



Many business tax limits have increased in 2025

A variety of tax-related limits that affect businesses are indexed annually based on inflation. Many have increased for 2025, but with inflation cooling, the increases aren't as great as they have been in the last few years. Here are some amounts that may affect you and your business.

2025 deductions as compared with 2024

- Section 179 expensing:
 - Limit: \$1.25 million (up from \$1.22 million)
 - Phaseout: \$3.13 million (up from \$3.05 million)
 - Sec. 179 expensing limit for certain heavy vehicles: \$31,300 (up from \$30,500)
- Standard mileage rate for business driving: 70 cents per mile (up from 67 cents)
- Income-based phaseouts for certain limits on the Sec. 199A qualified business income deduction begin at:
 - Married filing jointly: \$394,600 (up from \$383,900)
 - Other filers: \$197,300 (up from \$191,950)

Retirement plans in 2025 vs. 2024

- Employee contributions to 401(k) plans: \$23,500 (up from \$23,000)
- Catch-up contributions to 401(k) plans: \$7,500 (unchanged)

- Catch-up contributions to 401(k) plans for those age 60, 61, 62 or 63: \$11,250 (not available in 2024)
- Employee contributions to SIMPLEs: \$16,500 (up from \$16,000)
- Catch-up contributions to SIMPLEs: \$3,500 (unchanged)
- Catch-up contributions to SIMPLE plans for those age 60, 61, 62 or 63: \$5,250 (not available in 2024)
- Combined employer/employee contributions to defined contribution plans (not including catch-ups): \$70,000 (up from \$69,000)
- Maximum compensation used to determine contributions: \$350,000 (up from \$345,000)
- Annual benefit for defined benefit plans: \$280,000 (up from \$275,000)
- Compensation defining a highly compensated employee: \$160,000 (up from \$155,000)
- Compensation defining a “key” employee: \$230,000 (up from \$220,000)

Social Security tax

Cap on amount of employees’ earnings subject to Social Security tax for 2025: \$176,100 (up from \$168,600 in 2024).

Other employee benefits this year vs. last year

- Qualified transportation fringe-benefits employee income exclusion: \$325 per month (up from \$315)
- Health Savings Account contribution limit:
 - Individual coverage: \$4,300 (up from \$4,150)
 - Family coverage: \$8,550 (up from \$8,300)
 - Catch-up contribution: \$1,000 (unchanged)
- Flexible Spending Account contributions:
 - Health care: \$3,300 (up from \$3,200)
 - Health care FSA rollover limit (if plan permits): \$660 (up from \$640)
 - Dependent care: \$5,000 (unchanged)

Potential upcoming tax changes

These are only some of the tax limits and deductions that may affect your business, and additional rules may apply. But there’s more to keep in mind. With President Trump back in the White House and the Republicans controlling Congress, several tax policy changes have been proposed and could potentially be enacted in 2025. For example, Trump has proposed lowering the corporate tax rate (currently 21%) and eliminating taxes on overtime pay, tips, and Social Security benefits. These and other

potential changes could have wide-ranging impacts on businesses and individuals. It's important to stay informed. Consult with us if you have questions about your situation.

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