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2025 Items of Note

The 2025 tax filing season officially starts on Monday, January 26, 2026, when the IRS will begin accepting and processing 2025 tax returns. The individual tax filing deadline is currently **Wednesday, April 15, 2026.**

On March 25, 2025, President Trump signed Executive Order 14247, titled *Modernizing Payments to and from America's Bank Account ("Executive Order"),* which applies broadly to payments involving federal agencies. This Executive Order addresses both tax payments and tax refunds and mandates that: (1) paper check refunds issued by the U.S. Department of Treasury be phased out, and (2) all tax payments to the federal government be made electronically. The IRS strongly encourages electronic payments, such as through the Electronic Federal Tax Payment System (EFTPS) or IRS Direct Pay. In addition, if you request a paper check refund, it may be delayed and IRS may require you to set up a digital payment method.

One Big Beautiful Bill Act (OBBBA) – Some key tax changes for individual tax returns

Tax Rates:
The income tax rate schedules for individuals, estates, and trusts are made permanent for tax years beginning after 2025. The permanent tax rates for individuals are: 10, 12, 22, 24, 32, 35, and 37 percent.

Alternative Minimum Tax (AMT):
The AMT exemption amounts for individuals are made permanent for tax years beginning after 2025.

Standard Deduction:
The increased basic standard deduction amounts are made permanent and will not decrease beginning after 2025. Also, the amounts are increased for 2025 to $31,500 for married filing jointly, $23,625 for head of household, and $15,750 for single and married filing separately. In addition, the basic standard deduction for people born before January 2, 1961 (Seniors) (Age 65+) is increased by an additional $2,000 for single and head of household filers, $1,600 for married filing separately, and $3,200 for married filing jointly (if both 65+) or $1,600 (if only 1 is 65+).

Personal and Dependency Exemptions:
The suspension of the deductions for personal and dependency exemptions is permanent for tax years beginning after 2025. For tax years beginning after 2025, an individual may no longer claim a personal exemption deduction or an exemption deduction for a dependent on their tax return.

New Senior Deduction
Seniors (age 65+) get a significant new $6,000 bonus deduction (or $12,000 for joint filers) added to the standard deduction, phasing out at MAGI of $75,000 ($150,000 for joint filers). All seniors are eligible (whether they itemize or not). This deduction is effective for tax years 2025 through 2028.

Qualified Tips Deduction ("No Tax on Tips")
Individuals can claim an income tax deduction for qualified tips received in tax years 2025 through 2028. A qualified tip is any cash tip received in an occupation that customarily and regularly received tips on or before December 31, 2024. The deduction is limited to $25,000 per tax year, and starts to phase out when modified adjusted gross income is above $150,000 ($300,000 for joint filers). An employer must report qualified tips on the employee's Form W-2, or the employee must report the tips on Form 4137. Married taxpayers must file a joint return to claim the deduction.

Qualified Overtime Pay Deduction ("No Tax on Overtime")
Individuals can claim an income tax deduction for qualified overtime pay received in tax years 2025 through 2028. The deduction is limited to $12,500 per tax year ($25,000 per tax year for joint filers), and starts to phase out when modified adjusted gross income is over $150,000 ($300,000 for joint filers). Qualified overtime pay must be included on the employee's Form W-2.

Car Loan Interest Deduction
For tax years beginning after 2024 and before 2029, individual taxpayers may claim a deduction of up to $10,000 for interest paid or accrued on a post-2024 loan for the purchase of a qualified passenger vehicle for personal use. The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 in the case of a joint return). The deduction is also available to taxpayers who do not itemize.

State and Local Tax (SALT) Deduction Limit
The SALT deduction limit for individuals who itemize deductions is temporarily increased for tax years 2025 through 2029. The limit is $40,000 ($20,000 if married filing separately) for 2025, $40,400 ($20,200) for 2026, and increases by one percent over the previous year's amount in 2027 through 2029. The dollar limit for 2025 through 2029 is reduced by 30 percent of the excess (if any) of the taxpayer's modified AGI over a threshold amount but not below $10,000 ($5,000 if filing separately). The threshold amounts are $500,000 ($250,000 if married filing separately) for 2025, $505,000 ($252,500) for 2026, and increase one percent over the previous year's amounts in 2027 through 2029. The SALT deduction reverts back to $10,000 ($5,000 if filing separately) beginning in 2030.

Charitable Contribution Deductions
For tax years beginning in 2026, an individual who does not itemize deductions can deduct up to $1,000 ($2,000 in the case of a joint return) in charitable contributions made in cash during the tax year. The deduction is claimed in calculating taxable income and not as an above-the-line deduction in calculating adjusted gross income (AGI). Also, a 0.5-percent floor on charitable deductions will apply to individuals who itemize.

Child Tax Credit
The child tax credit increases to a maximum of $2,200 per qualifying child under the age of 17 for 2025 and is adjusted for inflation thereafter. Both the $500 "other dependent child" (ODC) credit and the $400,000/$200,000 modified AGI phase-out thresholds are made permanent.

Phaseout of Itemized Deductions
For tax years beginning in 2026, taxpayers in the top federal income tax bracket will see their itemized deductions reduced. Allowable itemized deductions for individuals in the 37% bracket will be reduced by the lesser of: 2/37 times the amount of otherwise allowable itemized deductions **or** 2/37 times the amount of taxable income (before considering those deductions) in excess of the applicable threshold for the 37% tax bracket. For 2026, the 37% bracket starts when taxable income exceeds $640,600 for single/head of households, $768,700 for married filing jointly, and $384,350 for married taxpayers filing separately. Generally, the limitation will mean that the tax benefit from itemized deductions for taxpayers in the 37% bracket will be as if they were in the 35% bracket.

Trump Accounts and Contribution Pilot Program
Tax-favored Trump accounts for children allows parents, guardians and other authorized individuals to establish a new type of individual retirement account for their children. The account is for a child who has not turned age 18 before the end of the calendar year in which the election is made and has a valid Social Security number. The account features a pilot program contribution of $1,000 for children born between Jan. 1, 2025, and Dec. 31, 2028, and who are U.S. citizens with a valid Social Security number, by submitting form 4547 at any time (can be filed with your 2025 tax return). Trump accounts will be available in 2026. Contributions, however, can't be made before July 4, 2026. (You may want to consider filing Form 4547 with your 2025 tax return so your account is available for use in July 2026.)

Required Minimum Distributions
Reminder that you generally must start taking withdrawals from your traditional IRA, SEP IRA, SIMPLE IRA, and retirement plan accounts when you reach age 73. Participants in a workplace retirement plan (for example, 401(k) or profit-sharing plan) can delay taking their RMDs until the year they retire, unless they're a 5% owner of the business sponsoring the plan. Note, if you were born in 1960 or later, your RMD age is 75.

Estate and Gift Tax
The federal estate and gift exemption will increase to $15 million per person ($30 million per couple) for transfers after Dec. 31, 2025, with future inflation adjustments. The annual gift exclusion for 2025 and 2026 is $19,000 per recipient. These changes may present new planning opportunities for wealth transfer and estate planning.

Energy-related Tax Credits:
Many federal energy credits, including those for new and used clean vehicles, solar panels and energy efficient home improvements, have expired or are set to expire soon.

401K plans:

Bigger catch-up contributions permitted - Starting in 2025, the SECURE 2.0 Act increases the current elective deferral catch-up contribution limit for older employees from $7,500 for 2025 ($3,500 for SIMPLE plans) to the greater of $11,250 ($5,250 for SIMPLE plans), or 150% of the regular catch-up amount in 2025 for individuals who attain ages 60-63.

Roth Catch-up contributions - Starting January 1, 2026, the SECURE 2.0 Act mandates that high earners (those with prior-year FICA wages over $150,000) must make catch-up contributions to 401(k)s and 403(b)s as Roth (after-tax) contributions, a change affecting workers 50+; if their employer plan lacks a Roth option, they can't make catch-up contributions at all.

One Big Beautiful Bill Act (OBBBA) – Some key tax changes for business tax returns

Code Sec. 179 Expensing Election
The Code Sec.179 dollar limitation is increased to $2.5 million and the investment limitation is increased to $4 million for tax years beginning after 2024. These increases will be inflation-adjusted for tax years beginning after 2025.

Bonus Depreciation
The bonus depreciation rate is increased to 100 percent for qualified property acquired and placed in service after January 19, 2025. Unlike Section 179, bonus depreciation has no annual dollar cap and can create a net loss for businesses. (Note: Some states decouple from federal bonus depreciation rules).

Research and Experimental Expenditures
Taxpayers are allowed to immediately deduct domestic research or experimental expenditures paid or incurred in tax years beginning after December 31, 2024. Foreign research or experimental expenditures must continue to be capitalized and amortized over 15 years under Code Sec. 174

Qualified Business Income Deduction (QBI) (Passthrough Deduction)
The deduction for qualified business income is made permanent. Modifications are made to the deduction limit phase-in. An inflation-adjusted minimum deduction is provided for tax years beginning after 2025.

Excess Business Loss of Noncorporate Taxpayers
The limitation on excess business loss of a noncorporate taxpayer is made permanent. Thus, A noncorporate taxpayer may not claim a deduction for any excess business loss for any tax year.

Information Reporting Threshold for Business Payments (Form 1099-NEC)
For payments made after December 31, 2025, the dollar threshold amount is increased from $600 to $2,000 for required information reporting on certain payments made to a payee by a payor in the course of the payor's trade or business, and on remuneration paid to nonemployee workers for their services performed in the payor's trade or business. The dollar threshold for treating such payments as reportable payments subject to the backup withholding rules is also increased to $2,000. These threshold amounts will be adjusted for inflation for calendar years after 2026.

De Minimis Payments by Third Party Settlement Organizations (Form 1099-K)
Under a de minimis payment exception, a third-party settlement organization must report payments in settlement of third-party network transactions with a participating payee for any calendar year beginning after 2021 only if (1) the gross amount of payments is more than $20,000, and (2) the total number of those transactions is more than 200.