



HR 1 Individual Income Tax Provisions: Impacts in Montana

Montana Taxpayers Association

December 10, 2025

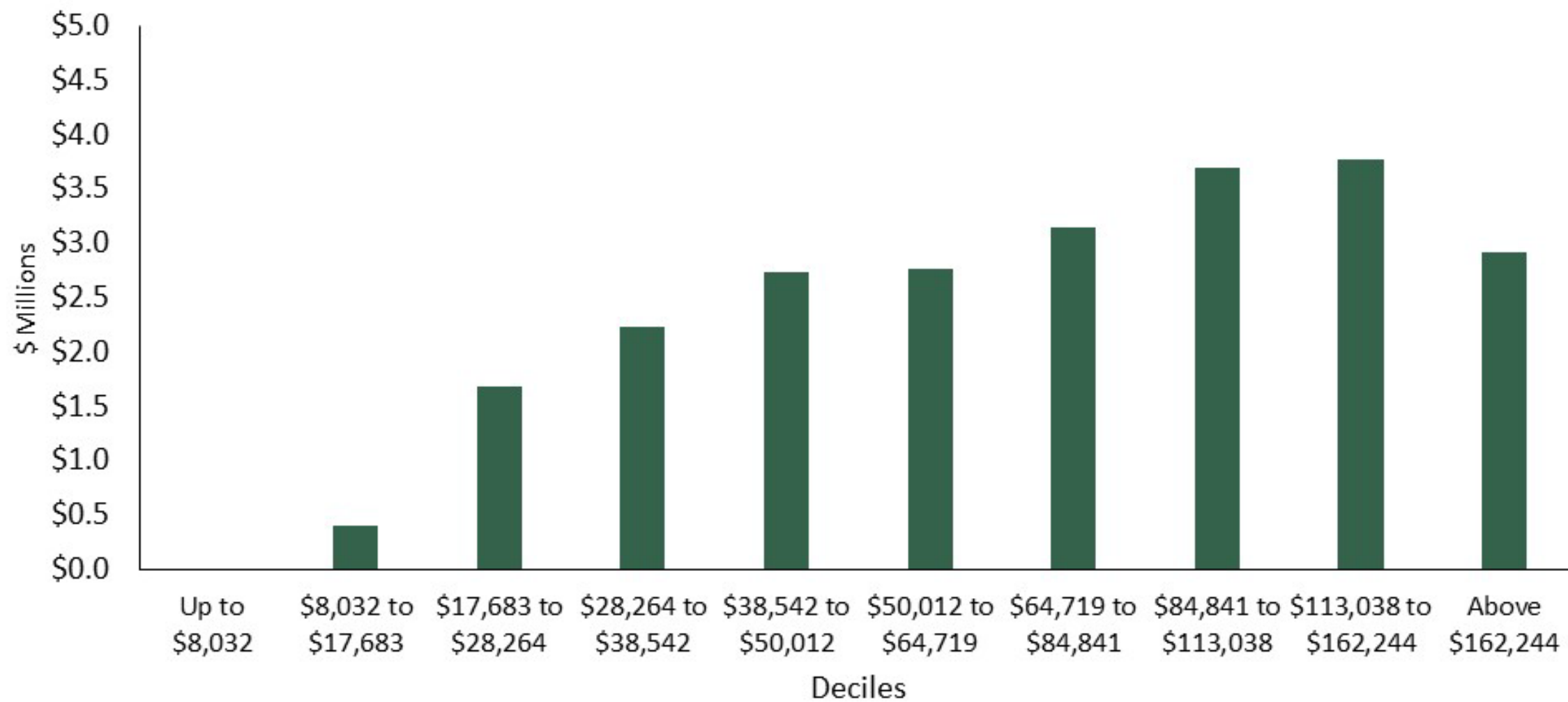
Sam Schaefer




Increased Standard Deduction

- Standard deduction increased \$750 for single filers.
- The standard deduction in tax year 2025 is now \$15,750 for single filers.
- Standard deduction increased \$1,500 for joint filers.
- The standard deduction in tax year 2025 is now \$31,500 for joint filers
- Estimated to reduce Montana individual income tax collections by \$23.4 million per year.
- Estimate based on TY 2023 tax return data.

Increased Standard Deduction Savings by Decile

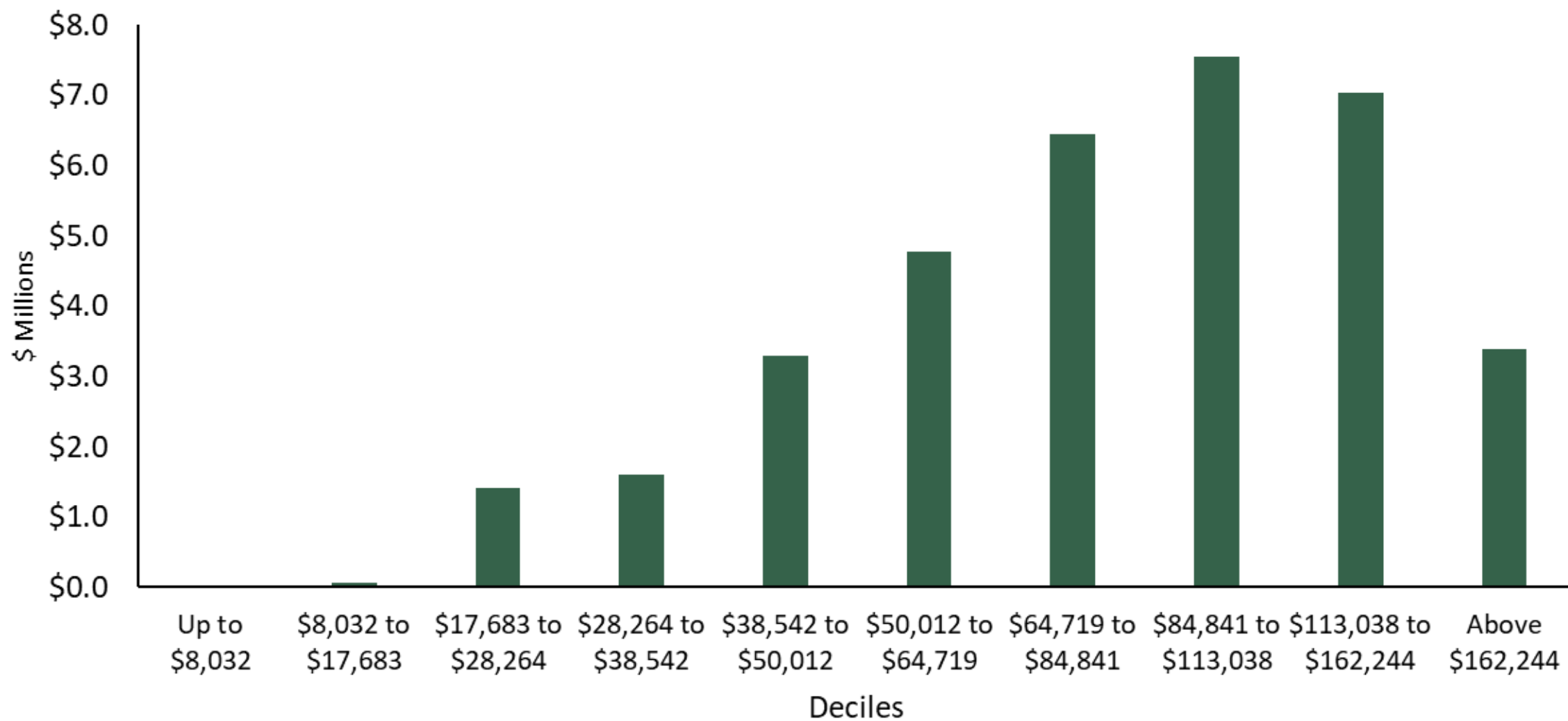




Additional Senior Standard Deduction

- Seniors aged 65 and older can take an additional \$6,000 deduction on top of their standard or itemized deductions.
- Additional deduction is \$12,000 for married filers who are both 65 and older.
- Applicable for tax years 2025 through 2028.
- Phaseout begins at Modified Adjusted Gross Income (MAGI) of \$75,000 (\$150,000 for joint filers)
- Estimated to reduce Montana individual income tax collections by \$35.6 million per year.
- Estimate based on TY 2023 tax return data.

Additional Senior Standard Deduction Savings by Decile

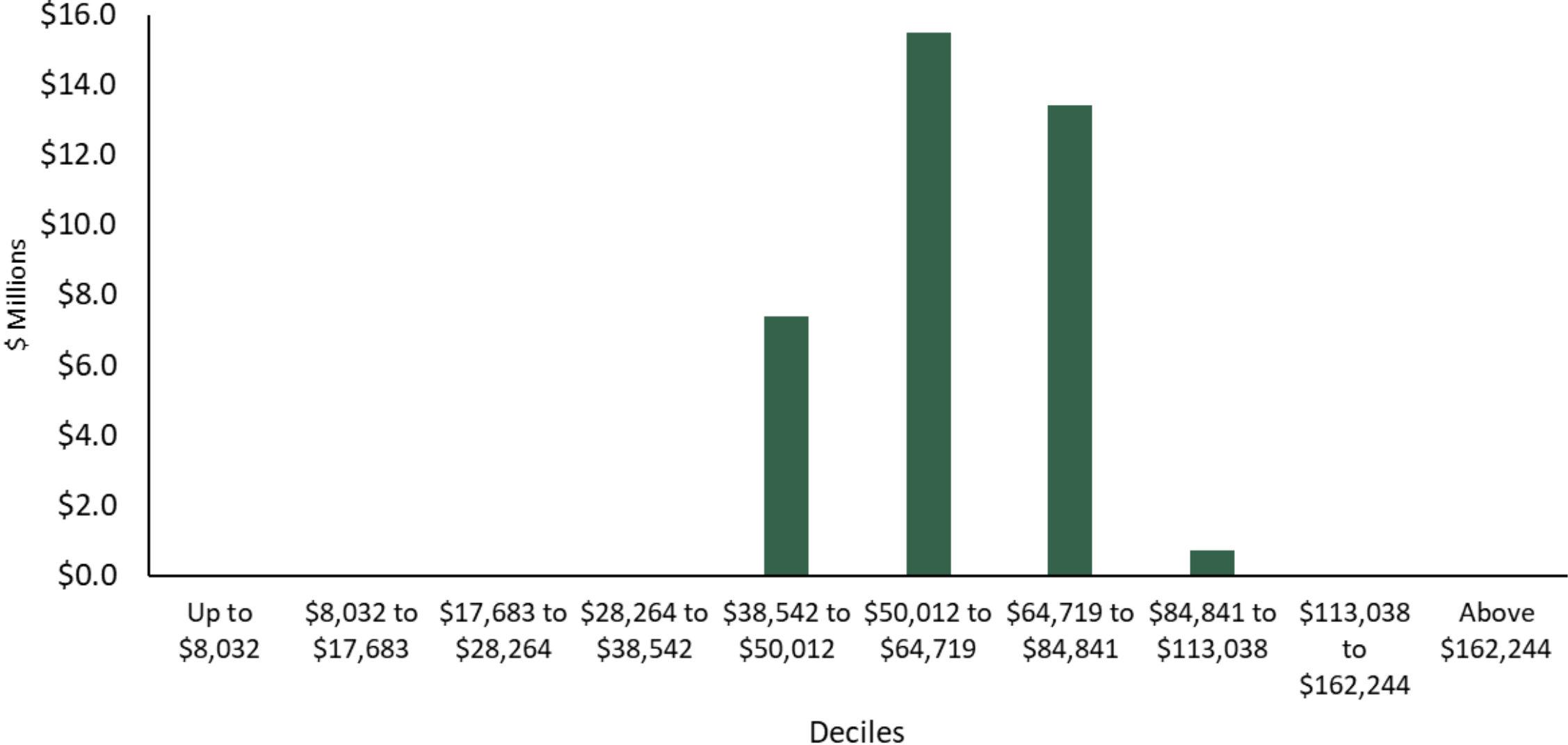




Overtime Pay Deduction

- Deduction capped at \$12,500 for single filers, \$25,000 for joint filers.
- Phaseout begins at MAGI of \$150,000 (\$300,000 for joint filer).
- Applicable for tax years 2025 through 2028.
- Estimated to reduce Montana individual income tax collections by \$37.0 million per year
- Estimate based on Bureau of Labor Statistics (BLS) data on weekly hours worked, total employment, and hourly wages by industry.

Overtime Pay Deduction Savings by Decile

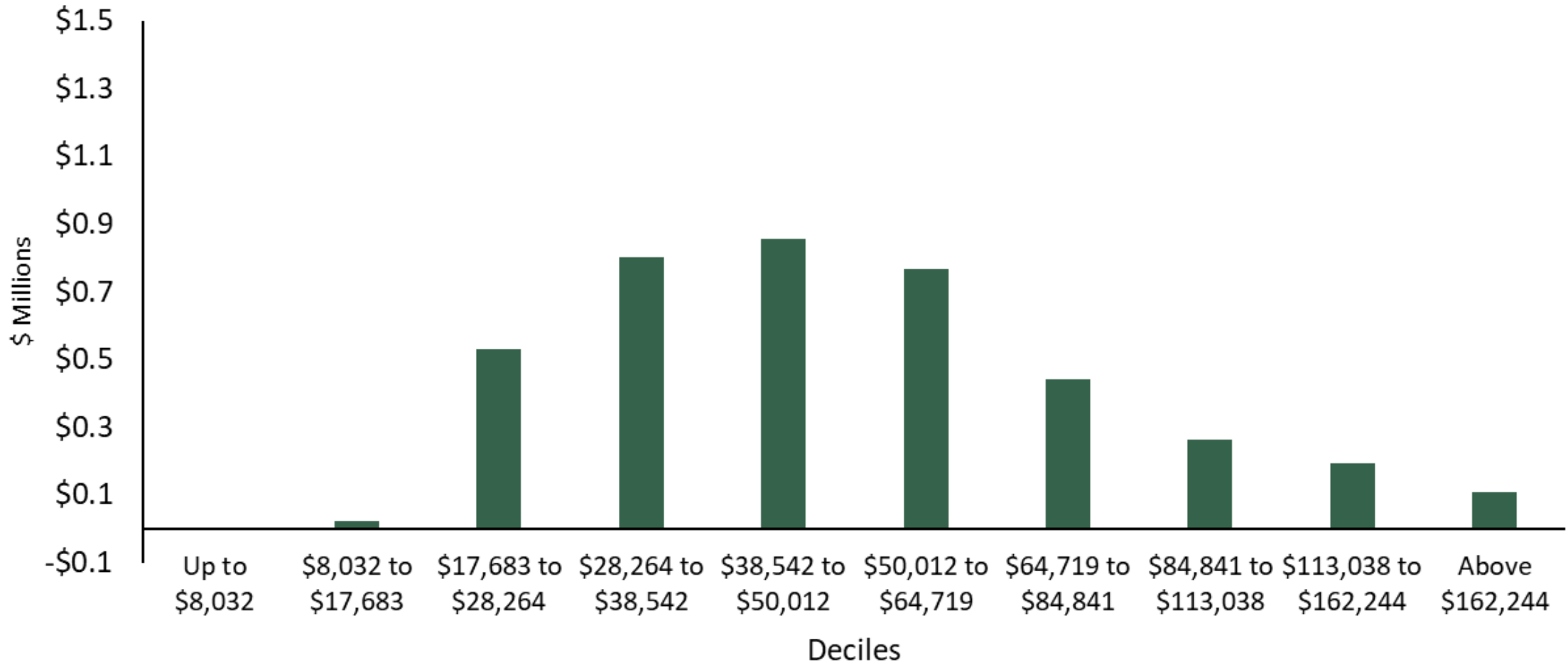


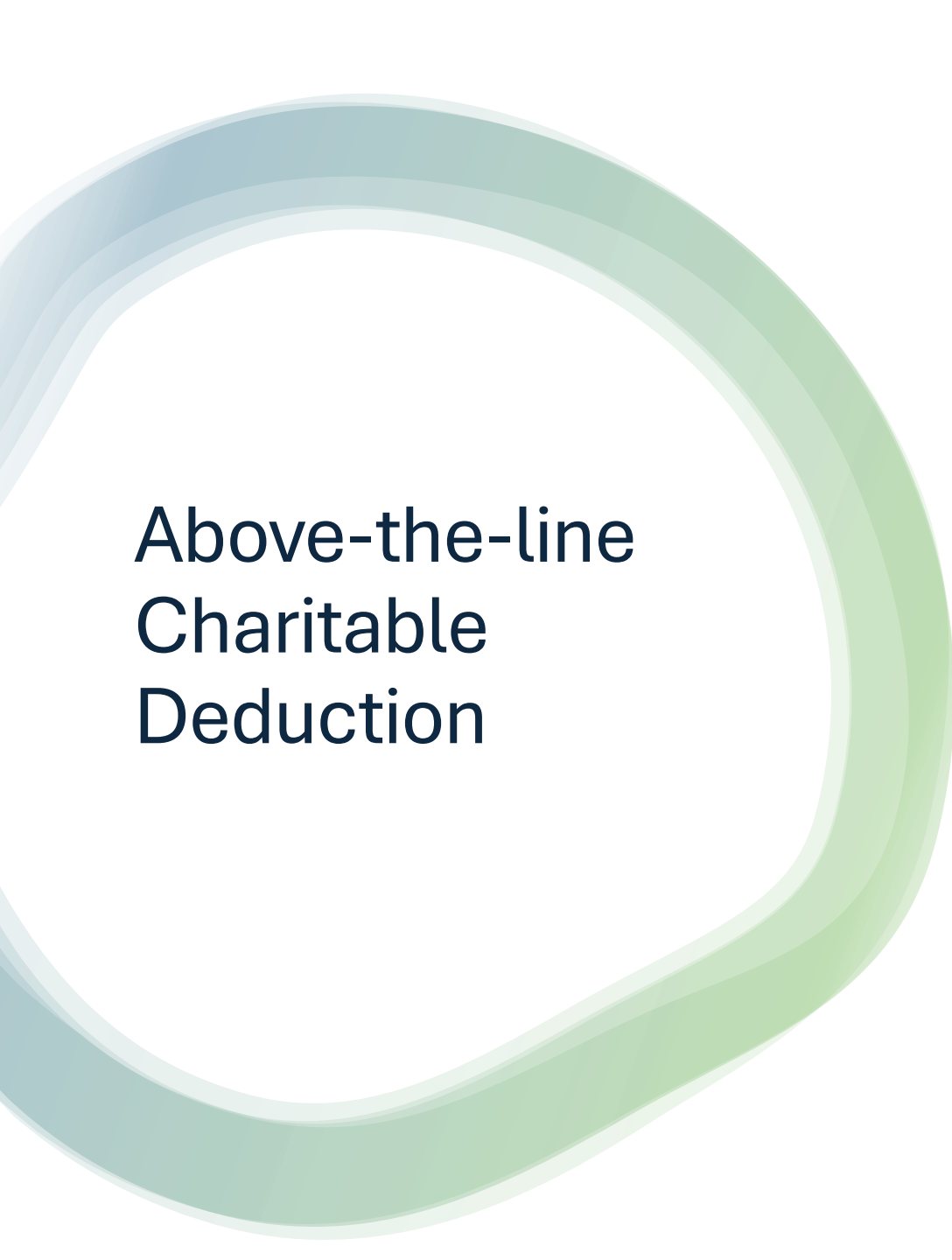


Tip Income Deduction

- The deduction is capped at \$25,000 per return.
- Phaseout begins at MAGI of \$150,000 (\$300,000 for joint filer).
- Applicable for tax years 2025 through 2028.
- Estimated to reduce Montana individual income tax collections by \$4.0 million per year.
- Estimate based on TY 2023 tax return data.

Tip Income Deduction Savings by Decile

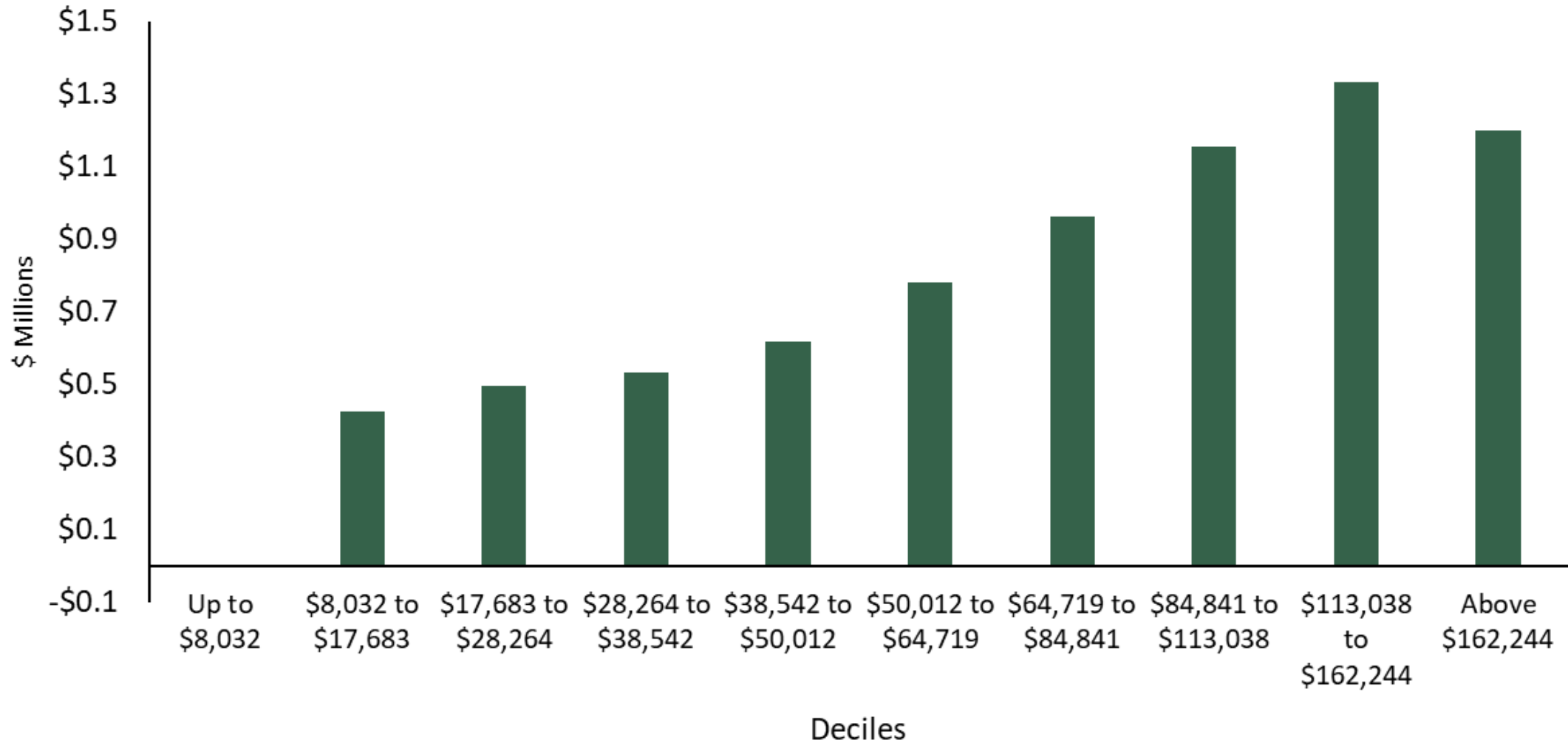




Above-the-line Charitable Deduction

- Beginning in TY 2026, non-itemizers can deduct cash donations to charity.
- The deduction is capped at \$1,000 for single filers or \$2,000 for joint filers.
- Estimated to reduce Montana individual income tax collections by \$7.5 million per year.
- A smaller deduction was allowed during the pandemic. Tax returns from those years were used to produce the estimate.

Charitable Contribution Deduction Savings by Decile

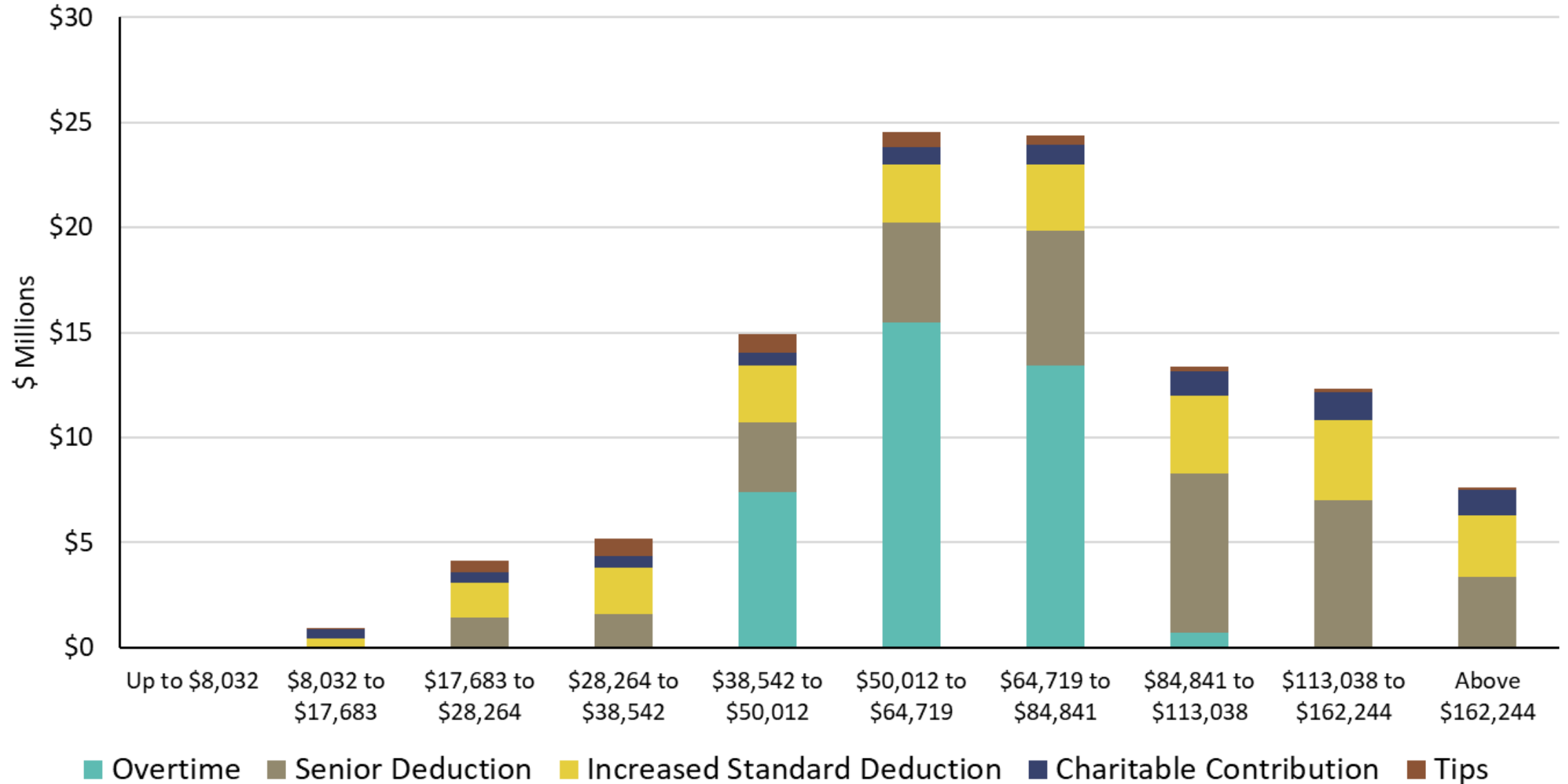




Automobile Loan Interest Deduction

- Maximum annual deduction is \$10,000.
- Deduction phases out for taxpayers with MAGI over \$100,000 (\$200,000 for joint filers).
- Estimated to reduce Montana individual income tax collections by \$6.6 million per year.
- Limited data. Estimate based on Congressional Budget Office's (CBO) estimate.

Combined Impacts of HR 1 Tax Provisions by Decile



Total Individual Income Tax Impact

Provision in H.R. 1	Estimated Annual Impact (\$Millions)
Additional Standard Deduction	(\$23.4)
Additional Deduction for Seniors	(\$35.6)
Car Loan Interest Deduction	(\$6.6)
No Tax on Tip Income	(\$4.0)
No Tax on Overtime	(\$37.0)
<i>Charitable Contribution (Begins in TY 2026)</i>	(\$7.5)
Estimated Total	(\$114.2)

*For context, in FY 2025 Montana collected \$2.3 billion in individual income taxes.