



Cathleen's Commentary | July 2025

Tax Law Shake-Up: Is This the Perfect Time for a Roth Conversion?

The One Big Beautiful Bill Act (H.R.1) has officially been signed into law, bringing sweeping changes to the tax code that will significantly impact taxpayers. Among its most notable provisions, the law makes permanent many of the tax reforms originally enacted under the Tax Cuts and Jobs Act (TCJA), including the current income tax brackets and the expanded standard deduction—both of which were previously set to expire at the end of 2025.

Standard Deduction Increases

It was a bit of a surprise that the 2025 standard deductions were increased beyond what had previously been announced.

2025 Standard Deduction

- Single Filers: \$15,750
- Head of Household: \$23,625
- Married Filing Jointly: \$31,500

2026 Standard Deduction

- Single Filers: \$16,000
- Head of Household: \$24,000
- Married Filing Jointly: \$32,000

New Deduction for Individuals 65 and Older

Big news for individuals who are age 65 or older by December 31, 2025: you may qualify for an additional \$6,000 aged-based "Senior" deduction per person. This is in addition to the existing age-based deduction and is available through 2028.

However, this new deduction is subject to a modified adjusted gross income (MAGI) phase-out of \$0.06 for every dollar over the threshold.

Example: If your income is \$10,000 above the threshold, your deduction is reduced by 6%, or \$600.00 for individuals 65+ or \$1,200 couple both 65+ ($\$10,000 \times .06 = \600 or $\$10,000 \times .12 - \$1,200$).

\$6,000 Age 65+ Senior Deduction Phase Out Range

- Single Filers
 - Full deduction: MAGI under \$75,000
 - Partial deduction: MAGI \$75,000 - \$175,000
 - No deduction: MAGI over \$175,000
- Joint Filers
 - Full deduction: MAGI under \$150,000
 - Partial deduction: MAGI \$150,000 - \$250,000
 - No deduction: MAGI over \$250,000

2025 Existing Age 65+ Standard Deduction

Individuals age 65 or older qualify for the existing deduction:

- Single or Head of Household: \$2,000
- Married Couple (One 65+): \$1,600
- Married Couple (Both 65+): \$3,200

These amounts are adjusted annually, typically in \$50 increments.

Roth Conversion: A Strategic Opportunity for Seniors?

While this new law is great news for many taxpayers, it could be especially beneficial for those 65 and older who are considering a Roth conversion. For example, a couple filing jointly who are both at least age 65 could benefit from an additional \$15,200 in deductions beyond the standard deduction:

- \$31,500 (standard deduction)
- \$3,200 (existing age 65+ deduction)
- \$12,000 (\$6,000 per person from the new Senior deduction)

If only one spouse is 65 or older, the additional deduction would be \$7,600. For single filers or heads of household age 65 or older, the total additional deduction could be \$8,000.

These expanded deductions can help offset the taxable income generated by a Roth conversion—making it a potentially more tax-efficient move.

Be Careful: MAGI Matters

A Roth conversion can still be a smart long-term strategy—especially with today's lower tax rates locked in—but it's more important than ever to model your income carefully.

Any distribution from a Traditional IRA, including a Roth conversion increases your MAGI for the year. And that matters because the new Senior deduction of up to \$6,000 per person begins to phase out once your MAGI exceeds:

- \$75,000 (single)
- \$150,000 (joint).

So how much could you convert without losing the deduction? That's a complex question—because MAGI includes more than just IRA distributions. It also factors in:

- Wages or self-employment income
- Social Security benefits (partially taxable)
- Pension and annuity income
- Tax-exempt interest (like municipal bonds)
- Capital gains and other investment income

If you're already taking distributions from retirement accounts to meet spending needs, adding a Roth conversion could push you into a higher tax bracket and reduce or eliminate your Senior deduction.

How Break Analytics Can Help

This is where Break Analytics comes into play. Our team has spent decades understanding the tax code—especially when it comes to IRAs. The latest version of our Roth Conversion Calculator doesn't just look at a single number. It models a wide range of variables, including:

- Asset growth and inflation
- Federal and state tax rates
- Multiple MAGI scenarios
- Tax bracket thresholds
- IRMAA (Medicare premium surcharges)
- Social Security income timing

You can adjust assumptions annually, giving you a more precise and realistic view of how Roth conversions will affect your taxes and long-term wealth strategy.



Next Steps

Ask your tax or financial professional for a Break Analytics Roth Conversion Illustration. If they don't have access to our software, or if you're a financial professional who wants to learn more, [request a demonstration](#).



Cathleen Davis-Whitmore
Chief Marketing Officer & IRA SME

 fincw.com

 1.800.766.7327

 sails@fincw.com

