



Tax Benefits for Working Families



In 2025, several changes were made to the federal tax code and the Pennsylvania fiscal code that impact workers and families for Tax Year 2025 and beyond. Your local Volunteer Income Tax Assistance (VITA) center will help you with navigating these new tax provisions with confidence.

The Working Pennsylvanians Tax Credit:

The Working Pennsylvanians Tax Credit is a refundable state income tax credit equal to **10%** of the federal Earned Income Tax Credit (EITC). Anyone who qualifies for the federal EITC automatically qualifies for this credit as well. Because it is refundable, you can receive the credit even if you owe no Pennsylvania income tax—helping reduce your overall tax burden and putting more money back in your pocket.

Additional Tax Changes for Parents and Families

The Child Tax Credit

The Child Tax Credit will increase from **\$2,000 to \$2,200 per child**. To qualify, the taxpayer—or at least one spouse if filing jointly—must have a valid Social Security number. Income limits to receive the full credit are **\$200,000** for single filers and **\$400,000** for married couples filing jointly. These limits are permanent.

Child and Dependent Care Tax Credit

The maximum credit is increasing from **35%** to **50%** of eligible expenses. This applies up to **\$3,000** in expenses for one qualifying person, or **\$6,000** for two or more. Single filers making less than **\$105,000** and married couples making less than **\$210,000** will benefit from this increase.

Changes for Seniors Receiving Social Security.

From 2025 through 2028, seniors will receive an extra **\$6,000** personal exemption in addition to the standard deduction or itemized deductions. This extra exemption is reduced for single filers with income over **\$175,000** and married couples filing jointly with income over **\$250,000** and will fully phase out above those limits.

General Tax Law Changes

Charitable Contributions

You no longer have to itemize deductions to deduct charitable donations. Taxpayers claiming the standard deduction can deduct up to **\$1,000** in donations if single and up to **\$2,000** if married filing jointly. This new rule is now permanent.

No Taxes on Tips

Workers in tipped industries can deduct tip income, dollar-for-dollar, up to **\$25,000**. This benefit starts phasing out when income is over **\$150,000** for single filers or **\$300,000** for married couples filing jointly. It is not available for those filing as Married Filing Separately.

Changes to Marketplace Health Insurance (Pennie)/Enhanced Premium Tax Credits

The enhanced Premium Tax Credits for Marketplace health coverage will end after 2025. In 2026, credits will return to pre-pandemic levels, which may cause premiums to significantly increase for some taxpayers. Some may no longer be able to afford coverage. Any excess credits will have to be repaid at tax time, auto-renewals will end, and some immigrants may lose eligibility. However, more plans will qualify for Health Savings Accounts (HSAs).

Deductions for Overtime

From 2025 through 2028, taxpayers can deduct overtime pay—up to **\$12,500** for single filers and **\$25,000** for married couples filing jointly. You must include your Social Security number on your return. This deduction starts phasing out at incomes over **\$150,000** for single filers and **\$300,000** for married couples filing jointly.