

2025 Tax Update

Thank you for choosing *Colorado Accounting & Tax Services* in preparing your 2025 taxes.

The Internal Revenue Service (IRS) announced that they will begin accepting and processing 2025 taxes on the following dates. Tax returns sent in before the prescribed dates will be held in queue and transmitted.

Tax Season Officially Starts

The IRS will start accepting 2025 Business Tax Returns on January 13, 2026.

The IRS will begin accepting Individual Tax Returns on January 26, 2026.

The deadline to submit 2025 individual tax returns is Wednesday, April 15, 2026.

Colorado Residents E-File Processing Dates

For 2025 tax year, **Colorado Department of Revenue** anticipates e-file processing dates to start around the same time as the IRS start dates.

2025 tax changes that will impact your taxes in 2026.

In July of 2025, the passage of the One Big Beautiful Bill Act (OBBA) established many new tax laws that became effective immediately and made permanent many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) that were set to expire at the end of 2025.

Standard Deduction

The passing of the OBBA by congress increased the standard deduction (STD) for 2025 taxable year. For individuals, the standard deduction increased by

\$1,150.00 per individual and \$2,300.00 for couples from the 2024 rates.

Below is a table that breaks down the Standard Deduction changes.

Filing status	2024 Standard Deductions	2025 Standard Deductions
Single	\$14,600.00	\$15,750.00
Married, filing separately	\$14,600.00	\$15,750.00
Married, filing jointly	\$29,200.00	\$31,500.00
Head of household	\$21,900.00	\$23,625.00

Please keep in mind that you may pick either the standard deduction or an itemized deduction. In some instances, the standard deduction may be higher than the itemized (Schedule A) amount, which is deducted from the Adjusted Gross Income (AGI) before arriving at a tax liability.

In addition, the standard deduction amount for an individual who may be claimed as a *dependent* by another taxpayer cannot exceed the greater of \$1,350 or the sum of \$450 and the individuals earned income.

Additionally, from 2025 to 2028, adults age 65 plus can claim a temporary bonus deduction of \$6,000 if single or \$12,000 if married filing jointly.

In essence, for the 2025 tax year, the total standard deduction plus bonus for those 65 and older is \$21,750 for a single person and \$43,500 for a married couple filing a joint return. With that being said, there is an income threshold

that applies to being 65 plus. Individual filers need to have their Modified Adjusted Gross Income (MAGI) to be \$75,000.00 or below and for married couples to be \$150,000 or below. This gradually phases out with higher income thresholds.

Earned Income Tax Credit

Earned Income Tax Credits (EITC) and Child Tax Credits (CTC) for 2025 increased slightly from 2024, and, for 2025 tax year, depending on your Adjusted Gross Income (AGI) limitations:

Please see the Table Below Child Tax Credit

Dependents	Maximum possible credit	Income limit for single, head of household or widowed filers	Income limit for married filing jointly filers
0	\$649	\$19,104	\$26,214
1	\$4,328	\$50,434	\$57,554
2	\$7,152	\$57,310	\$64,430
3 or more	\$8,046	\$61,555	\$68,675

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Child tax credit for 2025 (taxes filed in 2026), is worth up to \$2,200 per qualifying dependent child. The refundable portion, also known as the additional child tax credit, is worth up to \$1,700.

According to the IRS, a qualifying child should be your dependent for the 2025 tax year and generally must meet the following guidelines:

- Be under 17 at the end of the tax year.
- Be your son, daughter, stepchild,

eligible foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of one of these (for example, a grandchild, niece or nephew).

- Not provide more than half of his or her own support for the tax year.
- Have lived with you for more than half the tax year.
- Be claimed as a dependent on your return.
- Not file a joint return for the year (or filed a joint return only to claim a refund of taxes withheld or estimated taxes).
- Be a U.S. citizen, U.S. National or a U.S. resident alien.
- Must have a Social Security Number that is valid for employment and is issued before the due date of your tax return (including extensions).

In addition, you will be eligible for the full credit amount if your Modified Adjusted Gross Income (MAGI) is \$400,000 or below and your filing status is married filing jointly, or \$200,000 and below and your filing status is single, married filing separate, head of household and widower, thus all other filers. Also, if your MAGI exceeds the limits, the credit is reduced by \$50 for each \$1,000 of income above the threshold until it phases out completely.

New Tax Threshold on Capital Gains

Capital gains taxes are levied on the sale of capital assets, such as stocks, bonds, valuable items like jewelry and real estate. For the 2025 tax year, you will not have to pay any capital gains. For **long-term capital gains**, the tax rate is 0% if your **total taxable income is \$48,350 or less**. Individuals with taxable income above **\$48,350** generally pay a 15% capital gains tax rate.

- These income thresholds **double for married couples filing jointly**.
- The **maximum long-term capi-**

tal gains tax rate of 20% applies to individuals with taxable income **over \$533,400**, and to married couples filing jointly with taxable income **over \$600,050**.

Changes to State and Local Tax (SALT) deduction

Taxpayers who itemize deductions may benefit from a temporary increase in the state and local tax (SALT) deduction cap.

For married taxpayers filing jointly, the SALT deduction cap is increased from \$10,000 to \$40,000, provided their modified adjusted gross income (MAGI) does not exceed \$500,000.

For single filers and head-of-household filers, the SALT deduction cap is also \$40,000, subject to the same \$500,000 MAGI limitation.

Taxpayers filing married filing separately are subject to a reduced SALT deduction cap of \$20,000, with a MAGI limitation of \$250,000.

Gift Tax Exclusion Increase

When money or property is given to family members or friends as a gift, you may give up to \$19,000 per recipient in 2025 without incurring federal gift tax or using any of your lifetime gift and estate tax exemption. The recipient does not pay gift tax.

Estate Exemption

A decedent's estate is generally entitled to a federal estate tax basic exclusion amount (also called the unified credit or lifetime exemption) of about \$13.99 million per person in 2025 and \$15 million in 2026. In both years, estates can use this exclusion to shelter that amount of value from federal estate tax. Amounts above the exclusion may be subject to the **40% federal estate tax rate**.

Retirement Plan Contribution (2025/2026)

The annual contribution limit for a traditional or Roth IRA increases to \$7,500 for the 2026 tax year, up from \$7,000 for the 2025 tax year. In addition, the catch-up contribution for individuals age 50 and older increases to \$1,100 for 2026, up from \$1,000 for 2025, allowing eligible taxpayers to contribute more toward their retirement savings.

Other OBBBA deductions **SIDE NOTE**

No Tax on Tips

New deduction: Effective for tax years 2025 through 2028, employees and self-employed individuals may deduct qualified tips received in occupations that the IRS has identified as customarily and regularly receiving tips as of December 31, 2024. The deduction applies to tips that are properly reported on Form W-2, Form 1099, or another IRS-specified statement, or that are reported directly by the taxpayer on Form 4137.

- “Qualified tips” are voluntary cash or charged tips received from customers or through tip sharing.
- Maximum annual deduction is \$25,000; for self-employed. Deduction may not exceed individual's net income (without regard to this deduction) from the trade or business in which the tips were earned.

No Tax on Overtime

New deduction: Effective for tax years 2025 through 2028, individuals who receive qualified overtime compensation may deduct the portion of overtime pay that exceeds their regular rate of pay, such as the “half” component of “time-and-a-half” compensation required under the Fair Labor Standards Act (FLSA). The deduction applies only to overtime compensation that is properly reported on Form W-2, Form 1099, or another IRS-specified statement furnished to the individual.

- Maximum annual deduction is \$12,500 (\$25,000 for joint filers).
- Deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

No Tax on Car Loan Interest

New deduction: Effective for tax years 2025 through 2028, individuals may deduct interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets all other applicable eligibility requirements under the law.

(Lease payments do not qualify.)

- Maximum annual deduction is \$10,000.
- Deduction phases out for taxpayers with modified adjusted gross income over \$100,000 (\$200,000 for joint filers).

Please maintain a record keeping system, either electronic or paper, that organizes all important tax information in one place. This should include year-end income documents, such as:

- Forms W-2 from employers,
- Forms 1099 from banks or other payers,
- Form 1099-K from third party payment networks,
- Form 1099-NEC for non-employee compensation,
- Form 1099-MISC for miscellaneous income, or
- Form 1099-INT if you were paid interest, as well as records documenting all digital asset transactions.
- 1099 DA - this is a new form for digital assets. It primarily reports the total proceeds you received from digital asset sales. For the 2025 tax year, brokers are not required to report your cost basis (original purchase price) to the IRS, though some may do so voluntarily. Cost basis reporting becomes mandatory for covered securities" (assets acquired after 2025) starting with the 2026 tax year.

Ensuring that your tax records are complete and accurate before filing helps prevent errors and the need for amended returns, which can cause processing delays. Having all necessary documentation puts you in the best position to file an accurate return, avoiding refund delays and unnecessary IRS correspondence.

For more information or questions please email.

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