



# 2025 YEAR-END TAX PLANNING

As the year-end approaches this is the ideal time to review your financial picture and take steps to capture available tax savings. With the new tax changes under the One Big Beautiful Bill Act (OBBBA), economic shifts and changes in personal circumstances, thoughtful planning can make a meaningful difference. Below are key considerations and strategies to guide your 2025 year end planning.

## Filing Status and Residency

One of the first things to consider in your tax planning is your filing status and residency status for federal and state tax purposes. This may seem straightforward, but in some situations, these can significantly impact your tax liabilities for federal, state, and local jurisdictions.

If you immigrated to the United States in 2025, you may have the option to elect to be treated as a resident for the entire year for federal tax purposes. This does not always benefit you because by electing as a resident of U.S. you are required to report worldwide income. Each situation is different, so you should compute your tax liability under each options as allowed by law and determine which one results in less tax.

## Projecting Income and Deductions

Not every tax strategy fits everyone. Accurately estimating your income and deductions helps determine the effective tax saving approach. It is important to understand the types of income and allowable deductions so you can project your taxes accurately to avoid any surprises when filing your tax return.

If your taxable income falls into the low-income brackets, your priority should be to maximize credits and use tax-advantaged accounts like Health Savings Accounts (HSAs).

If you are in the middle-income tax brackets, you may not qualify for certain tax credits and at the same time may get pushed toward higher brackets. In this situation, the focus should be on maximizing pretax contributions, tax loss harvesting, bunching charitable deductions, and accelerating expenses to optimize your deductions.

If you are in high income brackets, you should focus on deferred tax planning through retirement plans, charitable planning and using advanced strategies to help mitigate net investment income tax, deferred tax strategies, and capital gains management.

## Employee Considerations

If you are an employee, review the following items before the end of the year.

- Review your year-to-date paystub for projected income and projected federal and state tax withholding to make sure you are on track.
- Make sure you are maximizing pretax benefits like 401(k), HSA, FSA, dependent care benefits, commuter benefits. Each benefit has limitations, and not all can be adjusted at year-end.
- If you expect to owe taxes, increasing withholding before year-end may help reduce or eliminate underpayment penalties.
- Consider deferring bonuses or income if possible.
- Verify reporting for bonuses, stock options, and other fringe benefits.
- Cross-border business owners should review any benefits provided by foreign companies, such as company car or housing, since these may be treated as taxable fringe benefits in the

United States. The rules and regulations for these situations are complex, so professional guidance is recommended.

- Exercising Incentive Stock Options (ISOs) can trigger Alternative Minimum Tax (AMT), even without selling shares. The spread between market value and strike price is treated as AMT income, creating unexpected tax liability without cash proceeds. Careful year-end planning and projections are essential to avoid unexpected AMT exposure.

## Investment Income Planning Considerations:

Managing investment income including capital gains is a key component of tax planning.

**Tax treatment of investment income:** Review and determine whether any portion of investment income qualifies for lower tax rates. Qualified dividends are taxed at favorable long-term capital gain rates, while non-qualified dividends are taxed as ordinary income.

**Capital loss harvesting:** Selling losing stocks to offset realized gains is a popular strategy to minimize taxes. Capital gains and losses are classified as short term or long term. Long term capital gains are taxed at lower rate than short-term capital gains. Net short term capital gains can be offset with net long term capital losses, Therefore, in a year with significant short term capital gains, harvested capital losses can help you lower the taxes due to the capital gain netting rules.

**Wash sale transactions:** Repurchasing substantially identical stocks within 30 days is treated as a wash sale. Any losses from wash sale transactions are disallowed for tax purposes. Reviewing your stock trades to identify wash sale losses can help accurately calculate the projected income.

**Plan for Net Investment Income Tax (NIIT):** If investment income exceeds certain thresholds, the 3.8% NIIT applies. Managing income below these limits can reduce your overall tax bill.

Net Investment Income Tax (NIIT) – 2025 Thresholds

Filing Status	Income Thresholds (Modified AGI)
Single	\$200,000
Married Filing Jointly	\$250,000
Married Filing Separately	\$125,000
Estates & Trusts	\$15,650

**Evaluate charitable giving of appreciated assets:** Donating appreciated securities instead of cash allows you to avoid capital gains tax while still claiming a deduction for fair market value.

**Monitor foreign investment income:** Track withholding taxes on dividends or interest from foreign securities and claim foreign tax credits to avoid double taxation.

**Crypto transactions:** Crypto transactions are taxed differently than stock transactions, so careful analysis is needed to determine the actual gains or losses for the year.

### Imputed interest

Imputed interest is often overlooked. The IRS may treat certain transfers within families or between related parties as loans even if no formal interest is charged. You may have to recognize imputed interest income even if you do not actually receive interest. Proper documentation for related-party transactions helps avoid unexpected tax increases.

## Year End Tax Strategies for Business Owners

**Timing of income:** If you use the cash method and expect your tax rate to be lower next year, you may delay billing until January for services already performed.

**Accelerating the expenses:** Accelerating expenses before year-end can help reduce taxable income. Examples include software purchases, renewals, office supplies, professional fees, and marketing costs.

**100% Bonus depreciation:** The OBBBA reinstated 100 percent bonus depreciation for equipment placed in service after January 19, 2025. You can expense the full cost of eligible equipment immediately.

**Material participation & hobby losses:** The IRS requires that owners materially participate in the business to deduct losses against other income. Document hours and activities to support material participation. Without this, business activity may be treated as passive or hobby and may adversely affect the tax situation.

**Research & Development:** Under the OBBBA, domestic R&D expenditure may now be fully expensed rather than capitalized and amortized. This allows you to accelerate deductions and reduce current-year taxable income.

## Retirement Accounts for Tax Planning:

**Retirement account contributions:** Maximize contributions to employer sponsored or self-employed retirement accounts as allowable within the IRS limits, whether pre-tax or post tax, based on your situation. Maximizing retirement accounts reduces current taxable income or builds future tax-free income supporting long-term tax efficiency.

**Back door IRA:** High income earners who exceed the Roth IRA income limits can make nondeductible contributions to a traditional IRA and then cover those funds to Roth IRA. Once the funds are in the Roth IRA, all future growth and qualified withdrawals are tax free.

**Roth conversions:** If you are in a lower income year, consider converting traditional IRA funds to Roth IRA to lock in future tax-free growth.

**RMDs:** If you are over 70.5 years old, please withdraw Required Minimum Distributions (RMD) from your retirement accounts.

2025 Retirement Plan Contribution Limits

Plan Type	Contribution Limit
401(k) / 403(b)	\$23,500
Traditional / Roth IRA	\$7,000
SEP IRA	Lesser of 25% of compensation or \$70,000
SIMPLE IRA	\$16,000

## Other Tax Deductions:

### Charitable Contributions:

Charitable planning remains one of the most powerful year-end tax strategies, offering both meaningful impact and valuable deductions. As the year closes, you should review the most common charitable strategies that can help reduce taxable income while supporting causes they care about.

*Bunching contributions:* Combining several years' worth of donations into single tax year instead of spreading them out annually helps exceed the standard deduction threshold in that year and maximize the tax benefit of their giving.

*Donor Advised Funds (DAF):* If you anticipate a high-income year, consider using a DAF as a tax planning strategy. Contributions to a DAF provide an immediate deduction in the year they are made, while allowing you to distribute grants to qualified charities over time at your discretion.

*Qualified Charitable Distributions (QCDs):* If you are age 73 or older, you can make direct transfers from your IRA to qualified charities. These distributions count toward your required minimum distribution (RMD) but are excluded from taxable income, making them a tax-efficient way to give.

*Foreign charitable donations:* International charitable donations do not qualify for a tax deduction. There are complex workarounds to this to qualify the international donations as deductible, but they require careful compliance with IRS rules.

For high-net-worth individuals, charitable planning can be made more effective by using charitable trusts that align with long-term financial goals and philanthropic priorities.

### Investment Interest:

Investment interest expense allows to deduct interest paid on loans used for the investments up to the investment income.

Interest paid on primary and secondary home mortgages, as well as certain home equity loans, may be deductible on tax returns, subject to applicable limitations. In addition, the One Big Beautiful Bill Act (OBBBA) introduced a new deduction for car loan interest, allowing taxpayers to deduct up to \$10,000 annually on qualified new auto loans, even for standard deduction filers, subject to income phaseouts.

### Other Deductions:

The OBBBA increased State and Local Taxes (SALT) deduction to \$40,000, subject to income based phaseout limitations. Real Estate taxes, personal property taxes and state income taxes are subject to these deductions. Consider accelerating property taxes or state tax payments before year-end.

Review medical expenses against the 7.5 percent AGI threshold and consider paying outstanding bills.

Consider completing qualifying upgrades such as solar panels, insulation, or energy efficient windows before December 31. These improvements may qualify for valuable tax credits that directly reduce your tax liability, while also lowering future energy costs.

## State Taxes

State taxes planning has become more important than ever after the increased SALT cap under the OBBBA.

- Review your projected state tax liability against current withholding and estimated payments. If there is a shortfall, consider making the payment before year end to maximize the SALT deduction.
- Consider making 529 plan contributions before year-end, as many states offer deductions that may benefit your overall tax plan.

- Business owners should evaluate whether any recent business transactions trigger additional state filing requirements.
- Work with your tax advisors to identify any additional state income tax deductions or credits you may be able to utilize.
- Generally, your resident state taxes all your income, including foreign income. While some states allow credit for foreign taxes paid, many do not. Review how this impacts your state tax situation and plan accordingly.

## Gift and Estate Tax Planning

Wealth Transfer planning helps preserve the family wealth, avoid unexpected tax burdens and ensures assets are transferred efficiently to successors. Even modest estates can face challenges without planning and create challenges for the heirs during asset transfers.

- Utilizing annual gift tax exclusion to transfer the wealth gradually.
- Pay tuition and medical expenses directly to institutions as these payments are exempt from gift tax.
- Review state specific estate tax rules to avoid surprises.

High net worth individuals should consider using life insurance and trusts to navigate estate and gift tax implications. With long-term planning and thoughtful structuring, the impact of gift and estate taxes can be significantly reduced.

### Additional considerations for the assets in foreign countries:

Assets located outside United States add complexity to gift and estate planning, even for the individuals who may not view themselves as high net worth.

*Global estate tax exposure:* U.S. citizens and residents are taxed on their global assets for estate tax not just the assets in the United States. Holdings in Real estate, businesses, bank accounts etc. in foreign countries potentially may increase the value of the estate above exemption thresholds.

*Gift transfers across borders:* Gifting foreign assets still subject to U.S. gift tax rules, so be sure to review annual exclusions and lifetime exemptions.

*Documentation:* Maintaining accurate records of all foreign holdings and their valuation is important in the tax planning process.

*Coordinate with experts:* work with both U.S. and foreign tax professionals to align compliance and minimize the exposure.

## Year End Personal & Financial Planning

Year-end planning is not only about taxes. It is about making sure your estate, financial accounts, and protections are updated so you start the new year with clarity.

- Review your will and testament. This is the primary document that directs how your property is managed and distributed. Annual review helps keep it aligned with your goals.
- Check and update beneficiary designations for retirement accounts, life insurance, and brokerage accounts.
- Review insurance coverage to be sure it matches your family's current needs.
- Consider upcoming large expenses or milestones and plan for necessary funding.

- Evaluate your investment portfolio and asset allocation to ensure it aligns with your risk tolerance and long-term goals.

## Income tax deadlines

The following information is a list of some common federal tax deadlines for various federal forms.

Name	Form	Due Date (2026)
4th Quarter 2025 Estimated Tax Payment	Form 1040-ES	January 15, 2026
W-2 Furnished to Employees & Filed with SSA	Form W-2	January 31, 2026
Contractor Reporting	Form 1099-NEC	January 31, 2026
Partnership Return Due	Form 1065	March 16, 2026
S-Corporation Return Due	Form 1120-S	March 16, 2026
Foreign Trust Annual Filing Deadline	Forms 3520 / 3520-A	March 15, 2026 (extended to Sept 15 with Form 7004)
Individual Income Tax Return Due	Form 1040	April 15, 2026 (extended to Oct 15 with Form 4868)
Trust & Estate Income Tax Return Due	Form 1041	April 15, 2026(extended to Sept 30 with Form 7004)
C-Corporation Return Due (calendar year)	Form 1120	April 15, 2026 (extended to Oct 15 with Form 7004)
1st Quarter 2026 Estimated Tax Payment	Form 1040-ES	April 15, 2026
FBAR Filing Deadline	FinCEN Form 114	April 15, 2026 (automatic extension to Oct 15)
Foreign Asset Reporting (FATCA)	Form 8938	Due with Form 1040
2nd Quarter 2026 Estimated Tax Payment	Form 1040-ES	June 15, 2026
3rd Quarter 2026 Estimated Tax Payment	Form 1040-ES	September 15, 2026
Quarterly Payroll Tax Returns	Form 941	Last day of the month following each quarter end

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