



**Newsflash – Key USA Tax Update -
Personal Tax Provisions – One Big
Beautiful Bill Act (2025)**

NEWSFLASH

Key USA Tax Update - Personal Tax Provisions – One Big Beautiful Bill Act (2025)

For circulation only
24 June 2025

1.0 Background

On 22 May 2025, the U.S. House of Representatives passed H.R. 1, the budget reconciliation legislation titled the “**One Big Beautiful Bill Act**” (hereinafter referred to as “the Bill”). The Bill now advances to the Senate for further consideration and is expected to be taken up before the end of June. While the Senate may propose amendments, final enactment—subject to the approval of President Trump which is anticipated by **4 July 2025**.

The proposed legislation seeks to **permanently extend several key provisions** originally introduced under the **Tax Cuts and Jobs Act (TCJA) of 2017**. These include:

- Reduced individual income tax rates,
- An increased standard deduction,
- Expanded child tax credit provisions,
- An enhanced lifetime estate and gift tax exemption.



2.0 Proposed Changes Related to Individuals taxation provisions

2.1 Individual Taxation

Heading	Current Law	Provisions of the bill which is passed by the House of Representatives																				
Extension of modification of rates	The U.S. federal income tax system is progressive, employing seven marginal rates that apply to escalating income brackets. While the TCJA retained this seven-rate structure, it temporarily adjusted the rate of tax and widened the income ranges associated with each bracket, effective for tax years 2018 through 2025. (Refer Annexure 1)	This provision makes permanent the modified federal income tax bracket schedule and lower tax rates created by the TCJA. The provision also adds an additional year of inflation adjustment to all brackets except for the top bracket 37%. (Refer Annexure 1)																				
Extension of increased standard deduction and temporary enhancement	<p>The bill proposes to repeal the scheduled expiration of the temporary increase in standard deduction amounts introduced under the TCJA, thereby making the higher deduction levels permanent.</p> <table><tr><th colspan="2">Standard Deduction (2026)</th></tr><tr><th>Filing Status</th><th>Current Law</th></tr><tr><td>Single</td><td>\$8,300</td></tr><tr><td>Head of household</td><td>\$12,150</td></tr><tr><td>Married Filing Jointly</td><td>\$16,600</td></tr></table>	Standard Deduction (2026)		Filing Status	Current Law	Single	\$8,300	Head of household	\$12,150	Married Filing Jointly	\$16,600	<p>This provision makes the TCJA's expanded standard deduction permanent, adds one year of inflation adjustment, and increases it further for 2025–2028 by</p> <ul style="list-style-type: none">- \$1,000 (single),- \$1,500 (head of household), and- \$2,000 (married filing jointly). <p>The impact of these modifications to the standard deduction for 2026, according to filing status, is summarized below.</p> <table><tr><th colspan="2">Standard Deduction (2026)</th></tr><tr><th>Filing Status</th><th>Provisions of the bill which is passed by the House of Representatives</th></tr><tr><td>Single</td><td>\$16,300</td></tr><tr><td>Head of household</td><td>\$24,500</td></tr><tr><td>Married Filing Jointly</td><td>\$32,600</td></tr></table>	Standard Deduction (2026)		Filing Status	Provisions of the bill which is passed by the House of Representatives	Single	\$16,300	Head of household	\$24,500	Married Filing Jointly	\$32,600
Standard Deduction (2026)																						
Filing Status	Current Law																					
Single	\$8,300																					
Head of household	\$12,150																					
Married Filing Jointly	\$16,600																					
Standard Deduction (2026)																						
Filing Status	Provisions of the bill which is passed by the House of Representatives																					
Single	\$16,300																					
Head of household	\$24,500																					
Married Filing Jointly	\$32,600																					

Heading	Current Law	Provisions of the bill which is passed by the House of Representatives
		The proposal would be effective for tax years beginning after 31 December 2025. The temporary increase in the standard deduction would apply to tax years beginning after 31 December 2024 and ending before 01 January 2029.
<u>Estate and gift tax exemption</u> Extension of increased estate and gift tax exemption amounts and permanent enhancement	The increased estate and lifetime gift tax exemption amount is set to expire after 31 December 2025.	This provision permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to \$15 million for single filers (\$30 million for married filing jointly) in 2026, and indexes the exemption amount for inflation going forward.
Termination of deduction for personal exemptions	Under current law, the deduction for personal exemptions is set to return after 31 December 2025.	This provision permanently repeals the deduction for personal exemptions.
Excise Tax on U.S. Outbound Remittances	Not Applicable.	The excise tax on outbound remittances has been reduced from the proposed 5% to 3.5% under the Manager's Amendment. The tax applies to all remittance transfers from the U.S., with the sender liable and service providers required to collect and remit it quarterly to the U.S. Treasury. If not collected at the time of transfer, the provider bears the liability.
Extension of increased child tax credit and temporary enhancement	The enhanced Child Tax Credit is set to expire after December 31, 2025. The credit will reduce from \$2,000 to \$1,000 per child, SSN requirements will be eliminated, and lower income phase-out thresholds will limit eligibility. Additionally, the \$500 non-refundable credit for other dependents will also lapse.	<p>This provision permanently sets the Child Tax Credit at \$2,000 per child and retains the higher income phase-out thresholds and the nonrefundable credit for non-child dependents. Beginning in 2027, the credit will be indexed for inflation (rounded down to the nearest \$100), while the refundable portion remains unchanged.</p> <p>It mandates that the child, taxpayer, and spouse (for joint filers) all have valid, work-eligible Social Security Numbers to claim the credit.</p> <p>Additionally, from 2025 through 2028, the credit is temporarily increased to \$2,500 per child.</p>

Heading	Current Law	Provisions of the bill which is passed by the House of Representatives
Extension of increased alternative minimum tax exemption and phase-out thresholds	The increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds are set to expire for taxable years beginning after 31 December 2025.	This provision permanently extends the increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds.
Extension of limitation on deduction for qualified residence interest	The deduction for qualified residence interest, also known as the home mortgage interest deduction, is set to increase from the first \$750,000 in home mortgage acquisition debt to \$1 million after 31 December 2025.	This provision permanently lowers the deduction for qualified residence interest to the first \$750,000 in home mortgage acquisition debt.
No tax on overtime	Not applicable.	This provision establishes an above-the-line deduction for overtime premium pay earned in a taxable year. Eligibility is limited to individuals with earned income below the threshold specified under the Internal Revenue Code. Highly compensated employees and those exceeding the income limit are excluded. A valid work-eligible Social Security number is required to claim the deduction. The provision applies to tax years 2025 through 2028.
Enhanced deduction for seniors citizens		This provision provides a deduction for seniors (age 65 or older) of \$4,000 per eligible filer with a modified adjusted gross income that does not exceed \$75,000 for single filers (\$150,000 for married filing jointly). The deduction is allowed for tax years 2025 through 2028.

Heading	Current Law	Provisions of the bill which is passed by the House of Representatives
No tax on car loan interest		<p>This provision creates an above-the-line deduction of up to \$10,000 for qualified passenger vehicle loan interest during a given taxable year.</p> <p>The deduction phases out starting when the taxpayer's modified adjusted gross income exceeds \$100,000 (\$200,000 in the case of a joint return).</p> <p>For purposes of the deduction, an applicable passenger vehicle of which interest can be deducted is</p> <ol style="list-style-type: none"> (1) manufactured primarily for use on public streets, roads, and highways; (2) which has at least two wheels; (3) which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle; and (4) the final assembly of which occurs in the U.S. <p>For the purposes of the deduction, an applicable passenger vehicle also includes all-terrain vehicles and recreational vehicles which the final assembly of which occurs in the U.S.</p> <p>The deduction is allowed from tax years 2025 through 2028.</p>
Increase in penalties for unauthorized disclosures of taxpayer information.	<p>The Internal Revenue Code currently imposes a maximum fine of \$5,000 and a maximum imprisonment term of five years for unauthorized disclosure of taxpayer information.</p> <p>However, in cases involving the willful unauthorized disclosure of returns or return information pertaining to multiple taxpayers, the</p>	<p>This provision enhances the penalties by increasing the maximum fine to \$250,000 and extending the maximum imprisonment term to 10 years.</p> <p>It also clarifies that each willful unauthorized disclosure involving a different taxpayer constitutes a separate violation, thereby</p>

Heading	Current Law	Provisions of the bill which is passed by the House of Representatives
	<p>law does not clearly specify whether each instance constitutes a separate violation.</p> <p>Specific Offenses Under Federal Tax Disclosure Law</p> <ul style="list-style-type: none"> • Federal Employees – Willful unauthorized disclosure by current/former U.S. officers, employees, or contractors under Section 6103(n) is a felony. • State/Non-Federal Persons – Non-federal individuals disclosing return info obtained via Section 6103 provisions face the same felony charges. • Unauthorized Recipients – Knowingly receiving and willfully disseminating unauthorized return information is a felony offense. • Solicitation – Offering anything of value to obtain tax return information willfully constitutes a felony violation. 	<p>strengthening protections for taxpayer confidentiality in cases involving multiple disclosures.</p>
<p>Limitation on individual deductions for certain State and local taxes, etc.</p>	<p>For individuals, the itemized deduction for state and local taxes (SALT) is currently capped at \$10,000 (\$5,000 for married individuals filing separately). This cap generally applies to income taxes paid in connection with a trade, business, or income-producing activity. The SALT cap is scheduled to expire after December 31, 2025.</p>	<p>The proposal seeks to permanently replace the temporary \$10,000 SALT deduction cap introduced by the TCJA with a higher, phased, and permanent cap starting in tax year 2026. Key highlights include:</p> <ul style="list-style-type: none"> • New Permanent Cap (from 2026): Deduction for “specified taxes” (including state/local income, property, and sales taxes) will be capped at \$40,400 for individuals (\$20,200 for married filing separately), with a phase-down based on Modified Adjusted Gross Income (MAGI).

Heading	Current Law	Provisions of the bill which is passed by the House of Representatives
		<ul style="list-style-type: none"> Phase-down Mechanism: The cap will be reduced by 30% of the excess MAGI over \$505,000 (\$252,500 MFS), but not below \$10,000 (\$5,000 MFS). MAGI includes AGI plus exclusions for foreign income, housing costs, and income from U.S. possessions. Annual Adjustments: From 2027 to 2033, the cap and MAGI thresholds will increase 1% annually; from 2034 onwards, the 2033 level will remain fixed. Temporary Increase for 2025: The current SALT cap will be increased to \$40,000 (\$20,000 MFS), with a similar phase-down starting at MAGI of \$500,000 (\$250,000 MFS). Additional Provisions: <ul style="list-style-type: none"> Deduction permanently denied for foreign real property taxes not related to a trade/business or income-producing activity. SALT cap explicitly applies to tenant-stockholders in co-ops and includes substitute payments, codifying IRS authority over SALT credit programs.



Heading	Current Law	Provisions of the bill which is passed by the House of Representatives
Termination of previously-owned clean vehicle credit	Taxpayers may claim a tax credit for previously-owned clean vehicles. The credit is worth the lesser of \$4,000 or 30 % of the sale price and is limited to incomes of \$75,000 for single filers, \$112,500 for head of household filers, and \$150,000 for joint filers. The credit is set to expire 31 December 2032.	This provision accelerates the expiration to 31 December 2025.
Termination of qualified commercial clean vehicles credit	Taxpayers may claim a tax credit for commercial clean vehicles placed in service in a taxable year. For vehicles weighing less than 14,000 pounds the credit value is \$7,500 and for other vehicles the credit value is \$40,000. The credit is set to expire 31 December 2032.	This provision accelerates the expiration to 31 December 2025. This provision also implements a special rule allowing vehicles acquired pursuant to a written binding contract entered into before May 12, 2025 to qualify for the credit.
Termination of alternative fuel vehicle refueling property credit	Taxpayers may claim a tax credit for advanced refueling property placed in service in a given taxable year. The credit value is 30 % of the cost of the property not exceeding \$100,000. The credit expires 31 December 2032.	This provision accelerates the expiration to 31 December 2025.
Termination of energy efficient home improvement credit	Taxpayers may claim a tax credit for household energy efficient improvements. The value of the credit is 30 % of qualified energy efficient improvements, residential energy property, or home energy audits not exceeding \$1,200 annually (\$2,000 if for heat pumps and biomass stoves). The credit expires 31 December 2032.	This provision accelerates the expiration to 31 December 2025.
Termination of residential clean energy credit	Taxpayers may claim a credit for residential expenditures for solar electric property, solar water heating property, fuel cell property, small wind energy property, geothermal heat pump property, and battery storage property. The value of the credit is <ul style="list-style-type: none"> • 30% of the expenditures through 31 December 2032, • 26% of expenditures in taxable year 2033, and 	This provision accelerates the expiration to 31 December 2025.

Heading	Current Law	Provisions of the bill which is passed by the House of Representatives
	<ul style="list-style-type: none"> 22% expenditures in taxable year 2034. 	
Termination of new energy efficient home credit	<p>Contractors may claim a credit for homes built that meet certain Energy Star standards.</p> <ul style="list-style-type: none"> Homes that are considered Zero Energy Ready are eligible for a \$5,000 credit and Homes certified at a lower energy efficient level are eligible for a credit of either \$2,500 or \$1,000. <p>The credit expires 31 December 2032.</p>	<p>This provision accelerates the expiration to 31 December 2025. This provision includes a special rule allowing homes that have commenced construction before 12 May 2025 to qualify for the credit if they are acquired by 31 December 2026.</p>

3.0 Scope and Limitations

This note is intended to provide a overview of the proposed changes introduced by the United States through the One Big Beautiful Bill Act and has been compiled based on our limited understanding of the same. The contents of this note are subject to revalidation by legal advisors in the US. After review of this note, the same should be discussed with us to determine a further course of action. The data coverage in this note is subject to revalidation of facts mentioned hereinabove. No part of this note may be reproduced without our prior written consent. The note contains our views on the subject matter based on the facts explained to us. Our views may differ depending upon changes in facts, circumstances or legal provisions. Governmental or judicial authorities may or may not subscribe to the views expressed herein. Under no circumstances shall our liability, if any, arising from the use of this note exceed the amount of fees paid to us in connection with the specific matter or the actual damages suffered, whichever is lower.



Annexure 1 - Slab Rates - Personal Taxation

Single individuals

Tax Rate	Current Law (2025)	Tax Rate	Current Law (If no change in 2026)	Tax Rate	OBBBA (2026)
10%	Not over \$11,925	10%	Not over \$12,150	10%	Not over \$12,375
12%	Over \$11,925 but not over \$48,475	15%	Over \$12,150 but not over \$49,300	12%	Over \$12,375 but not over \$50,275
22%	Over \$48,475 but not over \$103,350	25%	Over \$49,300 but not over \$119,400	22%	Over \$50,275 but not over \$107,200
24%	Over \$103,350 but not over \$197,300	28%	Over \$119,400 but not over \$249,100	24%	Over \$107,200 but not over \$204,700
32%	Over \$197,300 but not over \$250,525	33%	Over \$249,100 but not over \$541,550	32%	Over \$204,700 but not over \$259,925
35%	Over \$250,525 but not over \$626,350	35%	Over \$541,550 but not over \$543,800	35%	Over \$259,925 but not over \$639,275
37%	Over \$626,350	39.60%	Over \$543,800	37%	Over \$639,275

Head of households

Tax Rate	Current Law (2025)	Tax Rate	Current Law (If no change in 2026)	Tax Rate	OBBBA (2026)
10%	Not over \$17,000	10%	Not over \$17,350	10%	Not over \$17,650
12%	Over \$17,000 but not over \$64,850	15%	Over \$17,350 but not over \$66,050	12%	Over \$17,650 but not over \$67,300
22%	Over \$64,850 but not over \$103,350	25%	Over \$66,050 but not over \$170,550	22%	Over \$67,300 but not over \$107,200
24%	Over \$103,350 but not over \$197,300	28%	Over \$170,550 but not over \$276,200	24%	Over \$107,200 but not over \$204,700
32%	Over \$197,300 but not over \$250,500	33%	Over \$276,200 but not over \$541,550	32%	Over \$204,700 but not over \$259,900
35%	Over \$250,500 but not over \$626,350	35%	Over \$541,550 but not over \$577,750	35%	Over \$259,900 but not over \$639,250
37%	Over \$626,350	39.60%	Over \$577,750	37%	Over \$639,250

Married individuals filing joint returns and surviving spouses

Tax Rate	Current Law (2025)	Tax Rate	Current Law (If no change in 2026)	Tax Rate	OBBBA (2026)
10%	Not over \$23,850	10%	Not over \$24,300	10%	Not over \$24,750
12%	Over \$23,850 but not over \$96,950	15%	Over \$24,300 but not over \$98,600	12%	Over \$24,750 but not over \$100,550
22%	Over \$96,950 but not over \$206,700	25%	Over \$98,600 but not over \$199,000	22%	Over \$100,550 but not over \$214,400
24%	Over \$206,700 but not over \$394,600	28%	Over \$199,000 but not over \$303,250	24%	Over \$214,400 but not over \$409,400
32%	Over \$394,600 but not over \$501,050	33%	Over \$303,250 but not over \$541,550	32%	Over \$409,400 but not over \$519,850
35%	Over \$501,050 but not over \$751,600	35%	Over \$541,550 but not over \$611,750	35%	Over \$519,850 but not over \$767,150
37%	Over \$751,600	39.60%	Over \$611,750	37%	Over \$767,150

Married Individuals Filing Separate Returns

Tax Rate	Current Law (2025)	Tax Rate	Current Law (If no change in 2026)	Tax Rate	OBBBA (2026)
10%	Not over \$11,925	10%	Not over \$12,150	10%	Not over \$12,375
12%	Over \$11,925 but not over \$48,475	15%	Over \$12,150 but not over \$49,300	12%	Over \$12,375 but not over \$50,275
22%	Over \$48,475 but not over \$103,350	25%	Over \$49,300 but not over \$99,500	22%	Over \$50,275 but not over \$107,200
24%	Over \$103,350 but not over \$197,300	28%	Over \$99,500 but not over \$151,625	24%	Over \$107,200 but not over \$204,700
32%	Over \$197,300 but not over \$250,525	33%	Over \$151,625 but not over \$270,775	32%	Over \$204,700 but not over \$259,925
35%	Over \$250,525 but not over \$375,800	35%	Over \$270,775 but not over \$305,875	35%	Over \$259,925 but not over \$383,575
37%	Over \$375,800	39.60%	Over \$305,875	37%	Over \$383,575

THE POWER OF BEING UNDERSTOOD



For further information please contact:

RSM Astute Consulting Pvt. Ltd.

8th Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021.

T: (91-22) 6108 5555 / 6121 4444

F: (91-22) 2287 5771

E: emails@rsmindia.in

W: www.rsmindia.in

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham, Jaipur, Navi Mumbai and Vijayanagar.



facebook.com/RSMInIndia



twitter.com/RSM_India



linkedin.com/company/rsm-india



youtube.com/@RSMIndia

RSM Astute Consulting Pvt. Ltd. (Including its affiliates) is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ .

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

This newsflash provides a summary of proposed amendments to the U.S. Internal Revenue Code introduced under the ONE BIG BEAUTIFUL BILL ACT, with particular emphasis on provisions related to personal income taxation as well as estate and gift tax matters. It may be noted that nothing contained in this publication should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the topics covered in this publication. Appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this publication.

This Publication is protected under Copyright and Intellectual property laws and regulations.

24 June 2025

© RSM International Association, 2025