Important Changes for 2025

Due Date of Return

The due date for filing individual income tax returns is April 15, 2026.

Tax Form and Publication Changes

- Taxpayers will receive Form 1099-K, Payment Card and Third-Party Network Transactions, when reportable proceeds exceed $2,500 for 2025, although they may receive the form at a lower amount. This threshold applies to third party settlement organizations. Taxpayers are required to report all taxable income on their federal income tax return, regardless of amount or if an income reporting document is received.
- Form 1040, Created entry spaces for “Deceased” for both primary taxpayer and spouse and added a separate line for “other” special processing write-ins.
- Form 1040, Checkbox added for taxpayers (and spouse if MFJ) whose main home was in the U.S. for more than half of 2025.
  - The “Dependents” section was overhauled to provide more information on qualifying children and dependents who would qualify the taxpayer to claim the EIC, CTC, ACTC, or ODC.
  - Checkbox added for taxpayers whose filing status is MFS or HoH to check if they meet the requirements for the special rule for claiming the EIC.
  - Checkbox was added for those taxpayers who don’t want to receive the EIC and ACTC.
- Schedule 1 (Form 1040), removes the requirement for taxpayers to manually write in certain information.
  - Part I, Line 4 Added checkboxes for Forms 4797 and 4684 to replace “F4684” write-in.
  - Part I, Line 7 Added checkbox and entry space to replace “Repaid” unemployment write-in.
  - Part II, Line 14 Added checkbox to replace “Storage” write-in that indicates no Form 3903 is required.
  - Part II, Line 20 Added checkbox to replace “D” write-in for married filing separately and lived apart from spouse all year.
- Forms 1099-R and Form 5498, new code Y added for Box 7 to identify a qualified charitable distribution.
- Form 5405, Repayment of the First Time Homebuyer Credit, and its instructions will be made historical. The form cannot be filed for 2025.
- Form 5695, Residential Energy Credit, Part II now requires taxpayers claiming the credit to include the unique qualified product identification number (PIN) assigned by a qualified manufacturer (QM) for specified property placed into service after 12/31/24.
- **Schedule 1-A, Additional Deductions (Form 1040)**, includes deductions for following OBBA tax provisions:
  - No Tax on Tips
  - No Tax on Overtime
  - No Tax on Car Loan Interest
  - Enhanced Deduction for Seniors

Tax Law Changes

Refer to the respective lessons for details.

- What provisions are new?
  - Public Law 118-146 (H.R. 1432), VSO Equal Tax Treatment Act (VETT Act), the bill expands the deductibility of charitable contributions to include all Veterans Services Organizations (VSOs) thus making contributions to all federally chartered tax-exempt organizations that serve current and former members of the military tax deductible.
  - Individuals aged 50 or older by the end of the tax year may make catch-up contributions to certain qualified plans. For 2025, the catch-up limit for section 401(k) and 403(b) plans, the TSP, SAR-SEP plans, and governmental section 457 plans is $7,500. New for 2025, a higher catch-up limit of $11,250 applies for individuals who attain age 60, 61, 62, or 63 in 2025.

Personal Exemption Amount

Eliminates the deduction for personal exemptions except as noted below.

For tax years (TY) beginning before January 1, 2029 an additional deduction of $6000 for taxpayers Age 65 or older is allowed. The deduction starts phasing out when Modified Adjusted Gross Income (MAGI) exceeds $75,000 ($150,000 if Married Filing Jointly (MFJ)). Taxpayer (and spouse if MFJ) must provide a valid Social Security Number (SSN) on the tax return.

Certain Expenses of Elementary and Secondary School Teachers

The amount of the deduction allowed that consists of expenses paid or incurred by an eligible educator for use in the classroom is $300 (no change).

Standard Deduction

The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The standard deduction amounts for 2025 are:

- $31,500 – Married Filing Jointly or Qualifying Surviving Spouse
- $23,625 – Head of Household
- $15,750 – Single or Married Filing Separately

Limitation on deduction for state and local, etc. taxes (SALT)

Provides a temporary increase to the state and local tax (SALT) deduction limitation from $10,000 to $40,000 effective for calendar years that begin in 2025 and end before January 1, 2030 . The applicable limitation amount (half the applicable limitation amount in the case of a married individual filing a separate return) in any taxable year beginning in calendar year 2025 is $40,000. The applicable limitation is adjusted for tax years beginning after 2025.

Taxpayers who are 65 and Older or are Blind

For 2025, the additional standard deduction amounts for taxpayers who are 65 and older or blind are:

- $2,000 for Single or Head of Household (increase of $50)
- $1,600 for married taxpayers or Qualifying Surviving Spouse (increase of $50)

Dependents

For 2025, the standard deduction amount for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) $1,350, or (2) the sum of $450 and the individual’s earned income.

Kiddie Tax

To be subject to the kiddie tax, the individual must have unearned income of at least $2,700 in 2025.

Standard Mileage Rate

For 2025, the following rates are in effect:

- 70 cents per mile for business miles driven
- 21 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The standard mileage rate for business cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension of miscellaneous itemized deductions that are subject to the 2% of AGI floor.

The moving expense deduction is not allowed through 2025 and the exclusion from income of moving expense reimbursements from an employer is also suspended. The only exception is for active military service members who move pursuant to a military order to a new permanent duty station.

Deduction for Qualified Business Income

For 2025, the threshold amount is $394,600 for married filing joint returns and $197,300 for all other returns.

Retirement Savings Contribution Credit

To claim this credit in 2025, the taxpayer's modified adjusted gross income (MAGI) must not be more than $39,500 for Single, Married Filing Separately, or Qualifying Surviving Spouse (increase of $1,250). MAGI must not be more than $59,250 (increase of $1,875) for Head of Household, and $79,000 (increase of $2,500) for Married Filing Jointly.

Qualified Overtime Compensation (No tax on overtime)

Allows a deduction of up to $12,500 ($25,000 in the case of a joint return) of qualified overtime income received for the taxable year. The allowable deduction is reduced if the taxpayer's MAGI exceeds $150,000 ($300,000 in the case of a joint return). Qualified overtime compensation is defined as overtime paid to an individual whose occupation is covered by the Fair Labor Standards Act of 1938 (FLSA). Only the overtime amount which exceeds the regular rate of pay is eligible for the deduction.

- No deduction allowed if taxpayer does not include a valid SSN on the return.
- If married, taxpayer must file a joint return to claim deduction.
- Deduction is allowed to non-itemizers.

No tax on tips

Deduction is allowed for an amount equal to qualified tip income received during the taxable year that are included on statements furnished to the taxpayer. The allowed deduction for any taxable year cannot exceed $25,000. The allowable deduction is reduced if MAGI exceeds $150,000 ($300,000 if MFJ). No deduction is allowed if taxpayer does not include a valid SSN on the tax return.

If married, taxpayers must file joint return to claim the deduction. Qualified tips means cash tips received by an individual in occupations where tips are customary. The deduction is allowed to non-itemizers.

Earned Income Credit (EIC)

For 2025, the maximum credit increased to:

- $8,046 with three or more children
- $7,152 with two children
- $4,328 with one child
- $649 with no children

Earned Income and AGI Amounts Increased

To be eligible for a full or partial credit, the taxpayer must have earned income and AGI of at least $1 but less than:

- $61,555 ($68,675 if Married Filing Jointly) with three or more qualifying children
- $57,310 ($64,430 if Married Filing Jointly) with two qualifying children
- $50,434 ($57,554 if Married Filing Jointly) with one qualifying child
- $19,104 ($26,214 if Married Filing Jointly) with no qualifying child

Investment Income

Taxpayers whose investment income is more than $11,950 cannot claim the EIC.

Child Tax Credit/Additional Child Tax Credit

Increases the child tax credit to $2,200 per qualifying child (an individual who has not attained age 17 during the taxable year), and provides that the maximum refundable amount may not exceed $1,400 per qualifying child. To receive the child tax credit (i.e. both the refundable and nonrefundable portion), a TP must include a valid SSN on the return (if MFJ, at least one spouse must have an SSN) and also the SSN for each qualifying child for whom the credit is claimed on the tax return; The credit and refundable amount are indexed for inflation.

Student loan interest deduction

Begins to phase out for taxpayers with MAGI more than $85,000 ($170,000 for joint returns) and is completely phased out for taxpayers with MAGI of $100,000 or more ($200,000 or more for joint returns).

Qualified higher education expenses for purposes of 529 accounts

Expands qualified higher education expenses to include qualified postsecondary credentialing expenses, such as, tuition, books, supplies or equipment required for enrollment. Continuing education expenses and exam fees to keep credentials current, also qualify.

Expands definition of “qualified higher education expenses” to include additional categories of allowed expenses for students enrolled in or attending elementary or secondary private, public, or religious schools. Qualified expenses now include tuition, curriculum and curriculum materials, online educational materials, tutoring or educational classes outside of the home, including at a tutoring facility, fees for tests related to college or university admission, fees for dual enrollment in an institution of higher education and educational therapies.

Both changes apply to 529 distributions made after July 4, 2025.

Qualified Charitable Distributions

For 2025, the maximum amount of qualified charitable distributions that are not includible in gross income is $108,000 (an increase of $3,000). The maximum amount applies to each spouse if filing jointly.

No tax on car loan interest:

A deduction is allowed for up to $10,000 of interest on a qualified passenger vehicle loan used to purchase a passenger vehicle after 12-31-2024 (does not apply to used car purchases). A qualified passenger vehicle is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle with a gross vehicle weight of less than 14,000 pounds. Final assembly of the qualified vehicle must occur in the U.S. The Vehicle Identification Number (VIN) must be included on the return. The allowable deduction is reduced if the taxpayer’s MAGI exceeds $100,000 ($200,000 if MFJ). The deduction is allowed for non-itemizers.

Eligible Long-Term Care Premium Limits

For 2025, the maximum amount of qualified long-term care premiums includible as medical expenses has increased. Qualified long-term care premiums up to the amounts shown below can be included as medical expenses on Schedule A (Form 1040), Itemized Deductions, or in calculating the self-employed health insurance deduction is:

- Age 40 or less: $480
- More than 40 but not more than 50: $900
- More than 50 but not more than 60: $1,800
- More than 60 but not more than 70: $4,810
- More than 70: $6,020

The limit on premiums is for each person.

For calendar year 2025, gross income includes the amount received under a long-term care policy in excess of the per-diem amount of $420 (an increase of $10) or the actual cost of long-term care services, if more.

Foreign Earned Income Exclusion

For 2025, the foreign earned income exclusion is $130,000.

IRA Deduction Amount and Modified AGI (MAGI) Limits for Traditional and Roth IRA Contributions

For 2025, the maximum combined traditional IRA deduction or Roth contribution is $7,000 ($8,000 if age 50 or older). For taxpayers who are covered by a retirement plan at work, the deduction for contributions to a traditional IRA is reduced (phased out) if the MAGI is:

- More than $126,000 but less than $146,000 for a married couple filing a joint return or a qualifying surviving spouse
- More than $79,000 but less than $89,000 for an individual filing as single, head of household, or married filing separately and did not live with the spouse at any time during 2025
- Less than $10,000 for a married individual filing a separate return who lived with the spouse at any time during 2025

For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered (and the spouses live together or file a joint return), the deduction is phased out if the couple's MAGI is between $236,000 and $246,000.

For 2025, maximum Roth IRA contributions phase out based on MAGI as follows:

- Married filing jointly or qualifying surviving spouse with MAGI between $236,000 and $246,000
- Single, head of household, or married filing separately and didn't live with the spouse at any time in 2025 with MAGI between $150,000 and $165,000
- Married filing separately, lived with the spouse at any time during the year, and MAGI is between $0 and $10,000

Premium Tax Credit

- Advance Premium Tax Credit (APTC) repayment caps for 2025 are:

Income (as % of federal poverty line)	Taxpayers filing as Single	Taxpayers using other filing statuses
Less than 200%	$375	$750
At least 200% but less than 300%	$975	$1,950
At least 300% but less than 400%	$1,625	$3,250
400% and above	No cap (full repayment)	No cap (full repayment)

- Filing thresholds and federal poverty line tables are adjusted for inflation.
- Through 2025 taxpayers with household income that exceeds 400 percent of the federal poverty line for their family size may be allowed a premium tax credit (PTC).

Health Savings Account (HSA) Deduction

For 2025, the annual contribution limits on deductions for HSAs for individuals with self-only coverage is $4,300 (increase of $150) and $8,550 for family coverage (increase of $250). There is an additional contribution amount of $1,000 for taxpayers who are age 55 or older.

Congress may enact additional legislation that will affect taxpayers after this publication goes to print. Any changes will be reflected in Publication 4491-X, VITA/TCE Training Supplement, available in mid- January on **www.irs.gov.**