

# Year-End Tax Planning

Key Strategies & New Law Changes for 2025

WOLFGANG CAPITAL

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## SALT DEDUCTION CHANGES

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- **State and Local Tax (SALT)** deduction cap increased from \$10,000 to \$40,000 for most taxpayers
- Applies to state income taxes, property taxes, and DMV registration fees combined
- **Income phase-out:** Benefit reduces above \$500,000 income and disappears entirely at \$600,000, reverting to \$10,000 cap
- California business owners can still use the pass-through entity tax workaround to bypass limitations
- Standard deduction for married filers is over \$30,000, so additional benefit may be limited

## NO TAX ON TIPS & OVERTIME

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- **Tips:** Up to \$12,500 (single) or \$25,000 (married) in tip income exempt from federal income tax
- **Overtime:** Similar exemptions apply with specific industry requirements
- **Important:** Exemption applies to federal income tax only—payroll taxes and state taxes still apply
- IRS has specified qualifying industries; not all tip income qualifies for the exemption
- Primarily benefits service workers: servers, bartenders, certain construction workers

## NEW SENIOR STANDARD DEDUCTION

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- **Single filers 65+:** Additional \$6,000 deduction if income is \$75,000 or less
- **Married filers 65+:** Additional \$12,000 deduction if income is \$150,000 or less

## ESSENTIAL TAKEAWAYS

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- ✓ Most new provisions expire in **3 years**—expect more changes ahead
- ✓ SALT increase to \$40,000 helps middle earners; high earners still capped at \$10,000
- ✓ Senior deduction (\$6K–\$12K) is automatic for qualifying retirees
- ✓ Tips and overtime exemptions are federal-only; state and payroll taxes still apply
- ✓ Year-end tax planning in Oct–Nov is critical—don't wait until February
- ✓ Roth conversions affect Social Security taxation and Medicare premiums
- ✓ 100% bonus depreciation is back for business equipment purchases
- ✓ Verify credit eligibility before making major purchases
- ✓ R&D expense changes allow amended returns for prior years
- ✓ Laws change constantly—regular check-ins with your CPA are essential

**Action Item:** Schedule a year-end tax planning meeting before December 31 to evaluate Roth conversions,

credit eligibility, and estimate adjustments.

- Deduction is automatic—applies whether you itemize or take standard deduction
- Phases out as income exceeds thresholds; strategic income planning can help you qualify
- One of the most impactful new provisions for retirees in the recent bill

## GAMBLING WINS & LOSSES

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- Gambling losses can now only offset **90% of winnings** (previously 100%)
- Must itemize to deduct any gambling losses
- Example: Win \$10,000, lose \$10,000—you still owe tax on \$1,000
- Nevada and California senators actively opposing this change

## BUSINESS PROVISIONS

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- **100% Bonus Depreciation:** Restored—write off full equipment cost in year of purchase
- **QBI Deduction:** 20% deduction for pass-through income; applies to rental real estate
- **R&D Expenses:** Can now be fully expensed again; companies can amend prior returns

## WHY OCTOBER–NOVEMBER PLANNING MATTERS

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- **Avoid surprises:** A tax projection now reveals what you'll owe or receive before the holidays
- **Roth conversions:** Must be executed by December 31—requires careful planning around Social Security taxability and Medicare IRMAA adjustments
- **Credit qualification:** Many credits (EV, energy efficiency) require sufficient tax liability—verify eligibility before major purchases
- **Estimate true-up:** Adjust withholdings or estimates now to avoid interest and penalties—or stop giving the government a free loan
- **Withholding vs. estimates:** Withholding is spread throughout the year; estimates are credited when paid—strategic timing

matters

**Real Example:** A client purchased an electric vehicle expecting a \$6,000 credit, only to learn in February that his income disqualified him. A 10-minute October call could have prevented this costly surprise. Planning ahead—even if no action is needed—provides peace of mind and prevents mistakes.

## TAX CREDITS: KEY REMINDERS

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- **Not all credits are refundable:** You must have enough tax liability to claim the full credit amount
- **Energy efficiency credit:** 30% credit for solar, energy-efficient equipment—but non-refundable
- Example: \$30,000 solar installation = \$10,000 credit, but only usable if you owe at least \$10,000 in federal tax
- Energy efficiency credits remain available and are not currently set to expire

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