



2025 TAX UPDATE + INDIVIDUAL

- **AMT exemption amount:** \$88,100 (\$137,000 MFJ)
- **Standard Deduction:** \$15,750 Single (\$31,500 MFJ)
- **HSA contribution limit:** \$4,300 Single (\$8,550 Family)
- **FSA contribution limit:** \$3,300
- **Charitable Distributions from IRAs:** \$108,000
 - \$54,000 QCD to either a charitable remainder trust or charitable gift annuity
- **Energy Efficient Home Improvement Credit – Expires after 12/31/2025**
 - Must be produced by a qualified manufacturer
 - \$1,200 per taxpayer per year limit
 - \$2,000 limit for biomass stoves or boilers; electric or natural gas heat-pump water heaters; or electric or natural gas heat pumps (\$3,200 maximum credit)
 - Additional annual limits include:
 - \$600 for residential energy property expenditures per item category (ex: windows and skylights)
 - \$250 per exterior door (\$500 total for all exterior doors)
 - \$150 for a home energy audit of main home
- **Residential Clean Energy Credit – Expires after 12/31/2025**
 - 30% for installing solar, wind, or geothermal energy
- **American Opportunity Tax Credit of \$2,500**
 - Phase-out begins at \$80,000 (\$160,000 MFJ)
- **Lifetime Learning Credit of \$2,000**
 - Phase-out begins at \$80,000 (\$160,000 MFJ)
- **Student loan interest deduction limit: \$2,500**
 - Phase-out begins at \$85,000 (\$170,000 MFJ)
- **Child tax credit of \$2,200 per child under the age of 17 (\$1,700 is refundable)**
 - Phase-out begins at \$200,000 (\$400,000 MFJ)
- **3.8% Net Investment Income Tax is imposed on the lesser of:**
 - An individual’s net investment income for the tax year
 - Or modified AGI in excess of a floor: \$250,000 for joint filers and surviving spouses, \$125,000 for a married taxpayer filing separately and \$200,000 in any other case
 - Investment income includes gross income from: interest; dividends; annuities; royalties; rents, including rental income for real estate professionals & self-rental income; passive activity income; and capital gains
- **Additional .9% Medicare Tax – For employees**
 - Imposed on wages in excess of \$250k for joint filers, \$125k for married filing separately, and \$200k in any other case
- **Retirement Plan Limitations**
 - Early distribution penalty of 10% if under 59.5 years old
 - 401K: Lesser of \$23,500 or 100% of participants compensation [Catch-up (50+): Additional \$7,500, (60-63) \$11,250]
 - SIMPLE Plans: Lesser of \$16,500 or 100% participants compensation [Catch-up (50+): Additional \$3,500, (60-63) \$5,250]
 - IRA: Lesser of \$7,000 or 100% of earned income [Catch-up (50+): Additional \$1,000]
 - SEP IRA: 25% of total compensation and a maximum of \$70,000
 - Roth IRA: to contribute, MAGI must be less than \$150,000 (single) or \$236,000 (MFJ)
- **FICA wage base \$176,100 (previously \$168,600)**
- **Adoption of a Child Credit of \$17,280 – Up to \$5,000 is refundable**
 - Phase-out begins at \$259,190
- **Annual exclusion for gifts \$19,000**
- **Estate & Gift Tax**
 - 40% maximum rate with a \$13.99 million exemption amount in 2025
- **QBI Deduction**
 - Lessor of:
 - 20% of Qualified Business Income
 - 20% of taxable income less capital gains
 - *Greater of:
 - 50% of Wages
 - Sum of 25% of wages and 2.5% of unadjusted basis of business property
 - *only applies if taxable income over \$197,300 single, \$394,600 MFJ
 - New \$400 minimum deduction for ‘Active QBI’
- **Child & Dependent Care Credit**
 - Nonrefundable
 - \$3,000 allowable expense per dependent, \$6,000 max
- **2025 Dependent Care FSA**
 - \$5,000 (2,500 MFS)
 - \$7,500 (3,750 MFS) effective for 2026

Ordinary Rates	Dividend/CAP Gains	MFJ Income Levels	Single Income Levels
10%	0%	Under \$23,850	Under \$11,925
12%	0%	Between \$23,851 & \$96,700	Between \$11,926 & \$48,350
12%	15%	Between \$96,701 & \$96,950	Between \$48,351 & \$48,475
22%	15%	Between \$96,951 & \$206,700	Between \$48,476 & \$103,350
24%	15%	Between \$206,701 & \$394,600	Between \$103,351 & \$197,300
32%	15%	Between \$394,601 & \$501,050	Between \$197,301 & \$250,525
35%	15%	Between \$501,051 & \$600,050	Between \$250,526 & \$533,400
35%	20%	Between \$600,051 & \$751,600	Between \$533,401 & \$626,350
37%	20%	Over \$751,600	Over \$626,350

Individual Provisions – OBBB Updates

Standard Deduction	\$15,750 / \$31,500
SALT Limitation Increase to \$40,000	Phase-out begins at \$500,000 MAGI; Increases by 1% each year after 2025 until reverting to \$10,000 in 2030
No Tax on Tips	\$25,000 maximum deduction for qualified tips; Phase-out starts at \$150,000 AGI (\$300,000 MFJ); Expires after 2028
No Tax on Overtime	\$12,500 maximum deduction (\$25,000 MFJ) for qualified overtime; Phase-out starts at \$150,000 AGI (\$300,000 MFJ); Expires after 2028
No Tax on Car Loan Interest	\$10,000 maximum deduction for qualified interest paid on passenger vehicle loans; Phase out starts at \$100,000 AGI (\$200,000 MFJ); Expires after 2028
Child Tax Credit (Maximum)	\$2,200 under age 17; \$1,700 is refundable
Home Mortgage Interest	Deductible for \$750k of debt
Medical Expenses	Retained (7.5% for 2025)
Itemized Deduction Phase-Out	Unchanged for 2025. Beginning in 2026: 35% cap on itemized deduction benefits for high-income taxpayers
Charitable Deductions	Unchanged for 2025. Beginning in 2026: \$1,000 (\$2,000 MFJ) above-the-line charitable deduction for non-itemizers; New 0.5% floor on all itemized charitable deductions (similar to the 7.5% AGI medical expenses haircut
Enhanced Senior Deduction	\$6,000 deduction for taxpayers 65+; Phase-out starts at \$75,000 AGI (\$150,000 MFJ); Expires after 2028

- **Bonus depreciation – applies to new and used property**
 - At 80% for 2023;
 - At 60% for 2024;
 - At 40% for property acquired 1/1/25–1/19/25;
 - Permanently at 100% for property acquired after 1/19/25
- **Depreciation limits on qualifying vehicles for 2025:**
 - With bonus: \$20,200 Y1, \$19,600 Y2, \$11,800 Y3, \$7,060 later
 - Without bonus: \$12,200 Y1, then same caps
- **Section 179 - may apply to purchase of new or used assets**
 - Expensing limit at \$2,500,000 phased out with investment of \$4,000,000
 - Computer software continues to be eligible for §179 election
 - Roofs, HVAC, fire and security alarm systems qualify
 - 179 SUV limitation - \$31,300
- **Qualified Leasehold/Retail Improvements and Restaurant Property replaced with Qualified Improvement Property (QIP). Effective as of 1/1/2018**
 - 15-year recovery period
 - Bonus eligible
- **Net Operating Losses for 2025 – carry-forward only and 80% of taxable income limitation can apply**
- **Excess Business Losses for 2025 – Limitation applies to losses over \$313,000 (\$626,000 MFJ). Any excess is treated as a NOL in the subsequent year**
- **Research & Development Expenses – Domestic Expensed in year incurred (15 years for foreign R&E) [OBBS impacts 2022-2024, can amend to expense]**
- **Work Opportunity Tax Credit - Extended through December 31, 2025**
- **Employee Retention Credit - Terminated as of September 30, 2021**
- **2025 Mileage Rates Released:**
 - Business mileage: 70.0 cents/mile (up 3 cents from prior year)
 - Medical mileage: 21 cents/mile (unchanged)
 - Charitable mileage: 14 cents/mile (unchanged)
- **Clean Vehicle Credits – All credits expire for vehicles acquired after 9/30/2025**
Must be a vehicle assembled in North America (considers factors like vehicle's sourcing and assembly)
 1. **New Clean Vehicle Credit = max of \$7,500**
 - MSRP limit = \$55,000 (car) or \$80,000 (van, SUV, & pickup)
 - MAGI limit = \$150,000 (single) or \$300,000 (MFJ) (lesser of current and prior year)
 2. **Previously Owned Clean Vehicle Credit = the lesser of \$4,000 or 30% of the vehicle's sales price**
 - Sales price limit = \$25,000
 - MAGI limit = \$75,000 (single) or \$150,000 (MFJ) (lesser of current and prior year)
 3. **Qualified Commercial Clean Vehicle Credit = max of \$7,500 if vehicle weight rating <14,000 lbs (\$40,000 if > 14,000 lbs)**

Estate Taxes

Top Tax Rate	40%
Lifetime Exemption 2025	\$13,990,000
Sunset in 2026?	No, now permanent for 2026 onward with inflation adjustments for future years

Pass-Through Businesses (S Corps & LLC's)

Qualified Business Income Deduction (Active and Passive) ***	Now permanent for future years. Deduct 20% of income limited to 50% of wages; can also include 2.5% of unadjusted basis in qualified property limitation (great deal for real estate holdings); allowed for trusts & estates (see reverse side)
Carried Interest Treated as LTCG	3 Year Holding Period
Excess Business Losses	\$313,000/single and \$626,000/MFJ

Corporate/Business Provisions

Top Tax Rate	21%
AMT	Eliminated, except for corporations with over \$800 million in average annual financial statement income (\$80 million if foreign parent involved)
Expensing of Assets	100% asset expensing for acquisitions from 9/27/17 to 12/31/22; 60% bonus in 2024; 40% for assets acquired 1/1/25–1/19/25; and 100% for assets acquired after 1/19/25
Section 179	\$2,500,000
Interest Expense (163(J))	Return to 30% of EBITDA; only applies if revenue > \$31 million;
Entertainment Expenses	Nondeductible
NOL Carryovers	Default carry-forward applies and 80% limitation applies for tax years beginning after 12/31/2020
C Corps Forced Accrual Method	Receipts > \$31 million
Research Expenses	Beginning 1/1/25, domestic R&E can be fully expensed (amortize 15 years for foreign R&E); retroactive elections are available for certain taxpayers
State PTET (Pass-Through Entity Tax)	No limitation on expensing for businesses
Third Party Network Transactions (Form 1099-K) Threshold	Over \$20,000 and 200 transactions within a calendar year

Tax-Exempt Entities

Private Foundation Excise Tax Rate	1.39%
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Future OBBS Updates Beyond 2025

2026 - Employee Meals	50% deduction for employee meals is eliminated entirely
2026 - Trump Accounts	\$5,000 contribution limit per year per child; Potential \$1,000 per account for accounts created for children born between 2025-2028
2026 – Information Reporting Threshold for Certain Payees (1099-NEC and 1099-MISC)	Reporting thresholds are increased from \$600 to \$2,000; adjusted for inflation after 2026
2026 - New Limit on Gambling Losses	Only 90% of gambling losses can be used to offset gambling income
2026 - Corporate Charitable Deductions	New 1% floor on all itemized charitable deductions
2027 - Opportunity Zones	5-year deferral of capital gains and 10% basis step-up starting in 2027 for qualifying investments