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Test Your Knowledge of the New Tax Law

Signed into law on July 4, the 887-page legislation changes how everything from estates to car-loan interest is taxed

BY ASHLEA EBELING

The new tax-and-spending law runs 887 pages, changing how everything from estates to car loan interest is taxed.

The law does far more than extend the individual tax cuts of President Trump's 2017 tax law, which were set to expire at year's end. The new law makes some provisions of the 2017 version permanent, adds new tax cuts and eliminates others. Some of the changes are effective this year, so they will affect tax returns filed next spring.

Take our quiz to test your knowledge of what's in the law:

1. What is the top income-tax rate for individuals?

A. 35%

B. 39.6% C. 37%

D. 40% The new tax law makes the seven individual income-tax rates from the 2017 tax law permanent, keeping the top rate at 37%. For 2025, it hits individuals with taxable income of more than \$626,350. The Senate rejected an amendment proposed by Sen.

Susan Collins (R., Maine) to establish a 39.6% rate for individuals with income above \$25 million and for couples with income above \$50 million.

2. What is the new standard deduction for single tax filers and for married couples who file jointly for 2025?

A. \$15,000/\$30,000

B. \$ 15,750/\$31,500

C. \$16,000/\$32,000 D. \$10,000/\$40,000 The new tax law sets the standard deduction at \$15,750 for single filers and \$31,500 for married couples who file jointly for 2025. The amounts will be adjusted annually for inflation. The 2017 law had nearly doubled the standard deduction, bringing it up to \$15,000 for single filers and \$30,000 for joint filers for this year. That amount was set to drop by roughly half if Congress hadn't settled on a permanent, larger standard deduction.

3. What is the cap on how much in state and local taxes (SALT) most taxpayers can take as a federal tax deduction for 2025?

A. \$10,000

B. \$20,000

C. \$30,000 D. \$40,000 The 2017 tax law put a \$10,000 cap on SALT deductions, a particular burden for people who live in high-tax states like New York and California. The new law boosts the maximum SALT deduction to \$40,000, with a 1% increase every year. But the increased deduction is good only through 2029, and goes back to \$10,000 in 2030. It would also start phasing out as income exceeds \$500,000. And state workarounds would still be allowed for business owners to take SALT deductions without the cap.

4. If you take the standard deduction, can you still get a charitable deduction for cash donations?

A. Yes, of up to \$300 for a single filer and \$600 for joint filers.

B. Yes, of up to \$600 for all taxpayers.

C. Yes, of up to \$1,000 for a single filer and \$2,000 for joint filers.

D. No, taxpayers can only take the charitable-donation deduction if they itemize deductions.

Under the 2017 law, taxpayers couldn't claim the charitable-donation deduction unless they itemized deductions, and far fewer did because of the bigger standard deduction. The new law lets taxpayers who don't itemize take an additional charitable-donation deduction of up to \$1,000 for a single filer and \$2,000 for joint filers starting in 2026. Those who itemize deductions can only deduct amounts above 0.5% of their adjusted gross income, also starting in 2026.

5. What expenses now count as covered for the purposes of taking money tax-free out of a 529 college savings plan?

A. K-12 tutoring B. Fees for AP, SAT or ACT tests

C. K-12 books and supplies

D. All of the above Although 529 plans were originally intended to help families save for college expenses, the tax law continues to expand what counts as a covered expense for the purposes of taking money tax-free out of a 529 plan. The new law doubles the annual limit for K-12 expenses to \$20,000 starting in 2026.

6. When do the federal tax credits for buying or leasing a new or used electric vehicle expire?

A. After Dec. 31, 2025 B. After Sept. 30, 2025

C. 30 days after the law passed

D. Retroactively to Jan. 1, 2025 Congress has been tightening the rules for claiming a tax credit of up to \$7,500 for an electric vehicle, and the new tax law eliminates the credit altogether for purchases after Sept. 30. The law also ends tax breaks for homeowners adding solar panels or making energy-efficiency home improvements such as insulation after Dec. 31.

7. What is the new maximum child tax credit for 2025?

A. \$2,200 B. \$2,000

C. \$1,400

D. \$1,000 The 2017 tax law doubled the maximum child tax credit amount to \$2,000 per child. The new law expands it to \$2,200, and would start adjusting it for inflation in 2026. It also makes permanent the existing income phaseout thresholds of \$200,000 for individuals and \$400,000 for joint filers.

8. What is the estate tax threshold in 2026?

A. \$7.6 million

B. \$10 million

C. \$14 million D. \$15 million The new law resets the estate tax basic exclusion amount at \$15 million for 2026, up from nearly \$14 million today. The law would start adjusting that amount for inflation in 2027. If the 2017 law had expired at year-end, the threshold where the estate tax kicks in would have been about \$7 million for 2026.

9. The new law allows taxpayers to deduct up to \$10,000 in auto loan interest on new car loans.

Which one of these restrictions doesn't apply?

A. The vehicle must have been assembled in the U.S.

B. The vehicle must be gas powered.

C. The vehicle must have at least two wheels.

D. The vehicle must have a gross weight rating of less than 14,000 pounds.

The new car loan interest deduction is in place for 2025 through 2028 on up to \$10,000 of interest for U.S.-assembled vehicles, including cars, vans, SUVs, pickup trucks and motorcycles. The deduction phases out for single tax filers with income of more than \$100,000 and joint filers with income of more than \$200,000.

10. Which of Trump's no-tax on "blank" promises made it into the law, with limits?

A. No tax on tips B. No tax on tips or overtime

C. No tax on Social Security

D. No tax on tips, overtime or Social Security The new law includes tax deductions for people who earn tip income and work overtime from 2025 through 2028. The deduction for income from tips is capped at \$25,000. The deduction for overtime is capped at \$12,500 for single filers and \$25,000 for joint filers. In both cases, the deductions phase out above income thresholds: \$150,000 for single filers and \$300,000 for joint filers. The tax law doesn't change the taxation of Social Security, but it does include a temporary bonus deduction for seniors of \$6,000 for 2025 through 2028.

Answers: 1- C; 2- B; 3- D; 4- C; 5- D; 6- B; 7- A;

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