



2025 Year-End Tax Update

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Presenters



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Agenda

General Tax Updates:

- I. Businesses
- II. Energy Credits
- III. Individuals

Year-End Planning
Considerations Discussed
Throughout



General Tax Updates - Businesses

General Tax Updates - Businesses

Accelerated Depreciation Updates:

- Sec 179 expensing limit for 2025 = \$2,500,000
 - Maximum property purchased = \$4,000,000
- Bonus depreciation
 - **Effective after 1/19/25**, Bonus Depreciation is back to 100%
 - **NOTE**: that assets placed in service **from 1/1/25 – 1/19/25** will have to follow the 40% bonus depreciation rules



General Tax Updates - Businesses

Immediate Expensing of Qualified Production Property:

- Qualified Production Property (QPP) = Buildings used in production
 - Nonresidential real estate
 - Must be placed in service in the U.S. or a U.S. territory
 - **Construction begins after 1/19/25 and before 1/1/29**
 - **Placed in service before 1/1/2031**
 - Must be used by the taxpayer for a qualified production activity
 - *Lessor of the property is not considered to be the user*

IRS guidance will be needed!

General Tax Updates - Businesses

§163(j) Interest Expense Limitation:

- Only applicable to large businesses that cross the 3 years average annual gross receipts threshold – \$31M for 2025.
- The change is effective for tax years beginning after 12/31/24.
- Old rule - Deduction was based on 30% of EBIT
- New rule - Deduction will be based on 30% of EBITDA

General Tax Updates - Businesses

§174 Research & Experimental Expenditures:

- Starting in tax year 2022, businesses were no longer allowed to expense specified research and experimental (SRE) expenditures in the year incurred.
 - These expenses needed to be amortized over 5 years, or
 - 15 years if for foreign research.
- Effective for **tax years beginning after 12/31/2024** domestic research expenses are fully deductible in the year incurred (as it was before TCJA)
- Foreign Research expenses still need to be amortized over 15 years.
- **ALL TAXPAYERS:** Options for Unamortized Costs from 2022-2024 (Let us know and we can help with that)

General Tax Updates - Businesses

Qualified Business Income (QBI) Deduction:

- QBI 20% deduction made permanent!
- The deduction was set to expire after tax year 2025
- Made **permanent for tax year 2026 & forward**

Other enhancements to QBI Deduction:

- Increase phase-in range for SSTBs:
 - Was \$50,000/\$100,000 and now \$75,000/\$150,000 (single/MFJ)
- NEW \$400 minimum QBI deduction

****SSTB = Specified Service Trade or Business (law, accounting, financial services, etc.)****

General Tax Updates - Businesses

C-Corp Charitable Contributions:

- Effective for **tax years beginning after 12/31/25 (tax year 2026)**
- Can only deduct charitable contributions in excess of 1% of taxable income
- The 10% ceiling is still in effect
- This effectively caps charitable contributions to 9% of taxable income
- Carryforwards: if the taxpayer is not creating a carryforward due to the ceiling, they will be not able to carryforward the amount disallowed from the floor

General Tax Updates - Businesses

1099 Reporting Requirements:

- **1099s for 2025 payments** – The threshold is still \$600
- **1099s for 2026 payments** – The threshold has increased to \$2,000
- **1099-K for 2025 payments** – The threshold restored to \$20,000/ 200 transactions
 - The IRS will no longer require third-party payment apps to issue a 1099-K *unless* you have over \$20,000 in payments and more than 200 transactions in a year.



Reminders: Year-End W-2 Additions

- Personal Use of Company Owned Auto
- S – Corp Health Insurance for > 2% Shareholders
- Other Fringe Benefits

Helpful tip: Refer to IRS Publication 15-B
<https://www.irs.gov/pub/irs-pdf/p15b.pdf>



General Tax Updates - Energy Credits

Energy Credits for Businesses

		<u>Under Old Rules</u>	<u>Under OBBBA</u>
Commercial Clean Vehicle Credit (45W)	Credit for businesses buying clean commercial vehicles.	End of 2032	Terminated after September 30, 2025
Clean Hydrogen Production Tax Credit (45V)	Credit for producing clean hydrogen.	Construction must begin by Jan 1, 2033	Construction must begin by January 1, 2028
Advanced Manufacturing Production Credit (45X)	Credit for manufacturing eligible clean energy components.	Varied timelines	Eliminated for wind components after Dec 31, 2027. Tighter definition for battery modules.
New Energy Efficient Home Credit (45L)	Credit for builders of energy-efficient homes.	Expiring after 2032	Terminated for homes acquired after June 30, 2026

Energy Credits for Individuals

New Clean Vehicle Credit (30D)

Up to \$7,500 credit for new EVs.

Expired September 30, 2025

Used Clean Vehicle Credit (25E)

Up to \$4,000 for used EVs.

Expired September 30, 2025

Residential Clean Energy Credit (25D)

30% credit for renewable systems (e.g., solar panels, geothermal).

Expires December 31, 2025

Energy Efficient Home Improvement Credit (25C)

Credits for efficient upgrades (e.g., heat pumps, windows, insulation).

Expires December 31, 2025

Alternative Fuel Vehicle Refueling Credit (30C)

Credit for installing charging/refueling infrastructure.

Expires June 30, 2026

General Tax Updates - Individuals

General Tax Updates - Individuals

2025 Standard Deduction:

- Increased standard deduction amounts for 2025!
- Increased amounts made **permanent for tax year 2026 & forward**
- Will continue to be indexed for inflation for 2026 & forward

Filing status	Deduction amount
Single	\$15,750.
Married filing separately	\$15,750.
Head of household	\$23,625.
Married filing jointly	\$31,500.
Surviving spouses	\$31,500.

General Tax Updates - Individuals

2025 Standard Deduction, cont.:

- Additional standard deduction amounts for those 65 and older (and/or blind)

Filing status	Additional standard deduction
Single	<ul style="list-style-type: none">• \$2,000 (If 65-plus or blind).• \$4,000 (if 65-plus and blind).
Head of household	<ul style="list-style-type: none">• \$2,000 (If 65-plus or blind).• \$4,000 (if 65-plus and blind).
Married filing separately	<ul style="list-style-type: none">• \$1,600 (If 65-plus or blind; per qualifying person).• \$3,200 (if 65-plus and blind; per qualifying person).
Married filing jointly	<ul style="list-style-type: none">• \$1,600 (If 65-plus or blind; per qualifying person)• \$3,200 (if 65-plus and blind; per qualifying person).

General Tax Updates - Individuals

Senior Deduction:

- **NEW** deduction of up to \$6,000 for those aged 65 and older
- Phase-out begins for taxpayers with MAGI over \$75,000/ \$150,000 (single/MFJ)
- Will **start for tax year 2025 and go through 2028**
- **Temporary** provision

General Tax Updates - Individuals

2025 Tax Brackets:

- Lower tax rates are here to stay!
- Rates will stay at: 10%, 12%, 22%, 24%, 32%, 35%, & **37%**
- Made **permanent for tax year 2026 & forward**

Tax rate	Single filer	Married filing jointly (or surviving spouse)	Head of household	Married filing separately
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000	\$0 to \$11,925
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$17,001 to \$64,850	\$11,926 to \$48,475
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$64,851 to \$103,350	\$48,476 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,500	\$197,301 to \$250,525
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,501 to \$626,350	\$250,526 to \$375,800
37%	\$626,351 or more	\$751,601 or more	\$626,351 or more	\$375,801 or more

General Tax Updates - Individuals

2025 Capital Gains Tax Rates:

Tax rate	Single	Married filing jointly	Married filing separately	Head of household
0%	\$0 to \$48,350	\$0 to \$96,700	\$0 to \$48,350	\$0 to \$64,750
15%	\$48,351 to \$533,400	\$96,701 to \$600,050	\$48,350 to \$300,000	\$64,751 to \$566,700
20%	\$533,401 or more	\$600,051 or more	\$300,001 or more	\$566,701 or more

General Tax Updates - Individuals

Retirement Plan Contribution Limits:

Contribution Type	2025 Limit	2026 Limit
Traditional IRA Contribution	\$ 7,000	\$ 7,500
Traditional IRA Contribution Catch-Up (Over 50)	1,000	1,100
Roth IRA Contribution	7,000	7,500
Roth IRA Contribution Catch-Up (Over 50)	1,000	1,100



General Tax Updates - Individuals

Retirement Plan Contribution Limits, cont.:

Contribution Type	2025 Limit	2026 Limit
401(k)/ 403(b) Employee Contribution	\$ 23,500	\$ 24,500
401(k)/ 403(b) Employee Contribution Catch-Up (Age Over 50)	7,500	8,000
401(k)/ 403(b) Employee Contribution Catch-Up (Age 60 to 63)	11,250	11,250

Super Catch-Up!!

General Tax Updates - Individuals

Retirement Plan Contribution Limits, cont.:

Contribution Type	2025 Limit	2026 Limit
SEP IRA Contribution*	\$ 70,000	\$ 72,000
SIMPLE IRA Contribution**	16,500	17,000

*SEP IRA Contribution limit is 25% of eligible employee compensation, up to \$70,000 (for 2025).

**SIMPLE IRA Contributions have other various rules & catch-up limits based on # of employees. Reach out to your Wegner Tax Advisor if you have any questions.

General Tax Updates - Individuals

SALT Cap:

- Increased to \$40,000 from \$10,000 starting tax year 2025!
- Phase-out for taxpayers with MAGI over \$500,000, but cannot go below \$10,000
- The cap and phase-out amount will increase by 1% annually
- Will **start for tax year 2025 and go through 2029**
- **Temporary** provision
- But now we have a **permanent** SALT cap...



General Tax Updates - Individuals

"No Tax on Overtime":

- **NEW** deduction of up to \$12,500/ \$25,000 (single/ MFJ) for qualified overtime compensation** in the amount of pay that exceeds regular rate of pay
- Phase-out begins for taxpayers with MAGI over \$150,000/ \$300,000 (single/ MFJ)
- Will **start for tax year 2025 and go through 2028**
- **Temporary** provision

** *Qualified overtime compensation* is only the extra "half" in "time-and-a-half" as required under the FLSA. **EXAMPLE:** Amy's normal hourly rate is \$20. Amy works 41 hours one week, so she gets paid \$30 for the extra overtime hour. The qualified overtime compensation is \$10.

General Tax Updates - Individuals

"No Tax on Overtime"- REPORTING:

- Will be reported on Form W-2, Form 1099, or other specified statement furnished to the individual
- The deduction starts this year, 2025!
- We have a draft 2026 Form W-2, but the IRS stated they will not be updating the 2025 Form W-2...

General Tax Updates - Individuals

"No Tax on Overtime"- REPORTING, cont.:

- If a taxpayer's 2025 Form W-2 *does not separately account for qualified overtime*, the taxpayer can calculate their qualified overtime for tax year 2025 using the following documentation such as:
 1. Earnings or pay statements,
 2. Invoices, or
 3. Similar statements that support the determination.
- Taxpayer must use a reasonable method to determine amount.

General Tax Updates - Individuals

"No Tax on Tips":

- **NEW** deduction of up to \$25,000 for qualified tips received by an individual in an occupation that customarily and regularly receive tips
 - IRS has released proposed regulations listing nearly 70 occupations of tipped workers
- Phase-out begins for taxpayers with MAGI over \$150,000/ \$300,000 (single/MFJ)
- Will **start for tax year 2025 and go through 2028**
- **Temporary** provision

General Tax Updates - Individuals

"No Tax on Tips" - REPORTING:

- Will be reported on Form W-2, Form 1099, or other specified statement furnished to the individual or reported directly by individual on Form 4137
- The deduction starts this year, 2025!
- We have a draft 2026 Form W-2, but the IRS stated they will not be updating the 2025 Form W-2...

General Tax Updates - Individuals

"No Tax on Tips" - REPORTING, cont.:

- If a taxpayer's 2025 Form W-2 does not *separately account for cash tips*, the taxpayer can calculate their qualified tips for tax year 2025 using the following:
 1. The total amount of Social Security tips reported in box 7 of Form W-2, or
 2. The total amount of tips reported by the taxpayer to their employer on all Forms 4070, or
 3. The amount of cash tips voluntarily reported by your employer in box 14 of Form W-2.
 4. And any amount listed on line 4 of Form 4137.

\$ The Treasury Department and the IRS estimate that, in 2026, more than 10 million returns will have tips reported on Form W-2, Form 1099-NEC, Form 1099-K, Form 1099-MISC, or Form 4137!!

General Tax Updates - Individuals

"No Tax on Car Loan Interest":

- **NEW** deduction of up to \$10,000 for interest paid on a loan used to purchase a qualified vehicle
- For loans that originated after 12/31/2024
- Phase-out begins for taxpayers with MAGI over \$100,000/\$200,000 (single/MFJ)
- Will **start for tax year 2025 and go through 2028**
- **Temporary** provision



General Tax Updates - Individuals

"No Tax on Car Loan Interest"- REPORTING:

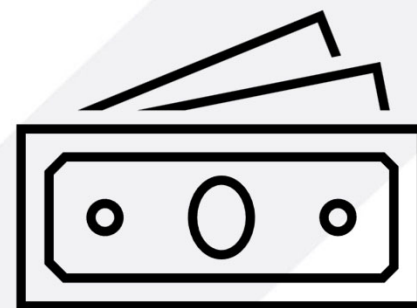
- Will need to be reported on information returns filed with the IRS and furnished statements to taxpayers showing the total amount of interest received during the taxable year
- Starts this year, 2025! *Need transition relief for 2025...*
 - On October 21, 2025, **IRS provided transition relief (Notice 2025-57)**



General Tax Updates - Individuals

Cash Charitable Contribution Deduction for Non-Itemizers:

- **NEW** deduction of up to \$1,000/ \$2,000 (single/MFJ) for **cash** charitable contributions made when taxpayer does not itemize
- Will **start for tax year 2026**
- **Permanent** provision



General Tax Updates - Individuals

Cash Charitable Contribution Deduction 60%-of-AGI Ceiling:

- Increased 60% ceiling is here to stay!
- Increased percentage made **permanent for tax year 2026 & forward**
 - 2025 is still 60%
- This ceiling applies to the NEW cash charitable contribution deduction allowed for non-itemizers (*this will be rare*)

General Tax Updates - Individuals

Charitable Contribution Deduction 0.5%-of-AGI Floor:

- **NEW** 0.5%-of-AGI floor for ***all*** charitable contributions
 - I.e., Charitable contributions will only be deductible to the extent they exceed 0.5%-of-AGI
- Will **start for tax year 2026**
- **Permanent** provision

General Tax Updates - Individuals

PEASE Limitation:

- Has now been **permanently eliminated**
- But... **NEW** overall limit on itemized deductions for taxpayers



2% Itemized Deduction Limitation:

- 2% overall limit on itemized deductions for taxpayers in the top marginal tax bracket (37%)
- Made **permanent for tax year 2026 & forward**

2026 37% Tax Bracket:

Single = \$640,601+

MFJ = \$786,701+

General Tax Updates - Individuals

2% Itemized Deduction Limitation, cont.:

- This limitation is applied after all other itemized deduction limitations (charitable contribution ceiling and floor, SALT Cap, & mortgage interest)
- No carryforwards allowed

General Tax Updates - Individuals

Wagering Losses:

- **NEW** limitation on losses from wagering transactions -> limited to 90%, not to exceed winnings
- Made **permanent for tax year 2026 & forward**



General Tax Updates - Individuals

Child Tax Credit (CTC):

- Increased credit amount of \$2,200 for **2025!**
 - \$1,700 of the credit is refundable
- Both will continue to be indexed for inflation for 2026 & forward
- Made **permanent for tax year 2026 & forward**
- \$500 Credit for Other Dependents is **made permanent**
 - Still not indexed for inflation
 - Still nonrefundable

General Tax Updates - Individuals

Unified (Lifetime) Estate & Gift Tax Exclusion:

- Increased lifetime exclusion amounts are now made permanent!
- Amounts were set to revert back to pre-TCJA levels for tax year 2026
 - 2025 = \$13.99 million (*set*)
 - 2026 = \$15 million (*new*)
- Increased amounts made **permanent for tax year 2026 & forward**
- Will continue to be indexed for inflation for 2027 & forward



WI Tax Updates - Individuals

WI Retirement Income Exclusion:

<u>Filing Status</u>	<u>Age Requirement</u>	<u>New Maximum Exclusion Amount</u>
Single / Head of Household	Age 67 or older by end of 2025	Up to \$24,000
Married Filing Jointly	Both spouses age 67 or older by end of 2025	Up to \$48,000
Married Filing Jointly	One spouse age 67 or older by end of 2025	Up to \$24,000

WI Tax Updates - Individuals

Expansion of Second Tax bracket:

- Increase in the income threshold at which the second tax bracket ends, and the third tax bracket begins.
- Income within the second bracket - taxed at a marginal rate of 4.4%.
- The new income thresholds for the second bracket are as follows:
 - Single, head of household, and fiduciaries: \$50,480 (increased from \$29,370)
 - Married filing jointly: \$67,300 (increased from \$39,150)
 - Married filing separately: \$33,650 (increased from \$19,580)

General Tax Updates - Individuals

Digital Assets:

- Final regulations, released June 2024, requires brokers to report gross proceeds on the sale of digital assets beginning for all sales in 2025
 - I.e., Phased-in starting with 2026 tax filing season (2025 tax year)
- Must be reported on new IRS Form 1099-DA
 - Brokers would need to send these forms to both the IRS and the digital asset holder
 - \$10,000 de minimis threshold for reporting transactions involving stablecoins
 - \$600 threshold for reporting transactions involving certain NFTs

General Tax Updates - Individuals

Digital Assets, cont.:

- Basis reporting requirements are delayed
 - Phased-in starting with 2027 tax filing season (2026 tax year)
- Reminders ->
 - Digital assets include:
 - Convertible virtual currencies and cryptocurrencies such as Bitcoin
 - Stablecoins
 - Non fungible tokens (NFTs)
 - Digital assets are a capital asset and will be taxed as such
 - Beware of donating digital assets – an appraisal may be required!

General Tax Updates - Individuals

Trump Accounts:

- **NEW** tax-deferred investment account (IRA account) for an individual who is under the age of 18
- \$5,000 annual contribution allowed per year, per beneficiary, up to the calendar year before the beneficiary turns 18
- Once the beneficiary turns 18, the funds will be rolled into a traditional IRA and will be subject to those rules
- Distributions can start the calendar year the beneficiary turns 18
- A one-time government contribution of \$1,000 will be made to the account for every qualifying child born between **2025 and 2028 (temporary)**
- Made **permanent for tax year 2026 & forward**

THANK YOU



Wegner CPAs