - **Deduction Amount:** Additional \$6,000 per eligible individual (\$12,000 per couple).
 - **Income Phaseout:** Begins at \$75,000 Modified Adjusted Gross Income (\$150,000 for joint filers).
 - **Other Requirements:** Must include SSNs and file jointly if married.
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General Notes

- All deductions apply **regardless of whether the taxpayer itemizes**.
- IRS will issue guidance and offer **transition relief** for tax year 2025 for taxpayers and reporting entities.