One, Big, Beautiful Bill provisions

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The One, Big, Beautiful Bill Act significantly affects federal taxes, credits and deductions. It was signed into law on July 4, 2025, as Public Law 119-21, and takes effect in 2025.

Individuals

Tax inflation adjustments (Sections 70101, 70102, 70106, 70107, and 70401)

Deduction for seniors (Section 70103)

Overview of the deduction

- Effective 2025 through 2028, individuals age 65 and older may claim an additional $6,000 deduction.
- This is in addition to the standard deduction for seniors available under existing law.
- Applies per eligible individual (or $12,000 for a married couple if both spouses qualify).
- Phases out for taxpayers with modified adjusted gross income over $75,000 ($150,000 for joint filers).

Who qualifies

- You must be age 65 on or before the last day of the tax year.
- Available for eligible taxpayers (both itemizing and non-itemizing).

How to claim the deduction

- Include your Social Security number on the return.
- File jointly, if you're married.

Related resources

- Tax deductions for workers and seniors (FS-2025-03).

No tax on tips (Section 70201)

Overview of the deduction

- Effective 2025 through 2028, employees and self-employed individuals may deduct qualified tips they received in occupations the IRS identified as "customarily and regularly receiving tips" on or before December 31, 2024, and are reported on a Form W-2, Form 1099, another statement furnished to the individual, or on Form 4137 if the individual directly reports the tips.
- "Qualified tips" include voluntary cash or charged tips received from customers, including shared tips.
- Maximum annual deduction is $25,000.
- For self-employed individuals, deduction cannot exceed net income (before this deduction) from the trade or business where tips were earned.
- Phases out for taxpayers with modified adjusted gross income over $150,000 ($300,000 for joint filers).

Who qualifies

Individuals who:

- Have a Social Security number (SSN)
- Claim itemized or non-itemized deductions

Who doesn't qualify

Individuals who are:

- Self-employed in a Specified Service Trade or Business (SSTB) under Section 199A
- Employees of an employer in an SSTB

How to claim the deduction

- Include your Social Security number on the return
- File jointly if you're married

Reporting requirements

- Employers and other payors must report certain cash tips and the occupation of the tip recipient on IRS (or SSA) information returns.
- Treasury and IRS will provide penalty relief for tax year 2025.

Related resources

- Individuals who received tips or overtime during tax year 2025 (IR-2025-114)
- Penalty relief for 2025 tip and overtime reporting (IR-2025-110).
- Proposed regulations for tipped occupations and qualified tips.

No tax on overtime (Section 70202)

Overview of the deduction

- Effective 2025 through 2028, individuals may deduct the portion of qualified overtime pay that exceeds their regular rate of pay (for example, the "half" portion of "time-and-a-half").
- Overtime must be reported on Form W-2, Form 1099, another statement furnished to the individual, or directly by the individual.
- Maximum annual deduction is $12,500 ($25,000 for joint filers).
- Phases out for taxpayers with modified adjusted gross income over $150,000 ($300,000 for joint filers).

Who qualifies

Taxpayer who:

- Have a Social Security number (SSN)
- Claim itemized or non-itemized deductions

How to claim the deduction

- Include your Social Security number on the return.
- File jointly if you're married.

Reporting requirements

- Employers and other payors must report qualified overtime compensation on IRS (or SSA) information returns.
- Treasury and the IRS will provide transition relief for tax year 2025.

Related resources

- Individuals who received tips or overtime during tax year 2025 (IR-2025-114)
- Penalty relief for 2025 tip and overtime reporting (IR-2025-110).

No tax on car loan interest (Section 70203)

Overview of the new deduction

- Effective 2025 through 2028, individuals may deduct interest paid on a loan used to purchase a qualified vehicle for personal use that meets other eligibility criteria. Lease payments do not qualify.
- Maximum annual deduction is $10,000.
- Phases out for taxpayers with modified adjusted gross income over $100,000 ($200,000 for joint filers).

What counts as qualified interest

Interest must be paid on a loan that:

- Originated after December 31, 2024
- Was used to purchase a vehicle originally used by the taxpayer
- Was secured by a lien on the vehicle
- Was for a personal-use (nonbusiness) vehicle

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

What counts as a qualified vehicle

A qualified vehicle is a car, minivan, van, SUV, pickup truck or motorcycle that:

- Has a gross vehicle weight rating of less than 14,000 pounds
- Underwent final assembly in the United States.

To verify final assembly, check one of these:

- The vehicle label at the dealership
- The vehicle identification number (VIN)

- The National Highway Traffic Safety Administration, NHTSA VIN Decoder (verify vehicle assembly location)

Who qualifies

- Available to both itemizing and non-itemizing taxpayers.
- You must include the VIN on your return for any year you claim the deduction.

Reporting requirements

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

Related resources

- Notice 2025-57, Transitional Guidance Regarding Returns Relating to Certain Interest on Specified Passenger Vehicle Loans Received in a Trade or Business (PDF) PDF

Health Savings Account expansion for participants (Section 71307)

Overview of changes and benefits

Telehealth and remote care services

- Telehealth and other remote care services can now be received before meeting a high-deductible health plan deductible.
- People can still contribute to their Health Savings Account (HSA) even after using telehealth before meeting the deductible.
- This rule is permanent for plan years starting on or after January 1, 2025.

Expanded eligibility for Bronze and Catastrophic plans

- Starting January 1, 2026, bronze and catastrophic health insurance plans are treated as HSA-compatible.
- This applies whether the plans are bought through an insurance exchange or not.
- This change makes more people eligible to contribute to an HSA, including individuals who previously could not because their plan did not meet the strict HDHP definition.

Direct primary care arrangements

- Beginning January 1, 2026, people enrolled in certain direct primary care (DPC) service arrangements may:

- Contribute to an HSA if they otherwise qualify.
- Use HSA funds tax-free to pay periodic DPC fees.

Call for comments

- Treasury and the IRS invite public comments on the guidance by **March 6, 2026**, via the federal rulemaking portal or by mail.

Related resources

- New tax benefits for health savings account participants (IR-2025-119)

Families and dependents

Trump Accounts under the Working Families Tax Cuts (Section 70204)

Overview of Trump Accounts

- Parents, guardians, or others can establish a Trump Account for an eligible child.
- Trump Accounts cannot be funded before July 4, 2026.
- The federal government will make a one-time $1,000 contribution for each eligible child's account.
- Authorized contributions from individuals and employers are allowed up to $5,000 per year.
- Employers can contribute up to $2,500 per year toward an employee's or dependent's Trump Account without it counting as taxable income for the employee.
- Funds must be invested in certain mutual funds or exchange-traded funds that track a U.S. stock index such as the S&P 500.

Withdrawal and use

- Generally, money cannot be withdrawn before the year the child turns 18.
- After that point, the account is treated like a traditional IRA with similar tax rules.

Related resources

- Trump Accounts established under the Working Families Tax Cuts (IR-2025-117)
- irs.gov/trumpaccounts
- trumpaccounts.gov

Adoption credit enhancement (Section 70402)

Businesses

Passenger vehicle loan interest transition relief for 2025
Employee Retention Credit (ERC) limitation (Section 70605)

Investment and community development

Rural Opportunity Zones (Section 70421)
Tax benefit for agricultural and rural lending (Sec. 70435)

Clean energy

Clean vehicle credit expirations (Sections 70501, 70502 and 70503)

Overview of credit expirations

The Act accelerates the end of several clean vehicle credits:

- New Clean Vehicle Credit (30D): Not allowed for any vehicle acquired after September 30, 2025
- Used Clean Vehicle Credit (25E): Not allowed for 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.

Related resources

- Clean energy credit modifications FAQs (FS-2025-05) – Covers modifications to clean energy credits under the One, Big, Beautiful Bill, including sections 25C, 25D, 25E, 30C, 30D, 45L, 45W, and 179D, under Public Law 119-21, 139 Stat. 72.
- New Clean Vehicle Credit (30D)
- Used Clean Vehicle Credit (25E)
- Qualified Commercial Clean Vehicle Credit (45W)

Home energy credit expirations (Sections 70505, 70506 and 70507)

Overview of credit expirations

The Act accelerates the end of the following home and residential energy credits:

- Energy Efficient Home Improvement Credit (25C): Not allowed for any property placed in service after December 31, 2025.
- Residential Clean Energy Credit (25D): Not allowed for any expenditures made after December 31, 2025.

Related resources

- Clean energy credit modifications FAQs (FS-2025-05)
- Energy Efficient Home Improvement Credit (25C)
- Residential Clean Energy Credit (25D)