

One Big Beautiful Bill: Key Tax Provisions Impacting Individuals

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On July 4, 2025, President Donald Trump signed into law legislation (H.R.1), known as the [One Big Beautiful Bill Act](#) (the "Act"). The legislation was passed through the budget reconciliation process and cements many of the individual and business tax provisions that were originally established under the 2017 Tax Cuts and Jobs Act ("2017 TCJA") which were set to sunset in 2025. The Act also adds several new provisions that were promised during the 2024 Trump campaign.

This is the second alert in our series examining key provisions of the Act, with this article focusing on tax provisions impacting individuals. The following are some of the key changes:

Individual Income Tax Rates

The Act makes the current individual tax rates under the TCJA permanent. Individual tax rate brackets will stay at 10%, 12%, 22%, 24%, 32%, 35% and 37%. This permanence eliminates uncertainty around potential rate increases after 2025 and provides taxpayers with greater predictability for long-term income, estate, and business succession planning.

Increase in Cap on State and Local Tax Deduction

The Act makes permanent the cap on state and local tax deductions beginning with the 2025 tax year. Effective for tax years 2025 through 2029, the cap is temporarily increased from \$10,000 to \$40,000 and is further increased by 1% each year until 2030. The cap will revert to \$10,000 in 2030. The cap is phased out for taxpayers with a modified adjusted gross income (MAGI) exceeding \$500,000.

This change may impact decisions around residency, real estate purchases, and charitable contribution strategies. Taxpayers with income near the \$500,000 MAGI threshold should consider timing strategies - such as bunching deductions or prepaying state and local taxes - to maximize the benefit of the temporary increase before the cap reverts.

Tax on Tips

The Act creates a temporary individual income tax deduction for up to \$25,000 of qualified tips received annually for tax years 2025 through 2028. The deduction does not apply to FICA/FUTA taxes associated with the tips. Employers must separately report all tips employees receive on Form W-2. The Treasury Department is expected to publish a list of eligible occupations by October 2, 2025, and issue anti-abuse regulations. This provision provides targeted relief for workers in tip-based occupations while imposing additional reporting obligations on employers.

Qualified Overtime Pay Rate Deduction

The Act establishes a temporary income tax deduction for qualified overtime pay for tax years 2025 through 2028. Employees who receive time and a half overtime pay may deduct up to \$12,500 (single filer) or \$25,000 (married filing jointly) of eligible overtime pay that exceeds their regular rate. FICA/FUTA taxes still apply.

This deduction may be especially beneficial for individuals in industries with significant overtime demands, such as healthcare, logistics, and manufacturing. Eligible taxpayers should consider whether adjustments to withholding or estimated payments may be appropriate. Employers are required to separately report overtime earnings on employees' Form W-2.

No Tax on Social Security

The Act allows a temporary personal exemption of \$6,000 for individuals 65 or older, available for tax years 2025 through 2028. This exemption benefits seniors regardless of whether they itemize deductions. The exemption is phased out for single filers with MAGI in excess of \$75,000 and for married joint filers with MAGI in excess of \$150,000.

Although framed as a Social Security benefit, the exemption operates as a general income exclusion for seniors, offering planning opportunities to reduce taxable income, particularly for retirees managing distributions from IRAs or other taxable accounts.

If you have questions about how these tax provisions may affect you or how you can take advantage of them, please reach out to attorney [Kevin Scott](#) or any member of Barley Snyder's [Tax](#) or [Trusts & Estates](#) practice groups. Be on the lookout for the next alert in our series explaining how certain provisions in the Act impact business entity selection.

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