

2025

IMPORTANT Tax CHANGES

Flexible Spending Accounts. The annual contribution limit for Flexible Spending Accounts is \$3,300. No more than \$660 can be rolled forward from 2025 to 2026 if your FSA plan has this provision.

Health Savings Accounts. The Health Savings Account (HSA) annual contribution limits for those who have qualified high deductible health insurance plans is \$4,300 for a single taxpayer and \$8,550 for a family for 2025. If you are 55 or older, the amount increases by \$1,000.

Social Security. Social Security benefits increase by 2.5% for 2025. Income subject to Social Security tax also increases to \$176,100 for 2025.

Business Taxes

The flat 21% tax for C corporations remains intact for 2025. Here are some common business tax items to keep you up to speed:

Information Ownership Reporting Requirements. The implementation of a new ownership information reporting requirement for businesses was blocked by a federal judge in late 2024. This means that all businesses nationwide DO NOT have to comply with this new reporting rule while this legal challenge winds its way through the court system. Stay tuned for updates.

Section 179 Limits. The maximum Section 179 deduction for property placed in service in 2025 is \$1.25 million. This limit is reduced by total purchases of qualified property in excess of \$3.13 million. Section 179 allows small business owners to expense versus depreciate qualified property up to these limits.

First-Year Bonus Depreciation. Bonus depreciation for 2025 is 40%. This includes the purchase of new or used qualified property. Remember that business depreciation-related provisions only impact the timing of when you expense your

depreciation, not the total amount of depreciation you may expense over the life of the assets purchased. Bonus depreciation is scheduled to decrease to 20% for the 2026 tax year, and 0% for 2027 and beyond.

Section 199A Qualified Business Income Deduction. The 20% qualified business income deduction is available to passthrough entities including S corporations, partnerships, and sole proprietors. The benefit is limited for certain service businesses with income exceeding \$197,300 for single and \$394,600 for joint filers in 2025.

Form 1099-K. The Form 1099-K reporting threshold is scheduled to be \$2,500 for the 2025 tax year. The IRS intends to implement a \$600 threshold beginning with the 2026 tax year.

Gift & Estate Taxes

Estate Taxes. In 2025, the maximum estate tax is 40%. The amount of an estate's value exempt from federal tax is now \$13.99 million for single taxpayers and \$27.98 million for married taxpayers.

Gift Taxes. The gift tax rates are unified with estate taxes. The annual gift exclusion amount for 2025 is \$19,000 (\$38,000 per couple).

Stay tuned for more updates! Now more than ever, it is important to check to see if any new legislation is passed into law. Changes by Congress are more common than ever!

2026 ALERT

Legislative action is expected throughout the year as many key tax laws are set to expire at the end of 2025. Stay alert and be prepared to planfully manage your tax obligations as the rules become clear.

This publication provides only summary information regarding the subject matter at the time of printing. Please call with any questions on how this information may impact your situation.

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2025 Tax Alert

There's some uncertainty about what tax policies we may see in 2025 and beyond now that the 2024 election is in the rearview mirror. There are several things, though, that we DO know about tax changes so far. Here are the key highlights as they are currently known.

Individual Taxes

Tax Rates. Tax rates remain unchanged in 2025, though the brackets that apply to these rates are increasing approximately 2.8%.

2025 Beginning Income for Tax Rates			
Rate	Single	Married Joint	Head of Household
10%	\$1	\$1	\$1
12%	11,926	23,851	17,001
22%	48,476	96,951	64,851
24%	103,351	206,701	103,351
32%	197,301	394,601	197,301
35%	250,526	501,051	250,501
37%	626,351	751,601	626,351

Long-term capital gains tax rates remain unchanged for 2025, ranging from 0% to 20%.

There is a net investment income tax of 3.8% added for taxpayers with adjusted gross income over \$200,000 (\$250,000 for married filing joint).

Other Changes. There are several other changes to individual tax rules:

- ✓ Higher catch-up limits are available (see Retirement Plan Limits chart on this page) for taxpayers ages 60 to 63 who are enrolled in 401(k) or Simple IRA retirement plans.
- ✓ New cryptocurrency reporting rules require brokers and exchanges to report transaction activity to the IRS starting January 1, 2025. This means you'll need to be more vigilant complying with the IRS's digital asset rules.

Standard Deductions

Standard Deductions		
Item	2025	2024
Single/Married Filing Separate	\$15,000	\$14,600
Married	30,000	29,200
Head of Household	22,500	21,900
Additional for:		
Elderly/Blind: Married	1,600	1,550
Elderly/Blind: Unmarried	2,000	1,950

Itemized Deductions for 2025:

- ✓ Only medical expenses in excess of 7.5% of adjusted gross income is deductible.
- ✓ Limit of \$10,000 for a combined state income, sales and property tax deduction.
- ✓ A limit on interest deductibility on home indebtedness of \$750,000.
- ✓ Casualty losses limited to federally declared disaster areas.
- ✓ No phase out of itemized deductions.
- ✓ Limit on donations is generally 60% of income. Unused contributions can generally be carried forward for 5 years.
- ✓ Points paid on a mortgage are generally deductible over the life of the loan.
- ✓ Interest paid on money borrowed to purchase certain taxable investments is deductible.

Taxpayer(s) must receive written acknowledgment from organizations receiving a donation of \$250 or more before the taxpayer's tax return is filed. This written letter must contain:

- ✓ The amount of any money contributed and a description (but not value) of any property donated
- ✓ Whether any goods or services were received from the organization in exchange for the donation

Child Tax Credit (CTC). The CTC is \$2,000 per qualified child in 2025, with phaseout of the benefit starting at \$400,000 for married and



\$200,000 for unmarried taxpayers. The CTC is available for most parents with children under age 17. \$1,700 of the credit is refundable and there's a \$500 family credit for dependents ineligible for the CTC.

Kiddie Tax. Unearned income of children age 19 or younger (age 24 if a qualified student) above \$2,700 in 2025 will be taxed at the parents' tax rate. The rates range from 10% to 37%.

Retirement Accounts. 401(k), Simple IRA, Roth IRA and Traditional IRA contribution limits are all increasing for 2025.

2025 Retirement Plan Limits		
Item	2025	2024
Traditional IRA, Roth IRA	\$7,000	\$7,000
Age 50+, add...	\$1,000	\$1,000
401(k), 403(b)	\$23,500	\$23,000
Age 50+, add...	\$7,500	\$7,500
NEW! Age 60 to 63, add...	\$11,250	n/a
Simple IRA	\$16,500	\$16,000
Age 50+, add...	\$3,500	\$3,500
NEW! Age 60 to 63, add...	\$5,250	n/a