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‘One Big Beautiful Bill’ Brings Tax Relief to American Families and Workers

July 19, 2025
— Categories: Finance

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With the passage of the One Big Beautiful Bill (OBBB) earlier this July, taxpayers have a real opportunity to make the most of new deductions and credits long before tax season begins. While much attention has been paid to the elimination of federal income tax on tips and overtime and the new $6,000 bonus deduction for seniors, there’s more to unpack, particularly for middle-class Americans and working families.

Among the highlights is the reintroduction of personal auto loan interest deductions, a provision unseen since the Tax Reform Act of 1986 eliminated it. Starting in 2025 and continuing through 2028, taxpayers can deduct up to $10,000 in interest on new auto loans, provided the vehicle is assembled in the U.S., is for personal use, and meets certain income criteria. According to Brian Schultz, a Certified Public Accountant (CPA) with Plante Moran Wealth Management, this change "can shift the math for Americans considering whether to lease or buy a car."

Charitable giving also gets a boost. Under the Tax Cuts and Jobs Act (TCJA) of 2017, taxpayers who took the standard deduction had limited ability to engage in tax planning. That's no longer the case. As CPA Brian Gray of Gursey Schneider explained, the OBBB reinstates and expands an above-the-line deduction for charitable contributions. Taxpayers who don't itemize can now deduct up to $1,000 individually or $2,000 as a married couple, directly reducing their adjusted gross income (AGI), and thereby qualifying for other credits or deductions.

Families stand to gain as well. The OBBB makes a permanent increase to the Dependent Care Flexible Spending Account (DCFSA) contribution limit, raising it to $7,500 (or $3,750 for married individuals filing separately), up from the decades-old cap of $5,000. This change comes after a temporary increase during the pandemic and will take effect in 2025, giving families more flexibility to cover child care or elder care costs with pre-tax dollars.

Another family-centered benefit is the enhancement of the *Child and Dependent Care Credit* (CDCC), which will see its most significant update starting in 2026. The maximum credit rate rises from 35% to 50% of qualified expenses, up to $3,000 for one child or $6,000 for two or more children. Additionally, the income thresholds have been updated to reflect economic realities: the full credit now phases down at $206,000 for married couples and $103,000 for individuals, far higher than pre-OBBB levels. Nonprofit group First Five Years Fund estimates nearly four million families will see an increase in their tax credits.

"This legislation reflects a long-overdue update for working families," said Sarah Rittling, Executive Director of First Five Years Fund. "With the enhancements, a family with two young children making under $150,000 could see their tax credit grow by $900, a real relief for parents balancing rising costs."

Taxpayers would also do well to plan. Schultz advises Americans to consider adjusting retirement contributions or other income decisions to optimize benefits under OBBB. "A lot of the new credits are income-sensitive," he said. "Strategic moves, like boosting 401(k) contributions, can make a big difference."

Ultimately, OBBB offers a wide array of opportunities for Americans to lower their tax burden if they act smartly and plan. From seniors to working parents, it's a long-awaited shift in favor of everyday taxpayers looking to keep more of what they earn.