HELPFUL 2025 & 2026 TAX INFORMATION

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DEEM ASSET MANAGEMENT

The Modern Advisor

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MAJOR TAX NEWS

New Senior Deduction for 2025-2028

2025 Tax Act provides a temporary additional deduction of up to $6,000 for ages 65+. Adjusted Gross Income must be <$150k for married joint filing and <$75k for single.

Standard Deduction

The standard deduction is higher than expected due to Trump's "One Big Beautiful Bill". It increases to $31,500 for married couples filing jointly and $15,750 for singles in 2025 tax year. These deductions will increase 2% in 2026.

Charitable Deductions for Standard Filers

Starting in tax year 2026, taxpayers who take the standard deduction will be able to claim an "above-the-line" deduction for their charitable contributions

Tax Rate Extension

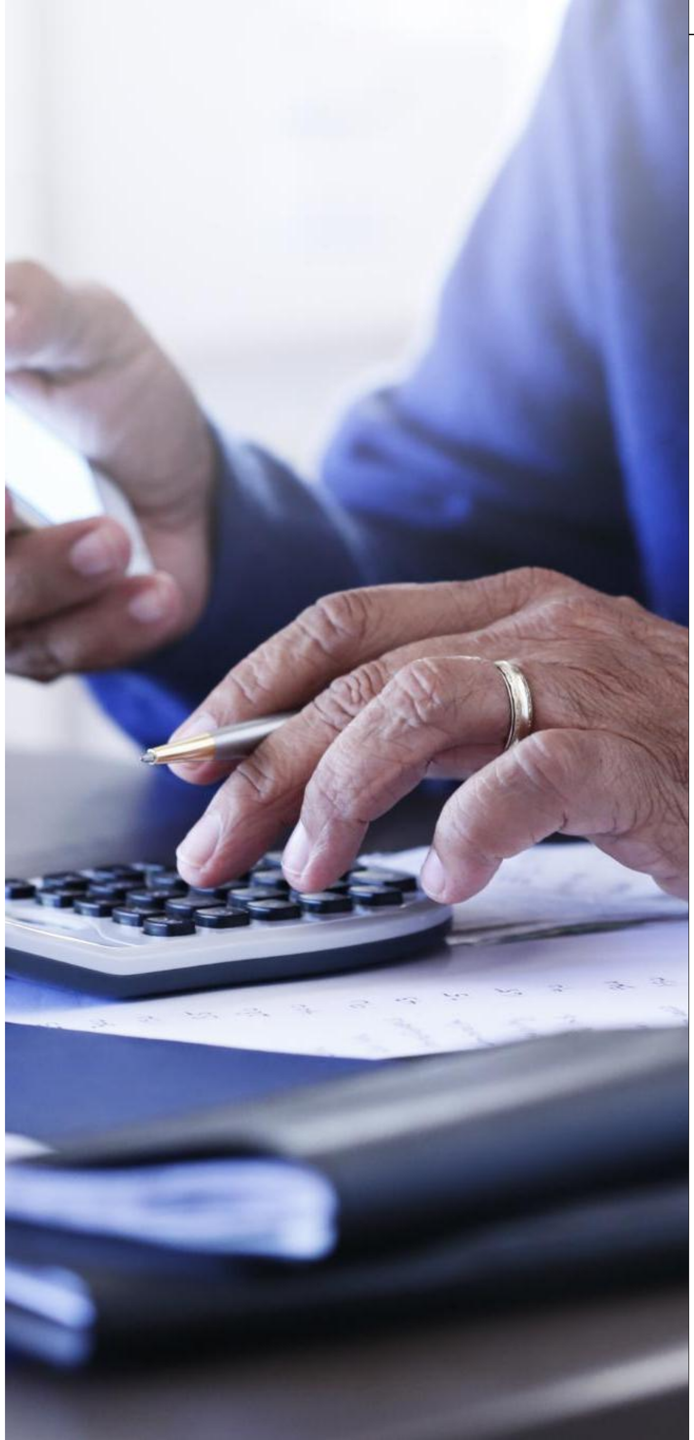
Low tax rates under Tax Cuts and Jobs Act remain in effect for 2026.

New Above-the-Line Deductions

Introduced deductions include tips, overtime, and auto loan interest, all with income-based phaseouts for taxpayers.

SALT Deduction Changes

SALT deduction cap raised to $40,000 with phase-outs and a return to original limits by 2030 for high earners.



INCREASED DEDUCTION FOR SENIORS

Increased Deduction Amount

Seniors aged 65 and older can claim an additional $6,000 deduction on taxable income starting 2025.

Income Phase-Out Limits

The deduction phases out for filers with MAGI above $75,000 single or $150,000 joint.

Eligibility Requirements

Taxpayers must have a valid Social Security number and cannot file as Married Filing Separately.

Purpose of Deduction

This deduction provides financial relief recognizing unique retirement challenges of seniors.

CHARITABLE DEDUCTION FOR NON-ITEMIZERS

New Deduction Eligibility

From 2026, non-itemizers can claim charitable deductions for cash contributions, expanding tax benefits to more taxpayers.

Deduction Limits

The deduction caps are $1,000 for singles and $2,000 for joint filers, limiting the maximum benefit for donors.

Exclusion of Property Donations

Property contributions to charities remain excluded from this deduction, applying only to cash donations.

Impact on Charitable Giving

This change encourages broader charitable donations and supports nonprofits while providing modest tax relief to donors.

INCREASED CHILD TAX CREDIT

Increased Credit Amount

The Child Tax Credit increased to $2,200 per child, starting in 2025, providing greater financial support.

Inflation Adjustment

The max credit will be adjusted annually for inflation to maintain its value over time.

Eligibility Requirements

Taxpayers and children must have valid Social Security numbers to qualify for the Child Tax Credit.

Income Phaseout Thresholds

Phaseout thresholds are $200,000 for single filers and $400,000 for married couples filing jointly.

CHILD AND DEPENDENT CARE CREDIT EXPANSION

Increased Credit Percentage

The maximum percentage of child and dependent care expenses eligible for credit increases to 50% starting in 2026.

Unchanged Expense Thresholds

Expense limits remain $3,000 for one dependent and $6,000 for two or more dependents despite the credit increase.

Expanded Income Eligibility

Higher phase-down income levels allow more middle- and upper-middle-income families to access the credit.

Support for Families and Workforce

The credit expansion helps reduce financial burdens, encouraging workforce participation and promoting family well-being.

TRUMP CHILD SAVINGS ACCOUNTS

Contribution Limits and Adjustments

Contributions are capped at $5,000 per year and adjusted for inflation after 2027 to maintain value over time.

Employer Contributions

Employers can contribute up to $2,500 annually to an employee's or dependent's account, supporting family savings.

Government One-Time Contribution

Federal government provides a one-time $1,000 contribution exclusively for eligible children born between 1-1-2025 and 12-31-2028. Children born outside this window can still open an account but do not receive the government seed money.

Withdrawal Restrictions and Account Creation

Withdrawals are restricted until age 18, and accounts are automatically created if parents do not open one.

WAGERING LOSS DEDUCTION LIMITATION

New Deduction Limit Rule

Starting in 2026, taxpayers can deduct only 90% of their wagering losses, limited by their winnings.

Deduction Based on Winnings

Deductions cannot exceed the amount of gambling winnings, ensuring deductions reflect actual financial outcomes.

Purpose of the Change

This limitation curbs excessive deductions and tightens tax rules on high-risk discretionary spending.

FORM 1099-K REPORTING THRESHOLD

Payment Platform Updated Reporting Threshold

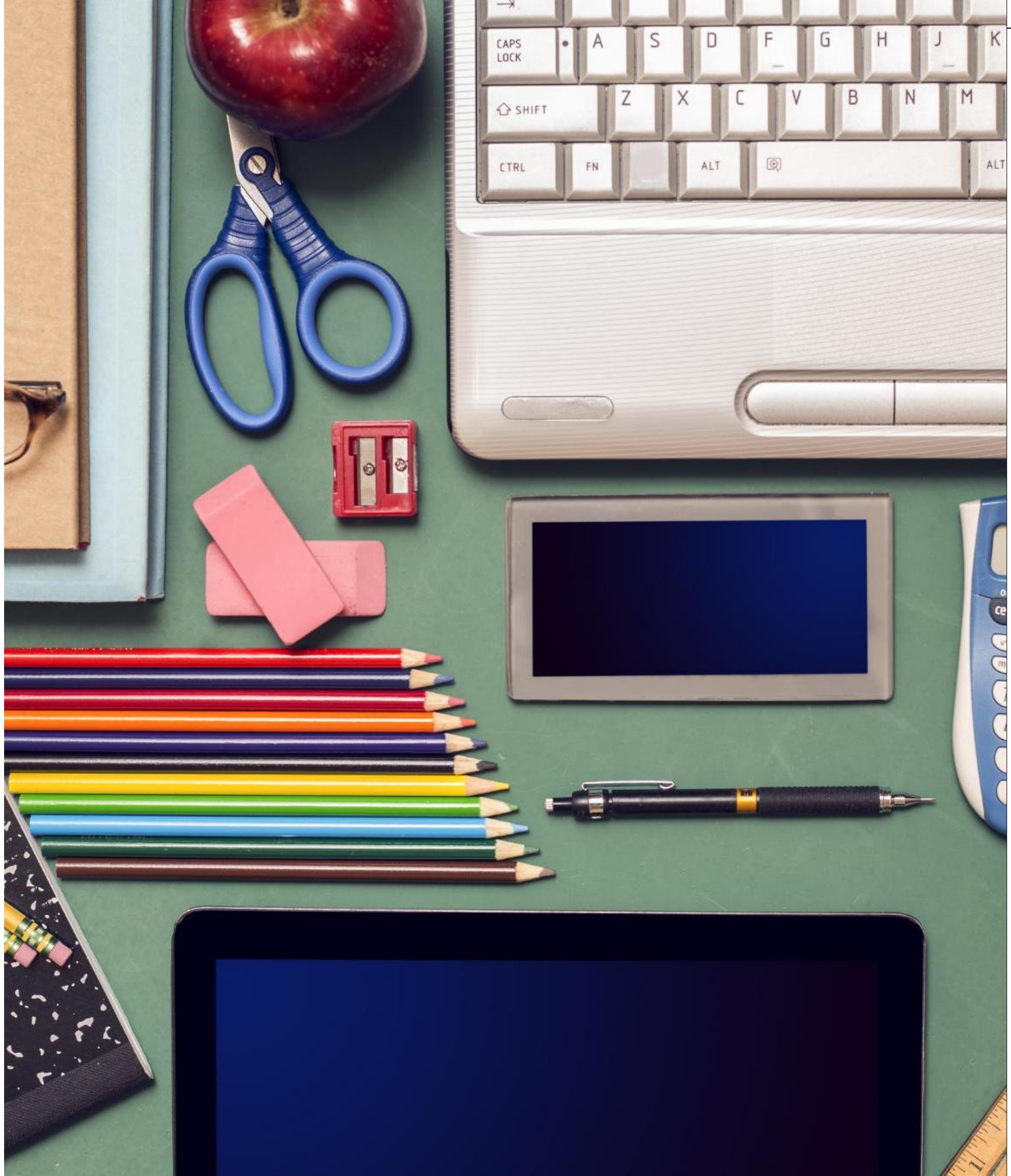
From 2025, Form 1099-K is required only if payments exceed $20,000 and transactions are over 200 annually.

Simplified Reporting for Small Sellers

The change reduces tax form issuance for casual sellers, easing administrative burdens and confusion.

Focused IRS Oversight

IRS can better focus on higher-volume transactions that are more likely taxable income.



529 PLAN EXPANSION

Expanded K-12 Coverage

Up to $20,000 tax-exempt can be used for K-12 expenses including books, tutoring, and online materials.

Rollover to Roth

Unused funds can be rolled into a Roth IRA subject to certain conditions (started in 2024).

Increased Plan Flexibility

Changes make 529 Plans more flexible and attractive for families saving for all education levels.

CAR LOAN INTEREST DEDUCTION

Deduction Eligibility

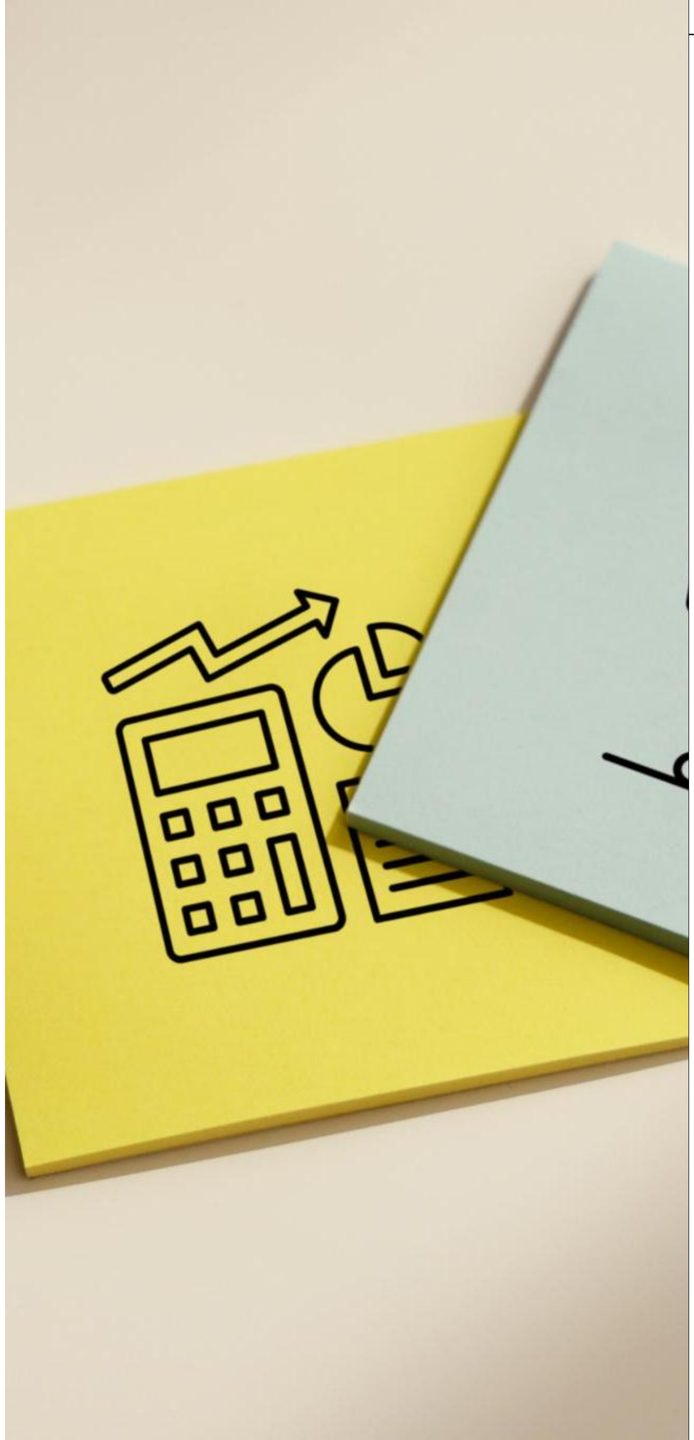
Car loan interest deduction applies from 2025 to 2028 for new cars with final assembly in the U.S.

Deduction Limit and Phase Out

Deduction limited to $10,000 interest; phased out 20% for MAGI above income thresholds.

Economic Impact

Provision supports U.S. manufacturing and encourages car buying, boosting the auto industry.



TAX CREDIT FOR SCHOLARSHIP CONTRIBUTIONS

Federal Tax Credit Overview

Starting 2027, eligible taxpayers can claim a federal tax credit up to $1,700 for scholarship donations.

Coordination with State Tax Credit

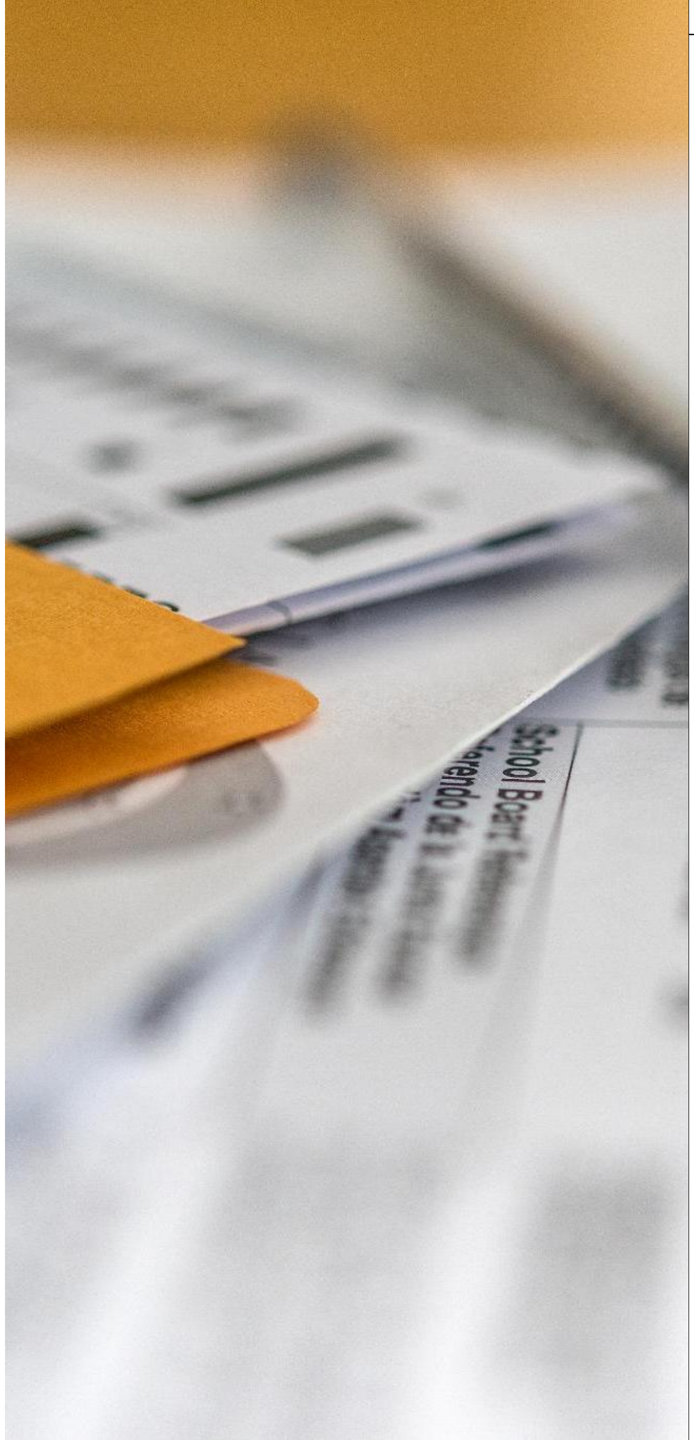
Federal credit reduces by the amount claimed on state tax returns for the same scholarship contribution.

Purpose and Benefits

This tax credit encourages private funding to expand access to education through scholarships.

Maximizing Tax Benefits

Taxpayers should coordinate their federal and state filings to receive maximum tax credit benefits.



TAX RULES FOR WORKERS AND SELF-EMPLOYED

Overtime Pay Deduction

Workers can deduct a portion of overtime pay from 2025 to 2028 under new tax rules.

Deduction Limits and Phase-Out

Deduction caps are $12,500 for single filers and $25,000 for joint filers, phasing out above certain MAGI thresholds.

Eligibility Restrictions

Deduction excludes those filing Married Filing Separately and requires a valid Social Security number.

Purpose of Provision

The rule encourages extra work by providing tax relief to income earners who work additional hours.

SALT DEDUCTION CAP INCREASE

Increased SALT Deduction Caps

The SALT deduction caps will rise to $40,000 for incomes under $500,000 and $250,000 for married filing separately between 2025 and 2029.

Phase-out for High Incomes

Taxpayers with MAGI over $500,000 face a 30% gradual deduction cap reduction until it reaches $10,000.

Annual Adjustments

Both the SALT deduction cap and income thresholds will increase annually by 1%, impacting tax planning strategies.

Impact on Tax Filing Choices

Changes may influence whether taxpayers itemize deductions or claim the standard deduction.

CLEAN VEHICLE CREDITS REPEALED

Permanent Credit Repeal

Several clean vehicle credits are permanently eliminated effective September 30, 2025, including new and used vehicle credits.

Impact on Consumers

The repeal may affect consumer decisions on purchasing electric and environmentally friendly vehicles, potentially slowing adoption.

Effect on Businesses

Businesses lose qualified commercial clean vehicle credits, influencing fleet purchasing choices and clean transportation investments.

RESIDENTIAL ENERGY CREDITS REPEALED

End of Energy Credits

Residential energy credits, including efficiency and clean energy, will end starting in 2025.

Affected Tax Credits

The repeal includes the Energy Efficiency Home Improvement Credit and Residential Clean Energy Credit.

Potential Consequences

Removing credits may reduce investments in energy upgrades and renewable installations, impacting environmental goals.

QUALIFIED RESIDENCE INTEREST DEDUCTION

Mortgage Interest Limit

The mortgage interest deduction limit is permanently set at $750,000 for acquisition debt starting in 2026.

PMI as Mortgage Interest

Private mortgage insurance premiums on acquisition debt may now be treated as deductible mortgage interest.

Exclusion of Home Equity Loan Interest

Interest on home equity loans is excluded from deductible qualified residence interest and remains non-deductible.

1099-NEC AND 1099-MISC THRESHOLD INCREASE

Threshold Increase Details

Starting in 2026, the reporting threshold rises from $600 to $2,000 for certain 1099 forms.

Impact on Tax Reporting

The increase reduces small amount form filings, easing tax reporting for freelancers and small businesses.

Inflation Adjustment

The threshold will be adjusted over time to account for inflation, maintaining relevance.

2025 FEDERAL TAX BRACKETS

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

Source: IRS

Source: IRS, nerdwallet

2026 FEDERAL TAX BRACKETS

Tax rate	Single filer	Married filing jointly (or surviving spouse)	Head of household	Married filing separately
10%	$0 to $12,400	$0 to $24,800	$0 to $17,700	$0 to $12,400
12%	$12,401 to $50,400	$24,801 to $100,800	$17,701 to $67,450	$12,401 to $50,400
22%	$50,401 to $105,700	$100,801 to $211,400	$67,451 to $105,700	$50,401 to $105,700
24%	$105,701 to $201,775	$211,401 to $403,550	$105,701 to $201,750	$105,701 to $201,775
32%	$201,776 to $256,225	$403,551 to $512,450	$201,751 to $256,200	$201,776 to $256,225
35%	$256,226 to $640,600	$512,451 to $768,700	$256,201 to $640,600	$256,226 to $384,350
37%	$640,601 or more	$768,701 or more	$640,601 or more	$384,351 or more

Source: IRS

Source: IRS, nerdwallet

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

Source: IRS, nerdwallet

2026 CAPITAL GAINS TAX RATES

Tax rate	Single	Married filing jointly	Married filing separately	Head of household
0%	$0 to $49,450	$0 to $98,900	$0 to $49,450	$0 to $66,200
15%	$49,451 to $545,500	$98,901 to $613,700	$49,451 to $306,850	$66,201 to $579,600
20%	$545,501 or more	$613,701 or more	$306,851 or more	$579,601 or more

Source: IRS, nerdwallet

2025 RETIREMENT, HSA, FSA, GIFT, AND ESTATE LIMITS

NOTE: 2026 WILL BE RELEASED IN A FEW WEEKS. RETIREMENT ACCOUNT LIMITS ARE PROJECTED TO GROW ~$500.

ITEM	2025 LIMIT
401(k)/403(b)/457	$23,500 (+$7,500 catch-up)
Traditional / Roth IRA	$7,000 (+$1,000 catch-up)
HSA (Individual)	$4,300 (+$1,000 catch-up)
HSA (Family)	$8,550 (+$1,000 catch-up)
Annual Gift Exclusion	$19,000 per recipient

DISCLOSURE

Informational Purpose Only

The material is for informational use and not intended as specific investment, tax or legal advice.

Consult Professionals

Always consult qualified financial, tax, or legal professionals for advice tailored to personal circumstances.

Suitability and Evaluation

Financial strategies may not suit everyone and should be assessed relative to individual financial goals and tax situations.

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