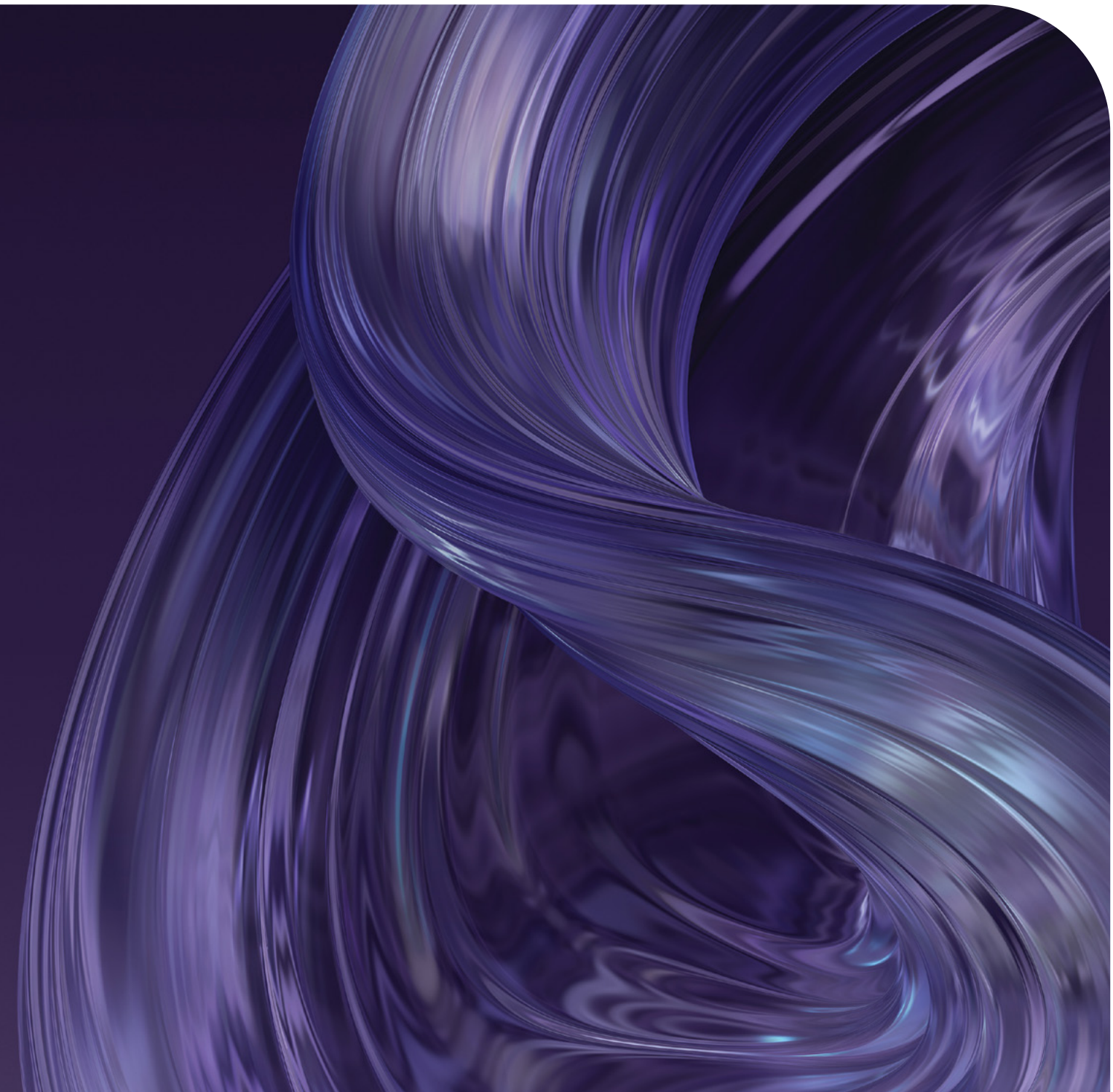
TRUIST Wealth

Truist 2025 year-end tax planning guide



Truist 2025 year-end tax planning guide

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It was the French novelist Alphonse Karr who said (translated to English), "the more things change, the more they stay the same." After warning clients for almost eight full years of the sunset provisions in The Tax Cuts and Jobs Act of 2017 (TCJA), the One Big Beautiful Bill Act (OBBBA) kept the highest marginal income tax rate at 37%, preserved the current higher standard deductions, and increased the estate tax exemption to $15 million in 2026— a 7.2% increase from 2025. Many other provisions from the TCJA survived as well including the qualified business income education, current mortgage interest deduction limitations, and the continued elimination of miscellaneous itemized deductions.

Despite the continuation of many TCJA provisions, there were still changes made, further complicating the tax code. The state and local tax deduction limitation was increased to $40,000 effective for this year but with income phaseouts, deductions were created for tips and overtime pay limited to taxpayers with certain income, and 100% bonus depreciation provisions were added, just to name a few.

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But this guide will not be a reprisal of the piece released earlier this summer discussing the OBBBA. Rather, this guide is designed to help you better understand the law and strategies to make changes that could help reduce your current year liability and set the stage for 2026.

To effectively mitigate taxes, the full team needs to be included in discussions year-round. While an idea is still being contemplated and before a transaction is complete, bring your full wealth team (wealth advisor, financial advisor, wealth strategist, trust advisor, portfolio manager, banker, insurance strategist, attorney, and tax advisor) to consider your comprehensive financial picture to achieve the desired outcome as tax efficiently as possible. It is most critical to include your tax preparer from the beginning. Their contribution is invaluable as they will make the final determination of any tax position.

Over the following pages, we discuss various income and estate tax strategies. Not all areas may apply to you, we hope they spark conversations with your advisory team. While the guide focuses primarily on federal tax considerations, depending upon where you live and where you earn income, there are almost always state tax matters to consider. As always, we strongly advise you to consult with your tax advisor and broader wealth planning team to ensure a particular strategy is appropriate for your situation.

Investment income considerations prior to year-end

Investment income plays a significant role in managing your tax liability. Reviewing year-to-date investment income, gain, and loss plays a significant role in tax planning. As you approach year end, consider the following rules.

Qualified dividends include dividends received from domestic and certain foreign corporations and are taxed at favorable capital gains rates. Therefore, qualified dividends are taxed at a maximum rate of 20% (23.8% if subject to the net investment income tax). Nonqualified dividends are subject to ordinary income tax rates of up to 37% (40.8% if subject to the net investment income tax).

Qualified dividends/long-term capital gains tax			
Filing status	**0% rate**	**15% rate**	**20% rate**
Married filing jointly	$0 - $96,700	$96,701 - $600,050	Greater than $600,050
Single	$0 - $48,350	$48,351 - $533,400	Greater than $533,400
Head of household	$0 - $64,750	$64,751 - $566,700	Greater than $566,700
Married filing separate	$0 - $48,350	$48,351 - $300,000	Greater than $300,000
Estates and trust	$0 - $3,250	$3,251 - $15,900	Greater than $15,900

Income from bonds issued by state, city, and local governments (municipal bonds) is generally exempt from federal income tax, including the net investment income tax. Municipal bond income from your resident state and U.S. possessions is also usually exempt from state tax. However, you still must report the municipal bond income when filing your federal tax return. For certain types of municipal bonds, the municipal bond income could be taxed at the applicable alternative minimum tax rate which could be 26% or more.

The timing of your investment activities can result in significant tax consequences. A key point to remember when planning investment activity in 2025 is any capital loss carryovers you may have from your 2024 tax return. The following general rules apply for most capital asset transactions in 2025:

- Capital gains on property held for one year or less are taxed at an individual's ordinary income tax rate.
- Capital gains on property held for more than one year are taxed at more favorable capital gains tax rates, depending on the individual's income tax bracket.
- Capital gains may also be subject to an additional 3.8% net investment income tax.

You should consider timing the sale of assets to have offsetting capital gains and losses. Capital losses may be fully deducted against capital gains and offset up to an additional $3,000 of ordinary income ($1,500 for a married individual filing separately). If you sell a security at a loss, you must not repurchase the same security within a 61-day period centered on the date of sale,

30 days before the sale date and 30 days after the sale date. A repurchase of the same or identical security during these days will cause the wash sale rules to apply, thereby disallowing the loss. However, before recognizing losses, we urge you to discuss the strategy with your financial advisor. If they believe a particular investment may recover from its current loss, your overall wealth may be better served by not selling.

Along with selling assets, when to purchase certain assets should be considered. Many mutual funds make capital gain distributions during the fourth quarter. Before purchasing a mutual fund in the fourth quarter, review the timing of capital gain distributions so that your purchase does not subject you to a large capital gain distribution at year-end. Careful timing can avoid purchasing previous gains in mutual funds via the capital gain distribution.

Net investment income tax ("NIIT"):

An additional 3.8% tax is levied on certain unearned income of higher income taxpayers. The net investment income tax is levied on the lesser of net investment income or the amount by which modified AGI ("MAGI") exceeds the following dollar amounts:

Net investment income thresholds	
Filing status	**Amount**
Married filing jointly	$250,000
Single	$200,000
Head of household	$200,000
Married filing separate	$125,000
Estates and trusts	$15,650

Investment income is defined as:

- Gross income from interest, dividends, annuities, royalties, and rents (other than from a trade or business),
- Gross income from any business to which the tax applies,
- Net gain attributable to property that is not attributable to an active trade or business.

Investment income does not include distributions from a qualified retirement plan or amounts subject to self-employment tax.

Strategies to reduce exposure to the NIIT include exchanging real property through a like-kind exchange to defer gain recognition, investing in qualified opportunity zone funds, or postponing the sale of a principal residence to 2026 if you expect your income will be lower. Remember with the sale of principal residences, the first $250,000 of gain ($500,000 if married filing jointly) is excluded from gain if you used the home as your principal residence for two of the past five years.

Section 1031 like-kind exchanges:

Under Internal Revenue Code Section 1031, no gain or loss is recognized upon a sale of real propertyheld for productive use in a trade or business or for investment when exchanged for real property of a like kind to be held either for productive use in a trade or business or for investment. It should be noted that real property held primarily for sale or personal-use property — like a principal residence — does not qualify for the like-kind exchange rules. The realized gain is deferred until the "exchange property" is disposed of in a subsequent taxable transaction. To qualify for the like-kind treatment, four conditions must be met:

- There must be an exchange, rather than a sale and purchase of properties.
- You must hold both the property traded and received for business or investment purposes.
- The properties must be of like kind— for example, real estate for real estate. Improved real estate can be traded for unimproved real estate, and vice versa.
- The properties must not be personal property.

Like-kind exchanges can be "simultaneous" or "deferred" exchanges. A simultaneous exchange is one in which you trade your property for property that another party already owns. A deferred exchange is one in which you transfer property for the other party's promise to acquire and transfer property of like-kind to you. Deferred exchanges must satisfy two timing rules. First, within 45 days of the transfer of your property, you must give the other party written identification of the property or properties you want to receive. Second, you must receive that property by the earlier of the 180 days after you transfer your property or the due date of your tax

return (including extensions) for the year of your transfer. The engagement of a qualified intermediary is strongly encouraged to oversee a like-kind exchange.

Deferring taxes through qualified opportunity zone funds (QOF)

A taxpayer who invests in qualified opportunity zone property through a qualified opportunity zone fund, within 180 days of realizing gain, can defer tax on the amount of eligible gains he/she invests. QOFs allow any individual, corporation, or trust (both foreign and domestic) to defer via election an unlimited amount of capital gain from the sale or exchange of any property to an unrelated person. It is important to note that unlike, Section 1031 like-kind exchanges, the gain must first be realized before it can be deferred in a QOF. Tax regulations also allow the deferral of gain distributed from pass-through entities like a partnership. The property sold can be stock, business assets, personal assets, or any other type of property.

Any deferred gain is treated as having been realized on December 31, 2026. Thus, any tax due on the capital gain that was deferred originally is due no later than April 15, 2027— a tax deferral period of about one year. Although that is not a long deferral period for the initial gain, any gain that occurs while invested in the QOF is exempt from taxes altogether if the proceeds remain in the QOF for 10 years. For example, if you invest in a QOF on June 1, 2025, and sell the fund on June 2, 2035, the entire gain realized after the June 1, 2025 investment date will not be subject to federal capital gains tax.

The OBBBA made permanent and enhanced the QOF program. For 2027 and following years, capital gains invested in QOFs will have the tax deferred for a period that is greater than the 1) the date on which an opportunity zone fund investment is sold or exchanged or 2) the five-year anniversary of the taxpayer's QOF investment. In addition, if the taxpayer holds the QOF for five years, they will receive a 10% basis increase of the deferred gain. If they invest is a qualified rural opportunity zone fund; the basis increase is 30%. At this time, qualified opportunity zones have not been designated so we will be watching for the final rules to be issued hopefully sometime in 2026. Stay tuned for more information on this potential tax strategy for the future.

Charitable contribution deductions

As you approach the end of the year, you may begin thinking about making gifts to your favorite charities. Income and estate tax deductions provide financial benefits in addition to the intangible benefits. Deductibility of a charitable contribution is subject to several factors depending on the type of gift and the characteristics of the recipient.

While not intended to be inclusive of all nuances and requirements of different types of gifts, generally to qualify for a federal charitable income tax deduction in 2025:

- You must itemize deductions on your income tax return.
- You must meet substantiation requirements that depend on the type of property.
- The gift must be made to a qualified charitable organization.
- For gifts to public charities and donor advised funds (DAFs), your deduction is limited to 60% of your adjusted gross income (AGI) for cash gifts and 30% for long-term held non-cash gifts. For gifts of short-term capital gain property (held less than one year) you can only deduct the cost basis of the asset with AGI limitation of 50%.
- For gifts to private foundations, your deduction is limited to 30% of your AGI for cash gifts and 20% for long-term held non-cash gifts.
- You may carry forward unused deduction amounts up to five subsequent tax years.

Consider whether to make 2025 or 2026 charitable gifts in light of upcoming changes

Beginning in 2026, pursuant to the OBBBA, individual taxpayers that itemize charitable deductions may deduct only those charitable contributions that exceed 0.5% of their AGI. Additionally, taxpayers in the highest 37% tax bracket may only deduct their charitable contributions at an effective 35% tax rate. Although taxpayers that itemize are subject to additional limitations under OBBBA, taxpayers that do not itemize their deductions may also receive a charitable deduction benefit. For taxpayers that do not itemize, beginning in 2026, they can receive a

$1,000 charitable deduction for single filers and $2,000 charitable deduction for married couples filing jointly.

For individual taxpayers in the highest tax bracket with high AGI, they may want to consider making charitable gifts by the end of 2025 to receive the full benefit of the entire current charitable deduction and not be subject to the 0.5% threshold and 35% tax rate limitations beginning in 2026. If there are future charitable gifts that the taxpayer would otherwise have wanted to make, the taxpayer may want to consider a 2025 gift to a donor advised fund that could be distributed in the future to charitable grantees, as described below.

For individuals who do not itemize their deductions and are not making large charitable donations, they may want to consider whether to make the donation in 2026 to receive the $1,000 or $2,000 charitable deduction for non-itemizers.

Bunching

To take advantage of a charitable deduction all potential itemized deductions must exceed the standard deduction threshold for 2025 of $15,750 or $31,500 (married filing jointly). If you would otherwise not meet the threshold and make regular or periodic smaller gifts to charity, you may want to consider "bunching" two or more years of intended gifts into a single year to allow you to rise above the threshold. Contributing appreciated securities to a donor advised fund is a great way of "bunching" your gifts.

Appreciated stock gifts

It is generally beneficial to make a charitable gift of appreciated property (like stock) held for more than one year directly to a charity rather than selling the asset first and donating cash. If such an asset is sold first, it would be subject to long-term capital gains tax paid by you. By donating it directly to a charity, none of the appreciation will be subject to capital gains taxes, assuming the contribution complies with all the applicable rules.

When using the appreciated stock gift strategy, you should use the following income tax guidelines:

- Consider giving securities from your portfolio that have the greatest appreciation.
- Conversely, consider selling and donating cash from the sale of loss securities.
- Consider giving securities you have owned for greater than one year.
- Gifting highly appreciated securities can help rebalance your portfolio.
- For taxpayers wishing to make donations that exceed their AGI limitations, use a blended approach of long-term stock and cash.
- Always consult your tax advisors to determine the best approach for your situation.

Example: Your marginal tax bracket (federal only) is 35% and capital gains rate is 23.8% (federal only of 20% and the 3.8% NIIT). You bought ABC stock for $30,000 that is now worth $100,000.

	Sell stock and donate cash	Donate stock directly
ABC stock value	$100,000	$100,000
ABC stock basis	$30,000	$30,000
ABC capital gain	$70,000	$70,000
Capital gains tax	$16,660	$0
Donation to charity	$83,400	$100,000
Tax benefit	$29,190	$35,000

Consider using your IRA to make a qualified charitable distribution

A qualified charitable distribution ("QCD") is an otherwise taxable distribution from an individual retirement account ("IRA") owned by a person at least age 70½ on the date of distribution paid directly from the IRA to a qualified charity. An active simplified employee pension Plan ("SEP") or SIMPLE IRA does not qualify for this strategy. If you do not need all or part of your required minimum distribution ("RMD") income, a QCD allows you to donate up to a total of $108,000, annually indexed for inflation from your IRA to one or more qualified charities. The result is that the QCD is not included in your income and satisfies all or part of your RMD. Things to consider when using the QCD strategy include:

- Even if you do not itemize, a QCD will allow you to make charitable gifts and still receive tax benefits.
- Since a QCD excludes the amount donated from taxable income (unlike regular IRA withdrawals) it may reduce the impact to certain tax credits and deductions, including Social Security, Medicare, and the net investment income tax.
- With certain restrictions, a once-in-a-lifetime QCD of up to $54,000 (in 2025), indexed for inflation may be made to a charitable remainder trust or charitable gift annuity.
- A QCD provides tax benefits even if you have charitable contributions exceeding AGI limitations.
- If you have charitable deduction carryover from past years, a QCD may allow you to make gifts without impacting your carryover.
- Donor advised funds, private foundations and supporting organizations are **not** eligible.
- A beneficiary of an inherited IRA can be eligible for a QCD, if the beneficiary is at least 70 ½.
- State laws vary on their treatment of QCDs and/or retirement withdrawals — so, as always, confirm with your tax preparer.

Deduct now, decide later: donor advised fund vs private foundation

Taxpayers often want to have the ability to capture their charitable tax deduction each year while delaying and/or controlling their charitable decision for a later time. Frequently, this situation can arise when clients are attempting to maximize charitable contributions in a particular year. Two popular methods for achieving this goal are the use of either a DAF or a private foundation.

	Donor-advised fund	Private foundation
Your charitable goals	• You want to make a charitable donation but have not decided on specific charity or timing. • You want to have some control over future allocation of gift.	• You want an active role in administration. • You want complete control over grantmaking. • You are interested in building a public legacy for future generations
Threshold	Typically greater than $5,000	At least $1 million ($5 million more common)
Deduction limitations	• 60% of AGI for cash • 30% of AGI for long-term appreciated securities and real estate	• 30% of AGI for cash • 20% of AGI for long-term appreciated securities and real estate
Valuation of gift	FMV	Limited to lesser of FMV or cost basis for appreciated assets other than publicly traded stock
Annual payout	None but IRS is reviewing; recommend 5%	5% of total asset value annually
Your role in grantmaking	You may request grants to qualified charities, but DAF has final decision	Complete control
Your role in investing	Limited control; may recommend asset allocation from possible investment pool.	Complete control
Cost	• Limited or no start-up costs • Annual fees typically 1-3% of asset value	• Significant start-up expenses and ongoing fees • 1.39% excise tax on net investment income
Privacy	Donations may be acknowledged or anonymous	Tax returns and donors' names are public record
Succession	Most revert to the host organization after death of original donor or two succeeding generations.	Foundations can exist in perpetuity.

Charitable remainder and charitable lead trusts

There are other charitable vehicles which may allow you to capture your philanthropic goals, obtain income and estate tax benefits, and even potentially provide you or your family with an income stream. Two examples include charitable remainder and charitable lead trusts. A charitable remainder trust provides for a charitable gift, income and estate tax deduction, deferment of capital gains, and an income stream for you or your family. The charity receives the corpus of the trust after a certain period, including your life. Similarly, a charitable lead trust provides a charitable gift in the form of an income stream to charity first, income tax deduction and reduced transfer tax to the next generation upon termination. An easy way to remember is the charitable remainder trust provides the charity funds at the end, while the charitable lead trust provides funds at the beginning.

Employer-sponsored retirement plans and IRAs

Year-end provides a hard deadline for many items that need to be completed to avoid costly IRS penalties. The following section discusses the planning around these items for retirement plans, and ways to save on income taxes using retirement plans in 2025.

Required minimum distributions

IRA owners and employer-sponsored retirement plan participants must withdraw the first RMD by their required beginning date, or April 1 of the year following the year they attain the "applicable age" to commence RMDs (i.e., age 72, 73, or 75 depending upon your birth year). An exception applies to certain employer-sponsored retirement plans that have adopted a rule permitting an active participant to delay taking RMDs from the plan so long as they are still working for the entire year in which they reach their "applicable age" and do not own more than 5% of the plan sponsor.

A participant attaining age 73 in 2025 (or born in 1952) must withdraw their first-year RMD by April 1, 2026. Although the IRS allows a participant to postpone their first year RMD into the following calendar year, all subsequent RMDs must be withdrawn on or before December 31 of that calendar year. Meaning, if a participant postpones withdrawing their 2025 first year RMD, they will have to take two RMDs in tax year 2026 (both the 2025 RMD by April 1 and the 2026 RMD by December 31). Finally, the end of the calendar year deadline for RMDs also applies to a beneficiary subject to life expectancy distributions ("stretch IRA payout") from an IRA, qualified plan account, or Roth IRA inherited from the original participant.

Secure act 2.0 Required minimum distribution ages

Participant's date of birth	Age to begin taking RMDs
Before July 1, 1949	70 ½
July 1, 1949 – December 31, 1950	72
January 1, 1951 – December 31, 1959	73
January 1, 1960 or later	75

Failure to take a RMD results in the shortfall being subject to a 25% excise tax. If the taxpayer self-corrects by reporting and paying taxes on the shortfall within two years after the RMD was missed (and before the IRS issues a notice of deficiency), the excise tax is reduced to 10%.

SECURE Act RMD final regulations

In July 2024, the IRS finalized the SECURE Act required minimum distribution rules. In general, a designated beneficiary of a participant who died after 2019 is required to withdraw the full account balance by the end of the 10th year following the year of death of the participant. The question of whether certain 10-year rule beneficiaries would be required to take annual RMDs had been unclear since 2022. The IRS final rules did not eliminate the requirement for continued annual distributions to a beneficiary if the participant dies on or after the participant's required beginning date for RMDs (i.e., April 1st in the year following the year the participant turns age 72, 73, or 75).

Starting in 2025, a 10-year rule designated beneficiary of a traditional IRA owner or qualified plan participant who died on or after their required beginning date must begin withdrawing annual RMDs based on the beneficiary's applicable life expectancy, and the account must be fully distributed by the end of the 10th year. A beneficiary who fails to timely withdraw the 2025 RMD by December 31, 2025, will have to pay an excise tax of up to 25% of the shortfall. Under the 10-year rule, inherited Roth IRAs are

not subject to RMDs in years one through nine, regardless of the Roth IRA participant's age at death, but the account must be fully distributed by the end of the 10th year.

If the participant did not withdraw their entire RMD prior to death, the account beneficiary must take the RMD by end of the year of the participant's death (known as the "year-of-death RMD"). If this year-of-death RMD is not withdrawn by the deadline, then a late distribution excise tax may be applied to the shortfall. Starting in 2025, the final rules have provided for an automatic waiver of the late distribution excise tax provided that the decedent's year-of-death RMD is withdrawn by no later than December 31st of the year after the participant's death. This new automatic waiver will provide breathing room for beneficiaries who inherit a plan or IRA late in the calendar year or simply did not recognize their obligation to satisfy the decedent's RMD until the following calendar year.

IRA and qualified plan – 2025 contribution limits

Making deductible contributions to a traditional IRA or qualified plan may reduce taxable income. Moreover, contribution limits for IRAs and qualified plans that increased for 2025. There is no age limit on making regular contributions to traditional or Roth IRAs provided that the taxpayer has earned income. The total combined contributions may not exceed the annual limitation or, if less, taxable compensation for the year. If a married couple files a joint return, then the working spouse may contribute up to the maximum allowed amount to a non-working spouse's IRA. In addition, the $1,000 IRA catch-up contribution limit is indexed for inflation but was not adjusted for 2025.

Contribution limits to retirement plans and IRAs

Plan	Lesser of compensation or limit below
Traditional and Roth IRAs (combined)	$7,000
Traditional and Roth IRAs annual catch-up contribution (for those 50 or older)	$1,000
401(k) plans, 403(b) plans, 457(b) plans and SAR-SEPS (includes Roth contributions to these plans)	$23,500
401(k) plans, 403(b) plans, 457(b) plans and SAR-SEPS annual catch-up contribution (for those 50 or older)	$7,500
SIMPLE 401(k) and SIMPLE IRA plans	$16,500
SIMPLE 401(k) and SIMPLE IRA plans annual catch-up contribution (for those 50 or older)	$3,500
Maximum contribution to a SEP or Keogh plan (up to 25% of $345,000)	$70,000

Taxpayers of all income levels may contribute to a traditional IRA and, in some cases, receive a deduction for their annual contributions. The deduction may be limited, or eliminated, if a taxpayer (or their spouse, if married) is covered by an employer-sponsored retirement plan and their income exceeds certain limits.

IRA modified adjusted gross income phaseout limits for deductible contributions

Filing status	Covered by workplace plan?	Phaseout limit
Single/head of household	Yes	$79,000 - $89,000
Married filing jointly, self or non-working spouse contribution	Yes	$126,000 - $146,000
Married filing jointly, self or non-working spouse contribution	No	$236,000 - $246,000
Married filing separate	Yes	Up to $10,000

On the other hand, eligibility to contribute to a Roth IRA may be limited based on the participant's income level and filing status.

Modified adjusted gross income phaseout limits to contribute to a roth IRA

Filing status	Phaseout limit
Single/head of household	$150,000 - $165,000
Married filing jointly, non-working spouse contribution	$236,000 - $246,000
Married filing separate	Up to $10,000

SECURE 2.0 Act changes to remember

SECURE 2.0 made many changes to qualified plans. However, some of the law's provisions have delayed effective dates over the course of the next two years. Since 2023, plan sponsors may adopt a rule permitting participants to designate employer matching contributions and nonelective contributions as Roth contributions. Additionally, designated Roth accounts (e.g., Roth 401(k) or 403(b)) will no longer have RMDs during the lifetime of the plan participant, like Roth IRAs. In 2025, the catch-up limit for participants between the ages of 60 and 63 is $11,250 (which is equal to 150% of the standard catch-up of $7,500 in 2025).

Finally, in 2026, high-paid participants with prior-year wages exceeding $145,000 (indexed for inflation) must make catch-up contributions on a Roth basis. Thus, plan sponsors that have high paid participants and presently offer only pre-tax plan catch-up contributions (and not Roth) must add a Roth component to their plan before 2026 or otherwise eliminate catch-up contributions for all plan participants. If an employee's earnings exceed the $145,000 compensation threshold, then the mandatory Roth requirement will also apply to the higher catch-up amounts between the ages of 60 and 63. This Roth catch-up contribution requirement for high-paid participants will not apply to SIMPLE or SEP plans.

Roth IRA conversions

In any tax environment, converting all traditional IRA balances to a Roth IRA can be an expensive proposition from a current-year income tax perspective. The pre-tax contributions and growth are included in income in the year of the conversion and taxed as ordinary income. The IRS allows anyone to convert IRA balances to a Roth IRA, regardless of income level or filing status. If an individual has been making after-tax contributions to their IRA, then the after-tax contributions will not be taxed again when converted but earnings attributed to the after-tax contributions will be taxed upon conversion.

For individuals, whose income is more than the Roth contribution eligibility thresholds, a "back door" Roth contribution may be a solution. A "back door" Roth IRA contribution involves making a non-deductible contribution to an IRA and, after the contribution is made, converting to a Roth IRA. If executed properly the transaction may be tax-free, except for tax triggered on any unrealized gain or income earned after the contribution. For this strategy to work as intended, it is essential that the individual have no other existing pre-tax contributions or any investment gains in an IRA (including SEP and SIMPLEs).

The "five-year rule" requires an IRA participant of any age to wait five tax years from each Roth conversion before withdrawing any converted balances penalty and/or tax free. Also, if the taxpayer is under 59 ½, then the recently converted funds may not be available to the Roth IRA participant on a penalty- and tax-free basis. The conversion amount must be held five tax-years; otherwise, a 10% penalty may apply to the conversion amount and earnings. Moreover, the non-qualified Roth distribution may be subject to income tax, but only on amounts not already taxed.

If an active participant's qualified plan permits incoming rollovers from a participant's IRA, then it may be possible to roll the pre-tax (before tax) portion of an IRA balance to a current employer's 401(k) or 403(b) plan. Some employer plans may accept pre-tax rollover balances from a participant's IRA but are not permitted to accept a rollover of after-tax amounts. Therefore, an active participant may be able to roll the pre-tax IRA balances into the employer plan which will leave the after-tax (or non-deductible) balances in the IRA(s). Once all pre-tax IRA balances have been rolled into the employer plan, then the IRA participant may immediately convert the IRA to a Roth IRA without significant income tax consequences. Since plan rules vary depending upon the plan sponsor, it is important to thoroughly review the plan summary of rules or call the plan administrator before proceeding with this type of rollover strategy.

The timing of a Roth conversion is a key factor to consider. Converting IRA balances to a Roth IRA does not need to occur all at once. Partial Roth conversion transactions can be executed over several years, while keeping the conversion amounts below the Roth IRA participant's highest marginal tax bracket. Sometimes it may make sense to convert more if the primary purpose is to take advantage of net operating losses, current year ordinary losses, charitable carry forward deductions in a particular

tax year, or reduce estate taxes. After a significant market decline, a Roth conversion may be less costly from an income tax standpoint when IRA investments are at lower historical values. When asset values recover after conversion, the appreciation occurs inside the Roth IRA and outside the income tax system.

Under the OBBBA, a Roth conversion that increases an individual's MAGI above a certain threshold can trigger a phaseout of the state and local tax (SALT) deduction. The SALT deduction temporarily increased to $40,000 for 2025, with the phaseout beginning for taxpayers with a MAGI over $500,000 ($250,000 for married couples filing separately).

Lastly, a comprehensive financial plan is necessary to determine the tax-efficiency of a Roth conversion(s). There are many factors involved in a Roth conversion analysis, such as an individual's current tax status, future expected tax status in retirement, available funds in non-qualified accounts to pay the conversion taxes, life expectancy, estate planning goals, and beneficiary income tax planning. If an individual believes that their tax rate will be higher in retirement, then they may want to consider converting all or part their IRA assets to a Roth.

Business tax considerations

The overwhelming majority of businesses in the United States are small businesses. Many of these businesses pass through their taxable income to their owners' individual income tax returns rather than paying corporate income tax. Pass-through entities include S corporations, partnerships, limited liability companies (LLCs) taxed as partnerships, and certain trusts. While there is no corporate tax to address with a pass-through entity, there are still actions you can take prior to year-end.

Liquidity to make tax payments

For pass-through business owners, ensuring there is sufficient liquidity to make tax payments is the first consideration. As such, having your tax preparer prepare a tax projection at year-end will indicate how much cash you will need to cover any tax payments made with your fourth quarter estimated tax payment or with your tax return in April. Balancing business needs with tax needs will help you decide how much cash to distribute from the business. Have these conversations in the fourth quarter so you have the first three months of 2026 to raise liquidity. In addition, you should work with your tax preparer to ensure there is no additional tax liability generated by taking a distribution. Businesses may have basis, passive loss, or at-risk limitations that could impact the taxability of distributions from a pass-through entity.

Qualified business income deduction

Another consideration is the qualified business income (QBI) deduction. The QBI deduction allows a business owner to potentially deduct up to 20% of their qualified business income generated by sole proprietorships, single-member LLCs, partnerships, S Corporations, and certain trusts and estates. The deduction may be available even if you do not itemize deductions. The qualified business income deduction is a separate line item on Form 1040. However, there are income thresholds that may restrict your ability to claim this deduction.

Under the OBBA, the QBI deduction is now permanent.

Qualified business income deduction threshold

Filing status	Phaseout begins	Phaseout ends
Married filing jointly	$394,600	$494,600
Married filing separate	$197,300	$247,300
Single	$197,300	$247,300
Head of household	$197,300	$247,300

The phaseout range will also expand beginning in 2026.

Expense and depreciation deductions

Trying to reduce the amount of overall business income represents the most direct way for business owners to lower their income tax liability. Timing of expenses can be critical. You may be able to use expense elections and/or bonus depreciation to lower your tax liability. The OBBBA made some significant changes in this area. In 2025, businesses can now immediately expense domestic research and experimental expenditures. The OBBBA also reinstated first-year 100% bonus depreciation for property placed in service after January 19, 2025. There is also a new provision that allows for an immediate 100% deduction for the cost of new U.S. factories and improvement to existing U.S. factories if construction

begins after January 19, 2025, and the business places the factory in service before January 1, 2031.

Section 1202 qualified small business stock

For owners of C corporations, Section 1202 of the tax code provides for exclusion of capital gains on the sale of qualified small business stock (QSBS). Depending upon when the owner acquired the stock, whether the company assets were less than $50,000,000 upon acquisition, and whether the business engages in a qualifying type of business activity, the owner could qualify for a 50%, 75% or 100% gain exclusion up to $10 million or 10 times the owner's adjusted basis in the stock upon sale of the stock.

The OBBBA provides additional benefits for stock issued after July 4, 2025. For stock fulfilling the business activity requirement, the limit on the amount of company assets is increased to $75 million. In addition, if the C Corporation is sold after three years of acquisition, the taxpayer can exclude 50% of the gain; 75% of the gain if sold after four years of acquisition and 100% of the gain after 5 years of acquisition. In addition, the maximum gain eligible to exclusion increases to $15 million from $10 million. With these changes, discussions around entity choice should focus on how long the owner expects to own the business. In addition, wealth transfer strategies surrounding qualified small business stock may include non-grantor trusts instead of grantor trusts because a non-grantor trust may qualify for its own Section 1202 gain exclusion.

The interaction of income taxes, distribution planning, capital needs, and projected future income are just a few of the factors to consider before implementing any tax strategy. We strongly encourage you to meet with your business team, your business tax advisor, and your personal planning team before using any option.

Section 163(j) business interest limitation

We usually do not like to include code sections in our tax planning guide, let alone a reference to a specific paragraph within a section. But Section 163(j) is unique. This section governs the rules for business interest expense limitation. Beginning in 2025 through 2028, the calculation of income for business interest is earnings before interest, taxes, and amortization. Prior to 2025, the income was defined as earnings before interest, taxes, depreciation, and amortization. By removing depreciation from the business income calculation, taxpayers who take advantage of bonus depreciation and expense provisions will not inadvertently limit their interest deduction. So, businesses may be able to finance acquisitions of new assets with debt being able to deduct the cost and the interest expense.

Effect of Connelly Case on buy-sell agreements

In June 2024, the Supreme Court issued a decision in Connelly v. United States. In a unanimous decision, the court held that the estate of a deceased business owner must include the death benefit of any life insurance the business held on the owner's life in determining the value of the company and the owner's interest in the business. The Court said this is true even if the business has an obligation to pay out the insurance proceeds to the estate under a buy-sell agreement. This may result in the estate paying more estate tax than otherwise expected.

This ruling does not apply if the buy-sell agreement requires the surviving owners to buy out the deceased owner's shares personally and the owners own life insurance directly on each other.

Note that it can be tricky to transfer existing policies out of the company to the individual owners without causing the death benefit to become subject to income tax. It also may be cumbersome for each owner to own policies on each of the other owners if there are many owners. It may be possible to avoid these issues by having a partnership own the insurance. If there is one lesson from Connelly, it is that owners should fully understand the terms of their buy-sell agreement.

The current agreement may be several years old, may not include current owners, may reflect a time when the company was significantly less valuable, and may not cover all triggering situations (such as extended disability or divorce). The new year represents a great time to review your buy-sell agreement with your attorney, Truist Wealth team, and other advisors.

Social Security and Medicare tax-related actions

Referred to as the "Third Rail of American Politics," Social Security and Medicare represent programs that invoke passionate responses from many Americans. This tax guide will remain apolitical and discuss how tax planning impacts the taxability of Social Security benefits and the income-related monthly adjusted amount (IRMAA).

Taxability of Social Security benefits

To bring solvency to the Social Security system, Social Security first became taxable in 1984. The percentage of taxable social security benefits depends on your filing status and your "combined" income which is the formula that both the Social Security Administration and the IRS use to determine if your benefits are subject to federal income tax. Combined income consists of your AGI plus non-taxable interest plus half of your Social Security benefits. These brackets seem low because they are. They have not been adjusted for inflation since they were introduced in 1983 and 1993, causing an ever- growing number of beneficiaries to pay taxes on their benefits.

Combined income to determine taxable social security benefits

Filing status	0% of benefits	50% of benefits	85% of benefits
Married filing jointly	$0 – $32,000	$32,001 – $44,000	Greater than $44,000
Married filing separate	$0 – $25,000	$25,001 – $34,000	Greater than $34,000
Single	$0 – $25,000	$25,001 – $34,000	Greater than $34,000
Head of household	$0 – $25,000	$25,001 – $34,000	Greater than $34,000

IRMAA

The income-related monthly adjustment amount is a surcharge that individuals with modified adjusted gross income- which is adjusted gross income plus tax-exempt interest or (MAGI), above certain amounts must pay in addition to their Medicare Part B and Part D base premiums. IRMAA is indexed for inflation annually based on the Consumer Price Index for Urban Consumers (CPI-U). The Social Security Administration (SSA) determines who pays an IRMAA based on the income reported two years prior. In other words, for 2026 IRMAA, the SSA will look at your MAGI from 2024.

In November you will receive your 2026 Medicare premium notice which will indicate if you are subject to IRMAA. Furthermore, the letter will explain how to appeal the IRMAA using Form SSA-44 (you can appeal your IRMAA assessment if one or more 'life-changing events' has affected your income). The following are the 'life-changing events':

- Work stoppage (or retirement).
- Marriage, divorce, or death of a spouse.
- Loss of income-producing property.
- Loss of pension income.
- Employer settlement payment (employer or former employer's closure, bankruptcy, or reorganization)

If you are married (and both receiving Medicare) then both you and your spouse will have to fill out your own separate Form SSA-44 to appeal. You cannot complete one form and have it applied to both of you. Please keep in mind that you have 60 days to appeal the IRMAA and this 60-day clock starts five days after the date of the letter.

Although the projected IRMAA amounts for 2026 are listed below, the actual amounts will not be announced until October. The most important thing to understand about the IRMAA brackets is that they are "cliff brackets." This means if your MAGI exceed a threshold by even one dollar your Medicare premium could significantly increase each month.

Projected IRMAA for 2025 (estimated amounts)[1]

Single	Married filing jointly	Married filing separate	Part B IRMAA	Part D IRMAA
$0 - $109,000	$0 - $218,000	$0 - $109,000	$0.00	$0.00
$109,001 - $137,000	$218,001 - $274,000	N/A	$82.60	$14.50
$137,001 - $171,000	$274,001 - $342,000	N/A	$206.50	$37.50
$171,001- $205,000	$342,001 - $410,000	N/A	$330.40	$60.40
$205,001 - $500,000	$410,001 - $750,000	$109,001 - $404,000	$454.30	$83.30
$500,000+	$750,000+	$404,000+	$495.60	$91.00

Source: Kiplinger Personal Finance 9/3/25

Planning for 2027 IRMAA

Yes, 2027 IRMAA planning starts now. Technically, it started on January 1, because of the two-year lag between MAGI and IRMAA. In other words, your 2025 income will determine your 2027 Medicare premiums. While we do not know what the 2027 IRMAA thresholds will be (we are still waiting for the 2026 thresholds), you can estimate by adding 5% to the current (2025) thresholds of $106,000 (single filer and $212,000 joint filer) which would bring the first thresholds to $111,300 (single filer) and $222,600 (joint filer). If avoiding IRMAA is not going to be possible, you can add 5% to the other thresholds to try and avoid going into the next IRMAA tier. Remember, if you exceed the next tier by even one dollar, then you can expect to pay much more per month in IRMAA surcharges.

Social Security withholding

New Social Security recipients may still be figuring out how much they should prepay in taxes, either through voluntary withholding or estimated tax payments. These can be amended as needed by using Form W-4V. You can select one of four withholding rates (7%, 10%, 12%, and 22%) which will be applied to your entire benefit amount and not just the 85% that is taxable.

Senior deduction

Beginning for 2025 and ending in 2028, seniors aged 65 or older (as of the last day of the year) are eligible for a $6,000 deduction whether they itemize their deductions or not. This deduction is per individual, so a married couple would be eligible to deduct a maximum of $12,000. The deduction has an income phaseout beginning at $75,000 for unmarried filers and $150,000 for joint filers. Taxpayers using married filing separately status are not eligible for this deduction. This deduction was added by the OBBBA to indirectly reduce taxes on Social Security income.

Education tax savings

As year-end approaches taxpayers should think of ways education expenses throughout the year could help with either income taxes or even cash flow. The many available tax benefits can make these expenses more palatable.

Section 529 plans

Section 529 plans allow a taxpayer to set aside assets which grow in a tax-favored account. Although contributions to a 529 plan are funded with after-tax dollars, these contributions grow tax-deferred and are distributed tax-free if the proceeds are used for qualified education expenses. While there is no federal deduction, contributions to certain state plans could provide a benefit on your state income tax return. Qualified education expenses include tuition, mandatory fees, books, supplies, equipment, and room and board among other education expenses. In addition, a Section 529 plan can now be used for postsecondary credentialing expenses incurred on and after July 5, 2025. These expenses include skilled trade and vocational programs, professional license and certification fees, required continuing education, and required materials as part of qualified credentialing or licensing program.

A distribution from a 529 plan must be matched with a qualified education expense for the distribution to be tax-free. A good year-end exercise is to evaluate the level of qualified education expenses for the year and match these expenses with a corresponding distribution from the 529 Plan. For the plan distribution to be non-taxable, the distribution must match the expenses in the current year. If you withdraw money from a Section 529 plan that is not used for educational purposes the unrealized gain in the withdrawal is taxable as ordinary income and subject to a 10% excise tax.

Another benefit for 529 plans is the ability to use $10,000 per year for K-12 tuition expenses. The $10,000 limitation is per beneficiary and not per 529 plan. Even if a student has multiple plans, the most they can receive in total for the year is $10,000. Effective after the passage of the One Big Beautiful Bill Act, the definition of qualified education expenses has expanded to include additional expenses for K-12 expenses beyond tuition as well as postsecondary credential expenses. In 2026, the OBBBA doubles the annual maximum benefit available for K-12 expenses from $10,000 to $20,000.

When contributing to a 529 Plan, a taxpayer is permitted to front-load five years' worth of annual exclusions into the current year for gift tax purposes. In 2025 the annual exclusion amount is $19,000. Accordingly, a taxpayer may use the current year's annual exclusion plus the annual exclusion for the succeeding four years and contribute up to $95,000 ($19,000 X 5or $190,000 for a split gift with spousal consent) to a 529 plan in the current year. This allows for a greater amount to potentially grow in a tax- favored manner.

For taxpayers who have money in old 529 plans that will not be needed for education, it may be possible to move some 529 money (up to $35,000 during a beneficiary's lifetime) directly into a Roth IRA if certain conditions are met. Among those conditions, the Roth IRA receiving the funds must be in the name of the beneficiary of the 529 plan, the 529 plan must have been maintained for 15 years or longer and the beneficiary must be eligible to contribute to a Roth IRA. Important to note for year-end tax planning, the annual limit for how much can be moved from a 529 Plan to a Roth IRA is the IRA contribution limit for the year ($7,000 in 2025), less any traditional IRA or Roth IRA contributions that are made for the year.

In addition to the previous items, 529 education plans can now be rolled over to a 529A ABLE account for designated beneficiaries. Distributions from 529A ABLE accounts are tax free if they are used for qualified disability expenses.

Coverdell education savings accounts

A Coverdell education savings account ("ESA") is like a 529 plan although with a handful of differences. Some of the differences include:

- ESA funds may be used for K-12 education.
- The maximum annual contribution to an ESA is limited to $2,000 with no five-year front-loading opportunity.
- Taxpayers are phased out from using an ESA once their adjusted gross income exceeds certain limits.
- Contributions to an ESA are irrevocable and may not be reclaimed by the contributor.

Much like a 529 Plan, a distribution from an ESA must be matched with a qualified education expense for the distribution to be tax-free. A good year-end planning exercise is to evaluate the level of qualified education expenses for the year and match these expenses with a corresponding distribution from the ESA.

Lifetime learning credit and American opportunity tax credit

Although there is no year-end planning that may be done, keep in mind that when you file your 2025 income tax return, you or your dependent may qualify for either the lifetime learning credit (up to $2,000) or the American opportunity tax credit (up to $2,500) subject to phaseouts at certain income limits. Anyone pursuing higher education, including specialized job training and grad school, for themselves, their spouse or dependents may be able to take advantage of these tax credits.

Student loan interest deduction

As with the tax credits described above, there is no year-end planning that may be accomplished with this deduction. You simply need to be aware that the interest paid on loans that you incurred for education purposes for yourself, your spouse, or your dependent may be tax-deductible. This benefit applies to all loans (not just federal student loans) used to pay for higher education expenses. The maximum deduction is $2,500 a year. Taxpayers are phased out from using this deduction once their adjusted gross income exceeds certain limits.

Student loan interest deduction thresholds			
Filing status	**Maximum deduction**	**Phaseout begins**	**Phaseout ends**
Married filing jointly	$2,500	$170,000	$200,000
Single	$2,500	$85,000	$100,000
Head of household	$2,500	$85,000	$100,000
Married filing separate	$0	N/A	N/A

Trump accounts

A Trump account is a new account created by the One Big Beautiful Bill Act for individuals under age 18. Non-deductible contributions up to $5,000 can be made to these accounts beginning on July 4, 2026. In addition, the federal government will contribute $1,000 to a Trump Account for children born between January 1, 2025, and December 31, 2028. Distributions will be allowed once the beneficiary turns 18. These distributions can be used for any purpose, but these distributions will be taxed like IRAs. So, distributions before age 59 ½ will be subject to a 10% penalty unless they qualify for an exception (such as qualified higher education expenses or qualified first-time home purchases up to $10,000) or represent a return of contributions. As these accounts are new for 2026, we expect more information on the specific rules to be released later in 2026. As changes occur, be sure to discuss these accounts with your wealth team.

Medical expenses and income taxes

Due to the significant financial and emotional burden medical expenses place on individuals, several provisions within the tax code try to lessen these burdens on taxpayers. In this next section we will discuss things to consider before year-end as they relate to tax accounts, and potential deductions that may be available to individuals.

Health savings accounts (HSA)

An HSA is a tax-exempt trust or custodial account you establish with a qualified HSA trustee to pay or reimburse certain medical expenses you incur. You must be covered under a high-deductible health plan (HDHP) to contribute to an HSA.

Health savings account characteristics		
Characteristic	**2025**	**2026**
Minimum annual deductible (self-coverage)	$1,650	$1,700
Minimum annual deductible (family coverage)	$3,300	$3,400
Out of pocket maximum (self-coverage)	$8,300	$8,500
Out of pocket maximum (family coverage)	$16,600	$17,000
Maximum contribution (self-coverage)	$4,300	$4,400
Maximum contribution (family coverage)	$8,550	$8,750

The benefits from having an HDHP with an HSA include:

- You can claim a tax deduction for contributions you, or someone other than your employer, make to your HSA even if you do not itemize your deductions on your tax return.
- Contributions to your HSA made by your employer (including contributions made through a cafeteria plan) may be excluded from your gross income.
- The contributions remain in your account until you use them.
- The interest or other earnings on the assets in the account are tax free.
- Distributions may be tax free if you pay qualified medical expenses. If you receive distributions for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional 20% penalty.
- An HSA is "portable." It stays with you if you change employers or leave the work force.
- You can make contributions to your HSA for 2025 through April 15, 2026.
- Those 55 and older can contribute an additional $1,000 as a catch-up contribution.

Health care flexible spending accounts (FSA)

A health FSA allows employees to be reimbursed for medical expenses. FSAs are usually funded through voluntary salary reduction agreements with your employer or contributions made by your employer. Self-employed persons are not eligible for FSAs. You may enjoy several benefits from having an FSA:

- Contributions made by your employer can be excluded from your gross income.
- No employment or income taxes are deducted from the contributions.
- Reimbursements may be tax free if you pay qualified medical expenses.

For 2025, cafeteria plans may allow employees to elect no more than $3,300 in salary reduction contributions to a health FSA. FSAs are governed by the IRS' use-or-lose rule which requires that any funds in an FSA must be spent by the end of the plan year or else be forfeited to the plan. You have until March 15 to incur eligible expenses but can submit claims for reimbursement until March 31, 2025. Alternatively, a health FSA may allow for a carryover of unused amounts of up to $660 from a 2025 plan to the following year. An FSA can allow a grace period or carryover, but not both. So if you have an FSA, you should consult the plan's rules prior to year-end.

Itemized deduction

Medical expenses, including amounts paid as health, long-term care, and dental insurance premiums, are deductible only to the extent that the total medical and dental expenses exceed 7.5% of AGI for all taxpayers. "Bunching" medical and dental expenses in one calendar year can help maximize the allowable deduction. You can include in your medical expenses a part of a life-care fee or "founder's fee" you pay either monthly or as a lump sum under an agreement with a retirement home. The part of the payment you include is the amount properly allocable to medical care. The agreement must require that you pay a specific fee as a condition for the home's promise to provide lifetime care that includes medical care. You can use a statement from the retirement home to prove the allocable amount. The allocable amount must be based either on the home's prior experience or on information from a comparable home.

You can also include as a medical expense deduction; amounts paid for qualified long-term care services and certain amounts of premiums paid for qualified long-term care insurance contracts. You can include:

- Unreimbursed expenses for qualified long-term care services,
- A portion of qualified long-term care premiums (age-based per person limit ranging from $480 (age 40 and under) to $6,020 (age 71 and over) as medical expenses on Schedule A (Form 1040).

Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services (a care which has as its primary purpose the providing of chronically ill individual with needed assistance with the individual's disabilities) that are required by a chronically ill individual, and provided pursuant to a plan of care prescribed by a licensed heal care practitioner.

You can include in medical expenses advance payments to a private institution for lifetime care, treatment, and training of your physically or mentally impaired child upon your death or when you become unable to provide care. The payments must be a condition for the institution's future acceptance of your child and must not be refundable.

Itemized deduction changes

For 2025 and moving forward, many of the rules surrounding itemized deductions remain the same. Medical expenses are still deductible to the extent the exceed 7.5% of your adjusted gross income, interest on home mortgage indebtedness is limited to the first $750,000 of debt, charitable contribution limitations remain the same, and miscellaneous itemized deductions remain non-deductible. However, changes to the SALT deduction and a new limitation on itemized deductions will impact taxpayers in 2025 and 2026, respectively.

SALT deduction

Prior to 2025, the SALT deduction— including real estate and personal property tax— were limited to $10,000. This change originated from the Tax Cuts and Jobs Act of 2017. As a result of intense negotiations surrounding the OBBBA, the SALT deduction increases to a maximum of $40,000. The deduction phases out for taxpayers with income between $500,000 and $600,000. However, the deduction cannot drop below $10,000.

In addition, the SALT limitation will increase by 1% each year from 2025 through 2029. In 2030, the cap reverts to $10,000. In addition, to the higher SALT deduction, OBBBA codifies the pass-through entity tax ("PTET"). Under this option, pass-through businesses can elect to pay the state income tax on behalf of their owners using it as a deduction for the business' taxable income. Thus, business owners can avoid the SALT deduction limitation by having their businesses take the deduction. It should be noted that each state has different rules regarding the PTET. Taxpayers should consult with their tax preparers to ensure proper compliance.

Revised itemized deduction limitation

As stated earlier, beginning in 2026 the value of itemized deductions for taxpayers within the 37% tax bracket will be limited to $0.35 on the dollar. This new limitation should be considered as part of your year-end planning. Taxpayers in the highest tax bracket could find that by incurring additional medical expenses, paying taxes, or making charitable contributions could be slightly more beneficial in 2025 versus 2026. Your tax preparer can provide a multi-year tax projection to illustrate the potential benefit.

Alternative minimum tax

The bane of many a taxpayer's return, the alternative minimum tax (AMT) is a separate calculation of tax liability that causes certain types of non-taxable income to be taxable and eliminates specific deductions. In the past, more taxpayers were subject to the AMT due to their state tax income tax deduction, real estate tax deduction, investment management fees, and certain types of stock option income. The Tax Cuts and Jobs Act of 2017 significantly increased the AMT exemption and phase-outs to reduce the number of taxpayers subject to this tax. The OBBBA made these changes permanent, and they will continue to be adjusted for inflation in future years. In addition, rules surrounding the deductions that caused more individuals to be subject to AMT have been changed. The state income tax and real estate tax deductions have been limited to $40,000 (with income limitations) while investment management fees are no longer deductible.

Alternative minimum tax thresholds

Filing status	Exemption	Phaseout begins	Phaseout ends
Married filing jointly	$137,000	$1,252,700	$1,800,700
Single	$88,100	$626,350	$978,750
Head of household	$88,100	$626,350	$978,750
Married filing separate	$68,500	$626,350	$900,350
Estates and trust	$30,700	$102,500	$225,300

Estimated tax payments

Tax payments are expected to be made as income is generated, and a return is filed to reconcile the amount of tax due. If you are not withholding taxes on the taxable income generated, then you are required to make quarterly tax payments. If you do not pay enough in taxes — either through tax withholding or estimated tax payments throughout the year — you may have to pay a penalty.

Tax withholding

Most income earned through an employer (salary or wages) will have taxes withheld with each check. Other sources of income like Social Security, pension income, or distributions from retirement accounts and annuities will allow the recipient to choose whether to withhold taxes and at what tax rate.

Who is required to make estimated tax payments?

If both of the following apply, you must pay estimated tax payments:

- You expect to owe at least $1,000 in tax after credits for 2025 and payments already remitted (either via 2024 overpayment or tax withheld) and
- You expect the tax already paid and tax credits to be less than the smaller of:
  - 90% of the tax to be reported on your 2025 tax return,
  - 110% of the tax shown on your 2024 tax return, only if it covered all 12 months.

Typically, self-employed individuals, landlords and investors with significant portfolios are required to make estimated tax payments.

Exceptions:

- These dates may change for taxpayers if their region/state is in a federally declared disaster area and additional time is provided to make tax payments.

When to pay estimated tax	
For taxable income generated during:	**Estimated tax payment deadline**
January 1, 2025 – March 31, 2025	April 15, 2025
April 1, 2025 – May 31, 2025	June 16, 2025
June 1, 2025 – August 31, 2025	September 15, 2025
September 1, 2025 – December 31, 2025	January 15, 2026

Note: These are the deadlines to make payments for income generated quarterly. Individuals may decide to make payments on a more frequent basis.

- If you are required to make state tax payments, some states may have slightly different due dates than the federal estimated tax payment.
- If you decide to file your 2025 tax return by February 2, 2026 (because February 1st falls on a Sunday) and pay any remaining tax due, no payment is required by January 15th.

The above rules apply to Individuals, corporations, estates and trusts are also required to make estimated tax payments.

- Corporations are required if they expect to owe at least $500 for the tax year.
- Estates are exempt from estimated tax payments for the first two years after the decedent's death.

Penalties

If you did not pay enough through tax withholding or estimated tax payments, then you may be subject to a penalty. The penalty will be calculated separately for each required quarterly payment.

The penalty may be waived if the IRS determines that:

- In 2025, you retired after reaching age 62 or became disabled, and your underpayment was due to reasonable cause (and not willful neglect); or
- The underpayment was due to a casualty, disaster or other unusual circumstance and it would be inequitable to impose the penalty.

To request a waiver, file Form 2210 explaining the situation and providing documentation.

The interest rate the IRS charges for penalties is based on the short-term Treasury rate plus three points. For the quarter beginning October 1, 2025, the rate is 7% compounded daily for individuals with underpayments. The IRS updates this information each quarter and posts the information in their News section.

It is possible to pay a penalty and still receive a refund, so it is important to work closely with your tax preparer to determine your income for the year and plan to make estimated tax payments throughout the year as needed.

Estate tax and wealth planning

Year-end tax planning offers a strategic opportunity for individuals and families to optimize their financial situation and minimize estate and income tax liabilities. Taxpayers can employ sophisticated methods to optimize their financial standing while complying with ever-changing tax regulations. One of the foundational strategies for year-end gift and estate tax planning is annual exclusion gifting. The annual gift tax exclusion allows individuals to gift up to $19,000 per person without triggering gift tax consequences. A married couple could give a combined $38,000 to each beneficiary. By utilizing the annual exclusion, individuals can transfer wealth to their beneficiaries without incurring gift taxes, thereby reducing their taxable and potentially minimizing future estate tax liabilities. Certain transfers are not subject to the annual exclusion. Any amounts paid for another person's tuition or medical expenses directly to the provider will not fall under the $19,000 annual exclusion. The amount that can be paid for these two types of expenses are unlimited and will not count as an annual exclusion gift.

In addition, many families can maximize their annual exclusion gifting by leveraging discountable vehicles such as a family limited partnership (FLP) or a family holding limited liability company (LLC) (collectively, FLP). As discussed later, the ability to discount the value of the FLP interest or LLC interest could allow the individual to transfer more wealth to their beneficiaries in a tax efficient manner.

Another creative way to utilize the annual exclusion gift would be to give cash to children or other family members to introduce younger beneficiaries to wealth. A concern for every family is how the next generation will manage their wealth. The gift of cash in the amount of the annual exclusion could introduce good stewardship of wealth to the next generation while allowing the grantor to quietly monitor such beneficiaries use of the annual exclusion gifts.

The federal gift, estate, and generation skipping transfer (GST) tax exemptions reside at $13.99 million for 2025. Thus, any transfer made to an individual greater than $19,000 will first be applied to the donor's gift and estate tax exemption. If the sum of all donor's taxable gifts throughout their lifetime exceeds $13,990,000 in 2025, then a 40% gift tax is assessed on the amount above $13,990,000. This tax is due on April 15th.

For individuals who die in 2025, their executor may need to file an estate tax return. If the taxpayer had a gross estate greater than $13.99 million or would like to transfer the deceased spousal unused exclusion (DSUE) to the surviving spouse, then Form 706, United States Estate (and Generation-Skipping Transfer) tax return must be filed nine months after the date of death. While an executor can file for a six-month extension to file the return, any tax due must be paid within nine months of the date of death. Note that some states also require the filing of an estate tax return and may have an exemption amount less than the federal exemption. Please discuss with your estate attorney and tax preparer to determine if a state tax return needs to be filed in the decedent's resident state and potentially additional non-resident states where they owned property.

Along with the estate and gift tax exemption, the GST Tax has the same $13.99 million exemption in 2025. The GST is a separate federal tax levied on gifts and inheritance transfers to grandchildren and individuals more than a generation below the transferor (a generation below being defined as 37 ½ years young or more). The reason for the GST is to prevent taxpayers from shifting assets to their grandchildren without the intermediate generation paying estate tax on these assets. Like the estate tax exemption the tax rate on transfers subject to GST is 40%.

Estate tax exemption in 2026

As stated in the introduction, the federal gift, estate, and generation-skipping transfer tax exemption increase to $15 million in 2026. Prior to the passage of OBBBA, wealth advisors were discussing the need to make significant wealth transfers prior to the sunset provisions embedded in the Tax Cuts and Jobs Act of 2017. With the $15 million estate tax exemption beginning in 2026 and adjusted for inflation in future years, wealth transfer strategies can be thoughtfully discussed considering potential estate tax, asset growth, family dynamics, and if a family business involved, succession planning.

Wealth transfer strategies

Below are some of the more common strategies that can both transfer assets and freeze asset values. As these strategies do not work in every situation, we encourage you to work with your full wealth advisory team including your tax preparer and estate planning attorney to fully understand how these ideas impact your specific situation.

- **Spousal Lifetime Access Trust (SLAT):** A SLAT is a trust where a gifting spouse transfers property for the benefit of the recipient spouse and other beneficiaries. Typically, transfers to spouses qualify for the 100% marital deduction. But in this strategy, the gifting spouse elects to use their gift exemption (and possibly GST Tax exemption) to the gift made in trust. During the recipient spouse's life, they may receive distributions of income and principal for reasons outlined within the trust document. So long as the couple remains married, the gifting spouse could potentially be an indirect beneficiary of distributions received by the spouse. However, if the recipient spouse divorces the gifting spouse or dies, the assets in trust pass to the named beneficiaries.
- **Irrevocable Life Insurance Trust (ILIT):** An ILIT is a trust designed to hold life insurance policies outside the taxable estate. By structuring this trust correctly, life insurance policy death benefit proceeds can be excluded from a decedent's gross estate, thereby reducing the overall estate tax burden. This strategy can be especially advantageous for those with large estates that might otherwise be subject to significant

estate taxes. These insurance trusts can provide liquidity to help pay large estate tax liabilities. The use of an ILIT can provide a flexible gifting structure. By gifting funds to the ILIT to cover life insurance premiums, individuals can make use of the annual exclusion, allowing them to transfer wealth to beneficiaries without incurring gift taxes. Once assets are transferred to an ILIT, they cannot be easily accessed or changed. This requires careful consideration and planning to ensure that the assets placed within the trust align with long-term goals.

- **Grantor retained annuity trust (GRAT):** A GRAT allows individuals to transfer assets to an irrevocable trust while retaining an annuity interest for a specified period. Typically, a GRAT is a short-term trust with a term between two to nine years. By transferring assets into a GRAT, the future appreciation of such asset can be removed from the taxable estate. If the assets appreciate at a rate greater than the rate published by the IRS, the excess growth will pass to beneficiaries free of gift or estate tax. Generally, an individual will want to transfer an asset that has the greatest probability of appreciating rapidly over a short period of time. For grantors that have already utilized all their estate tax exemption, a GRAT is an excellent vehicle to transfer wealth to the next generation. If the grantor outlives the GRAT term, any remaining assets in the trust pass to beneficiaries with little to no gift tax implications. This effectively allows for tax-free gifting of appreciated assets. In addition, the grantor may retain control over the assets during the GRAT term, allowing for the management and benefit from any investment gains. If the grantor does not outlive the GRAT term, the assets are returned to the grantor's estate. While this minimizes the downside risk, it also means that the intended tax benefits may not be fully realized. In addition, GST exemption is generally not allocated to a GRAT, so this strategy is usually not used for multi-generation wealth transfers.
- **FLP or Family Holdings Limited Liability Company:** An FLP is a legal entity that allows family members to collectively manage and control assets, often with the goal of consolidating family wealth while taking advantage of valuation discounts. The valuation discounts due to lack of marketability and/or lack of control, may reduce the value of the FLP, thus reducing the value of the taxable estate. Senior family members typically maintain indirect control of the entity, while junior family members or beneficiaries hold non-voting limited partnership interests. Integrating an FLP into year-end tax planning can be a powerful strategy for optimizing estate and gift tax outcomes while consolidating family wealth. By harnessing valuation discounts, retaining control, and enhancing asset management efficiency, individuals can maximize their financial legacies and ensure a smooth transition of wealth to future generations. Given the complexities involved, seeking guidance from professionals well-versed in estate planning and FLP structures is critical to successfully implementing this strategy.

These ideas not just impact your families financially but can also impact the underlying family dynamics. As such, these options should be carefully vetted considering all repercussions and consequences. We encourage you begin the conversations with your family and your team of advisors now to determine the best course of action.

Income tax tables

The following are some of the key tax tables for 2025 provided for your reference.

Married filing jointly	
Taxable income	**Tax**
$0- $23,850	10% of taxable income
$23,851 - $96,950	$2,385 + 12% of the amount above $23,850
$96,951 - $206,700	$11,157 + 22% of the amount above $96,950
$206,701 - $394,600	$35,302 + 24% of the amount above $206,700
$394,601 - $501,050	$80,398 + 32% of the amount above $394,600
$501,051 - $751,600	$114,462 + 35% of the amount above $501,050
Greater than $751,601	$202,154.50 + 37% of the amount above $751,600

Single	
Taxable income	**Tax**
$0 - $11,925	10% of taxable income
$11,926 - $48,475	$1,192.50 + 12% of the amount above $11,925
$48,476 - $103,350	$5,578.50 + 22% of the amount above $48,475
$103,351 - $197,300	$17,651 + 24% of the amount above $103,350
$197,301 - $250,525	$40,199 + 32% of the amount above $197,300
$250,526 - $626,350	$57,231 + 35% of the amount above $250,525
Greater than $626,350	$188,769.75 + 37% of the amount above $626,350

Head of household	
Taxable income	**Tax**
$0 - $17,000	10% of taxable income
$17,001 - $64,850	$1,700 + 12% of the amount above $17,000
$64,851 - $103,350	$7,442 + 22% of the amount above $64,850
$103,351 - $197,300	$15,912 + 24% of the amount above $103,350
$197,301 - $250,500	$38,460 + 32% of the amount above $197,300
$250,501 - $626,350	$55,484 + 35% of the amount above $250,500
Greater than $626,350	$187,031.50 + 37% of the amount above $626,350

Married filing separate	
Taxable income	**Tax**
$0 - $11,925	10% of taxable income
$11,926 - $48,475	$1,192.50 + 12% of the amount above $11,925
$48,476 - $103,350	$5,578.50 + 22% of the amount above $48,475
$103,351 - $197,300	$17,651 + 24% of the amount above $103,350
$197,301 - $250,525	$40,199 + 32% of the amount above $197,300
$250,526 - $375,800	$57,231 + 35% of the amount above $250,525
Greater than $375,801	$101,077.25 + 37% of the amount above $375,800

Estates and trusts	
Taxable income	**Tax**
$0 - $3,150	10% of taxable income
$3,151 - $11,450	$315 + 24% of the amount above $3,150
$11,451 - $15,650	$2,307 + 35% of the amount above $11,450
Greater than $15,650	$3,777 + 37% of the amount above $15,650

Individual standard deduction	
Filing status	**Amount**
Married filing jointly	$31,500
Single	$15,750
Head of household	$23,625
Married filing separate	$15,750

Income tax deadlines in 2026

The following information is a non-exclusive list of income tax deadlines for various federal forms as of the date of publication. As always, we strongly encourage you to consult with your tax advisor to confirm which deadlines apply to your tax situation. If you live in an area that includes a federal disaster area, you may be subject to an extended deadline. The following deadlines refer to federal forms only. State tax filing requirements may have different due dates. As always, check with your tax preparer to confirm all tax filing deadlines to which you may be subject.

Due date	Document	Form
January 15, 2026	2025 Fourth Quarter Estimated Tax Payment	1040-ES
March 16, 2026 (March 15 falls on a Sunday)	Calendar Year S Corporation Tax Return	1120S
	Calendar Year Partnership Tax Return	1065
	Extension requests	
	S Corporation Return	7004
	Partnership Return	7004
April 15, 2026	Individual Income Tax Return	1040
	Calendar Year Trust and Estate Income Tax Return	1041
	Gift and Generation-Skipping Transfer Tax Return	709
	Calendar Year C Corporation Tax Return	1120
	2026 First Quarter Estimated Tax Payment	1040-ES
	Extension requests	
	Individual Return	4868
	Trust and Estate Return	7004
	Gift and Generation Skipping Return • No Payment • Payment	 4868 8892
	C Corporation Return	7004
May 15, 2026	Calendar Year Private Foundation Tax Return	990PF
	Extension Requests	
	Calendar Year Private Foundation Tax Return • No Payment • Payment via Electronic Federal Tax Payment System (“EFTPS”)	 8868 8868
June 15, 2026	2026 Second Quarter Estimated Tax Payment	1040-ES
September 15, 2026	Extended Due Date for Calendar Year S Corporation Return	1120ES
	Extended Due Date for Calendar Year Partnership Return	1065
	Extended Due Date for Calendar Year C Corporation Return	1120
	2026 Third Quarter Estimated Tax Payment	1040-ES

Due date	Document	Form
September 30, 2026	Extended Due Date for Calendar Year Trust and Estate Return	1041
October 15, 2026	Extended Due Date for Individual Tax Return	1040
	Extended Due Date for Gift and Generation-Skipping Transfer Tax Return	709
November 16, 2026 (November 15 falls on a Sunday)	Extended Due Date for Calendar Year Private Foundation Return	990-PF

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