

Summary of 2025 Federal Tax Changes.

Capital Gains and Losses – Changes for 2025

High-income taxpayers are subject to higher capital gain and qualified dividend tax rates, and these rates generally are adjusted annually. For tax years beginning in 2025, the long-term capital gain and qualified dividend tax rate is as follows:

The 0% rate applies to – Single filers and married filers filing separately with income up to \$48,350,
Head of household filers with income up to \$64,750,
Joint filers with income up to \$96,700,

The 15% rate applies to – Single filers with income between \$48,351 to \$533,400.,
Married filers filing separately with income between \$48,351 and \$300,000,
Head of household filers with income between \$64,751 and \$566,700,
Joint filers with income between \$96,701 and \$600,050,

The 20% rate applies to – Single filers with income exceeding \$533,400
Married filers filing separately with income exceeding \$300,000,
Head of household filers with income exceeding \$566,700,
Joint filers with income exceeding \$600,050,

Annual Exclusion for Gifts

Each year the amount that may be gifted to any person gift-tax free generally increases.

For 2025, the excludible amount is \$19,000 to any person (\$38,000 in the case of a joint gift in which the spouse participates). In addition, the first \$190,000 of gifts to a spouse who is not a citizen are not included in the total amount of taxable gifts made during that year

Social Security Limits

Social Security taxes are comprised of two components: OASDI (old age, survivors and disability income) and HI (health insurance) taxes. OASDI is a tax imposed on a worker's wages up to the applicable Social Security taxable earnings limit. That limit is \$176,00 in 2025 and generally increases annually. The employee tax rate for the OASDI part of Social Security is 6.2%. HI, the second component of Social Security taxes, is a tax of 1.45% imposed on all taxpayer wages.

Standard Deduction Amounts

The standard deductions for 2025 are:

\$31,500 for married couples whose filing status is “married filing jointly” and surviving spouses;
\$15,750 for singles and married couples whose filing status is “married filing separately”; and
\$23,625 for taxpayers whose filing status is “head of household.”

A taxpayer who can be claimed as a dependent is generally limited to a smaller standard deduction, regardless of whether the individual is actually claimed as a dependent. For 2025 returns, the standard deduction for a dependent is the greater of: \$1,350; or

The dependent’s earned income from work for the year plus \$450 (but not more than the standard deduction amount, generally \$14,600), if greater.

Social Security cost of living adjustment for 2025 is only 2.5%. Medicare part B premiums deducted from social security payments have increased from \$174.70 per month to \$185.00 per month.

1099-K threshold for the 2025 tax year

Taxpayers selling goods and services on online marketplaces or using third-party payment apps will typically receive a 1099-K form.

- If the total transaction(s) amount to \$20,000 or more or over 200 transactions, IRS rules dictate that the
- vendor must send you and the IRS a 1099-K.

Taxpayers have always been and are still required to report all taxable income to the IRS. But in years past, fewer taxpayers were at risk of nontaxable transactions being reported to the IRS.

New Deduction for Seniors Individuals aged 65 and older can claim an additional \$6,000 deduction (or \$12,000 if both spouses in a joint-filing couple qualify), subject to income phaseouts.

- **Increased Child Tax Credit** The maximum Child Tax Credit has increased to **\$2,200** per qualifying child, with up to \$1,700 being refundable.
- **Higher SALT Deduction Cap** The cap on the deduction for state and local taxes (SALT) has temporarily increased from \$10,000 to **\$40,000** for married couples filing jointly (\$20,000 for married filing separately), with phaseouts for high-income earners.

- **New Deductions for Tipped and Overtime Workers**
 - Eligible workers can deduct up to **\$25,000** in qualified tip income.
 - Eligible workers can deduct the "half" portion of time-and-a-half overtime pay, up to **\$12,500** for single filers or **\$25,000** for joint filers.
 - Both deductions are subject to income limitations and require using a new form, Schedule 1-A.
- **Car Loan Interest Deduction** A new deduction is available for up to **\$10,000** of interest paid on loans for new, personal-use vehicles assembled in the U.S., also subject to income limits. Vehicle has to be purchased after January 1, 2025.
- **New Crypto Reporting** Brokers are now required to report digital asset transactions (like cryptocurrency sales) to both the IRS and taxpayers on a new Form 1099-DA.
- **Expiration of Clean Energy Credits** Tax credits for new and used clean vehicles purchased after September 30, 2025, have expired, as have credits for residential energy-efficient home improvements at the end of 2025.

Other Notable Changes

- **"Trump Accounts" for Babies** The federal government will provide a \$1,000 seed investment into new individual investment accounts for babies born between January 1, 2025, and December 31, 2028.
- **Increased Retirement and Health Contribution Limits** Limits for 401(k) contributions and Health Savings Account (HSA) contributions have increased for 2025.