



Year-End Tax Planning 2025: Individuals

Maximizing Opportunities, Minimizing Liabilities



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| Year-End Planning Basics: Timing of Income & deductions

General Rule:

- Defer income to next year if possible
- Accelerate deductions into current year

Exceptions:

- Expecting higher tax rates next year
- Anticipating a significant income increase next year

Methods:

- Delay year-end bonuses
- Postpone debt forgiveness
- Defer sales of capital assets



| OBBBA Summary – 2025 Major Changes

- ▶ Senior Deduction
- ▶ No Tax on Overtime
- ▶ Qualified Passenger Vehicle Interest
- ▶ No Tax on Tips
- ▶ SALT Cap
- ▶ Trump Accounts



| OBBBA Summary – 2025 Major Changes

▶ **Charitable Contributions**

▶ **Itemized Deduction Reduction**

▶ **Gambling Losses**



| Individual Income Tax Rates

- Under TCJA, ordinary income tax rates were temporarily changed for individuals, estates, and trusts. The top marginal tax rate decreased from **39.6%** to **37%**.
- OBBBA makes the reduced tax rates under TCJA permanent. The top marginal tax rate remains at **37%**.



Personal Exemptions and Senior Deduction

- Under TCJA, deduction for personal exemptions was temporarily repealed.
- OBBBA permanently extends the repeal of personal exemptions.

- New Senior Deduction – tax years 2025, 2026, 2027 and 2028
- \$6,000 deduction for each qualified individual
 - Attained age 65 before close of taxable year
 - Deduction phased out starting at \$150,000 (MFJ) of modified adjusted gross income

| Limitation on Itemized Deductions

TCJA temporarily repealed “Pease Limitation.” Permanent under OBBBA.

- New cap on itemized deductions for taxpayers in the top marginal tax bracket
- Itemized deductions will be reduced by 2/37 of the lesser of
 - (1) the amount of itemized deductions, or
 - (2) the amount by which taxable income exceeds the dollar amount at the which the 37% rate bracket begins
- Effective Date 2026

| Standard Deduction

Under TCJA, standard deduction was doubled and subject to sunset at the end of 2025.

- OBBBA makes increased standard deductions permanent. Effective in 2025.
 - \$31,500 married filing joint (MFJ)
 - \$15,750 single
 - \$23,625 head of household

| Individual State and Local Tax Deduction (SALT Cap)

TCJA SALT Cap - \$10,000

OBBBA – increases cap to \$40,000 for tax year 2025

- Cap to be increased by an additional 1% through 2029
- 2026 Cap will be \$40,400
- Deduction phases out for taxpayers with AGI in excess of \$500,000 (MFJ) in an amount equal to 30% of the excess of the taxpayers AGI over the threshold amount

| Home Mortgage Interest



OBBBA makes mortgage interest limitation permanent and exclusion of home equity indebtedness

- Home acquisition indebtedness limited to \$750,000
- Indebtedness incurred prior to December 15, 2017 limited to \$1,000,000



Permanent exclusion of interest on home equity indebtedness.

| Charitable Contributions



Limits deduction for charitable contributions to the amount in excess of **0.5%** of adjusted gross income



Nonitemizer charitable contribution deduction of up to **\$2,000 (mfj)**



60% AGI limitation for cash contributions



Effective **January 1, 2026**

Miscellaneous Itemized Deductions

- Permanently repealed
- Investment expenses
- Tax preparation fees
- Unreimbursed employee business expenses
- Certain legal fees

| Qualified Passenger Vehicle Interest

OBBBA provides temporary tax deduction for interest paid on loans used to purchase new personal-use passenger vehicle.

- Deduction limited to \$10,000 of interest
- Available for tax year 2025 – 2028
- GVW under 14,000 pounds and final assembly must occur in the United States
- Subject to phase-out at modified adjusted gross income over \$200,000 (MFJ)



Alternative Minimum Tax (AMT) Exemption

- TCJA increased exemption to \$1,000,000
- OBBBA extends the higher exemption and phase-outs.
- Exemption phase-out resets to 2018 levels starting in 2026 (\$1,000,000MFJ). 2025 phase-out begins at\$1,252,700 (MFJ).

| No Tax on Tips

OBBBA creates temporary deduction for tips for tax years 2025 through 2028.

- Deduction limited to \$25,000 per return, per year. Subject to phase-out for modified adjusted gross income over \$300,000 for MFJ.
- Below the line deduction.
- Married taxpayers must file a joint tax return.
- Payroll taxes still apply.

| No Tax on Overtime

OBBBA creates temporary deduction for qualified overtime for tax years 2025 through 2028.

- Deduction limited to \$25,000 for joint filers (\$12,500 other filers). Subject to phase-out for modified adjusted gross income over \$300,000 for MFJ.
- Not required to itemize deductions.
- Payroll taxes still apply.

| 529 Accounts

- Increase annual limit for 529 account distributions from \$10,000 to \$20,000 for K-12 expenses. Effective for tax years beginning after December 31, 2025
- Expanded list of eligible education expenses to include curriculum and curricular materials; books and instructional materials; tutoring; fees for national standardized tests; advanced placement exams; and a few other limited expenses. Effective date for expanded expenses applies to expenses incurred after date of enactment.
- OBBBA allows for 529 plan distributions to cover qualified postsecondary credentialing expenses.



| Trump Accounts

- New tax-deferred investment account for children
- Receive up to \$5,000 per year until beneficiary reaches age 18
- No distributions allowed prior to age 18. Only ½ of the account can be liquidated prior to age 25 and entire account must be liquidated by age 30.
- Account grows tax free and subject to capital gains tax when distributed for qualified expenses (education, first home, small business)
- Funds must be invested in mutual funds or exchange traded funds that track a qualified index
- Earnings taxed at long-term capital gains rate; principal is not taxed.

| Qualified Business Income (QBI) Deduction

- TCJA created 199A back in 2017 for pass-through entity owners
- Had been slated to expire after 2025
- Now permanent at 20% (no change to the rate)
- Also expands the deduction limit phase-in ranges for specified service trades or businesses
- Also adds a minimum QBI deduction of \$400 for taxpayers with at least \$1,000 of QBI income from active business

| Retirement Planning – Contribution Limits

401(k) and 403(b) Plans:

- \$23,500 basic contribution limit for 2025
- Additional \$7,500 catch-up for those 50 and older
- Additional \$11,250 catch-up for those 60-63

Traditional and Roth IRAs:

- \$7,000 contribution limit
- Additional \$1,000 catch-up for those 50 and older

SIMPLE IRAs:

- \$16,500 contribution limit
- \$3,500 catch-up contribution

Strategies:

- Maximize contributions to reduce taxable income
- Consider mix of pre-tax and Roth contributions



Retirement Planning - Roth Conversions

Benefits

- Tax-free growth and withdrawals in retirement
- No required minimum distributions for original owner

Considerations

- Conversion amount added to taxable income
- May push you into a higher tax bracket

Strategies

- Convert in low-income years
- Spread conversions over multiple years
- Consider paying conversion tax from non-IRA funds

Estate and Gift Tax Planning – Lifetime Exemption



Unified Estate & Gift Tax Exemption

- \$13,990,000 for 2025
- \$15,000,000 for 2026



Portability

- Surviving spouse can use deceased spouse's unused exemption
- Must file estate tax return to elect portability



Planning Considerations

- Review and update estate plans regularly
- Consider lifetime gifts to utilize exemption
- Be aware of potential legislative changes

| Estate and Gift Tax Planning – Annual Exemption

Annual Gift Tax Exclusion:

\$19,000 per recipient for 2025

Married Couples:

Can gift up to \$38,000 per recipient

Unlimited Exclusion for:

- Tuition paid directly to educational institutions
- Medical expenses paid directly to healthcare providers

Strategies:

- Use exclusion before year-end
- Consider gifts of appreciated assets
- Set up 529 plans for education gifting





Year-End Tax Planning Checklist

- ☐ Review current year's income and projected income for next year
- ☐ Analyze potential for deferring income or accelerating deductions
- ☐ Maximize retirement account contributions
- ☐ Consider Roth IRA conversions
- ☐ Review investment portfolio for tax-loss harvesting opportunities
- ☐ Make charitable contributions, including appreciated securities
- ☐ Review eligibility for tax credits (e.g., education, energy efficiency)
- ☐ Estimate AMT liability and plan accordingly
- ☐ Consider bunching itemized deductions
- ☐ Review estate plan and consider annual gifting strategies



Questions?

Additional Events & Information

CSH OBBBA Resource Hub

cshco.com/obbba-resource-hub

Year-End Tax Webinar for Businesses

- Wednesday, December 10, 2025 at 1:00 PM EST
- Register here: [Microsoft Virtual Events Powered by Teams](#)



Thank You!



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