

## Understanding the One Big Beautiful Bill Act: Key Tax Changes for 2025

The One Big Beautiful Bill Act (OBBBA), officially known as H.R. 1 and signed into law on July 4, 2025, represents a significant overhaul of the U.S. tax code. This legislation makes permanent several tax provisions that were set to expire and introduces important changes affecting individual taxpayers. Let's explore the key areas that will impact your clients in 2025 and beyond.

### Tax Rates - Made Permanent:

One of the most significant aspects of OBBBA is the permanent extension of current individual tax rates. The seven-bracket structure of 10%, 12%, 22%, 24%, 32%, 35%, and 37% will now continue indefinitely. These rates were scheduled to sunset at the end of 2025 and revert to the pre-2018 rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. The permanent extension provides much-needed certainty for tax planning. Additionally, the 21% flat tax on C corporations continues to apply, and estates and trusts maintain their current rate structure of 10%, 24%, 35%, and 37%.

### Standard Deduction Increases:

For 2025, taxpayers will see increased standard deduction amounts. Single filers and those married filing separately can claim \$15,750, while head of household filers receive \$23,625 <sup>[2]</sup>. Married couples filing jointly and qualifying surviving spouses benefit from a \$31,500 standard deduction. Additionally, OBBBA introduces a new senior deduction of \$6,000 per person for taxpayers age 65 or older. However, this senior deduction phases out when modified adjusted gross income exceeds \$75,000 for single filers or \$150,000 for joint filers.

### Child Tax Credit Enhancement:

The Child Tax Credit received a boost under OBBBA, increasing to \$2,200 per qualifying child under age 17 for 2025. Of this amount, up to \$1,700 is refundable, providing valuable assistance to lower-income families. The credit begins to phase out for higher-income taxpayers, reducing by \$50 for each \$1,000 of modified adjusted gross income over \$200,000 for single filers or \$400,000 for joint filers. An important requirement: both the taxpayer's Social Security number and the qualifying child's Social Security number must be included on the return to claim the credit.

### Earned Income Credit Considerations:

While the provided materials don't detail specific changes to the Earned Income Tax Credit under OBBBA, it's worth noting that this credit remains an important benefit for working

families with lower to moderate incomes. Tax professionals should continue to screen clients for EITC eligibility, as it represents one of the most significant refundable credits available to qualifying taxpayers.

#### Planning Implications:

The permanent nature of these tax provisions allows for more confident long-term tax planning. Clients no longer need to worry about significant rate increases in 2026, which had been a concern under prior law. The enhanced standard deduction and child tax credit provide meaningful tax relief for many families, while the senior deduction offers additional benefits to older taxpayers who meet the income requirements.

The One Big Beautiful Bill Act represents a comprehensive approach to tax policy, providing stability and certainty while enhancing benefits for families and seniors. As tax professionals, understanding these changes will

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