

The Simple 2025 Tax Guide: Your Tax Basics

1. Foundation: Filing Status & Standard Deduction

The IRS has increased these amounts for 2025 to account for inflation and recent legislative changes.

Filing Status	2025 Standard Deduction
Married Filing Jointly	\$31,500
Head of Household	\$23,625
Single / MFS	\$15,750

- **Seniors (65+):** The additional deduction is **\$2,000** for Single/HoH and **\$1,600** for married individuals.
- **New Senior Deduction:** Taxpayers born before Jan 2, 1961, may be eligible for an **enhanced senior deduction** of up to **\$6,000** (\$12,000 MFJ) if income is under \$75,000 (\$150,000 MFJ).

2. Updated Deductions (Itemized & Above-the-Line)

A major change occurred regarding state and local taxes for 2025.

- **SALT Deduction:** The limit for state and local taxes (SALT) has been increased to **\$40,000** for 2025 (\$20,000 if MFS). This is reduced if modified AGI exceeds \$500,000.
 - **Mortgage Interest:** The limit remains for interest on **\$750,000** of debt for new loans, but this rule has now been made permanent.
 - **Medical Expenses:** You can still deduct costs exceeding **7.5%** of your AGI.
 - **New 2025 Deductions:** You may now deduct qualified **tips** (up to \$25,000), **overtime** (up to \$12,500), and **car loan interest** (up to \$10,000) under certain income thresholds.
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3. 2025 Child Tax Credit (CTC) & Other Credits

The CTC has been increased and made permanent by the **One Big Beautiful Bill Act (OBBBA)**.

- **Maximum Child Tax Credit: \$2,200** per qualifying child under age 17 (up from \$2,000).
 - **Refundable Portion (ACTC):** If you owe no tax, you can receive up to **\$1,700** per child as a refund.
 - **Income Limits:** The full credit is available for those earning up to **\$200,000** (Single) or **\$400,000** (Married Filing Jointly).
 - **Adoption Credit:** Maximum of **\$17,280**, with up to **\$5,000** now being refundable.
 - **Earned Income Tax Credit (EITC):** Maximum of **\$8,046** for those with 3+ qualifying children.
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4. Retirement & Other Thresholds

- **401(k)/403(b)/457 Limit: \$23,500** for 2025.
 - **Catch-up (Age 50+): \$7,500.**
 - **Super Catch-up (Age 60-63): \$11,250.**
 - **IRA Contribution Limit: \$7,000** (plus \$1,000 catch-up for 50+).
 - **Foreign Earned Income Exclusion:** Confirmed at **\$130,000** for 2025.
 - **Annual Gift Exclusion:** Confirmed at **\$19,000.**
 - **Business Mileage:** Confirmed at **70 cents** per mile. (For 2026, this has increased to 72.5 cents per mile)
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5. 2025 Federal Income Tax Brackets

Taxable income (after your deduction) is taxed at these progressive rates.

Tax Rate	Single Filers	Married Filing Jointly	Head of Household
10%	\$0 – \$11,925	\$0 – \$23,850	\$0 – \$17,000
12%	\$11,926 – \$48,475	\$23,851 – \$96,950	\$17,001 – \$64,850
22%	\$48,476 – \$103,350	\$96,951 – \$206,700	\$64,851 – \$103,350
24%	\$103,351 – \$197,300	\$206,701 – \$394,600	\$103,351 – \$197,300
32%	\$197,301 – \$250,525	\$394,601 – \$501,050	\$197,301 – \$250,500
35%	\$250,526 – \$626,350	\$501,051 – \$751,600	\$250,501 – \$626,350
37%	Over \$626,350	Over \$751,600	Over \$626,350