HELPFUL TIPS FOR ISSUES AFFECTING 2025

Required Minimum Distributions (RMD) – You must take annual minimum distributions from your traditional IRAs once you are age 73. The minimum distribution amount is determined by dividing the account's value on December 31 of the prior year by your life expectancy determined from the IRS's Uniform Lifetime Table. For the year you turn 73 the distribution can be delayed until no later than April 1 of the next year.

For retirement plans inherited from decedents dying after 2019, surviving spouses, disabled or chronically ill individuals, and the account owner's minor child have special RMD rules; consult with your tax professional. Other beneficiaries must take RMDs until the account is exhausted and it must be totally distributed within 10 years of the decedent's passing. However, for the 10-year rule, RMDs were suspended through 2024. Thus 2025 is the first year an RMD is required under the 10-year rule.

Qualified Charitable Distribution (QCD) - A QCD is a provision in the tax code that allows individuals aged 70½ or older to transfer up to $100,000 per year ($105,000 for 2024) directly from their IRA to a qualified charity This distribution is excluded from the individual's taxable income, which can help lower their adjusted gross income (AGI) and potentially reduce the impact of other tax-related thresholds, such as those affecting medical expenses or taxable Social Security income.

However, there is a complication for individuals who continue to make deductible IRA contributions after age 70½. Individuals are now allowed to contribute to their IRAs at any age, provided they have earned income. This can diminish the tax benefits of a QCD because the QCD must be reduced by the sum of any deductible IRA contributions made after age 70½, even if they are not in the same year. This creates a potential tax trap for those who wish to utilize the QCD provisions while continuing to contribute to their IRAs.

Education Credits – Education credits are tax incentives designed to help offset the costs of higher education by reducing the amount of income tax owed. There are two primary education credits available to taxpayers: the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC).

The AOTC is available for the first four years of post-secondary education and can be claimed for each eligible student. It covers expenses such as tuition, fees, and course materials, offering a maximum annual credit of $2,500 per student. To qualify, the student must be enrolled at least half-time in a program leading to a degree or recognized credential.

The LLC can be claimed for an unlimited number of years. It is available for all years of post-secondary education and for courses to acquire or improve job skills. The credit is a maximum of $2,000 per tax return, regardless of the number of students in the family. To claim these credits, taxpayers must meet certain income requirements. Additionally, qualified expenses must be reduced by any tax-free educational assistance received, such as scholarships or grants. Generally, Form 1098-T from the educational institution is required.

Business or Hobby - The distinction between a hobby and a business is crucial for tax purposes, as it determines how income and expenses are reported and taxed. The IRS uses several factors to differentiate between the two, primarily focusing on the intent to make a profit. A business is generally characterized by a profit motive, where the owner engages in activities with the expectation of generating income. This includes maintaining accurate records, having a business plan, and dedicating significant time and effort to the endeavor.

In contrast, a hobby is typically pursued for personal enjoyment rather than profit. While income from a hobby must still be reported, expenses cannot be deducted to offset this income. Thus, hobbyists may end up paying taxes on their income without the benefit of deducting related expenses.

Tax Cuts and Jobs Act (TCJA) of 2017 - TCJA introduced significant changes to the U.S. tax code, many of which expire after 2025. This impending expiration presents a critical juncture for taxpayers and policymakers alike. Key provisions slated to revert to prior law include the reduction in individual tax rates, the doubling of the standard deduction, expansion of the child tax credit and doubling of the lifetime estate tax deduction. Without Congressional action, these changes could lead to higher tax liabilities for many businesses, individuals, and families, as tax rates increase, deductions decrease and credits fade.

The sunsetting of the TCJA also can have a significant impact on businesses, particularly through the potential expiration of certain tax credits and deductions that have incentivized investment and growth. For instance, the qualified business income deduction for pass-through entities is set to expire, which could affect small businesses and entrepreneurs.

This looming sunset should prompt taxpayers to consider strategic planning to mitigate potential tax increases. It also places pressure on Congress to decide whether to extend, modify, or allow these provisions to expire, a decision that will have significant implications for the economy and federal revenue. The debate over the future of these tax provisions is likely to intensify, reflecting broader discussions about fiscal policy and economic priorities.

Estate Taxation - One of the most impactful changes introduced by the TCJA was the substantial increase in the federal estate and gift tax exemption. This exemption was nearly doubled, allowing individuals to transfer up to $13.61 million in 2024 and will be $13.99 million in 2025.

However, if the TCJA provisions actually do expire after 2025, the estate and gift tax exemption would revert to pre-TCJA levels, which would be around $5.49 million, adjusted for inflation. This reduction could significantly increase the number of estates subject to federal estate taxes, thereby raising the potential tax burden on heirs and beneficiaries.

For individuals with substantial estates, the sunsetting of the TCJA's provisions necessitates careful estate planning. Strategies such as making substantial gifts before the exemption decreases, utilizing trusts, and other estate planning mechanisms can help mitigate the impact of a lower exemption threshold.

Bonus Depreciation - Bonus depreciation allows businesses to immediately deduct part of the cost of qualifying property, such as machinery and equipment, in the year it is placed in service. Initially, 100% of the cost was deductible, but only 40% is deductible for purchases in 2025 (was 60% for 2024).

Clean Vehicle Credits – There is still an up to $7,500 new clean vehicle and up to $4,000 used clean vehicle tax credit in 2025. However, the credits are not available to high income taxpayers.

Energy Efficient Home Modifications – Provides an annual non-refundable tax credit of up to 30% of the cost of energy saving improvements to a taxpayers' existing homes with a maximum credit of $1,200 per year.

Solar Credit - There is a 30% federal tax credit for installing solar on your first and second homes (need not own the home). Unused credit can be carried forward to the subsequent year. Expenses of battery storage technology with a capacity of not less than 3 kilowatt hours count toward the credit. Battery and systems upgrades will qualify for credit even after the initial installation.

Corporate Transparency Act - The Act requires corporations, limited liability companies (including single member LLCs), and similar entities to report certain information about their beneficial owners to the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury. Companies in existence before 2024 should have filed a report by January 1, 2025. Those registered on or after January 1, 2024, and before January 1, 2025, had 90 days to report, and those companies created after 2024 have 30 days to file with FinCEN.

1099-K – You may receive an unexpected IRS form this year. Form 1099-K is used to report payments received through third-party network transactions and payment card transactions. This form is typically issued by payment settlement entities, such as credit card companies and third-party payment processors like PayPal, to individuals and businesses that receive payments through these platforms. For 2024 the threshold for these payments is $5,000 ($2,500 in 2025), regardless of the number of transactions. If you receive a 1099-K you will need account for the income on your tax return.

$1 LUMP SUM AT VARIOUS RATES (FUTURE VALUE OF $1, COMPOUNDED ANNUALLY)

Interest Rate	5 Yrs	10 Yrs	15 Yrs	20 Yrs	25 Yrs	30 Yrs
2%	1.104	1.219	1.346	1.486	1.641	1.811
4	1.217	1.480	1.801	2.191	2.666	3.243
6	1.338	1.791	2.397	3.207	4.292	5.743
8	1.469	2.159	3.172	4.661	6.848	10.063
10	1.611	2.594	4.177	6.727	10.835	17.449

Example: If you invest $10,000 at an interest rate of 6%, at the end of 30 years you will have $57,430 ($10,000 multiplied by 5.743).

$1 PER YEAR AT VARIOUS RATES (FUTURE VALUE, COMPOUNDED ANNUALLY)

Interest Rate	5 Yrs	10 Yrs	15 Yrs	20 Yrs	25 Yrs	30 Yrs
2%	5.20	10.95	17.29	24.30	32.03	40.57
4	5.416	12.006	20.024	29.778	41.646	56.085
6	5.637	13.181	23.276	36.786	54.865	79.058
8	5.867	14.487	27.152	45.762	73.106	113.283
10	6.105	15.937	31.772	57.275	98.347	164.494

Example: If you put $1,000 at the end of each year in an investment paying 6% a year compounded annually, at the end of the 30th year, you will have $79,058 saved ($1,000 x 79.058).

LIFE EXPECTANCY*

Current Age	Remaining Years	Current Age	Remaining Years
25	60.2	55	31.6
30	55.3	60	27.1
35	50.5	65	22.9
40	45.7	70	18.8
45	41.0	75	14.8
50	36.2	80	11.2

Assume a planned retirement age of 60. Based on average statistics, you will need to accumulate retirement assets by age 60 to last for 27.1 yrs.* Life expectancy rates based on the IRS Unisex Single Life Tables.

TAXABLE-EQUIVALENT YIELD OF MUNICIPAL BONDS BASED ON VARIOUS FEDERAL INCOME TAX BRACKETS

	Tax-Free Yield								
%	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0
Tax Bracket	Equivalent Taxable Yield								
10	2.2	2.8	3.3	3.9	4.4	5.0	5.6	6.1	6.7
12	2.3	2.8	3.4	4.0	4.5	5.1	5.7	6.3	6.8
22	2.6	3.2	3.8	4.5	5.1	5.8	6.4	7.1	7.7
24	2.6	3.3	3.9	4.6	5.3	5.9	6.6	7.2	7.9
32	2.9	3.7	4.4	5.1	5.9	6.6	7.4	8.1	8.8
35	3.1	3.8	4.6	5.4	6.2	6.9	7.7	8.5	9.2
37	3.2	4.0	4.8	5.6	6.3	7.1	7.9	8.7	9.5

Example: A taxpayer in the 24% tax bracket would have to purchase a taxable investment yielding more than 3.3% to outperform a 2.5% tax-free investment.

2025 POCKET TAX GUIDE

2025 TAX CALENDAR*

January 15	4th Quarter 2024 Estimate Due
April 15	2024 1040 or Extension Due
April 15	1st Quarter 2025 Estimate Due
April 15	FBAR Form (Auto Extension until Oct. 15)
June 16	2nd Quarter 2025 Estimate Due
July 31	Pension Plan (Form 5500) Returns Due (calendar yr plans)
September 15	3rd Quarter 2025 Estimate Due
October 15	2024 1040 Extension Returns Due
October 15	Extended FBAR Form Due

* Note: for those residing in declared disaster areas, these dates may have been extended.

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STANDARD DEDUCTIONS (2025)

Personal & Dependent Exemption: under the current tax law exemptions are not allowed

Standard Deduction:

Joint SS	MS	Single	Head of Household
$30,000	$15,000	$15,000	$22,500

An additional standard deduction of $1,600 is allowed for each married elderly (age 65 and over) or blind individual. If elderly and blind, the additional standard deduction is $3,200. Single individuals (elderly or blind) are allowed an additional standard deduction of $2,000, $4,000 if both elderly & blind.

SOCIAL SECURITY (OASDI), MEDICARE & SELF-EMPLOYMENT TAXES

	Social Security OASDI*	Medicare***	Total
Employee	6.20%	1.45%	7.65%
Self-Employed**	12.40%	2.90%	15.30%

Wage base for 2024 Soc. Sec. & Self-Employment Tax: $168,600 ($176,100 for 2025)
Wage Base for Medicare Hospital Insurance – no limit
*Old age, survivor and disability insurance portion of social security tax.
**Self-employed individuals are allowed to take an income tax deduction for 50% of the self-employment tax.
***Add 0.9% to rate when income exceeds $200,000 ($250,000 for married taxpayers and $125,000 for married taxpayers filing separatly)

SOCIAL SECURITY BENEFITS

Earnings Test – SS benefits of an individual who is under the full retirement age are reduced when earnings from working in 2024 exceed $22,320 /yr. ($23,400 in 2025).

Maximum Earnings Benefit– The maximum retirement benefit for workers retiring in 2025 at age 66 (full retirement age): $4,018/mo.

Taxation Thresholds – A certain % of an individual's SS benefits are taxed when his or her provisional income* exceeds certain threshold amounts:

	Up to 50% Taxed	Up to 85% Taxed
Married Joint	$32,000 - $44,000	Over $44,000
Others**	$25,000 - $34,000	Over $34,000

*Provisional income generally includes adjusted gross income plus nontaxable interest plus one-half of social security benefits.

CAPITAL GAINS

Special rates (capital gain rates) apply to gains attributable to sale of capital assets held for more than a year.

Capital Gain Rates: The 2017 tax reform altered the regular individual tax rates, which the capital gains rates were previously tied to and created a separate rate schedule for capital gains tax. The table below illustrates the 2025 CG tax rates by filing status and range of income within the filing status.

CG Rates	MFJ	MFS	HH	Single
Zero	$0 to $96,700	$0 to $48,350	$0 to $64,750	$0 to $48,350
15%	$96,701 to $600,050	$48,351 to $300,000	$64,751 to $566,700	$48,351 to $533,400
20%	Above $600,050	Above $300,000	Above $566,700	Above $533,400

Excluded From the 0%, 15% & 20% Rates:
Gain attributable to real property depreciation: **25% Max**
Gain attributable to collectibles & qualified small business stock: **28% Max**

Maximum Annual Net Loss Deduction: $3,000 ($1,500 MFS filers)

Netting Short-Term (ST) and Long-Term (LT) Gains & Losses: ST gains and losses are netted as are LT gains and losses. Then the two are netted together, with the result being either a net ST or LT gain or loss. Taxpayers, when possible, can achieve a better overall tax benefit by offsetting short-term capital gains with long-term capital losses, thus offsetting higher-taxed profits with lower-taxed losses.

LONG-TERM CARE INSURANCE DEDUCTIONS

The maximum deductible amounts of long-term care premiums are based on age and for 2025 are:

40 or Less	41 to 50	51-60	61-70	71 & Older
$480	$900	$1,800	$4,810	$6,020

KIDDIE TAX

Congress created the "Kiddie Tax" to stop parents from moving investments into their child's name to take advantage of the child's lower tax rates. The Kiddie Tax effectively taxes the investment income of children under age 24 in excess of $2,600 ($2,700 in 2025) at the parent's top marginal rate.

Parents may elect to include a child's investment income on their return if the investment income is less than $13,000 ($13,500 in 2025) and the child has no earned income.

TRADITIONAL & ROTH IRA – LIMITS AND PHASEOUTS

Both Traditional and Roth IRA contributions are combined for purposes of maximum contribution limits illustrated in the table. Contributions must be made by the due date of the tax return, NOT including extensions. Contributions ARE allowed regardless of age. Contributions are limited to earned income.

MAXIMUM IRA CONTRIBUTIONS		
Combined Total of Both Traditional & Roth	2024	2025
Under Age 50	$7,000	$7,000
Age 50 and Over	$8,000	$8,000

In addition, for traditional IRAs the deduction is ratably phased out for higher income individuals who actively participate in an employer-sponsored plan and/or whose spouse is an active plan participant. Those not covered by an employer sponsored plan, are not subject to MAGI limitations.

TRADITIONAL IRA DEDUCTION PHASE-OUT RANGES		
Filing Status	2024	2025
Single or Head of Household (Active)	$77,000 - $86,999	$79,000 - $88,999
Married Joint (One spouse active)	$230,000 -$239,999	$236,000 - $245,999
Married Joint (Both spouses active)	$123,000 - $142,999	$126,000 - $145,999
Married Filing Separately	$0 - $9,999	$0 - $9,999

For Roth IRAs, there is no tax deduction for contributions, there is no tax on qualified distributions, and the accounts benefit from tax-free accumulation. The contributions are ratably phased out for higher income individuals. The following are the phase-out ranges based on Modified AGI:

ROTH IRA CONTRIBUTION PHASE-OUT RANGES		
Filing Status	2024	2025
Married Joint	$230,000 -$239,999	$236,000 - $245,999
Married Filing Separately	$0 - $9,999	$0 - $9,999
Others	$146,000 - $160,999	$150,000 - $164,999

(1) The $7,000 and $8,000 limits apply to the combined Traditional and Roth IRA contributions of the individual for the year. (2) Contributions are limited to earned income.

RETIREMENT PLANS – CONTRIBUTION LIMITS

SE Defined Contribution Plans: Lesser of 25%(1) of compensation or $$69,000 ($70,000 in 2025)

SEP Plans: Lesser of 25%(1) of compensation or $69,000 ($70,000 in 2025)

401(k) and 403(b) Plans Elective Deferrals: $23,000 ($23,500 in 2025). Add $7,500 if age 50+ (2). Catch-up Contributions for 2025: Ages 50 to 59 and above age 63 $7,500 or $11,250 if age 60 through 63.

SIMPLE Plans Elective Contributions (2025): $16,500 ($17,600 for certain plans). Catch-up contributions: $3,500 ($3,850 for certain plans) if age 50+(3) or $5,250 if age 60 through 63.

Defined Benefit Plans: Max annual benefit: $275,000 in 2024 ($280,000 in 2025)

Highly Compensated Employee Status Threshold: $155,000 for 2024 ($160,000 for 2025) (4)

Key Employee Status Threshold: $220,000 for 2024 ($230,000 for 2025)

(1) Effectively 20% of net self-employment income.
(2) The annual contribution to all of an employee's retirement accounts, including elective deferrals, employee contributions, employer matching, discretionary contributions and forfeiture allocations cannot exceed the lesser of 100% of compensation or $69,000 ($70,000 for 2025).
(3) Maximum compensation that can be considered in determining employer and employee contributions (employer non-elective contribution for SIMPLE Plans) is $345,000 for 2024 ($350,000 for 2025). See above for limits for highly compensated employees.
(4) Includes 5% owners and at employer's election 20% of the top paid employees.

SAVING FOR EDUCATION

National Average Annual College Costs (2024-2025)

		Tuition & Fees	Room & Board	Total
Public	2-year	$4,050	$10,390	$14,440
	4 Year In-State	$11,610	$13,310	$24,920
	4 Year Out of State	$30,780	$13,310	$44,090
Private	4 Year Non-Profit	$43,350	$15,250	$58,600

Source: College Board, Trends in College Pricing – October 2024

Three tax plans are provided to save funds for a child's education. Contributions to them are NOT tax deductible. The tax benefit is the account earnings accrue tax deferred and are free from tax if used for qualified education expenses.

Coverdell Account – The annual contribution limit for 2024 & 2025 is $2,000 per student. Funds can be used not only for higher education but also for Kindergarten through grade 12. Contributions must be made by the April due date for filing the return. The contribution limit is ratably reduced to zero for Joint filers with MAGI between $190K and $220K and $95K and $110K for others.

Sec 529 Plan – The total contribution per student is only limited by the projected cost of the student's planned education. The donor's annual contribution is generally predicated on donor's gift tax issues. Generally each donor can contribute up to the annual gift tax exclusion ($18,000 in 2024 and $19,000 in 2025) per year without gift tax implications. In addition, the exemption amount for the next four years ($90,000 in 2024 or $95,000 in 2025) can be contributed at one time (generally in the earlier years to benefit from increased earnings). Funds can be used for post-secondary education, registered apprenticeship programs and up to $10,000 per year per plan beneficiary for elementary and high school tuition (2018 through 2025). A lifetime max of $10,000 can also be used towards student loan debt of the beneficiary and siblings of the beneficiary.

Savings Bonds – A taxpayer who pays qualified higher education expenses with redemption proceeds from Series EE or I Bonds issued after 1989 may be able to exclude the bonds' income. To qualify they must have been purchased when the individual was at least age 24 and redeemed at the time of the education expense for the taxpayer, spouse, or dependent. The income exclusion phases out for joint filers with a MAGI between $149,250 and $179,250 ($99,550 and $114,550 for others) in 2025.

STANDARD MILEAGE DEDUCTIONS

These are the $/mile rates in effect for 2024 and 2025.

	2024	2025
Business	$0.67	$0.70
Medical	$0.21	$0.21
Charity	$0.14	$0.14

PER DIEM RATES*

	High-Cost Locality	Low-Cost Locality
Meals and incidental expenses (M & IE)	$ 86	$ 74
Lodging and M & IE	$ 319	$ 225

*Reflects rates in effect since 10/1/2024, using the simplified method of determination.

SEC 179 BUSINESS ASSET EXPENSING

Each year, an amount of the cost of certain eligible personal property purchased during the year and used in the active conduct of a trade or business can be expensed. The maximum* that can be expensed is $1,220,000 for 2024 and $1,250,000 for 2025 (half those amount for those filing married separate). The SUV limit for 2024 is $30,500 ($31,300 for 2025).

*The maximum is reduced when more than $3.05M for 2024 ($3.13M for 2025) of qualifying property is placed into service.

BONUS DEPRECIATION

First year (bonus) depreciation is being phased out. A taxpayer can elect 60% for tangible assets acquired in 2024. For 2025 the bonus rate is will be reduced to 40%.

INCOME TAX RATES – CORPORATIONS

The Tax Cuts & Jobs Act established a flat corporate tax rate of 21%.

TRUST & ESTATE INCOME TAX RATES (2025)

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	3,150	0	10%	0
3,150	11,450	315.00	24%	3,150
11,450	15,650	2,307.00	35%	11,450
15,650	---	3,777.00	37%	15,650

UNIFIED ESTATE & GIFT TAX SCHEDULE

The Tax Cut & Jobs Act doubled the estate and gift tax exclusion and the amount is inflation adjusted for future years.

Year	Estate Tax		Gift Tax	
	Exemption (Millions $)	Top Tax Rate	Exemption (Millions $)	Top Tax Rate
2022	12.060	40%	12.060	40%
2023	12.920	40%	12.920	40%
2024	13.610	40%	13.610	40%
2025	13.990	40%	13.990	40%

ANNUAL GIFT TAX EXCLUSION

Everyone is allowed an annual gift tax exclusion of $18,000 per donee for 2024 ($19,000 in 2025), with no limit to the number of donees. These gifts are not deductible by the giver nor are they taxable to the donee and they do not reduce the giver's lifetime exemption. Gifts more than the annual exclusion must be reported on a gift tax return but do not become taxable until the lifetime exclusion has been used up.

2025 INCOME TAX RATE SCHEDULE - INDIVIDUAL

MARRIED TAXPAYERS* – JOINT/SURVIVING SPOUSE (SS)

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	23,850	0	10%	---
23,850	96,950	2,385.00	12%	23,850
96,950	206,700	11,157.00	22%	96,950
206,700	394,600	35,302.00	24%	206,700
394,600	501,050	80,398.00	32%	394,600
501,050	751,600	114,462.00	35%	501,050
751,600	---	202,154.50	37%	751,600

* Married separate (MS) use 1/2 of the joint dollar amounts.

SINGLE TAXPAYERS

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	11,925	0	10%	---
11,925	48,475	1,192.50	12%	11,925
48,475	103,350	5,578.50	22%	48,475
103,350	197,300	17,651.00	24%	103,350
197,300	250,525	40,199.00	32%	197,300
250,525	626,350	57,231.00	35%	250,525
626,350	---	188,769.75	37%	626,350

HEAD OF HOUSEHOLD TAXPAYERS

Taxable Income Over	But Not Over	Pay	Plus	Of the Amount Over
0	17,000	0	10%	---
17,000	64,850	1,700.00	12%	17,000
64,850	103,350	7,442.00	22%	64,850
103,350	197,300	15,912.00	24%	103,350
197,300	250,500	38,460.00	32%	197,300
250,500	626,350	55,484.00	35%	250,500
626,350	---	187,031.50	37%	626,350

ALTERNATIVE MINIMUM TAX (AMT) - INDIVIDUALS

The Tax Cuts & Jobs Act increased both the AMT exemptions and the exemption phase out thresholds which has reduced the number of taxpayers affected by the AMT since 2018.

2025 AMT TAX RATES	
AMT Income to $239,100*	26%
AMT Income over $239,100*	28%

* $119,550 for married taxpayers filing separately

2025 AMT EXEMPTIONS AND EXEMPTION PHASE OUT THRESHOLDS		
Filing Status	Exemption*	Phase Out Threshold
Married Filing Joint	$137,000	$1,252,700
Single and Head of Household	$88,100	$626,350
Married Filing Separate	$68,500	$626,350

*Reduced as AMT income exceeds threshold amount

ESTIMATED TAX PAYMENTS

To avoid possible underpayment penalties, taxpayer is required to deposit by withholding or estimated tax payments an amount equal to the lesser of:

1. 90% of current year tax liability, OR
2. One of the following amounts:
   a. If the taxpayer's prior year AGI exceeds $150,000*, 110% of the prior year's tax liability.
   b. Otherwise, 100% of the prior year's tax liability.

*$75,000 for taxpayers filing married separate.