TAX PLANNING

BENJAMIN F. EDWARDS®
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2025 Year-End Tax Guide

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The Wait Is Over

For years this report has wrestled with the uncertain status of federal income tax laws. That changed on July 4, 2025, when the One Big Beautiful Bill Act (“OBBBA”) became law. While the law addresses many things besides income tax, there are major income tax law changes. This year-end report focuses on the changes that affect individual taxpayers and how your financial planning may be impacted as you review your year-end planning situation.

OBBBA Provides Clarity and Opportunity

The “Big” part of the OBBBA certainly lives up to its name. There are a myriad of income tax provisions addressed in the OBBBA. First, it clarifies that income tax rates and thresholds that were set to expire at the end of the year will not. The 2017 Tax Cuts and Jobs Act (TCJA) provisions are now “permanent.” Accordingly, the current rates will remain unchanged after 2025. That means in 2025, the top income tax bracket stays at 37%, applying to individuals with more than $626,350 in income; $751,600 for married taxpayers[1]. For those “in the middle,” the middle tax bracket stays at the 24% rate. That rate begins at $103,350 single/$206,700 married. You need more than $197,300 single/$394,600 married to climb into the next bracket. All brackets will continue to be indexed for inflation.

Standard Deductions Increased

Standard deductions will also remain at higher levels and personal exemptions remain eliminated. The standard deductions have also been adjusted for 2025 to $15,750 single/$31,500 for married taxpayers.

Capital Gains Tax Rates Remain Unchanged

Capital gain rates also remain unchanged at 0%, 15% and 20%, while the most common and largest bracket is the 15% tax rate. Even though the 15% rate is the most common, the 20% rate is still historically low. That said, even if you fall into the 20% rate, this is still well below the 37% top marginal rate on ordinary income.

[1] All references to “married taxpayers” will be defined as married filing jointly. An additional standard deduction applies for taxpayers who are aged 65 and older or blind.

2025 LT Capital Gain Tax Rates	Single	Married, Filing Jointly
0%	< $48,350	<$96,700
15%	$48,350 - $533,400	$96,700 - $600,050
20%	>$533,400	>$600,050

No Changes to Affordable Care Act Tax Rates or Income Thresholds

For higher income earners, the Affordable Care Act taxes remain unchanged. The 0.9% Medicare Health Insurance Surtax and a 3.8% Net Investment Income Tax for individuals earning more than $200,000 and married couples earning more than $250,000 still applies. The 0.9% surtax is levied on earned income, and the 3.8% Net Investment Income Tax applies to passive earnings like interest, dividends, capital gains, etc. These thresholds still are not indexed for inflation.

SALT Deduction Increased Through 2029

The state and local tax (SALT) cap for 2025 increases to $40,000, and will go up an additional 1% going forward each year until 2029. In 2030, the SALT cap will revert to $10,000. While this increase is helpful, it starts to phase out with modified adjusted gross income (MAGI) over $500,000. The deduction is reduced by 30% of MAGI that exceeds $500,000, but the SALT deduction cannot go below $10,000.

NEW

Temporary Deduction for Qualifying Individuals With Tip or Overtime Income

A new provision in the OBBBA allows a deduction of up to $25,000 for qualified tips for a taxpayer in an occupation that customarily and regularly receives tips. Moreover, there is a deduction of $12,500 single/$25,000 married for qualified overtime compensation. These deductions are allowed whether you itemize or not.

Each of these deductions are available from 2025 through 2028 and are subject to phaseout. They both begin phasing out when MAGI exceeds $150,000 single/$300,000 married. Both require specific documentation to identify the compensation for tax reporting purposes, and those looking to take these deductions should collaborate with their employer and their tax advisor to meet these documentation requirements.

NEW

Temporary Standard Deduction for Seniors

For seniors aged 65 and older, an enhanced standard deduction of $6,000 will be available if income is $75,000 or less ($150,000 or less, if married). The deduction is phased out above these limits and eliminated for seniors with income above $175,000 single/$250,000 married. The enhanced senior standard deduction is stacked on top of the extra standard deduction for taxpayers aged 65 and older, bringing the total available standard deduction to $23,750 for individuals and $46,700 for married couples if both spouses are 65 years of age or older. This enhanced senior standard deduction applies only for tax years 2025–2028.

The Child Tax Credit Increases

The non-refundable child tax credit increases to $2,200 per child and will also be indexed for inflation going forward. The refundable child tax credit remains and will also be indexed for inflation going forward. There is still a $500 non-refundable credit for a dependent of the taxpayer who is not a qualifying child. The phaseout thresholds for these credits have increased to $200,000 single/$400,000 married.

NEW

Temporary Deduction for Auto Loan Interest/Elimination of Electric Vehicle Tax Credit

Individuals can now deduct up to $10,000 in new passenger vehicle loan interest if the vehicle was assembled in the United States and purchased between January 1, 2025 through December 31, 2028. In addition, the $7,500 tax credit for electric vehicles has been eliminated.

Estate Tax Exclusions Made Permanent

The higher estate tax exclusions introduced by the TCJA are also made permanent. The exclusion remains as $13.99 million in 2025, and the 2026 exclusion will be $15 million per person, meaning a married couple can protect up to $30,000,000 from estate tax with proper planning. Portability of an unused exclusion of a deceased spouse also remains. The estate tax rate stays at 40%, and the exclusions will index for inflation.

NEW

529 Education Savings Plans Expanded for K-12 and Occupational Credentials

529 plans can now pay tax-free benefits for a broader range of expenses beginning July 4, 2025. Qualified K-12 expenses now include curriculum, books and instructional materials, online

education, certain tutoring expenses, and fees for standardized achievement and advanced placement testing, in addition to tuition. The K-12 expense limit will also increase from $10,000 to $20,000 in 2026. In addition, qualified 529 plan withdrawals now also include tuition, fees, books, supplies and equipment necessary for a post-secondary workplace credential program, including fees for any testing to obtain or maintain a professional license.

Charitable Contribution Rules Are Modified for 2026, Creating Year-End Planning Impacts

The OBBBA makes significant changes to charitable contribution rules for 2026. For itemizers, the new charitable deduction rules are much more complex. While the qualifying requirements to take a charitable deduction remain, there is a new floor that must be met to take the deduction. Beginning in 2026, deductions will only be allowed for contributions exceeding 0.5% of your MAGI.

For example, if you have a $500,000 MAGI in 2025, and you make a $10,000 gift, for tax year 2025 you can deduct the full $10,000 gift. However, starting in 2026, you can only deduct $7,500 of the gift because the first 0.5% of your MAGI ($2,500) is a floor threshold that must be surpassed before you can take the deduction. In other words, if you only gifted $2,500 in this scenario, you would not be allowed to deduct any of the gift in 2026. This may lead those who itemize to readdress their charitable planning strategies before the end of the year.

For those who do not itemize, in 2026 you can deduct up to $1,000 single/$2,000 married in charitable contributions “above the line,” meaning the deduction lowers your taxable income dollar for dollar before applying the standard deduction. This is akin to the brief deduction allowed during COVID, which at the time was a $300/$600 deduction.

AMT Rates and Thresholds Locked In

The higher alternative minimum tax (AMT) thresholds from the TCJA are permanently extended, but will reset from the 2025 inflation-based numbers of $626,350 single/$1,252,700 married back to $500,000 single/$1,000,000 married in 2026. Despite this change, the AMT will not be a concern for most taxpayers.

Retirement Saving Opportunities from SECURE 2.0 Continue

Although the SECURE 2.0 Act, which was designed to increase retirement savings, coverage and accessibility was enacted in 2022, we continue to see new features become effective. This year there are two noteworthy items that impact retirement savers:

Increased Employee Catch-Up Contribution Amounts if Aged 60-63

For 2025, some employers sponsoring 401(k), 403(b) or governmental 457(b) plans may offer a new “super” catch-up contribution, limited to $11,250 (instead of $7,500) for participants who are aged 60, 61, 62 or 63. For SIMPLE plan participants, the “super” catch-up contribution limit is $5,250 (instead of $3,500).

Mandatory Automatic Enrollment and Escalation for Certain New 401(k) and 403(b) Plans

All 401(k) and 403(b) plans that are established after 2022 must now include automatic enrollment of eligible employees and automatic escalation of salary deferral contributions in their plans beginning in 2025, unless an exception applies. For new participants, a minimum salary deferral rate can be set by the employer anywhere from 3% of pay to 10% of pay. For existing participants, an automatic contribution escalation rate of 1% per year will apply, at least until the rate reaches 10% (but not more than 15%). Employees can always opt out of the automatic enrollment or escalation features. SIMPLE plans, employers with less than 10 employees, new businesses that have been in existence for less than three years, and plans that were established prior to 2023 are not required to include these new features.

Top 10 Tax Tips For Year End

With all of the changes resulting from the OBBBA and SECURE Acts, year-end planning is as important as ever. Planning opportunities and the differences between 2025 and 2026 are addressed for each affected topic below. Other more evergreen strategies also remain. Make sure you work with your tax advisor to see if any of these techniques apply to your personal situation.

1. Review Accounts for Realized Gains and Losses

As performance among asset classes varies throughout the year, be sure to review your portfolio to make sure your allocation continues to align with your goals. If some adjusting is in order, consider whether to take action such as realizing additional losses to offset any realized gains. When selling securities you own, remember that the trade date – the date the order is executed – should be used to determine your holding period, not the settlement date. Now that tax provisions are certain in 2026, you should consider whether the growing standard deduction means you may no longer itemize in the future. This could cause you to delay or accelerate realizing these losses/gains. Recall, though, that even if you do not itemize you can still apply up to $3,000 of capital losses to your taxable income as that deduction is "above the line."

Choppy markets often provide opportunities for tax loss selling in taxable accounts. If you are selling securities for a loss, remember the wash sale provisions. You can't deduct a loss on the sale of securities if you purchased a substantially identical investment within 30 days. This includes the 30-day period before and after the date of the sale.

To avoid the wash sale rule, wait at least 31 days and then repurchase the security, or you can double up and wait the required amount of time to sell. **The last day to double up this year is November 28**. By doubling up, you can retain a holding in the security and still take the loss by selling the original holding 31 days after you doubled the holding.

2. Review Whether to Take or Defer Gains or Deductions

Review your portfolio and other financial matters with your tax advisor to see whether you should take or defer gains and deductions this year. If you can control when to take a gain or a deduction, choosing the appropriate time to take such actions can help you control your potential tax liability year over year, especially in the face of increasing standard deductions going forward.

For those in the 37% tax bracket, recall that in 2026, all itemized deductions will be reduced by 2%, meaning you can only deduct 35% of the total itemized amount. This reduction for those in the top tax bracket may lead some to consider the tax benefits of taking deductions in 2025 versus 2026.

Lastly, remember there is no link between the top tax bracket and the top capital gains rate. For 2025, individuals meet the top capital gains rate of 20% at $533,400; married taxpayers at $600,050.

3. Don’t Forget About Cost Lots When Selling

As you review your investments and ponder repositioning your portfolio, consider your cost basis if you are selling positions with multiple cost lots in taxable accounts. You can specifically identify shares when selling to select the cost lot you want to sell. By doing this, you can control the capital gains (or losses) that are incurred.

4. For Higher Income Taxpayers, Be Mindful of Extra Tax Liabilities

For individuals with MAGI of $200,000 ($250,000 if married), there is a 0.9% additional Medicare tax for wages and compensation in excess of the $200,000/$250,000 thresholds. For these taxpayers there is also a potential 3.8% net investment income tax to be paid on investment income. Investment income includes dividends, interest, royalties, rents, passive activity income and capital gains. The 3.8% tax applies to the lower of a taxpayer’s net investment income, or the amount that the taxpayer’s MAGI exceeds the applicable threshold.

For example, assume a married couple filing jointly has a MAGI of $315,000 and net investment income of $50,000. They will pay a 3.8% tax on investment income of $50,000 ($1,900 in this example) because it is lower than the amount of MAGI in excess of the $250,000 threshold ($65,000). Importantly, these thresholds are not indexed for inflation.

Higher incomes also impact your cost for Medicare and there is a two-year lookback period for determining your premiums. For example, 2025 income will determine 2027 Medicare premiums. For 2026, Medicare Part B and Part D premium surcharges begin at incomes above $109,000/single and $218,000/married. These thresholds are adjusted for inflation each year, but are a good guide to understanding if higher Medicare costs will apply to you.

One benefit of the OBBBA for many can also quickly be phased out for high earners. The SALT deduction increases to $40,000 for 2025 and increases to $40,400 in 2026. However, the deduction starts to phase out with MAGI over $500,000. The deduction is reduced by 30% of MAGI that exceeds $500,000, but the SALT deduction cannot go below $10,000. These rules apply whether you file single or married filing jointly. However, if you are married and file separately, your SALT cap is $20,000 and your phase out begins at $250,000 in 2025.

5. Start Your Gift Process Early

Charitable giving from non-IRA assets may help manage your tax bill if you itemize deductions. The strategy of gifting highly appreciated assets instead of cash allows you to deduct the fair market value of the asset donated and allows you to sidestep recognizing capital gains on those assets. If you itemize, you can deduct up to 60% of your adjusted gross income for cash gifts to qualified charities. If you gift assets, recall that the deduction is reduced to 30% of your adjusted gross income.

With higher standard deductions you may want to consider “bunching” your charitable gifts. Bunching involves making larger gifts in years you itemize while taking the standard deduction in other years. For example, instead of gifting $10,000 a year over three years to your favorite charity, you would gift $30,000 in the year you itemize and use the standard deduction in the remaining two years. This concept may be more important this year given 2026 institutes the 0.05% floor for charitable deductions. Bunching may be especially attractive in 2025 for those in the 37% tax bracket since all deductions, including charitable deductions, are reduced by 2%, only providing a 35% deduction against tax.

Turning to gifts to individuals, it is important to note the maximum gift exclusion increased in 2025 to $19,000 per person, per year ($38,000 if married). Remember, though, when you gift an asset to an individual you also gift them your basis in that asset. Gifting assets with little or no gain may allow your beneficiary to sell that asset and utilize the proceeds with little or no income tax consequence. Conversely, if the individual is in a lower tax bracket than you, you could gift lower-basis assets and let the beneficiary sell it and pay the tax at their tax rate.

If you are planning charitable giving or making gifts to individuals, make sure those gifts are completed by year end. If you intend to claim a charitable deduction on your tax return for this year, don't forget that it may take some time to make the gift, especially if you are transferring stock or other non-cash assets. Start the gift process early to ensure that the transfer is made before the end of the year.

Annual Gifting

Remember you can gift up to $19,000 per person, per year ($38,000 if married) gift tax free to as many individuals as you like. The gifts must be delivered by year end to count for the 2025 tax year. Gifts greater than $19,000 per person ($38,000 if married) require the filing of a gift tax return.

6. Take Advantage of Tax-Exempt Investments and Accounts

If you are in a higher tax bracket, you may want to consider increasing funding to investments and accounts that are designed to be a shelter from taxes. Life insurance, tax-exempt municipal bonds and Roth IRAs provide tax efficiency in various forms. Certain types of life insurance build cash value. The interest earned on the cash value is not taxed when earned, and you might be able to withdraw or borrow against the cash value. Interest paid on municipal bonds is generally exempt from federal and, in some cases, state and local taxes. Keep in mind that any capital gain arising from the sale of a municipal bond is still taxable, and income from some municipal bonds may be taxable under the AMT rules.

Roth IRAs provide tax-free distributions in retirement, but only if certain conditions are met. Generally, you must be over the age of 59 ½ and have held the Roth IRA for five years for earnings to be distributed tax-free, although they can also be made prior to age 59 ½ due to death, disability, or first-time home purchase. There are also limits on who can contribute and how much can be contributed to a Roth IRA each year.

7. Make Sure You Are Maximizing Your IRA and Retirement Plan Contributions

For long-term goals such as retirement, tax-deferred investing is a way to boost your savings and reduce current taxes. Increasing 401(k) savings or making IRA contributions are ways to get additional tax deferral on your investments. Tax deferral means you won't pay taxes on investment earnings as you earn them, but instead you are taxed later when you take withdrawals, presumably during your retirement.

Currently, the maximum salary deferral contribution limit for 401(k), 403(b) and 457(b) plans is $23,500. The standard catch-up contribution amount is $7,500 for individuals aged 50–59, and 64 or older. while the "super" catch-up contribution amount for individuals aged 60–63 is $11,250. At a minimum, make sure you are contributing enough to your employer retirement plan to obtain any employer matching contribution. For traditional and Roth IRAs, there is a combined maximum contribution limit of $7,000, with a $1,000 catch-up contribution for individuals aged 50 or older.

If you are already maximizing your contributions to your retirement accounts and are looking for additional tax deferral for retirement, consider additional saving opportunities available through annuities.

Increase to Retirement Savings in 2026

In 2026, 401(k), 403(b), and 457(b) plan salary deferral contributions can be made in amounts up to $24,500 and catch-up contributions for individuals aged 50–59 and 64 or older are $8,000. The "super" catch-up for participants aged 60 – 63 remains at $11,250. Eligible compensation and the overall plan contribution (IRC Sec. 415) limit have also increased.

Traditional and Roth IRA annual contribution maximums for 2026 increase to $7,500. In addition, catch-up contributions for individuals aged 50 or older increases for the first time to $1,100. Modified AGI limits for deducting traditional IRA contributions and for contributing to Roth IRAs have increased as well.

More information on retirement savings cost of living adjustments can be found at **www.irs.gov**.

8. Consider a Roth IRA Conversion

Anyone with a traditional IRA has the choice to convert to a Roth IRA. Qualified employer-sponsored retirement plan assets can also be converted to a Roth IRA after you become eligible to receive distributions from the retirement plan. In addition, your employer's 401(k), 403(b) or 457(b) plan may also allow you to convert your pre-tax account balances to designated Roth accounts within the plan (if permitted by plan document provisions).

Conversion comes with a cost—you pay income taxes on the amount you convert in the year you convert. Conversion can be advantageous if you desire tax-free retirement income (after five years and age 59 ½), you don't want to take required minimum distributions during your lifetime, or you desire tax-free income for your heirs after your death. A conversion must be completed by year end to be included as income on this year's tax return. Use caution and discuss this strategy with your tax professional before converting because a conversion is a one-way street. You cannot "undo" a conversion once it has been completed.

9. Review Education Saving Goals and Spending

Consider funding an education savings plan through an Education Savings Account (ESA) or 529 Savings Plan for a child or a grandchild. Both offer tax deferral. Both also provide tax-free distributions if they are used for qualified education expenses. ESAs typically have broader flexibility for K-12 expenses and the investments you can choose from, but income and contribution limits apply. 529 savings plans provide greater flexibility for overall educational use without income limits for contributors. Although neither provide a federal income tax deduction for the contributor, some states provide residents with an income tax credit or deduction for 529 plan contributions.

For students attending college, qualified expenses include tuition, fees, books, and supplies, in addition to certain room and board costs. 529 plans have a $10,000 limit on K-12 qualified expenses, but they can be used after high school for trade schools, registered apprenticeship programs, student loan repayments (up to $10,000) for the student or siblings of the student, and for fees connected with obtaining or maintaining certain workplace credentials.

If you have already saved using an ESA or 529 plan and are now taking withdrawals, before the year ends you'll want to make sure your withdrawals do not exceed your qualified education expenses this year. The general rule of thumb is you will want to match your current year withdrawals to expenses incurred during this calendar year. Talk to your tax professional about the documentation you should keep regarding your expenses.

10. Remember to Take RMDs; QCDs Create Opportunities When Age 70 ½ or Older

December 31 is the deadline to receive your current-year required minimum distribution (RMD), unless it is your first year. If your 73rd birthday is this year, you can delay your first RMD until April 1 of next year, but doing so will require you to take both this and next year's RMD next year.

If you have an inherited retirement account, you may also have to take annual RMDs. For eligible designated beneficiaries, such as a surviving spouse, or a non-spouse individual who is disabled, chronically ill, or not more than 10 years younger than the account owner, RMDs based on single life expectancy begin in the year following the year of death. There may also be an RMD required if the account owner died prior to taking their own RMD in the year of death which any beneficiary can take.

If you are a non-spouse beneficiary subject to the 10-year rule, it is important to remember if you inherited a retirement account from someone who was already receiving RMDs at the time of death, you must also continue to receive annual RMDs in years one through nine, in addition to making the final distribution in year 10. This is referred to as the "at least as rapidly" rule.

If you are charitably inclined, and age 70 ½ or older, you may want to consider a Qualified Charitable Distribution (QCD). QCDs are tax-free gifts you make directly to qualified charities from an IRA. You must be at least age 70 ½ at the time of the gift and QCDs are limited to $108,000 in 2025. QCDs also count toward any RMD you have for the year and can be a good way to offset tax costs of RMDs if you don't need the income. You can also make a one-time $54,000 gift to a split-interest entity. These amounts will increase to $111,000 and $55,000 in 2026.

Work With Your Tax Professional and Your Financial Advisor

We expected change in tax year 2025, and the OBBBA delivered. While the old saying of "Don't let the tax tail wag the dog" still applies to your long-term investment goals, this year the tail may have a little more influence. Some of these concepts may or may not apply to your individual situation. Accordingly, plan on working closely with your tax professional and your financial advisor to address your specific situation and seek the most advantageous tax planning to meet your goals. ▪

Calendar of Important Dates

2025 Deadline for:	
Nov 28	Doubling up for 2025 (to avoid the wash sale rule)
Dec 31	· Selling a security for a 2025 gain or loss (trade date determines the tax year) · Taking 2025 RMDs (unless it is your first year) · Converting a traditional IRA to a Roth IRA for 2025 · Making gifts for 2025 (transfer must be completed by year end) · Making 529 plan contributions for 2025 (for federal gift tax purposes; state tax deduction deadlines may vary)

2026 Deadline for:	
Jan 15	Paying fourth quarter 2025 estimated taxes
Mar 16	· Filing calendar-year tax returns for partnerships and S-corporations (excluding extensions) · Establishing and funding SEP IRA and other retirement plans for S-corporations for 2025 (unless filing under extensions)
Apr 1	Taking 2025 RMDs if it is your first year
Apr 15	· Filing 2025 income tax returns · Paying first quarter 2026 estimated taxes · Opening and making contributions to traditional IRAs, Roth IRAs and Coverdell Education Savings Accounts for 2025 · Establishing and funding SEP IRA and other retirement plans for sole proprietors and corporations for 2025 (unless filing under extensions)
Jun 15	Paying second quarter estimated taxes
Jul 31	Filing qualified retirement plan returns (Form 5500) for calendar-year plans
Sep 15	Paying third quarter estimated taxes
Oct 1	Establishing a SIMPLE IRA plan for 2026
Oct 15	Filing 2025 individual tax returns with automatic extensions
Nov 30	Doubling up for 2026

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