

# Becoming a Phaseoutologist

## The Phaseoutologist Guide to the OBBBA

Deduction Name	Deduction amount	Full Benefit	Reduced Benefit	Years available	Note
Senior Deduction	Up to \$6,000	Up to \$75,000 MAGI for single filers and \$150,000 for married filing jointly.	The senior deduction is completely eliminated when MAGI reaches \$175,000 for single filers or \$250,000 for married filing jointly.	2025 through 2028	The 6% phase-out rate means you lose 6 cents of the deduction for every dollar of income above the threshold. For a married couple with \$175,000 MAGI, the excess income is \$25,000 (\$175,000 - \$150,000). This creates a \$1,500 reduction (\$25,000 × 6% = \$1,500), leaving them with a \$4,500 senior deduction (\$6,000 - \$1,500).
State and Local Tax Deduction (SALT)	Up to \$40,000	Up to \$500,000 MAGI for both single filers and married filing jointly.	The SALT deduction drops to the \$10,000 floor when income reaches \$600,000 for single filers or married filing jointly.	2025 through 2029	The SALT cap increases 1% annually through 2029 and phases out at 30% above the \$500,000 threshold. For example, with \$550,000 income, you exceed the threshold by \$50,000. The phaseout reduces your deduction by \$15,000 (\$50,000 × 30%), leaving you with a \$25,000 SALT deduction (\$40,000 - \$15,000). The deduction cannot fall below the \$10,000 floor regardless of income level.

Deduction Name	Deduction amount	Full Benefit	Reduced Benefit	Years available	Note
Auto Loan Deduction	Up to \$10,000	Up to MAGI of \$100,000 for single filers and \$200,000 for married filing jointly.	The deduction is completely eliminated at \$150,000 MAGI for single filers and \$250,000 MAGI for married filing jointly.	2025 through 2028	The deduction phases out at a 20% rate, reducing the benefit by 20 cents for every dollar of excess income. For married filing jointly taxpayers with \$225,000 MAGI, the calculation is: \$225,000 - \$200,000 threshold = \$25,000 excess income. Then \$25,000 × 20% = \$5,000 reduction, leaving \$5,000 of the original \$10,000 deduction available (\$10,000 - \$5,000 = \$5,000).
Child Care Credit	Up to \$2,200 tax credit per qualifying children	Up to MAGI of \$200,000 for single filers and \$400,000 for married filing jointly.	The credit phases out starting at \$200,000 MAGI for single filers and \$400,000 for married filing jointly, reducing by \$50 for each \$1,000 of excess income until completely eliminated.	OBBBA made this credit permanent	A married couple filing jointly with four qualifying children and MAGI of \$412,500 would start with a base credit of \$8,800 (4 × \$2,200). Since their income exceeds the \$400,000 threshold by \$12,500, this amount is rounded up to the next \$1,000 increment (\$13,000). The credit is then reduced by \$50 for each \$1,000 of excess income (\$13,000 ÷ \$1,000 × \$50 = \$650 reduction), resulting in a final Child Tax Credit of \$8,150 (\$8,800 - \$650).
Overtime Pay Deduction	A deduction of up to \$12,500 for single filers and \$25,000 for married couples filing jointly.	Up to \$150,000 MAGI for single filers and \$300,000 MAGI for married filing jointly.	The deduction is eliminated when MAGI reaches \$275,000 for single filers or \$550,000 for married filing jointly.	2025 through 2028	For every \$1,000 above the threshold, your deduction is reduced by \$100. For instance, a single filer with a \$200,000 MAGI (\$50,000 over the limit) would see their deduction reduced by \$5,000 (50 × \$100), leaving them with a \$7,500 deduction.

Deduction Name	Deduction amount	Full Benefit	Reduced Benefit	Years available	Note
Tip Income Deduction	A deduction of up to \$25,000	The tip deduction is available for qualifying workers with MAGI up to \$150,000 for single filers or \$300,000 for married filing jointly.	The deduction is eliminated when MAGI reaches \$400,000 for single filers and \$800,000 for married filing jointly.	2025 through 2028	The deduction decreases by \$100 for every \$1,000 your MAGI exceeds these thresholds. For example, a single filer with a \$200,000 MAGI (\$50,000 over the limit) would have their deduction reduced by \$5,000 ( $\$50,000 / \$1,000 * \$100$ ), leaving a maximum deduction of \$20,000.

## The Phaseoutologist Guide to IRAs

Deduction Name	IRA amount	Full Benefit	No longer deductible	Adjustments
Traditional IRA	\$7,000 annually, plus an additional \$1,000 catch-up contribution for taxpayers age 50 and older.	The full deduction is available if your MAGI is \$79,000 or less for single filers or \$126,000 or less for married filing jointly.	\$89,000 for single filers and \$146,000 for married filing jointly	Adjusted most years
Roth IRA	\$7,000 annually, plus an additional \$1,000 catch-up contribution for taxpayers age 50 and older.	Eligible for a Roth IRA contribution if your MAGI is below \$150,000 for single filers or \$236,000 for married filing jointly.	Roth eligibility is eliminated at \$165,000 MAGI for single filers and \$246,000 MAGI for married filing jointly.	Adjusted most years

## The Phaseoutologist Guide to Education

Deduction Name	Benefit	Phase-out	Reduced Benefit	Years available
American Opportunity Tax Credit	Tax credit of up to \$2,500	MAGI of \$80,000 for single filers and \$160,000 for married filing jointly.	Phases out between \$80,000-\$90,000 MAGI for single filers and \$160,000-\$180,000 MAGI for married filing jointly.	Permanent
Lifetime Learning Credit	This nonrefundable credit provides up to \$2,000 per tax return by covering 20% of the first \$10,000 in qualified education expenses. It can be claimed for unlimited years, but only reduces your tax liability to zero and will not generate a refund.	For single filers with MAGI up to \$80,000 and married filing jointly up to \$160,000.	Unavailable if MAGI exceeds \$90,000 for single filers or \$180,000 for married filing jointly.	Permanent
Student Loan Interest Deduction	You can deduct up to \$2,500 in student loan interest paid each year.	MAGI of \$85,000 for single filers and \$170,000 for married filing jointly	Single filers with MAGI above \$100,000 and married filing jointly above \$200,000 receive zero benefit from this deduction.	Permanent

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#### Sources:

(1) AARP, July 8, 2025: <https://www.aarp.org/money/taxes/what-to-know-new-tax-law-2025.html>

(2) CNBC, July 11, 2025: <https://www.cnbc.com/2025/07/11/trump-big-beautiful-bill-salt-tax.html>

(3) CBS News, July 14, 2025: <https://www.cbsnews.com/news/auto-loan-interest-deduction-big-beautiful-bill-how-it-works-cbs-news-explains>

(4) TurboTax, July 17, 2025: <https://turbotax.intuit.com/tax-tips/family/child-tax-credit/L9ZljdIZz>

(5) SmartAsset, July 11, 2025: <https://smartasset.com/taxes/trump-overtime-tax-plan>

(6) Kiplinger, 2025: <https://www.kiplinger.com/taxes/no-tax-on-tips-bill-approved>

(7) Bankrate, April 25, 2025: <https://www.bankrate.com/retirement/401k-ira-contribution-and-income-limits>