

November 2025

Changes that may impact your 2025 Tax Return

One Big Beautiful Bill Summary - Courtesy of A Smith Financial

Children (Dependents)

Child Tax Credit increases to \$2,200

Refundable portion increase \$1700

2026 starts Dependent Care Assistance Program

Child Day Care Credit – increase from 35% to 50% (income limits apply) (capped at \$3000/child)

Adoption Refundable Credit

Increase standard deductions with inflation adjustments (effective 2025)

Single \$15,750

Married Filing Joint \$31,500

Head of Household \$23,625

Increase to SALT limitation from \$10,00 to \$40,000

Mortgage Interest over \$10,000 = Advantageous to Itemization = Need to provide Property Tax, Charitable Contributions Information (phase out with AGI over \$500,000/ MFJ \$600,000)

Enhanced Senior Standard deduction for 65 +

\$6000 additional to standard deduction (note income cap at \$75,000 MFJ \$150,000)

Working individuals need to consider Roth contributions or CONVERSIONS to offset

401K Catch Up for 50 + individuals

2026 / 2027 additional catch up – After Tax Roth (traditional contributions no longer permitted)

Final Regulations differ from the proposed regulations – Needs Further Review

Tax Free Overtime

Employer Payroll Needs to provide report to IRS

Example \$20 / hr employee Overtime \$30/ hr = \$10 / hr will be tax free

Tax Free Tips (effective 2025-2028) *Qualifying Occupation list issued by IRS****

Employer Payroll Needs to provide report to IRS (max deduction with income caps)

Ex: Employee earns Regular \$20/hr + Overtime 1.50 = \$30/ hr = \$10 / hr will be tax free

No Tax Car Loan Interest (effective 2025-2028)

For car loans starting AFTER DEC 31,2024

USED Vehicles do not qualify

Final Assembly in USA

Maximum deduction \$10,000 with income phase out

Charitable Giving – 3 big changes

Non-itemizers can deduct up to \$1,000 (\$2,000 for joint filers) for cash donations starting in 2026.

Itemized charitable deductions are capped at 35% for those in the top bracket.

Additionally, itemizers can only deduct contributions above a floor of 0.5%.

529 Changes

Limit for K-12 Expenses Doubles to \$20,000

Expansion on qualified withdrawals for credentialing Post Secondary programs

Conversion to ABLE accounts

A Smith Financial Summary highlights some of the changes in effect for 2025 and beyond. Please schedule a FREE CONSULTATION BEFORE DECEMBER 31, 2025 to discuss your specific tax situation.