

# 2025 YEAR END TAX HOTLINE

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On July 4, 2025, President Donald Trump signed into law his signature One Big Beautiful Bill Act (OBBBA). The new law extends some changes enacted under the Tax Cuts and Jobs Act while creating some new provisions for certain taxpayers. For many, tax savings can be achieved by acting before the year ends. The information and strategies provided within this newsletter may or may not be appropriate for your situation. It's important to consult with your tax professional before implementing them.

### NEW LAWS FOR 2025

**No Tax on Tips.** For tax years 2025 – 2028, certain tipped employees are allowed a new deduction for the money earned on qualified cash tips. You can claim this deduction even if you don't itemize your taxes and it's allowed in addition to the standard deduction.

You can deduct up to \$25,000 of your tips each year, however, the amount you can deduct starts to shrink if your modified adjusted gross income, (MAGI) is too high.

Single – goes down if MAGI is over \$150,000.

Married filing joint - goes down over \$300,000.

Your tips must meet a few rules to qualify:

1. You must have reported the tips to your employer using the correct IRS forms.
2. The tips must be given voluntarily by the customer; they can't be negotiated or a required service charge.
3. Tips from certain professional jobs, such as lawyers, doctors, financial advisors, or accountants, consultants, do not qualify.

Other Important Rules:

- If you're married, you must file jointly with your spouse.
- You must provide a valid social security number (SSN)
- You can't use these tips for the new deduction and also use them for the qualified business income deduction.

A few rules remain unchanged:

- You must report all your tips to your employer.
- Your employer must continue to take out income and payroll taxes from the tips you report.
- Tips are taxable income. This deduction just temporarily makes some of that income potentially tax free.

**No Tax on Overtime Pay.** A new temporary deduction (2025-2028) is in effect for certain overtime wages. This means you might not have to pay federal income tax on a portion of the extra money you earn working beyond 40 hours a week.

How much Can You Deduct?

- Up to \$12,500 per year of qualified overtime.
- If you are filing jointly, this limit increases to \$25,000 if both qualify.

The amount you can deduct phases out by \$100 for every \$1,000 of modified adjusted gross income (MAGI) above certain levels.

- \$150,000 for single filers
- \$300,000 for Joint filers

What Kind of Overtime Qualifies?

To count as “qualified overtime compensation,” the pay must be for the time worked over 40 hours in a week and be required by the Fair Labor Standards Act. Only the portion of overtime pay that exceeds your regular rate, the half-time premium, qualifies.

Overtime paid beyond what is required by FLSA generally does not qualify for this deduction.

To Claim the Deduction

1. Beginning in 2026 your employer must report the total amount of your qualified overtime pay on your form W-2 or 1099 for non-employee.
2. If you are married, you must file a joint tax return to take this deduction.
3. You must include a valid social security number (SSN) on your tax return.

### **New Deduction for Car Loan Interest.**

The OBBBA allows you to deduct the interest you pay on loans used to purchase a new personal-use car, minivan, van, SUV, pickup truck or motorcycle. For tax years 2025-2028,

you can deduct up to \$10,000 of qualified car loan interest each year. A qualified car loan is one that is taken out after December 31, 2024 and purchased after 12/31/2024.

This is an “above the line” deduction that reduces your taxable income, and you can claim it even if you take the standard deduction.

To claim this deduction, you must meet several specific requirements.

- Vehicle purchased must be new and you must be the first person to use it.
- The car loan must be secured by a first lien on the vehicle.
- The vehicle must be a standard passenger vehicle with a gross vehicle weight rating under 14,000 pounds. This excludes very large commercial vehicles.
- The vehicle’s final assembly must occur in the United States.
- You need to report the (VIN) Vehicle Identification Number on your tax return.

This deduction is subject to an income limit based on your modified adjusted gross income. If your income is above these levels, the amount you can deduct will be proportionally reduced:

Single filers – reduced if MAGI is over \$100,000

Joint filers – reduced if MAGI is over \$200,000

**New Deduction for Seniors.** If you or your spouse if married filing jointly are age 65 or older by 12/31/2025 you may qualify for this new \$6,000 per qualified person deduction.

This deduction is available for tax years (2025-2028) in addition to the standard deduction. It is reduced if your AGI is too high.

Single filers- phased out if AGI is over \$75,000

Joint filers- phased out if AGI is over \$150,000

You must include social security number of qualified individuals on the return.

The media hype claiming that this new provision eliminates the tax on social security benefits is somewhat misleading. The old rules for taxing social security benefits are still in place. Benefits could still be taxed up to 85% depending on the amount of other income.

#### **Other OBBA changes.**

- Makes 2025 tax rates permanent.
- Child Tax Credits increased
- Casualty loss deduction includes State Declared Disasters.
- It is possible the IRS filing season will start late due to the Government shutdown.
- Energy Credits have been eliminated.

## **Additional Information**

**Standard Mileage Rate.** Taxpayers can use the standard mileage rate instead of actual expenses.

The following rates (cents per mile) are for 2025:

Business	.70
Medical	.21
Moving	.21*
Charitable	.14

\*For members of the Armed Forces on active duty who move pursuant to a military order.

**Health Savings Accounts:** If you are eligible in December 2025 to make health savings account (HSA) contributions, you can make a full year's worth of deductible (HSA) contributions for 2025, provided you make them by April 15, 2026. For 2025, the maximum contribution is \$4,300 for self-only and \$8,550 for family. You can contribute an additional \$1,000 if you are over 55.

**Educator Expenses.** Eligible educators can deduct up to \$300 of unreimbursed qualified expenses for 2025. If filing joint and both taxpayers qualify for a total of \$600.

**IRA Contributions.** Eligible taxpayer may contribute up to \$7,000 to a traditional or Roth IRA. An additional \$1,000 is allowed for taxpayers over 50 if made by April 15, 2026.

**The End of Paper Checks.** Beginning September 30, 2025, the IRS will no longer issue paper refund checks. As for tax payments, taxpayers should continue to use existing options.

## **Year-End Planning**

As year-end approaches now is the time to review your investment portfolio. Here are some strategies to keep in mind.

**When to recognize gains and losses.** If you expect to be subject to a higher tax rate in the future, it may be beneficial to recognize long term capital gains in 2025.

**Stay below the zero-rate threshold.** For taxpayers with income below the zero-rate threshold, recognizing long term gains up to that amount can be advantageous. If your income is already below the threshold, avoid recognizing long term losses this year.

**Capitalize on Capital Losses.** If you have no gains to offset, you can still recognize up to \$3,000 in capital losses (\$1,500 if married filing separately) to reduce your taxable income.

#### **Charitable Giving:**

If you are age 70 ½ or older, have traditional IRAs, and especially if you are unable to itemize your deductions, consider making 2025 charitable donations via qualified charitable deductions.

Beginning in 2026 individuals who don't itemize deductions are entitled to a charitable deduction of up to \$1,000 (\$2,000 for a joint return) to qualify contributions must be in cash, be made to a public charity, cannot be made to a 509(a) (3) supporting organization or to establish or maintain a donor advised fund.

### **Accelerate Deductions or Defer Income.**

Depending on your current situation, it may be advantageous to adjust your current year income and deductions to maximize tax savings. Consider paying year-end expenses with your credit card and deferring payment until 2026. This approach enables a current tax year deduction.

**Donating appreciated securities.** If you plan to make charitable contributions outside your IRA consider donating appreciated securities instead of cash. By donating the securities directly, you avoid paying capital gains taxes on the appreciation, and the organization still benefits from the full value.

**Wash Sales and how to avoid them.** The “Wash Sale rule” prevents you from claiming tax loss on the sale of stock or securities if you repurchase substantially identical ones within 30 days before or after the sale. To avoid this;

**Wait it out,** sell the original stock and wait 30 days to repurchase the same shares.

**Shift Investments,** sell your original stock and invest in similar stocks or mutual funds within the same industry. Remember that the wash sale rules only apply if identical securities which are purchased within the 61 day period. Wash sale rules do not apply to gains.

**Deferring gains with installment sales.** Defer non-publicly traded securities using the installment sale method. With this option, you only recognize gain when you receive payments.

**Deferring gains with a like-kind exchange.** This can allow you to defer taxes on eligible real estate property held for business or investment purposes by exchanging it for similar property without triggering a taxable gain.

## **Privacy Policy**

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information, and non-public information.

## **Year-End Notes**

**We no longer mail the Newsletter, We will email it at about the same time as usual. It will also be available on our website or upon request from our office.**

**For year-end tax planning appointments Dave will be out of the office the week of Christmas 12/18 through 12/31, while Don will be out 12/28 through 12/31, as much as possible, they will answer questions remotely. They will also be available after tax season by appointment throughout the year in 2026 for consultations, tax follow-up, or any questions.**

## **Thanks to all of our staff**

**A special thanks & wish of good health to every one of you!**

**Have a Happy  
Holiday Season**