

## 2025 YEAR-END TAX PLANNING

This Tax and Financial Newsletter highlights key tax-planning considerations and practical steps to take before year-end to help 2025's taxes and set up 2026's to "Yield a Better Result." It includes four main sections: (1) Meet our Team & Estate Planning Video Announcement. (2) Tax Payment Strategy Update. (3) Year-End Business Tax Tips! (4) Individual Tax Tips! and the final page includes a 2025 Pension Plan Reference Chart and the Top Five Reasons to Hire an Attorney-CPA.

### I. Meet Our Team & Tax Law Paul – Estate Planning Starting with a CPA's Perspective

Our firm focuses on taxation, estate planning, and business law, with a particular emphasis on entrepreneurial law. We take pride in offering services backed by decades of professional experience. We strive to be better today than we were yesterday, to be better tomorrow than we are today, and to Yield a Better Result in doing so. Our team members are: (1) Paul Burgess, JD, CPA, has been a Certified Public Accountant and an Attorney at Law for over four decades. (2) Theresa Ruth, CPA, joined the firm in 2015 and brings over three decades of tax and accounting experience. (3) Sonja Campbell, Office Manager and Administrative Assistant joined in 2024 with extensive management experience in customer service and information technology. (4) Mandy Ray, Accounting Assistant, also joined in 2024 and contributes her strong background in accounting.

See Our You Tube Video: *Estate Planning Starting with a CPA's Perspective*. We begin many estate plans by preparing an accountant's balance sheet—a clear, organized snapshot of your assets and liabilities. The balance sheet then references the relevant legal documents with notes of asset testamentary dispositions. The last column is a due diligence checklist. The final product is an Estate Planning Booklet that helps clients achieve greater clarity and confidence in understanding and implementing their estate plan. Then the excel balance sheet can be revised as a client's asset base changes; and it can be used as a personal balance sheet.

### II. Tax Payment Strategy Update

Historically, taxpayers often made modest overpayments with estimated taxes and extension payments to ensure a refund or credit to the next year. However, evolving IRS and state processing practices, verification delays, and refund backlogs have made this approach increasingly risky and inconvenient. Receiving refunds or having payments properly applied to subsequent tax years has become more challenging than in the past.

As a result, a revised strategy is emerging: aim to break even at April 15 or even be slightly underpaid, while still managing penalty exposure. Rather than relying solely on safe-harbor estimated payments, it may now be preferable in certain situations to calculate more precise quarterly estimates based on actual income. Additionally, we are increasingly avoiding the traditional practice of including the first-quarter estimated payment for the new year with the

extension payment. The goal is to reduce the risk of non-interest bearing funds getting tied up due to processing issues, while staying compliant and minimizing penalties.

### III. Year-End Business Tax Tips!

Bonus Depreciation Opportunities: Two Rules for 2025: (1) Starting January 20, 2025 Bonus Depreciation is 100% of the cost of most business personal tangible property (as opposed to real estate). Thus, it might make sense for a business to make a 2025 year-end purchase to take advantage of the 100% write-off. (2) For property placed in service in the early part of 2025 (before the Jan.20 threshold) or under a contract before the threshold, the bonus rate is 40% rather than 100%.

Business Vehicles: Thinking about upgrading your truck, SUV, or business vehicle soon? Vehicles placed in service by December 31, 2025 may qualify

for substantial depreciation deductions. Light automobiles (under 6,000 lbs. gross vehicle weight rating) are capped at approximately \$20,200 for 2025 depreciation. Heavier trucks and SUVs (over 6,000 lbs. GVWR) can still qualify for 100% bonus depreciation.

To qualify, business use must exceed 50%. **Tax Tip!** consider purchasing a few days before year-end and dedicating the vehicle to strictly business use initially to reach 100% business use. If business use is below 50%, depreciation is sharply limited—but the standard mileage rate of 70¢ per mile for 2025 can still offer an excellent deduction for high-mileage drivers using modest-cost vehicles.

Defer Income/Accelerate Deductions. The goal is simple: move income into 2026 and pull deductions into 2025. A cash basis business can invoice late December vs. earlier in the month to help shift the income to 2026. For 2025 deductions, prepay 2026 expenses (insurance, supplies, rent) prior to December 31. Similarly, a cash basis taxpayer can deduct any amounts paid for a right or benefit that does not extend beyond 12 months after the date of the payment. Thus, to a certain extent a business can prepay expenses in December 2025 that are for 2026. **Tax Tip!** For credit card purchases the deduction is allowed *when charged not later when paid*.

Pension Plans: Set up pension plans before year-end and fund in 2026. In many cases, if a plan is set up by December 31, you can contribute to the plan as late as October 15, 2026 for a 2025 tax deduction. For pension plan particulars see our 2025 Quick Reference Chart on page four.

Specified Service Business (SSB): For doctors, lawyers, accountants, consultants, etc. that own their practices as a business (not solely a W-2 employee), consider maximizing contributions to traditional IRAs, §401(k)s, and others pension plans to help qualify for the 20% business income deduction which is typically limited for SSBs.

Tax Basis: Deductions and losses from partnerships and S corporations at the individual level are limited

to "tax basis" of the stock or membership units. If sufficient basis does not exist, owner withdrawals and dividends can trigger surprise taxes. Typically, the tax surprise happens when loan proceeds from a third-party were used to finance large asset purchases or when distributions are greater than retained taxable income. To avoid the inadvertent tax, owners should first consider these four ideas prior to year-end: (1) increase owner loans, (2) make capital contributions, (3) slow down deductions or accelerate income, or (4) increase basis through loan guarantees or debt restructuring.

New 1099 Rules Streamline Reporting. Starting in 2026, the IRS will increase the Form 1099-NEC and 1099-MISC reporting threshold from \$600 to \$2,000, reducing paperwork for many small businesses and entrepreneurs. For 2025, the \$600 rule still applies, but this change signals a welcome move toward simplification. In addition, Form 1099-K—used by payment apps and online marketplaces—will only be required when payments exceed \$20,000 and involve 200 or more transactions. These updates eliminate unnecessary forms for lower-level activity, helping keep compliance easier and focused on what truly matters for your business. **Tax Tip!** Review your 2025 contractor payments and online sales early—staying organized now means smoother reporting (and fewer surprises) next tax season.

#### IV. Individual Tax Tips!

State and Local Taxes: The new federal law increases the state and local tax (SALT) deduction cap from \$10,000 to \$40,000 beginning in 2025. To take advantage, taxpayers who itemize should review their property tax payments and state estimated taxes before year-end and consider paying 2026 taxes in 2025—such as paying a January estimate in December and all the property taxes before year-end. However, the higher deduction begins to phase down once income exceeds \$500,000, and it cannot fall below \$10,000.

Adjust December W-2 Withholdings: If you usually have a tax overpayment, consider reducing December's W-2 withholdings. But, to avoid underpayment penalties consider increasing tax withholdings from your December paychecks.

Charitable Stock Donation: The broader US stock market is up about 70% in the last 36 months. Thus, consider gifting your appreciated publicly traded stock or mutual funds to a charitable organization for a deduction equal to its fair market value without reporting the gain. The deduction is limited to 30% of adjusted gross income (AGI) vs. the cash contribution 50% AGI limitation.

Charitable Giving from Your IRA: If you're age 70½ or older, you can make charitable gifts directly from your IRA—a smart strategy that can reduce your taxable income. In 2025, you may contribute up to \$108,000 per year directly from your IRA to one or more qualified charities. These Qualified Charitable Distributions (QCDs) count toward your Required Minimum Distribution (RMD) but are excluded from taxable income. It's a great way to support causes you care about while lowering your adjusted gross income, which can also reduce the taxation of Social Security and limit Medicare premium surcharges. **Tax Tip!** To qualify, the distribution must go directly from your IRA trustee to the charity before December 31. QCDs can't come from 401(k) or 403(b) plans—but rolling those funds into an IRA may open the door for future charitable giving.

Harvest Capital Losses: If you have realized capital gains in 2025 and you have "loss stock positions," to yield an efficient tax result, consider selling the losses in December to offset the capital gains, or use the proceeds to balance the portfolio or using the proceeds for other opportunities.

Defer the Capital Asset Sale: If you have a borderline stock or real estate holding period and thinking about selling, consider holding the asset a little longer than a year to take advantage of the favorable long-term capital gains rates.

Year-End Gifting Opportunity: The annual gift tax exclusion has increased to \$19,000 per recipient for 2025—the highest ever. Married couples can combine their gifts for a total of \$38,000 per recipient without filing a gift tax return or using any of their lifetime estate and gift tax exemption. Year-end gifting can be an excellent way to transfer wealth tax-

free, reduce future estate taxes, and help family members or loved ones now rather than later. Consider making gifts before December 31 to take full advantage of the 2025 exclusion limit. **Tax Tip!** Annual gifts can be made directly to individuals—or paid to schools or medical providers on someone's behalf—without counting against your lifetime exemption.

Estate & Gift Tax Exemptions for 2025–2026: For 2025, the lifetime federal estate and gift tax exemption is \$13.99 million per individual (about \$27.98 million for married couples). On January 1, 2026, that unified exemption rises to \$15 million per individual (about \$30 million per couple) and remains indexed for inflation thereafter. The top federal estate tax rate above the exemption stays 40%. This higher threshold means many families won't owe federal estate tax, but it's still a prime time to review trusts, beneficiary designations, and lifetime gifting strategies. **Tax Tip!** If your projected net worth is near these limits, consider using exemption now via strategic gifts or trust funding (e.g., spousal lifetime access trusts) and refresh appraisals and valuations before year-end to lock in today's rules.

Introducing the Trump Account for Kids. It's a long-term, tax-advantaged savings account for children born in 2025 to 2028. A child may receive a \$1,000 federal seed deposit at birth via a tax reduction from their parents' tax return. Others, can contribute up to \$5,000 per year to the account and employers may contribute \$2,500 tax-free annually for an employee's child. Account earnings grow tax-deferred, and qualified withdrawals receive favorable long-term capital-gains tax treatment instead of ordinary income tax. Funds become available to the child at age 18, but withdrawals are restricted to qualifying purposes such as higher education, starting a business, first-home purchase, or other approved life events. Any non-qualified withdrawals before age 30 trigger ordinary income tax and a 10% penalty on the earnings portion. If funds remain in the account after age 30, they must be rolled into a Roth IRA or withdrawn subject to tax and penalty.

*See Tax Law Paul on You Tube!*

**2025 Pension Plan Quick - Reference Chart**

Plan Type	Employee Deferral	Catch-Up (50+)	Super Catch-Up (Ages 60–63)	Employer / Combined Limit	Highlights
401(k),	\$23,500	\$7,500	\$11,250 (if plan permits)	\$70,000 (plus catch-ups)	Highest overall limit; employee deferrals by 12/31; employer match or profit-share by tax filing date.
Solo 401(k)	\$23,500	\$7,500	\$11,250	\$70,000 (plus catch-ups)	Great for owner-only firms; allows both employee and employer contributions.
SEP-IRA	N/A	N/A	N/A	Lesser of 25% of comp or \$70,000	Employer-funded only; no catch-up option; due by extended filing deadline.
SIMPLE IRA	\$16,000	\$3,500	N/A	Employer match up to 3% (or 2% nonelective)	Must be set up by Oct 1, 2025 for current-year use.
Traditional / Roth IRA	\$7,000	\$1,000	N/A	N/A	Subject to income limits for deductibility or Roth eligibility; deadline April 15, 2026.

**Tax Tips!**

- ✓ Review contribution timing — employee deferrals must generally be made by **December 31**, while most employer contributions can be made up to the **tax return due date (including extensions)**.
- ✓ Confirm your plan allows **SECURE 2.0 “super catch-ups”** (ages 60–63) — not all custodians have implemented them yet.
- ✓ For business owners, combining a **profit-sharing or SEP contribution** with salary deferrals can significantly lower taxable income while building retirement savings.

**Top 5 Reasons You Should Hire an Attorney-CPA for your Tax, Legal, Accounting, & Estate Planning Needs**

1. **Unparalleled Perspective:** Seven years of rigorous formal training in accounting and law provides a broader viewpoint.
2. **Uniquely Qualified:** Extensive professional education required to maintain a legal and CPA license.
3. **First-Class Education:** Attorney-CPAs tend to be up to speed on the latest developments in their practices.
4. **Best of Both Worlds:** Bridges the gap between your legal and financial requirements.
5. **A Practical Solution:** Save time and money by hiring a single dually-licensed Attorney-CPA.