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**CPA Firm Founder  
32 Years Practicing CPA  
National Speaker  
Tax & CPE Instructor  
2x Author & YouTuber**



Joshua has over 32 years of public accounting experience in the area of tax, specializing in LLC, partnership, S corporation, and related individual tax matters. He still practices in the trenches of the tax world in the CPA firm he founded 27 years ago.

JJ has traveled all over the United States presenting tax courses to thousands of fellow CPAs covering the latest tax laws and strategies as well as presenting virtual tax seminars to CPAs, Enrolled Agents and tax professionals all over the U.S.

The U.S. Chamber of Commerce named him top 10 Small Business Expert to follow on social media. He has appeared on local as well as national news programs for the last 20 years, becoming a regular tax season guest on several local and national radio programs.

JJ the CPA has over 101,000 SUBSCRIBERS and over 8 million views on his YouTube channel “JJ THE CPA,” and has authored 2 books available on Amazon.

Joshua Jenson is a licensed CPA in Oklahoma and Texas, and a member of the American Institute of CPAs, Oklahoma Society of CPAs as well as the Oklahoma City Chapter of the OSCPA. JJ serves on the Tax Committee for the Oklahoma Society of CPAs and has served as the past Chairperson of the OSCPA Educational Foundation and was named CPA of the year by his CPA peers. Joshua is a 1993 graduate of Abilene Christian University where he earned his accounting degree.

# JJ **THE CPA** PRIVATE TAX CONSULTING GROUP

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- **Every 10 Days** Tax Strategy Session
- Questions with Tax Answers

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- Tax Snapshots & Hot Tax Updates
- Community Chat, Q&A & Reference
- Meeting Recordings & Virtual Updates

## **Quarterly Tax Workshop - Live** (December Start)

- Tax Matters Requested, Worked Live
- Comprehensive Federal Tax Update

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**2024  
vs.  
2025**

**THE  
NUMBERS**





# MAXING OUT TRADITIONAL IRA

**Year 2024:** (IRS Notice 2023-75)

Traditional IRA: \$7,000

Catch up remains \$1,000 or \$8,000 if age 50+

**Year 2025:** (IRS Notice 2024-80)

Traditional IRA: \$7,000

Catch UP remains \$1,000 or \$8,000 if age 50+

Anyone 18 or older with earned income can contribute to a traditional IRA.

However, for contributions to be tax-deductible, specific income limits apply.

# MAXING OUT ROTH IRA

**Year 2024:** (IRS Notice 2023-75)

Roth IRA: \$7,000

Catch up remains \$1,000 or \$8,000 if age 50+

**Year 2025:** (IRS Notice 2024-80)

Roth IRA: \$7,000

Catch up remains \$1,000 or \$8,000 if age 50+

Anyone 18 or older who has earned income within specific IRS income limits can contribute to a Roth IRA.

In **2024**, the upper limits are:

- Less than \$161,000 if single.
- Less than \$240,000 if MFJ

In **2025**, the upper limits are:

- Less than \$165,000 if single.
- Less than \$246,000 if MFJ

# SIMPLE-IRA: MAX OUT WITHHOLDINGS

**Year 2024:** (IRS Notice 2023-75)

Simple Plan: \$16,000

Catch up \$3,500 or \$19,500 if age 50+

**Year 2025:** (IRS Notice 2040-80)

Simple Plan: \$16,500

Catch up \$3,500 or \$20,000 if ages 50-59 and 64+

**NEW:** Catch up \$5,250 for ages 60, 61, 62 & 63



# 401(K): MAX OUT WITHHOLDINGS

**Year 2024:** (IRS Notice 2023-75)

401K: \$23,000

Catch up \$7,500 or \$30,500 if age 50+

**Year 2025:** (IRS Notice 2024-80)

401K: \$23,500

Catch up \$7,500 or \$31,000 if ages 50-59 and 64+

**NEW:** Catch up \$11,250 for ages 60, 61, 62 & 63

# MAX SEP RETIREMENT

## 25% BASED ON W-2 WAGES

**Year 2024:** (IRS Notice 2023-75)

\$69,000 Max (Requires \$276,000 in W-2 wages)

No Catch up

**Year 2025:** (IRS Notice 2024-80)

\$70,000 Max (Requires \$280,000 in W-2 wages)

No Catch up

# MAX SEP RETIREMENT

## 25% OF SELF-EMPLOYMENT EARNINGS

**Year 2024:** (IRS Notice 2023-75)

\$69,000 Max (Requires \$276,000 in self-employment earnings)

No Catch up

**Year 2025:** (IRS Notice 2024-80)

\$70,000 Max (Requires \$280,000 in self-employment earnings)

No Catch up

# HEALTH SAVINGS ACCOUNT (HSA)

If your company pays into your health savings account (HSA), max it out before year end.

You have until the April 15<sup>th</sup> (or equivalent deadline) to max it out for the prior year, if you pay it at the personal level; meaning if you pay it from your personal account, and the company does NOT pay this directly, you have until April 15<sup>th</sup>. If your business pays for it, it must be reported on your Form W-2 and thus, get this done by year end.

## Year 2024:

\$8,300 Family or \$4,150 Single.

If age 55+ \$9,300 Family or \$5,150 Single

## Year 2025:

\$8,550 Family or \$4,300 Single.

If age 55+ \$8,550 Family or \$5,300 Single

# INFLATION ADJUSTMENTS FOR TAX YEAR 2024

## Highlights of changes in Revenue Procedure 2023-34:

### The 2024 standard deduction

- **Married couples filing jointly (qualifying widower)** for tax year 2024 rises to **\$29,200**.
- **Married filing separately** **\$14,600**
- **Single** taxpayers and married individuals filing separately, the standard deduction rises to **\$14,600**.
- **Heads of households**, the standard deduction will be **\$21,900**.

### Additional 2024 standard deduction

- **Single or head of household**
  - 65 or older OR blind + \$1,950
  - 65 or older AND blind + \$3,900
- **Married filing jointly or married filing separately**
  - 65 or older OR blind + \$1,550 per qualifying individual
  - 65 or older AND blind + \$3,100 per qualifying individual



# INFLATION ADJUSTMENTS FOR TAX YEAR 2025

## Highlights of changes in Revenue Procedure 2024-40:

### The 2025 standard deduction

- **Married couples filing jointly (qualifying widower)** for tax year 2024 rises to **\$30,000**.
- **Married filing separately** **\$15,000**
- **Single** taxpayers and married individuals filing separately, the standard deduction rises to **\$15,000**.
- **Heads of households**, the standard deduction will be **\$22,500**.

### Additional 2025 standard deduction

- **Single or head of household**
  - 65 or older OR blind + \$2,000
  - 65 or older AND blind + \$4,000
- **Married filing jointly or married filing separately**
  - 65 or older OR blind + \$1,600 per qualifying individual
  - 65 or older AND blind + \$3,200 per qualifying individual

# TAX BRACKETS COMPARISON

2024 Single Filer	Tax Bracket	2025 Single Filer
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\$0 to \$11,600	10%	\$0 to \$11,925
\$11,601 to \$47,150	12%	\$11,926 to \$48,475
\$47,151 to \$100,525	22%	\$48,476 to \$103,350
\$100,526 to \$191,950	24%	\$103,351 to \$197,300
\$191,951 to \$243,725	32%	\$197,301 to \$250,525
\$243,726 to \$609,350	35%	\$250,526 to \$626,350
\$609,351 and up	37%	\$626,351 and up

2024 Married Filing Jointly	Tax Bracket	2025 Married Filing Jointly
\$0 to \$23,200	10%	\$0 to \$23,850
\$23,201 to \$94,300	12%	\$23,841 to \$95,950
\$94,301 to \$201,050	22%	\$95,951 to \$206,700
\$201,051 to \$383,900	24%	\$206,701 to \$394,600
\$383,901 to \$487,450	32%	\$394,601 to \$501,050
\$487,451 to \$731,200	35%	\$501,051 to 751,600
\$731,201 and up	37%	\$751,601 and up

# 2026 TAX BRACKETS PROJECTED NOT PER IRS

## TCJA 2024

ORDINARY INCOME TAX BRACKETS		
TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
10%	\$0 - \$23,200	\$0 - \$11,600
12%	\$23,201 - \$94,300	\$11,601 - \$47,150
22%	\$94,301 - \$201,050	\$47,151 - \$100,525
24%	\$201,051 - \$383,900	\$100,526 - \$191,950
32%	\$383,901 - \$487,450	\$191,951 - \$243,725
35%	\$487,451 - \$731,200	\$243,726 - \$609,350
37%	Over \$731,200	Over \$609,350

## POST-TCJA

ORDINARY INCOME TAX BRACKETS		
TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
10%	\$0 - \$23,100	\$0 - \$11,550
15%	\$23,101 - \$94,100	\$11,551 - \$47,050
25%	\$94,101 - \$189,850	\$47,051 - \$113,950
28%	\$189,851 - \$289,250	\$113,951 - \$237,650
33%	\$289,251 - \$516,750	\$237,651 - \$516,750
35%	\$516,751 - \$583,750	\$516,751 - \$518,850
39.6%	Over \$583,750	Over \$518,850

NOT PER IRS  
(2017 TAX NUMBERS INFLATED TO 2024)

SOURCE:  fpPATHFINDER  holistiplan

<https://www.kitces.com/wp-content/uploads/2024/07/TCJA-Sunset-Provision-Comparison-Guide-2024-1.pdf>

# 2026 TAX BRACKETS **PROJECTED** NOT PER IRS

## TCJA 2024

TAX RATE	TRUST BRACKETS
10%	\$0 - \$3,100
24%	\$3,101 - \$11,150
35%	\$11,151 - \$15,200
37%	Over \$15,200

## POST-TCJA

TAX RATE	TRUST BRACKETS
15%	\$0 - \$3,150
25%	\$3,151 - \$7,400
28%	\$7,401 - \$11,300
33%	\$11,301 - \$15,500
39.6%	Over \$15,500

NOT PER IRS  
(2017 TAX NUMBERS INFLATED TO 2024)

SOURCE:  fpPATHFINDER  holistiplan

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# 2026 TAX BRACKETS PROJECTED NOT PER IRS

## TCJA 2024

LONG-TERM CAPITAL GAINS TAX BRACKETS		
TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
0%	\$0 - \$94,050	\$0 - \$47,025
15%	\$94,051 - \$583,750	\$47,026 - \$518,900
20%	Over \$583,750	Over \$518,900

	STANDARD DEDUCTION	PERSONAL EXEMPTIONS
MFJ	\$29,200	-
SINGLE	\$14,600	-
DEPENDENT	Up to \$14,600 <sup>2</sup>	-

PERSONAL EXEMPTION PHASEOUT (PEP)	
MFJ	-
SINGLE	-

## POST-TCJA

LONG-TERM CAPITAL GAINS TAX BRACKETS		
TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
0%	\$0 - \$94,100	\$0 - \$47,050
15%	\$94,101 - \$583,750	\$47,051 - \$518,850
20%	Over \$583,750	Over \$518,850

	STANDARD DEDUCTION	PERSONAL EXEMPTIONS
MFJ	\$15,750	\$10,100
SINGLE	\$7,850	\$5,050
DEPENDENT	Up to \$7,850 <sup>2</sup>	\$5,050

PERSONAL EXEMPTION PHASEOUT (PEP)	
MFJ	\$389,150 - \$511,650
SINGLE	\$324,300 - \$446,800

NOT PER IRS  
(2017 TAX NUMBERS INFLATED TO 2024)

SOURCE:  fpPATHFINDER  holistiplan

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# 2026 TAX BRACKETS PROJECTED NOT PER IRS

## TCJA 2024

ITEMIZED DEDUCTIONS LIMITS (SCHEDULE A)	
STATE & LOCAL TAXES (SALT)	\$10,000
MORTGAGE INTEREST	\$750,000
CHARITABLE DONATIONS MADE IN CASH	Subject to 60% AGI Limitation
DEDUCTIBILITY OF FINANCIAL ADVISORY FEES <sup>3</sup>	–
PEASE LIMITATION THRESHOLD (MFJ)	–
PEASE LIMITATION THRESHOLD (SINGLE)	–

## POST-TCJA

ITEMIZED DEDUCTIONS LIMITS (SCHEDULE A)	
STATE & LOCAL TAXES (SALT)	Unlimited
MORTGAGE INTEREST	\$1,000,000
CHARITABLE DONATIONS MADE IN CASH	Subject to 50% AGI Limitation
DEDUCTIBILITY OF FINANCIAL ADVISORY FEES <sup>3</sup>	Subject to 2% AGI Floor
PEASE LIMITATION THRESHOLD (MFJ)	\$389,150
PEASE LIMITATION THRESHOLD (SINGLE)	\$324,300

NOT PER IRS  
(2017 TAX NUMBERS INFLATED TO 2024)

SOURCE:  fpPATHFINDER  holistiplan

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# 2026 TAX BRACKETS PROJECTED NOT PER IRS

## TCJA 2024

SECTION 199A (QBI) DEDUCTION		Up to 20% of QBI
CHILD & OTHER DEPENDENT TAX CREDIT		
CHILD TAX CREDIT AMOUNT	\$2,000	
CHILD TAX CREDIT REFUNDABLE PORTION	Up to \$1,700	
OTHER DEPENDENT TAX CREDIT	\$500	
ALTERNATIVE MINIMUM TAX (AMT)		
AMT FACTOR	MFJ	SINGLE
Exemption Amount	\$133,300	\$85,700
28% Tax Rate on Income Over	\$232,600	\$232,600
Exempt Phaseout Threshold	\$1,218,700	\$609,350
Exemption Elimination	\$1,751,900	\$952,150
ESTATE & GIFT TAX LIFETIME EXEMPTION		\$13,610,000

## POST-TCJA

SECTION 199A (QBI) DEDUCTION		-
CHILD & OTHER DEPENDENT TAX CREDIT		
CHILD TAX CREDIT AMOUNT	\$1,000	
CHILD TAX CREDIT REFUNDABLE PORTION	Up to \$1,000	
OTHER DEPENDENT TAX CREDIT	-	
ALTERNATIVE MINIMUM TAX (AMT)		
AMT FACTOR	MFJ	SINGLE
Exemption Amount	\$104,800	\$67,300
28% Tax Rate on Income Over	\$232,900	\$232,900
Exempt Phaseout Threshold	\$199,500	\$149,700
Exemption Elimination	\$618,700	\$418,900
ESTATE & GIFT TAX LIFETIME EXEMPTION		\$6,810,000

NOT PER IRS  
(2017 TAX NUMBERS INFLATED TO 2024)

SOURCE:  

<https://www.kitces.com/wp-content/uploads/2024/07/TCJA-Sunset-Provision-Comparison-Guide-2024-1.pdf>

# AMT: INFLATION ADJUSTMENTS

The Alternative Minimum Tax exemption amount for tax years:

## 2024

- \$85,700 for single filers and begins to phase out at \$609,350
- \$133,300 for married couples filing jointly and begins to phase out at \$1,218,700

## 2025

- \$88,100 for single filers and begins to phase out at \$626,350
- \$137,000 for married couples filing jointly and begins to phase out at \$1,252,700



# EIC: INFLATION ADJUSTMENTS

**Maximum Earned Income Tax Credit** amount for qualifying taxpayers who have three or more qualifying children is:

**2024:** \$7,830

**2025:** \$8,046

There are other matters providing maximum EITC amount for other categories, income thresholds and phase-outs.

# INFLATION ADJUSTMENTS

The foreign earned income exclusion is:

**2024:** \$126,500

**2025:** \$130,000

The maximum credit allowed for adoptions is the amount of qualified adoption expenses up to:

**2024:** \$16,810

**2025:** \$17,280

# INFLATION ADJUSTMENTS

**Estates** of decedents who pass away have a **basic exclusion** amount of:

**2024:** \$13,610,000

**2025:** \$13,990,000

The **annual exclusion for gifts:**

**2024:** \$18,000

**2025:** \$19,000

# ITEMS UNAFFECTED BY INFLATION INDEXING:

By statute, certain items that were indexed for inflation in the past are currently not adjusted.

- The **personal exemption** for tax years 2024 and 2025 remains at **0**. This elimination of the personal exemption was a provision in the Tax Cuts and Jobs Act.
- For 2024 and 2025, as in 2023, 2022, 2021, 2020, 2019 and 2018, there is **no limitation** on **itemized deductions**, as that limitation was eliminated by the Tax Cuts and Jobs Act.
- The modified adjusted gross income amount used by joint filers to determine the reduction in the **Lifetime Learning Credit** provided in § 25A(d)(2) is not adjusted for inflation for taxable years beginning after December 31, 2020. So for 2023 and 2024, the Lifetime Learning Credit is phased out for taxpayers with modified adjusted gross income in excess of \$80,000 (\$160,000 for joint returns).

# INTEREST ON EDUCATION LOANS

**Interest on Education Loans:** The **\$2,500 maximum deduction** for interest paid on qualified education loans under § 221.

In **2024** it begins to phase out under § 221(b)(2)(B) for taxpayers with modified adjusted gross income in excess of \$80,000 (\$165,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$95,000 or more (\$195,000 or more for joint returns)

In **2025** it begins to phase out under § 221(b)(2)(B) for taxpayers with modified adjusted gross income in excess of \$85,000 (\$170,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income of \$100,000 or more (\$200,000 or more for joint returns)



# CASH BASIS: INFLATION ADJUSTMENTS

**Limitation on Use of Cash Method of Accounting.** A corporation or partnership meets the gross receipts test of § 448(c) for any taxable year if the average annual gross receipts of such entity for the 3-taxable-year period ending with the taxable year which precedes such taxable year does not exceed:

**2024:** \$30,000,000

**2025:** \$31,000,000

# WAGES SOCIAL SECURITY TAX BASE

Individual taxable wages are annually subject to Social Security tax :

- \$147,000 in 2022
  - \$160,200 in 2023
  - \$168,600 in 2024
  - \$176,100 in 2025
- 
- The wage base limit that applies to earnings subject to the old age, survivors, and disability insurance (OASDI) tax. The employee and the employer each will pay in tax at the OASDI tax rate of 6.2%.

The Medicare hospital insurance tax of 1.45% each for employees and employers has no wage limit; it is unchanged for 2023 and 2024.

Individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married taxpayers filing separately) pay an additional 0.9% of wages with respect to employment (also unchanged).

# SOCIAL SECURITY TAX BASE: SELF-EMPLOYED

Self-employed individuals pay self-employment tax equal to the combined OASDI and Medicare taxes for both employees and employers, i.e., 12.4% of net self-employment income up to the OASDI wage base plus 2.9% in Medicare taxes on any amount of net self-employment income, with an offsetting above-the-line income tax deduction of half of the self-employment tax.

Annually will be subject to Social Security tax

- \$147,000 in 2022
- \$160,200 in 2023
- \$168,600 in 2024
- \$176,100 in 2025

The Medicare hospital insurance tax of 1.45% each for employees and employers has **no limit**; it is unchanged for 2022, 2023, 2024 and 2025.

# EDUCATORS AND TEACHERS

- For amounts educators and teachers are paying out of pocket for their classroom or to directly aid in educating their students in the classroom, they can tax deduct up to **\$300 annually**.
- This is per educator.
- So, if both spouses are educators and both spouses spend at least \$300 out of pocket, the annual tax deduction is \$600.
- This remains the same in 2024 and 2025.

# MAXIMUM DEDUCTION LIMITS LONG-TERM CARE INSURANCE

The following are the 2025 & 2024 deductible limits per-individual:

<u>Attained Age Before Close of Taxable Year</u>	<u>2025 Limit</u>	<u>2024 Limit</u>
40 or less	\$480	\$470
More than 40 but not more than 50	\$900	\$870
More than 50 but not more than 60	\$1,800	\$1,760
More than 60 but not more than 70	\$4,810	\$4,710
More than 70	\$6,020	\$5,880



# IRS MILEAGE RATES

## **Standard business mileage rate**

67 cents (per mile) **2024**

70 cents (per mile) **2025**

## **Standard charitable mileage rate**

14 cents (per mile) 2024 and 2025

## **Standard medical mileage rate**

21 cents (per mile) 2024 and 2025

# IRS PER DIEM STANDARD RATES FOR BUSINESS TRAVEL

The special per diem rates by which taxpayers may substantiate ordinary and necessary business expenses of travel away from home will be slightly higher starting October 1, 2024 through September 30, 2025, the IRS provided Notice 2024-68.

## Annual high-low rates

- \$5 per day for travel incidentals (no change)
- \$225 per day for non-high-cost localities
  - \$74 is allocated to meals
- \$319 per day for high-cost localities
  - \$86 is allocated to meals

# MEALS UNDER TCJA CONTINUE

## **Tax Treatment of Meals:**

- Business related meals allowed at 50%.
- If related to entertainment, and the cost of food is not segregated out, any food cost is non-deductible.
- Certain meals provided to employees may be 100% deductible. Meals at certain team building social, recreational, or entertainment outings available to all company employees may be 100% deductible.

# EMPLOYER PROVIDED MEALS

**2024 & 2025: 50% of employer provided meals are deductible.**

**Starting in 2026, there will be no tax deduction for meals provided to employees** for amounts that an employer pays or incurs for meals that are excludable from an employee's income because they are provided on the employer's business premises for the convenience of the employer; or food, beverage, and eating facility expenses for facilities located at an employer's business that provide meals.

# LIMITATION ON USE OF CASH METHOD OF ACCOUNTING

*Limitation on use of cash method of accounting* - the section 448(c) threshold for certain taxpayers to use the overall cash method of accounting, as well as other small business taxpayer simplified methods, is set based on the annual gross receipts averaged over the three taxable years ending prior to the applicable tax year.

**2024** - \$30,000,000

**2025** - \$31,000,000



## SECTION 1031 EXCHANGES

Beginning in 2018, the TCJA generally eliminated the tax deferral break for most Section 1031 exchanges of like-kind properties. However, it preserved this tax-saving techniques for swaps involving investment or business real estate. Therefore, you can still exchange qualified real estate properties without paying current tax, except to the extent you receive “boot” (e.g., cash or a reduction in mortgage liability).

**ACTION:** Make sure you meet the following two-timing requirements to qualify for a tax-deferred Section 1031 exchange:

1. Identify or actually receive the replacement property within 45 days of transferring legal ownership of the relinquished property.
2. Have the title to the replacement property transferred to you within the earlier of 180 days or your tax return due date, plus extensions.

# LONG-TERM CAPITAL GAINS RATES

**2024**

FILING STATUS	0% RATE	15% RATE	20% RATE
Single	Up to \$47,025	\$47,026 – \$518,900	Over \$518,900
Married filing jointly	Up to \$94,050	\$94,051 – \$583,750	Over \$583,750
Married filing separately	Up to \$47,025	\$47,026 – \$291,850	Over \$291,850
Head of household	Up to \$63,000	\$63,001 – \$551,350	Over \$551,350

**2025**

FILING STATUS	0% RATE	15% RATE	20% RATE
Single	Up to \$48,350	\$48,351 – \$533,400	Over \$533,400
Married filing jointly	Up to \$96,700	\$96,701 – \$600,050	Over \$600,050
Married filing separately	Up to \$48,350	\$48,351 – \$300,000	Over \$300,000
Head of household	Up to \$64,750	\$64,751 – \$523,050	Over \$566,700

*Source: Internal Revenue Service*

The tax brackets refer to the taxpayer's taxable income.  
Capital gains also may be subject to the 3.8% Net Investment Income Tax

# DEADBEAT TAX DEDUCTION: CAPITAL LOSS

## Non-Business Bad Debt

If you loaned someone money and they never paid it back, you might be able to deduct it from your taxes. The deduction was intended for businesses, but the law allows anyone to deduct a bad debt, even if the loan was made to a friend or family member.

The loan must be considered 100% worthless, and it must be a debt, not a gift. **This is a tax loss realized in the year it is considered 100% uncollectible. It is considered a short-term capital loss**, reported on Form 8949. The IRS requires you attach a statement explaining the details.

This means that you must have come to an understanding, preferably in writing, that the money would be paid back. It also means that there has to be no chance that you'll ever get the money back. Often, this means the person who borrowed the money has declared bankruptcy or that you have called, sent letters and made demands for repayment.

**NOTE: This is then considered taxable to the person you loaned money to, and you should inform them, and possibly send them a Form 1099-C.**

# QBI BRACKETS

Qualified Business Income Deduction Allows Based on Taxable Income:

## In 2024:

\$191,950 – \$241,950 for single filers

\$383,900 – \$483,900 for joint filers

## In 2025:

\$197,300 – \$247,300 for single filers

\$394,600 – \$494,600 for joint filers

Specified service trade or business (SSTB) owners won't qualify if they hit the top threshold above. If the business is not an SSTB, the QBI deduction is dependent on qualified wages and UBI.

# NET INVESTMENT INCOME TAX: NO CHANGE

Separate tax that applies to the lesser of your net investment income or the amount by which your modified adjusted gross income (MAGI) surpasses the filing status-based thresholds the IRS imposes. The NIIT is set at 3.8%.

3.8% Net Investment Income Tax	
No Change	
Applies to individuals with net investment income & modified adjusted gross income over the following filing thresholds:	
Single	\$200,000
Head of Household	\$200,000
Married filing jointly or qualifying widow(er)	\$250,000
Married filing separately	\$125,000

Net Investment Income (NII) Inclusions and Exclusions	
Included as NII	<ul style="list-style-type: none"><li>– Interest</li><li>– Capital gains</li><li>– Dividends</li><li>– Income from passive investment activities</li><li>– Non-qualified annuity distributions</li><li>– Rental and royalty income</li></ul>
Excluded from NII	<ul style="list-style-type: none"><li>– Wages</li><li>– Unemployment payments</li><li>– Self-employment income</li><li>– Social Security benefits</li><li>– Distributions from some qualified retirement plans</li><li>– Alimony</li><li>– Tax-exempt interest</li><li>– Operating income from non-passive businesses</li><li>– Excluded capital gains earned from the sale of your primary residence</li></ul>



# EXCESS BUSINESS LOSSES

Excess business losses are carried over, characterized as net operating losses in the next year

Excess business losses would be only from active (non-passive) activities

- Passive losses are only allowed to the extent of passive income (unless in the final year of a passive activity) and thus, excess business losses would not be from passive losses
- Would only be losses allowed to the extent of tax and/or at-risk basis

# EXCESS BUSINESS LOSSES

## Overall excess business losses limited

- Even if the client has tax basis or at-risk basis above the limitation
- For **2024**: \$610,000 MFJ (\$305,000 single)
- For **2025**: \$626,000 MFJ (\$313,000 single)
- Under current law, this ends 12/31/28
  - TCJA originally scheduled this for sunset 12/31/25
  - The American rescue plan extended this to 12/31/26
  - The “Inflation Reduction Act”
    - Extended this 2 more years
    - Therefore, this does not sunset until 12/31/28

# TAX CREDITS ON KIDDOs

## Child Tax Credit

For 2024 and 2025, this credit is \$2,000 for those qualified dependents UNDER the age of 17 on the last day of the calendar year, and \$500 for those qualified dependents age 17 and older.

The maximum amount of Additional Child Tax Credit (**ACTC**) for each qualifying child increased to \$1,700 for 2024.

NOTE: The IRS can't issue refunds before mid-February 2025 for returns that properly claim ACTC.

## Child and Dependent Care Credit

For 2024 and 2025:

NUMBER OF CHILDREN	MAXIMUM EXPENSES ABLE TO CLAIM	MAXIMUM CREDIT	INCOME THRESHOLD TO QUALIFY FOR MAXIMUM CREDIT
One	\$3,000	\$1,050	\$15,000
Two or more	\$6,000	\$2,100	\$15,000

# COLLEGE TAX CREDITS

## American Opportunity Tax Credit (AOTC):

The maximum \$2,500 American Opportunity Tax Credit (AOTC) is available for qualified expenses such as tuition, room and board, books, computers and supplies for up to four years of study for every student in the family. Per eligible student: Tax credit can be received for 100% of the first \$2,000, plus 25% of the next \$2,000 that has been paid during the taxable year. Refundability: 40% of the credit (up to \$1,000) is refundable. This means you can get a refund even if you owe no tax.

## Lifetime Learning Credit (LLC):

You may claim a maximum credit of \$2,000 (20% of up to \$10,000 in qualifying education expenses), but this applies on a per-taxpayer basis. Previously, the LLC was phased out at lower levels than the AOTC, but the CAA increases the ranges to the same as those for the AOTC, beginning in 2021.



# COLLEGE TAX CREDITS

## Lifetime Learning Credit vs. American Opportunity Credit:

- You do not need to be pursuing a degree to be eligible to claim the Lifetime Learning Credit.
- You can claim the American Opportunity Credit for the same student for no more than 4 tax years. There is no limit on the number of years for which you can claim a Lifetime Learning credit based on the same student's expenses.
- The Lifetime Learning credit is also non-refundable, whereas the American Opportunity Credit is partially refundable.
- LLC has a \$2,000 annual maximum vs. \$2,500 for the AOC.
- Full phase out of the credit is the same for each; \$90,000 single and \$180,000 married filing jointly

# SAVER'S TAX CREDIT

The Retirement Savings Contributions Credit, also known as the Saver's Credit, helps offset part of the first \$2,000 workers voluntarily contribute to Individual Retirement Arrangements, 401(k) plans and similar workplace retirement programs. The credit also helps any eligible person with a disability who is the designated beneficiary of an Achieving a Better Life Experience (ABLE) account, contribute to that account. For more information about ABLE accounts, see Publication 907. The Saver's Credit is available in addition to any other tax savings that apply.

Like other tax credits, the Saver's Credit can increase a taxpayer's refund or reduce the tax owed. Though the maximum Saver's Credit is \$1,000 (\$2,000 for married couples), the IRS cautioned that it is often much less and, due in part to the impact of other deductions and credits, may, in fact, be zero for some taxpayers. A taxpayer's credit amount is based on their filing status, adjusted gross income, tax liability and amount contributed to qualifying retirement programs or ABLE accounts. Form 8880 is used to claim the Saver's Credit, and its instructions have details on figuring the credit correctly.

# SAVER'S TAX CREDIT

Income limits, based on a taxpayer's adjusted gross income and marital or filing status, apply to the Saver's Credit. The Saver's Credit can be claimed by:

- Married couples filing jointly with incomes up to \$76,500 in 2024
- Heads of household with incomes up to \$57,375 in 2024
- Married individuals filing separately and singles with incomes up to \$38,250 in 2024

# SAVER'S TAX CREDIT

Other special rules that apply to the Saver's Credit include:

- Eligible taxpayers must be at least 18 years of age.
- Anyone claimed as a dependent on someone else's return cannot take the credit.
- A student cannot take the credit. A person enrolled as a full-time student during any part of 5 calendar months during the year is considered a student.

Any distributions from a retirement plan or ABLE account reduce the contribution amount used to figure the credit. Form 8880 and its instructions have details on making this computation.

# SAVER'S TAX CREDIT

Eligible workers have until April 15<sup>th</sup> to make qualifying retirement contributions for the prior year and get the Saver's Credit on their prior year tax return.

Folks have - the due date for filing their tax return - to set up a new IRA or add money to an existing IRA for the prior year.

- Both Roth and traditional IRAs qualify.

# SAVER'S TAX CREDIT

Those participating in workplace retirement plans must take action by the end of the year for contributions to count for this year.

This means elective deferrals (contributions) must be made by December 31 to a:

- 401(k) plan.
- Simple plan.
- 403(b) plan for employees of public schools and certain tax-exempt organizations.
- Governmental 457 plan for state or local government employees.
- Thrift Savings Plan (TSP) for federal employees.



# SAVER'S TAX CREDIT

## 2024

<b>Married filing jointly</b>		
50% of contribution	20% of contribution	10% of contribution
AGI of \$46,000 or below.	\$46,001 - \$50,000.	\$50,001 - \$76,500.
<b>Head of household</b>		
50% of contribution	20% of contribution	10% of contribution
AGI of \$34,500 or below.	\$34,501 - \$37,500.	\$37,501 - \$57,375.
<b>Other filers</b>		
50% of contribution	20% of contribution	10% of contribution
AGI of \$23,000 or below.	\$23,001 - \$25,000.	\$25,001 - \$38,250.

# SAVER'S TAX CREDIT

## 2025

<b>Married filing jointly</b>		
50% of contribution	20% of contribution	10% of contribution
AGI of \$47,500 or below.	\$47,501 - \$51,000.	\$51,001 - \$79,000.
<b>Head of household</b>		
50% of contribution	20% of contribution	10% of contribution
AGI of \$35,625 or below.	\$35,626 - \$38,250.	\$38,251 - \$59,250.
<b>Other filers</b>		
50% of contribution	20% of contribution	10% of contribution
AGI of \$23,750 or below.	\$23,751 - \$25,500.	\$25,501 - \$39,500.

# SECURE ACT 2.0: SAVER'S CREDIT REPLACED BY CONTRIBUTION TO IRA/PLAN (2027)

SECURE 2.0 replaces the former “saver’s tax credit” with a federal contribution to the taxpayer’s IRA or retirement plan **in 2027**.

Under SECURE 2.0, the tax credit is replaced with a contribution by the federal government to the taxpayer’s Traditional IRA or other non-Roth retirement plan in an amount equal to 50% of the taxpayer’s annual retirement plan contributions, up to a maximum of \$2,000 per individual. These limits are indexed to the cost of living for years after 2027.

The contribution is reduced by the amount of regular retirement plan distributions received by the individual (or the individual’s spouse if married and filing jointly) during the three-year period ending in the year of the contribution. The contribution is not subject to limitations on the amount of annual contributions, including, if made to an IRA, the IRA annual contribution limit (\$6,500 for 2023, plus catch-up contributions). The matching contribution is not generally available to any taxpayer under age 18 or who is a tax dependent of another person, a full-time student, or a nonresident alien.

**This change is effective for years beginning after December 31, 2026.**

# DEPRECIATION: BUSINESS VEHICLE PURCHASE

## SUV OR TRUCK

**OVER 6,000 LB GVWR\***

### IRC Sec. 168

- 60% depreciation in 2024
- 40% depreciation in 2025
- 20% depreciation in 2026
- ZERO in 2027

### IRC Sec. 179

- \$30,500 allowed in 2024
- \$31,300 allowed in 2025

## VEHICLE 6,000 LB

**OR LESS GVWR\***

Depreciation deduction cannot exceed the purchase amount

- 1<sup>st</sup> year depreciation \$20,400 2024
  - No bonus depreciation \$12,400 2024

### For a vehicle purchased in 2024

- 2<sup>nd</sup> year of depreciation in 2025 will be up to \$19,800
- 3<sup>rd</sup> year of depreciation in 2026 will be up to \$11,900
- 4<sup>th</sup> year and after of depreciation in 2027 will be up to \$7,160

\*GVWR – GROSS VEHICLE WEIGHT RATING

# SECTION 179 EXPENSING 2024 & 2025

Under the TCJA, the Section 179 expense deduction increases to a maximum deduction of

- \$1,220,000 of the first \$3,050,000 in **2024**
  - \$30,500 maximum for SUV/trucks over over 6,000 lbs gvwr (IRS Rev Proc 2023-34)
- \$1,250,000 of the first \$3,130,000 in **2025**
  - \$31,300 maximum for SUV/trucks over over 6,000 lbs GVWR (IRS Rev Proc 2024-40)

Of qualifying equipment placed in service during the current tax year.

The deduction was indexed to inflation for tax years after 2018 and enhanced to continue to include (from the path act) improvements to nonresidential qualified real property such as roofs, fire protection, alarm systems and security systems, and heating, ventilation, and air-conditioning systems.

# BONUS DEPRECIATION REMINDERS

TCJA provides for a gradual decrease in the bonus depreciation percentage, allowing.

This on both new and used qualifying property.

- A 60% deduction for property placed in service in 2024
- A 40% deduction for property placed in service in 2025
- And a 20% deduction for property placed in service in 2026
- And 0% in 2027, and after



## COMMERCIAL REAL ESTATE OWNERS

Always do a cost segregation analysis to break out the real estate into these categories to allocate the property to the proper class life to help ensure more depreciation is available sooner, rather than later

- Land
- Building – structure
- Building – non-structure
- Roof
- Hvac
- Security system
- Alarm system
- Sidewalks, driveways & parking lots
- Landscaping, trees
- Built-in's (cabinetry), appliances
- Flooring (not the foundation)

# DEPRECIATION: COMMERCIAL REAL ESTATE OWNERS

- NO DEPRECIATION
  - 0 years
- ONLY OVER LIFE
  - 39 years
- 100% BONUS/LIFE/SEC 179\*
  - 15 years
- SECTION 179/LIFE
  - 39 years
- SECTION 179/LIFE
  - 39 years
- SECTION 179/LIFE
  - 39 years
- SECTION 179/LIFE
  - 39 years
- 100% BONUS/LIFE
  - 15 years
- 100% BONUS/LIFE
  - 15 years
- 100% BONUS/LIFE/SEC 179\*
  - 10 years
- 100% BONUS/LIFE/SEC 179\*
  - 7 years
- LAND
- BUILDING: STRUCTURE & NON-STRUCTURAL BEFORE PLACED IN SERVICE
- BUILDING – NON-STRUCTURE (AFTER PLACED IN SERVICE)
- ROOF
- HVAC
- SECURITY SYSTEM
- ALARM SYSTEM
- SIDEWALKS, DRIVEWAYS & PARKING LOTS
- INITIAL LANDSCAPING: GRASS/SHRUBS/TREES
- FLOORING, CARPET (NOT FOUNDATION)
- BUILT-INS, FIXTURES, LIGHTING

\*SECTION 179 ALLOWED ONLY IF THE ACTIVITY IS TREATED AS A TRADE OR BUSINESS



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# THANK YOU!

