

2025 Tax Update



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One
Big
Beautiful
Bill
Act

Many names but how does it affect me?

- OB3
 - OB3B
 - O Triple B
 - The Act
 - H.R.1

2025

Standard deduction

- Single \$15,750 Married Filing Joint (MFJ) \$31,500

If you are over 65 and/or legally blind - you get extra!!

- Single \$2,000 MFJ \$1,600

Example:

Married filing joint, both over 65 = \$34,700
($\$31,500 + 1,600 + 1,600$)

Married filing joint, both over 65, one blind = \$36,300
($\$31,500 + 1,600 + 1,600 + 1,600$)

2025 - 2028

“No Tax on Social Security” aka Senior Deduction

- Has nothing to do with social security income
- Must be 65 by 12/31 of the tax year
- If you are married you are required to file jointly
- MAGI (modified adjusted gross income) below limits

- MAGI for this application means:
 - Adjusted gross income
 - + foreign earned income exclusion

Single \$75,000	Completely gone \$175,000
MFJ \$150,000	Completely gone \$250,000

“No Tax on Social Security” aka Senior Deduction

- MFJ, both over 65 with AGI \$100,000 and no Foreign income exclusion

	NOW	Last Year
AGI	\$100,000	\$100,000
Standard Deduction	(31,500)	(29,200)
Extra deduction over 65	(3,200)	(3,100)
Senior deduction	(12,000)	
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Taxable income	\$53,300	\$67,700
Tax	\$5,919	\$9,947
Tax Bracket	12%	22%

SAVINGS of \$4,028!!!

Social Security by itself is NOT Taxable....

Other income makes up to 85% of Social Security Taxable

MAGI (AGI plus non-taxable interest) plus $\frac{1}{2}$ of the Social Security Income

Single	<\$25,000	Not taxable
	\$25,001-\$34,000	up to 50% is taxable
	> \$34,000	up to 85% is taxable
MFJ	<\$32,000	Not taxable
	\$32,001 - \$44,000	up to 50% is taxable
	>\$44,000	up to 85% is taxable

If you are married and lived together and file MFS – automatically 85% taxable!

2025 - 2028

Interest on New Car Loan Deduction

- Not eligible – leases, fleet vehicles, commercial use, salvage, scarp/sold by parts
- No loans from related parties
- Must be a brand new vehicle, you being the original owner
- Does include motorcycles (2 wheels & < 14k lbs)
- *Foreign models count if final assembly is in the U.S.*
- Must close the deal 1/1/25 to 12/31/2028

Can deduct up to \$10,000 of interest paid per year, subject to MAGI phaseouts

Single \$100,000 Completely gone \$150,000

MFJ \$200,000 Completely gone \$250,000

2025 - 2028

SALT Limitation Raised to \$20,000 / \$40,000

- Sales tax (chart number plus car, RV, Motorcycle, Boats)
- State taxes paid
- Property Tax
- Adjusted 1% per year for inflation through 2028
- Goes back to \$10,000 in 2029
- MAGI phaseout that also adjusts for inflation

Single/MFJ

\$500,000 back to \$10,000 at \$600,000

MFS

\$250,000 back to \$10,000 at \$300,000

2025 - 2028

Other key changes beginning in 2025

- Lifetime estate/gift tax exclusion raised to \$15,000,000 per individual
- Annual gift tax exclusion 2025 \$19,000

* Remember, gifts are never taxable to the recipient!

* A gift tax return may be required even though no tax is due!!

2026 - 2028

TRUMP Accounts aka “CHILD IRA”

- Must elect IN for any child under 18 years old with a valid social security number
- U.S. Citizens born in 2025 -2028, the U.S. Government will make a \$1,000, tax free contribution
- Max other contributions at \$5,000 per year with no income requirement (beginning July 2026)
- Custodian manages until child is 18 years old
- Custodian selects the investment from S&P tracking funds

* * contributions by grandparents could create a filing requirement under Generation Skipping Transfer Tax – wait for more guidance!

2026 - 2028

Eligible to contribute to HSA even if you are eligible for medicare but are not enrolled yet

- If you are still working and have a High Deductible Health Plan
- Max contribution \$4,400 self only/\$8,750 family
- \$1,000 catch up contribution if over 55

Why having an HSA may be right for you

- Pre-tax contributions
- Tax-deferred investment growth
- Tax-free withdrawals for qualified medical expenses
- After age 65, non-medical withdrawals are taxed like traditional retirement income, removing penalty risk while preserving flexibility.

2026 - 2028

Other key changes beginning in 2026

- PMI is deductible
- \$1,000 above the line deduction for Charitable Contributions to a qualified charity
- 529 Accounts increased max contribution per year from \$10,000 to \$20,000 (Gift tax exclusion is \$19,000 in 2026)
- Casualty loss deductions can be taken for State declared disasters
- Energy credits are gone!
- Gambling losses are limited to 90% of winnings

IRMAA - Income related Monthly Adjustment

- The MAGI (AGI + tax exempt interest) on the tax return the year you turn 63 will dictate your Medicare premium the year to turn 65!

Example, if you turn 65 in 2026, your 2024 tax return income is used

- Affects Medicare Part B (medical) and Part D (Prescriptions)

<u>S/MFS</u>	<u>MFJ</u>	<u>Part B</u>	<u>Part D</u>
<\$109,000	<218,000	+\$202.90 each	Your premium
\$109,000-\$137,000	\$218,000-274,000	+\$284.10 each	+\$14.50 each
\$137,000-\$171,000	\$274,000-312,000	+\$405.80 each	+ \$37.50 each

You can appeal if your income changes or you have a life changing event (sale of a home, inheritance, lottery win, loss of a job, divorce, etc)

IRMAA - Income related Monthly Adjustment

Why is this important?

Be conscious of the moves you make that affect your MAGI!

- IRA Conversions
- Cashing out inherited stocks, IRAs, real estate
- Panic sales when the market drops
- Large IRA withdrawals for trips, bills, etc

When doing any of the above you need to watch three things:

- Tax Bracket
- Phase outs for senior deduction or other new deductions
- IRMAA adjustment

QCD – Qualified Charitable Deduction

- Can start when you hit 70 ½
- Donate direct from your traditional IRA to a qualified charity

Why is this helpful?

- Lowers Taxable income
- Lowers your AGI
 - Lower MAGI for IRMAA
 - Lower MAGI for Senior Deduction
 - Lower MAGI to qualify for other deductions
 - Lower AGI means lower floor to be able to deduct medical expenses

EXAMPLE - MFJ \$149,000 income with \$15,000 donation 2026

	<u>Self Donate</u>	<u>QCD</u>
Income	\$149,000	\$134,000 * \$15k comes off the top
Standard Deduction	(34,700)	(34,700)
or		
Itemized Deduction	(26,584) *Property tax \$10k, Sales tax \$1584, donation \$15k)	
Senior Deduction	(12,000)	(12,000)
Taxable Income	\$102,300	\$87,300
Tax	\$11,947	\$9,980
	22%	12%

Tax savings of \$1,967!!



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