



MILESTONE

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WEALTH

*An Independent Practice*

# *Understanding the 2025 Tax Bill*

# *Personal Taxes*

- The Tax Cuts and Jobs Act marginal tax rates have been made permanent instead of sunseting this year.
- Seven tax brackets remain intact, with a top bracket of 37% and a bottom bracket of 10%.
- The estate tax exclusion will climb to \$15 million starting next year and will be indexed for inflation, though it's subject to potential congressional revision.
- Standard deduction will rise permanently to \$15,750 for single filers and \$31,500 for joint filers, reducing the need for itemization.

# *SALT Deduction*

- Temporarily increases from \$10,000 to \$40,000 for taxpayers earning less than \$500,000, phasing out between \$500,000 and \$600,000 AGI.
- Will revert to \$10,000 in 2030 unless Congress acts again.
- Especially relevant for homeowners in high-tax states.

# *Social Security Tax Changes*

- A campaign promise to eliminate Social Security taxes did not fully materialize, but a temporary \$6,000 deduction is introduced for individuals 65+, (income  $\leq$  \$75,000 single /  $\leq$  \$150,000 joint).
- Approximately 88% of Social Security beneficiaries are now expected to pay no tax on their benefits.
- Deduction applies above the line, potentially offsetting tax liability on other income types (e.g., Roth conversions).

# *Tax on Tips*

- Tips remain taxable, but there is now a deduction for up to \$25,000 of qualified tip income.
- Phases out for those earning > \$150,000 single / > \$300,000 joint.
- Designed to offer relief for workers relying on gratuities in service industries.

# *Child Savings Accounts*

- Allows parents/guardians to open a type of custodial IRA for children under 18, without requiring earned income.
- Contributions are after-tax and max out at \$5,000 per year, per child, with potential employer match and a \$1,000 government deposit for children born within a specified window.
- Grows tax-deferred like a traditional IRA; withdrawals taxed as ordinary income.
- Penalty exceptions for expenses such as college, first home purchase, or starting a business.

# *Overtime Deduction*

- Above-the-line deduction for up to \$12,500 in overtime pay for single filers, \$25,000 for joint filers.
- Phases out at \$150,000 income for single filers and \$300,000 for joint filers.
- Intended to reduce or eliminate taxation on overtime earnings.

# *Additional Provisions*

- Bill includes a new deduction for interest on auto loans for vehicles assembled in the U.S.
- The permanent restoration of 100% bonus depreciation, offering long-term clarity for tax planning and capital investment strategies.



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