2025 - BROWN, BROWN AND ASSOCIATES, P.C. - 2025

May the New Year bring good tidings and great joy with blessings from above!

2025 - 2026 AS OF 12/26/2025

State and Local Tax Deduction (SALT) For taxpayers that itemize there has been a major change for Federal Form Schedule A. The maximum amount allowed for state and local tax deduction had been $10,000 since 2019, but for tax years 2025-2029 this state and local tax deduction has now been increased to **$40,000.**

Sending Money Overseas: New excise tax of 1% on noncitizens in the US sending money abroad after December 31, 2025.

Child Tax Credit The Child Tax Credit has been increased to $2,200 for each child age 16 and under.

Big Changes to Above the Line Deductions Starting 2026 Taxpayers do not have to itemize to get these following benefits:

1) Anyone age 65 or older gets an extra $6,000 per individual deduction added to your standard deduction. The deduction begins to phase out if single has adjusted gross income (AGI) of more than $75,000 or married more than $150,000.
2) Qualified Tips deduction of up to $25,000 (Married Filing Jointly). Must make less than $150,000 if single or $300,000 if married to qualify.
   Need to bring in a copy of your last paystub for 2025 which shows your tips as they may not be reflected separately on W-2.
3) There is a deduction for Qualified Overtime pay up to $12,500 for single taxpayers or $25,000 for married (this one can get very technical based on AGI income and taxpayer occupation - we are happy to help you in this area.)
   Need to bring in a copy of your last paystub for 2025 which shows your overtime as it will not be reflected separately on W-2.
4) Auto loan interest can be deductible (up to $10,000) but starts to phase out once AGI reaches $100,000 for singles and $200,000 for married individuals. Qualified interest is on loans that originated after December 31, 2024. The vehicle must be personal use, secured by a lien on the vehicle, and final assembly must be in the United States. To claim this deduction, you must bring in your interest paid statement from your lender.

Charity 2026 Good news above the line Charitable Deductions - $1,000 Single, $2,000 married - Bad news itemizers get a .5% reduction of their charitable deduction based on AGI.

2026 Tax Rate Tables for Taxable Income

Tax Rate	Single	Married	Head of Household
10%	$0 to $12,400	$0 to $24,800	$0 to $17,700
12%	$12,401 to $50,400	$24,801 to $100,800	$17,701 to $67,450
22%	$50,401 to $105,700	$100,801 to $211,400	$67,451 to $105,700
24%	$105,701 to $201,775	$211,401 to $403,550	$105,701 to $201,775
32%	$201,776 to $256,225	$403,551 to $512,450	$201,776 to $256,200
35%	$256,226 to $640,600	$512,451 to $768,700	$256,201 to $640,600
37%	$640,601 or more	$768,701 or more	$640,601 or more

529 College Savings Accounts Major changes as you can now take out up to $20,000 per year tax free starting in 2026 for educational expenses. Post high school credentialing program costs are now eligible for distributions. Starting in 2024, if you have a 529 plan that has been established for 15 years (under certain rules) you can convert the amount to a Roth IRA subject to Roth limitations.

1099-Misc and 1099-NEC Threshold for filing increased from $600 to $2,000 beginning with tax year 2026.

Bonus Depreciation Big change as Bonus Depreciation has been made permanent in the tax law and has been reinstated to 100%. If you purchased qualifying property 1-1-2025 to 1-19-2025 then you will be limited to 40% bonus depreciation. Starting 1-20-25 bonus is at 100%. Qualifying Property generally includes tangible business assets with a recovery period of 20 years or less, such as machinery, equipment, computers, furniture, and certain vehicles and qualified improvement property (QIP).

Trump Accounts for Kids The account features a pilot program contribution of $1,000 for children born between Jan. 1, 2025, and Dec. 31, 2028, and who are U.S. citizens with a valid Social Security number. These are basically tax-advantaged savings for every new child up to the age of 18, and parents can put in up to $5,000 annually. Parents will be able to opt in through a new tax Form 4547 that can be filed with their 2025 tax return. If you do not file with your 2025 tax return you should be able to file online at trumpaccounts.gov, beginning July 5, 2026.

Health Savings Accounts (HSAs) If you have a high deductible health insurance plan then you may qualify to use a health savings account. Single Individual can put up to $4,400 in an account and Married individuals can put in $8,750 for the 2026 tax year. Contributions to an HSA are completely tax deducible and as long as the money out of an HSA is spent on qualifying medical expenses - you never pay tax on those expenses. So if you are in the 22% tax bracket and contribute $1,000 to your HSA, you will save $220.00 in taxes.

Electric Vehicle Tax Credits 2026 Federal electric vehicle (EV) **purchase tax credits will largely be eliminated in 2026** for most consumers and vehicles. The primary federal incentives, including the new ($7,500) and used ($4,000) EV tax credits, expired on September 30, 2025.

Estate Planning 2026 Federal tax exemption for estates is now permanent at $15,000,000 per person and will be indexed for inflation each year. Just a reminder that everyone needs a Will. If you don't have one, get one! No one likes thinking about death or taxes, but we all need to be prepared in case something were to happen to us. Our spouse and/or children need to be taken care of in the best possible ways. And if you pass away without a will or trust, then a judge gets to decide how your assets are taken care of and distributed.

Tax Issues with the Sale of a Personal Residence If you have a capital gain when you sale your home it can be tax free. You can exclude from the gain up to $250,000 if filing single, $500,000 if married filing joint. You can qualify under the following rules:

1) You owned the home and it was your primary residence for two out of the last five years prior to the date of sale. How ever, there are exceptions to this rule, and the exclusion can be prorated if you have a very good reason for moving.
2) Generally, you cannot claim exclusion if you excluded the gain from another home sale within the prior two years.

May the Lord guide your steps and grant you a year of health, happiness, and prosperity!

	2025	2026
Maximum wages subject to social security tax	$ 176,100.00	$ 184,500.00
Tax rate for social security - employer and employee	6.20%	6.20%
Tax rate for Medicare (up to $200,000)	1.45%	1.45%
Medicare tax over $200,000 individual, $250,000 married, $125,000 married separate	0.90%	0.90%
Self employed and medicare tax rate	15.30%	15.30%
Extra Deduction for Seniors ages 65+ in 2026		
Phase out for Singles $75,000 to $175,000		$ 6,000.00
Phase out for Married $150,000 to $250,000		$ 12,000.00
Basic Medicare Insurance Monthly Premium		$ 202.90
Medicare Insurance Premium Adjusts AGI over - S - $109K or MFJ - $218K		$ 284.10
Medicare Insurance Premium Adjusts AGI over - S - $137K or MFJ - $274K		$ 405.80
Medicare Insurance Premium Adjusts AGI over - S - $171K or MFJ - $342K		$ 527.50
Medicare Insurance Premium Adjusts AGI over - S - $205K or MFJ - $410K		$ 649.20
Medicare Insurance Premium Adjusts AGI over - S - $500K or MFJ - $750K		$ 689.90
Recipients that take social security before full retirment age - max earnings before reduction of social security benefits:	$ 23,400.00	$ 24,480.00
Standard mileage rate for charitable use - cents per mile (01/01-12/31)	$ 0.14	$ 0.14
Standard mileage rate (projected to be between 71-73 cents but has not been posted yet	$ 0.700	$ 0.725
Mileage rate for medical use - cents per mile	$ 0.21	$ 0.21
Per diem meal and incidentals - truckers stayed the same	$ 80.00	$ 80.00
Per diem meal and incidentals - others stayed the same	$ 68.00	$ 68.00
Student loan interest maximum deduction (earning limits apply)	$ 2,500.00	$ 2,500.00
Charitable deduction without itemization - Singles		$ 1,000.00
Married		$ 2,000.00
- Maximum 2 children (S) $58,629 (M) $65,899	$ 7,152.00	$ 7,316.00
- 3 or more children (S) $62,274 (M) $70,224	$ 8,046.00	$ 8,231.00
- Childless worker age 25-64 (S) $19,540 (M) $26,820	$ 649.00	$ 664.00
Section 179 deduction (permanent)	$ 2,500,000.00	$ 2,560,000.00
Standard deduction : Single	$ 15,750.00	$ 16,100.00
Married	$ 31,500.00	$ 32,200.00
Head of Household	$ 23,625.00	$ 24,150.00
Married filing separately	$ 15,750.00	$ 16,100.00
Additional deduction for Elderly (65+) and Blind: Single	$ 2,000.00	$ -
Married (If both are 65+)	$ 3,200.00	$ 3,300.00
Extra Deduction per individual for Social Security Recipents (Income Limits)	$ 6,000.00	$ 1,600.00
Child tax credit - Reduced after Earnings Limit - MFJ $400,000 all others $200,000	$ 2,200.00	$ 2,200.00
Estate Exemption - Federal	$ 13,990,000.00	$ 15,000,000.00
Annual Gift Tax Exemption	$ 19,000.00	$ 19,000.00
Allowable retirement contributions - IRA	$ 7,000.00	$ 7,500.00
Additional contribution if 50 or older (each)	$ 1,000.00	$ 1,100.00
Allowable retirement contributions - Simple IRA	$ 16,500.00	$ 17,000.00
Additional contribution if 50 or older (each)	$ 3,500.00	$ 3,850.00
Additional super catch up if between 60-63 years old		$ 5,250.00
Allowable retirement contributions - SEP IRA	$ 70,000.00	$ 72,000.00
Allowable retirement contributions - 401k	$ 23,500.00	$ 24,500.00
Additional contribution if 50 or older (each)	$ 7,500.00	$ 8,000.00
Dependent care expense limit per child - 1 child	$ 3,000.00	$ 3,000.00
- 2 or more	$ 6,000.00	$ 6,000.00

Taxable Income	Long-Term Capital Gains Rates	
Single, under $48,350 for 2025 and under $49,450 for 2026	0.00%	0.00%
Single, $48,350 - $533,400 for 2025 and $49,451 to $545,500 for 2026	15.00%	15.00%
Single, equal to or greater than $533,400 for 2025 and $545,500 for 2026	20.00%	20.00%
Married Joint, under $96,700 for 2025 and under $98,900 for 2026	0.00%	0.00%
Married Joint, $96,700 - $600,050 for 2025 and $98,901 - $613,700 for 2026	15.00%	15.00%
Married Joint, equal to or greater than $600,050 for 2025 and $613,700 for 2026	20.00%	20.00%
NIT Tax - singles $200,000, married $250,000, separate $125,000, HOH $200,000	3.80%	3.80%

Lifetime Learning Credit - Phased out - AGI Single $80K-90K MFJ $160K to $180K	$ 2,000.00	$ 2,000.00
American Oppertunity Cred. - Phased out - AGI Single $80K-90K MFJ $160K to $180K	$ 2,500.00	$ 2,500.00
Foreign Income Exclusion	$ 130,000.00	$ 132,900.00