

2025 Reconciliation: Federal Tax Impacts on Minnesota Taxpayers

There are no changes to state tax laws as a result of the 2025 reconciliation bill, but the changes to federal taxes enacted by the bill will impact Minnesota taxpayers. This document outlines the largest federal tax provisions that will have implications for both individuals and businesses in Minnesota; they apply to federal taxes administered by IRS. It is for informational use only and is not tax advice.

Provision Title	H.R.1 Section	Description	Effective Date
Extension and Enhancement of Reduced Rates	Section 70101	This provision makes permanent the individual income tax rates that are currently in effect through tax year 2025. The marginal individual income tax rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.	This provision applies from tax year 2026 onward.
Extension and Enhancement of Increased Standard Deduction	Section 70102	This provision makes permanent and increases the standard deduction currently in effect through tax year 2025. The standard deduction is \$15,750 for single filers, \$23,625 for head of household filers, and \$31,500 for married joint filers.	This provision applies from tax year 2025 onward.
Termination of Deduction for Personal Exemptions Other than Temporary Senior Deduction	Section 70103	This provision makes permanent the current suspension of personal exemptions. It temporarily creates a new \$6,000 deduction for taxpayers (if married filing jointly, \$12,000 if both spouses qualify) who are age 65 or older, from tax year 2025 through 2028.	This provision applies from tax year 2025 onward.
Extension and Enhancement of Increased Child Tax Credit	Section 70104	The provision makes permanent the current federal child tax credit rules and permanently raises the maximum credit to \$2,200 per child (adjusted for inflation). The provision also requires the taxpayer to provide an Social Security Number (SSN) for themselves and the child for whom they are claiming the credit.	The provision generally applies from tax year 2025 onward.
Extension and Enhancement of Deduction for Qualified Business Income	Section 70105	The provision makes the 20% deduction of qualified business income for pass-through entities permanent and increases the income phaseout ranges.	The provision applies starting after December 31, 2025.
Extension of Increased Alternative Minimum Tax Exemption Amounts and Modification of Phaseout Thresholds	Section 70107	This provision makes the current alternative minimum tax exemption amounts and phaseout thresholds permanent. It also increases the phaseout rate of the AMT exemption for higher-income taxpayers.	This provision applies starting after December 31, 2025.

Provision Title	H.R.1 Section	Description	Effective Date
Limitation on Individual Deductions for Certain State and Local Taxes, Etc.	Section 70120	Individual taxpayers who itemize their deductions may claim a deduction for state and local taxes paid (SALT deduction). This provision adjusts the limitation on SALT deduction to \$40,000 for tax year 2025, in each subsequent year through tax year 2029, the limitation increases by 1%. The limitation reverts to \$10,000 in tax year 2040 and in subsequent years.	This provision applies starting after December 31, 2024.
No Tax on Tips	Section 70201	This provision creates a new income tax deduction of up to \$25,000 for qualified tip income.	This provision applies from tax year 2025 through tax year 2028.
No Tax on Overtime	Section 70202	This provision creates a new income tax deduction of up to \$12,500 (\$25,000 for those married filing jointly) for qualified overtime compensation.	This provision applies from tax year 2025 through tax year 2028.
Full Expensing for Certain Business Property	Section 70301	This provision provides for 100% bonus depreciation for certain assets such as equipment and buildings.	This provision applies to property acquired and placed in service after January 19, 2025.

This information is sourced from the following nonpartisan government documents:

[Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law. \(2025, September 3\). https://www.congress.gov/crs-product/R48611](https://www.congress.gov/crs-product/R48611)

[Joint Committee on Taxation Estimated Revenue Effects \(JCS-35-25; July 1, 2025\). https://www.jct.gov/publications/2025/jcx-35-25/](https://www.jct.gov/publications/2025/jcx-35-25/)