

Happy New Year! Here's the Good News: New Tax Breaks You Can Use

January 8, 2026 - As we ring in 2026, there's something extra to celebrate besides the turning of the calendar: a sweeping new package of tax breaks designed to put more money back in your pocket. Whether you're a restaurant server, a nurse pulling overtime, a senior on a fixed income, or just someone trying to make ends meet, the new provisions in the One Big Beautiful Bill (BBB) could bring real savings when you file your taxes this year.

The bill, passed with much fanfare late last year, includes several targeted tax breaks for working Americans, retirees, and families. Most of these deductions apply to the 2025 tax year, which means you'll use them on your federal tax return filed by April 15, 2026. Now is the time to understand how they work so you can make sure to claim every dollar you deserve.

No Tax on Tips

For millions of service workers, tips are a vital part of income-and now, thanks to the BBB, a portion of those earnings will no longer be taxed. Starting with your 2025 earnings, you can deduct up to 25,000 in qualified tips from your federal taxable income. This is especially good news for bartenders, servers, valets, salon workers, and others who depend on gratuities to make a living. As long as your tips are properly reported, you'll be able to deduct them whether you take the standard deduction or itemize.

No Tax on Overtime

The bill also brings relief to hard-working Americans clocking in extra hours. Beginning January 1, 2025, up to 12,500 of your annual overtime pay (or 25,000 for married couples) won't be subject to federal income tax. This applies whether you're in healthcare, law enforcement, logistics, or any field where long shifts are the norm. The more overtime you work, the more you could save at tax time.

Bigger Break for State and Local Taxes

For years, the so-called SALT deduction-allowing taxpayers to deduct state and local taxes-was capped at 10,000, hitting residents of high-tax states especially hard. That cap has now been raised significantly. Starting in 2025, many households will be able to deduct up to 40,000 in state and local taxes, depending on income and filing status. This expanded limit will be especially helpful for homeowners and small business owners who pay high property and income taxes.

Senior Tax Relief

If you're 65 or older, a brand-new deduction could help lighten your tax load-even if you're still working. Beginning in the 2025 tax year, seniors can deduct up to 6,000 from their taxable income just for being age-qualified. Married seniors where both spouses are 65 or older can deduct up to 12,000. The deduction phases out at higher incomes (starting around 75,000 for individuals or 150,000 for couples), but for middle-income retirees-or even working seniors still earning a paycheck-this could mean paying less tax on retirement income or possibly none at all on Social Security benefits.

Charitable Giving for Everyone

Normally, you only get to deduct charitable contributions if you itemize your deductions. But the BBB changes that-starting in 2026, even if you take the standard deduction, you can still deduct up to 1,000 (or 2,000 for couples) in cash donations to qualifying charities. This change encourages more people to give generously while still reaping a small tax benefit in return.

Help for Families with Children

The Child Tax Credit has been adjusted under the bill to reflect inflation and better support working families. While the exact amount you'll receive depends on your income and the number of children you have, many families will see a modest increase in their credit. The bill also expands the adoption tax credit, making it more accessible and valuable for families opening their homes to children in need.

Auto Loan Interest Deduction for American Assembled Vehicles

There's also a new break for car buyers: if you financed a new vehicle last year, you may be able to deduct up to \$10,000 in auto loan interest on your 2025 tax return. To qualify, the vehicle must have been assembled in the United States and purchased new for personal use. This deduction is available even if you take the standard deduction, but it begins to

phase out for individuals earning over \$100,000 or couples earning over \$200,000.

This year, the best tax advice may be to look closely. These deductions do apply to the return you'll file this April-for income earned in 2025. So if you earned tips, worked overtime, gave to charity, or turned 65 last year, you'll want to take full advantage. And if you haven't already kept track of these income details or receipts, now's the time to gather them before the April 15 tax deadline.

The One Big Beautiful Bill brings some long-awaited relief for everyday taxpayers. It's a good start to 2026 and a rare chance to keep more of what you earn.

by Jim Malmberg

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