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IRS Data Shine Light on Tax Filings

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New data from the Internal Revenue Service provide a first detailed look at the initial taxfiling season after Republicans passed their "one big, beautiful bill."

The data come from 147.5 million tax returns filed through mid-July, covering about 95% of tax filers and 87% of adjusted gross income. Later releases will add people who filed by the extended October deadline, a group that typically includes higher-income households.

The IRS didn't break out information about the new tax breaks for tipped workers, overtime pay, senior citizens and car loan interest. But there are still some intriguing patterns:

SALT itemizing

The 2025 tax law quadrupled the maximum deduction for state and local taxes, or SALT, to $40,000. That pushed millions of taxpayers out of the standard deduction and into claiming itemized deductions. For 2025, so far, 11% of tax filers itemized deductions, up from 8.7% a year earlier.

That shift was concentrated among higher-income taxpayers who pay enough in income and property taxes to take advantage of the larger SALT deduction. For tax year 2024, through mid-July, 31% of those with adjusted gross income between $250,000 and $500,000 itemized deductions. After the tax law changed, that number climbed to 57%.

Capital gains climb

The stock market had another strong year in 2025, and that shows up in the tax data. Taxpayers reported $656 billion in net capital gains, up 24% from a year earlier.

More than one-third of the capital gains went to tax filers making more than $1 million. That number will shift once the rest of the returns filed in October are added.

Bigger refunds

Congress enacted the new tax law midyear and made many new tax breaks retroactive to Jan. 1, 2025. Because taxpayers typically didn't change their paycheck withholding, refunds were more frequent and larger than usual.

This tax season, 74% of returns yielded a refund, up from 68% a year earlier. The flip side of that? Nearly 9 million fewer taxpayers owed the IRS money when they filed their returns.

Obamacare levies

In the 2010 Affordable Care Act, Congress created taxes on investment income, wages and self-employment earnings that apply only to individuals making more than $200,000 and married couples making more than $250,000. Lawmakers intentionally didn't tie those thresholds to inflation, and that has pushed more people into those levies over time.

The net investment income tax hit 5.6% of taxpayers for tax year 2025, through the mid-July filings. That is up from 5.1% the year before and 3.7% for the same period for tax year 2021.

More millionaires

For many taxpayers, 2025 was a very strong year. The number of returns with at least $1 million in adjusted gross income climbed 13%, to more than 522,000.

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