**Tax Updates for 2025**

Now, let’s talk taxes! While the 2024 tax return will be a historical report (meaning we’re limited in strategies for that year), understanding the updates for 2025 gives us tools to plan for a better financial future—like professional sports teams preparing for the next big game!

**Tax Law Changes that May Affect You**

**1. Inflation Adjustments:**

* **Standard Deduction:**
  + Single Filers and Married Individuals Filing Separately: $15,000 (up $400).
  + Married Couples Filing Jointly: $30,000 (up $800).
  + Heads of Household: $22,500 (up $600).
* **Tax Brackets:** Adjusted for inflation, potentially impacting your tax liabilities. All individual income tax brackets increased, and the top rate of 37% will affect single filers with taxable income above $626,350 and married couples above $751,600.

**2. Medical Accounts:**

* **FSAs:** Contribution limit: $3,300.
* **HSAs:** Limits: $4,300 (individuals) and $8,550 (family coverage).

**3. Annual Gift Exclusion:**

The limit increased to $19,000 per person. Gifts above this amount require filing a gift tax return—though no taxes are owed unless you exceed the estate tax exclusion of $13,990,000. (If you’re losing sleep over giving away more than $13 million, now you know what to expect, and you can transfer large amounts of wealth without estate tax implications! YES!!!)

**4. Long-term Capital Gains Rates:**

* 0% tax: Income up to $48,350.
* 15% tax: Income $48,351–$533,400.
* 20% tax: Income above $533,400.

**5. IRAs and ROTH IRAs**

* **401(k) Increases to $23,500, IRA Remains at $7,000**
* [Notice 2024-80](https://substack.com/redirect/4644f0bf-0d52-4b11-bf41-138291135bc3?j=eyJ1IjoiMWt6bWh1In0.-Y2fQwR8DdMBur_hUGkhXXvltcgFEveCYKIvK_30Gbw) announced that the 401(k) plan contribution limit will increase to $23,500 in 2025, up from $22,500 in 2024. However, the contribution limit for traditional and Roth IRAs remains at $7,000, with an additional $1,000 catch-up contribution for those 50 and older.
* Other retirement accounts, such as SIMPLE and SEP IRAs, also saw upward adjustments in the maximum contribution amounts. These changes allow individuals to save more for retirement, with higher contribution caps helping offset inflation impacts.
* **Roth IRAs:**  
  Contributing to a Roth IRA is an excellent way to plan for tax-free income in retirement, but income limits apply. For 2025, the adjusted gross income (AGI) limits for Roth IRA contributions are as follows:
  + **Single Filers or Head of Household:**
    - Full Contribution: AGI below $153,000.
    - Partial Contribution: AGI between $153,000 and $168,000.
    - No Contribution: AGI above $168,000.
  + **Married Filing Jointly:**
    - Full Contribution: AGI below $228,000.
    - Partial Contribution: AGI between $228,000 and $243,000.
    - No Contribution: AGI above $243,000.

For those whose income exceeds these limits, consider a **Backdoor Roth IRA Conversion** as a potential option. This strategy involves contributing to a traditional IRA (with no income limit) and then converting those funds into a Roth IRA. It’s an entirely legal and IRS-approved method to still take advantage of Roth IRA benefits.

If this strategy interests you, or if you have questions about your eligibility for Roth IRA contributions, let’s discuss it or involve your financial advisor. Tax planning is key to maximizing retirement savings!

* IRS Agents: The IRS has hired 3,400 agents to focus on pass-through entities like Sub-S Corporations and Partnerships.

**6. Family Tax Considerations:**

* If your child turns 17 this year, the $2,000 Child Tax Credit no longer applies. Adjust your withholdings accordingly.
* For those qualifying, the refundable portion of the Child Tax Credit remains at $1,700 for 2025
* **IRS Urges All Taxpayers to Get an Identity Protection PIN for 2025 this includes children on the return.**

The [IRS is encouraging taxpayers](https://substack.com/redirect/543c40c8-6988-4324-bf74-6c6aefd20cb4?j=eyJ1IjoiMWt6bWh1In0.-Y2fQwR8DdMBur_hUGkhXXvltcgFEveCYKIvK_30Gbw) to sign up for an Identity Protection PIN (IP PIN) for the 2025 tax season to help protect against tax-related identity theft. An IP PIN is a six-digit number known only to the taxpayer and the IRS, used to verify identity when filing tax returns. Previously, IP PINs were available mainly to identity theft victims, but they are now accessible to all taxpayers. This added layer of security helps prevent unauthorized use of Social Security numbers on fraudulent returns. Taxpayers can obtain their IP PIN through their [Individual Online Account](https://substack.com/redirect/0da3018d-2a69-4b6b-b3a8-1b28b8939ff2?j=eyJ1IjoiMWt6bWh1In0.-Y2fQwR8DdMBur_hUGkhXXvltcgFEveCYKIvK_30Gbw).

**7. TCJA Expiration:**  
Key provisions of the Tax Cuts and Jobs Act are set to expire at the end of 2025. We’ll monitor potential changes as the new presidency unfolds and send messages to keep everyone posted.

**8. Form 1099-K – Latest Information**  
  
In Notice 2024-85 IRS announced the filing requirement for issuing Forms 1099-K will be:

- More than $5,000 of total transactions during 2024

- More than $2,500 of total transactions during 2025

- More than $600 of total transactions during 2026

Technically the law says the filing requirement is “more than $600.”  IRS, in Notice 2024-85, says it will not assess penalties for companies that do not issue the Form 1099-K as long as the amount does not meet the above thresholds.

**9. Mileage Rates**

**Business Use**: 70 cents per mile, an increase of 3 cents from 2024.

A MUST do --- either get an app for you phone or keep a notebook in your car to document the miles driven. Businesses will need to document the grand total miles for the year and have detailed records of the business miles that make up the portion of the grand total.

**Medical Purposes**: 21 cents per mile, unchanged from 2024.  
   
**Moving Purposes** (for qualified active-duty members of the Armed Forces): 21 cents per mile, unchanged from 2024.  
   
**Charitable Organizations**: 14 cents per mile, unchanged from 2024 (this rate is set by statute).

**Virginia Residents Retired Military GOOD NEWS!!!**

The age requirement to get the deduction has been removed. The 2024 deduction for military retirement is $30,000. If your retirement pay is less then it will be limited to the amount received.

**COMPROMISED IDENTITIES**

Please remember that Protection Plus will handle any identity matters even if not related to a tax return. You are protected. They will work with you to recover and protect. Again, it does not have to be related to a tax return being scammed. It is part of your protection I have contracted with them.

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