



# TAX PLANNING

FOR 2025

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**4POINT**  
WEALTH MANAGEMENT



# TAX PLANNING FOR 2025

**Albert Einstein once said, “The hardest thing in the world to understand is the income tax.”**

The tax law is notoriously complicated and regularly changing as rates are revised to consider inflation, and rules and provisions are added or modified that potentially impact how you manage your personal tax responsibilities. Thankfully, there are financial professionals and tax planning guides like this one to help you navigate the complex themes so you can manage and potentially reduce some of your tax liability and lower the stress and frustration that accompanies tax season.

Year-end tax planning and designing tax-efficient strategies should not be just an end-of-the-year task. To unlock and utilize tax advantages to benefit you and your family is something that you must do throughout the year as events happen, and details within your life and tax status change.

## What Does the Government do With the Taxes we Pay?

The federal government collects taxes to finance various public services. As policymakers and the public weigh key decisions about revenues and expenditures, it is important to examine what the government does with the money it collects. According to the Congressional Budget Office, in the fiscal year 2024, the federal government spent \$6.9 trillion, amounting to 24 % of the nation's gross domestic product (GDP). That is up from \$6.1 trillion spend in 2023 which was 22.7 percent of the (GDP).

About nine-tenths went toward federal programs and the remainder toward interest payments on the federal debt. There are a variety of federal programs that depend on your taxes to operate. The largest include:

### **Social Security**

In 2024, \$1.5 trillion, or 21 percent was spent on Social Security. This provided monthly retirement benefits to 51.5 million retired workers averaging \$1,922 per check. It also provided benefits to 8.4 million disabled workers and their dependents who qualify, 5.8 million surviving children and spouses of deceased workers, and 2.6 million spouses and children of retired workers.

### **Medicare and other health insurance**

Medicare, Medicaid, the Children's Health Insurance Program, and Affordable Care Act marketplace health insurance subsidies accounted for a combined \$1.7 trillion or about 24 percent of the budget in 2024. \$912 billion went to Medicare which provided health coverage to approximately 67 million people who are age 65 or older or have disabilities. \$626 billion reflects the federal costs of Medicaid and the Children's Health Insurance Program. Affordable Care Act marketplace health insurance subsidies cost about \$125 billion.

### **Economic security programs**

Approximately \$476 billion or 7% of the federal budget supported programs that provide aid to individuals and families facing hardships. This excludes health insurance and Social Security benefits.

### **Defense**

\$872 billion, around 13 percent was spent on national defense activities. An estimated 95 percent of the spending reflects the underlying costs of the Defense Department, primarily for operations and maintenance; procurement of weapons and research, development, testing, and evaluation, and military personnel needs.

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## The Tax Brackets and Standard Deductions

There are seven federal income tax rates and brackets: 10%, 12%, 22%, 24%, 32%, and 37%. Your filing status and taxable income will be used to determine which federal tax rates apply to you and to calculate your tax liability for that year.

### Tax Year 2025 Standard Deductions

Married Filing jointly	\$31,500
Head of Household	\$23,625
Single	\$15,750
Married filing separately	\$15,750
Standard Deduction for dependents	Greater of \$1,350 or \$450+ earned income

### Tax Brackets 2025

Married Filing Jointly	
Taxable Income:	Tax Due:
0 - \$23,850	10% of taxable income under \$23,851
\$23,851 - \$96,950	\$2,385 + 12% of income \$23,851 - \$96,950
\$96,951 - \$206,700	\$11,157 + 22% of income \$96,951 - \$206,700
\$206,701 - \$394,600	\$35,302 + 24% of income \$206,701 - \$394,600
\$394,601 - \$501,050	\$80,398 + 32% of income \$394,601 - \$501,050
\$501,051 - \$751,600	\$114,462 + 35% of income \$501,051 - \$751,600
\$751,601+	\$202,155 + 37% of income above \$751,600

Head of Household	
Taxable Income:	Tax Due:
0 - \$17,000	10% of taxable income under \$17,000
\$17,001 - \$64,850	\$1,700 + 12% of income \$17,001 - \$64,850
\$64,851 - \$103,350	\$7,442 + 22% of income \$64,851 - \$103,350
\$103,351 - \$197,300	\$15,912 + 24% of income \$103,351 - \$197,300
\$197,301 - \$250,500	\$38,460 + 32% of income \$197,301 - \$250,500
\$250,501 - \$626,350	\$55,484 + 35% of income \$250,501 - \$626,350
\$626,351+	\$187,032 + 37% of income above \$626,350

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Single	
Taxable Income:	Tax Due:
0 - \$11,925	10% of taxable income under \$11,926
\$11,926 - \$48,475	\$1,193 + 12% of income \$11,926 - \$48,475
\$48,476 - \$103,350	\$5,579 + 22% of income \$48,476 - \$103,350
\$103,351 - \$197,300	\$17,651 + 24% of income \$103,351 - \$197,300
\$197,301 - \$250,525	\$40,199 + 32% of income \$197,301 - \$250,525
\$250,526 - \$626,350	\$57,231 + 35% of income \$250,526 - \$626,350
\$626,351+	\$188,770 + 37% of income above \$626,350

Married Filing Separately	
Taxable Income:	Tax Due:
0 - \$11,925	10% of taxable income under \$11,926
\$11,926 - \$48,475	\$1,193 + 12% of income \$11,926 - \$48,475
\$48,476 - \$103,350	\$5,579 + 22% of income \$48,476 - \$103,350
\$103,351 - \$197,300	\$17,651 + 24% of income \$103,351 - \$197,300
\$197,301 - \$250,525	\$40,199 + 32% of income \$197,301 - \$250,525
\$250,526 - \$375,800	\$57,231 + 35% of income \$250,526 - \$626,350
\$375,801+	\$188,770 + 37% of income above \$626,350

Trusts and Estates	
Taxable Income:	Tax Due:
0 - \$3,150	10% of taxable income
\$3,151 - \$11,450	\$315 + 24% over \$3,150
\$11,451 - \$15,650	\$2,307 + 35% over \$11,450
\$15,650+	\$3,777 + 37% over \$15,650

## Estate and Gift Tax

<b>Annual gift tax exclusion</b>	\$19,000 (for couples \$38,000)
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This amount can be gifted to as many separate individuals as the taxpayer wishes up to the lifetime exemption amount (see below). If you give over the annual gift tax exclusion amount to one person you can include the excess toward your lifetime exemption without being subject to a tax penalty.

<b>Lifetime gift tax exemptions</b>	\$13.99 million per individual
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<b>Generation-skipping transfer</b>	\$13.99 million per individual
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A generation-skipping transfer tax occurs when a person gifts someone an asset but skips a generation. The transfer tax is either paid by the grantor (the person who sets up the trust) or the skipped beneficiary depending on how the gift is structured. A direct generation-skipping tax is paid by the grantor whereas an indirect generation-skipping tax is paid by the skipped beneficiary.

<b>Current transfer tax rate</b>	40%
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## Tax treatment of Capital Gains and Losses

A capital gain occurs if you sell an asset for more than your adjusted basis. Conversely, a capital loss occurs when you sell the asset for less than your adjusted basis.

The gains and losses from your investments are classified according to the amount of time held.

- If the asset is held more than 12 months, it is considered **long-term**.
- If the asset has been held for 12 months or less, it is considered **short-term**.
- Net capital gains for both long-term and short-term net capital gains are included in gross income.
- Net short-term capital gains are treated as ordinary income.
- Net long-term capital gains create a tax liability and are subject to a maximum tax rate of 0%, 15% to 20%. Capital gains from collectibles are taxed at a maximum rate of 28%.



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## Capital Gains and Qualified Dividend rates

### 0% tax rate applies for incomes less than:

Married, filing jointly	\$0 - \$96,700
Head of household	\$0 - \$64,750
Single or Married filing separately	\$0 - \$48,350

### 15% tax rate applies for incomes less than:

Married, filing jointly	\$96,701 - \$600,050
Head of household	\$64,751 - \$566,700
Single	\$48,351 - \$533,400
Married filing separately	\$48,351 - \$300,000

### 20% tax rate applies for incomes more than:

Married, filing jointly	\$600,050+
Head of household	\$566,700+
Single	\$533,400+
Married filing separately	\$300,000+

## Contributions to Retirement Plans

Contributions to traditional 401(k) plans will lower your taxable income and thereby reduce your taxes for the year by the contributed amount multiplied by your marginal tax rate based on your tax bracket.

### Qualified plan contributions

401(k), 403(b), 457 and SARSEP	\$23,500
Age 50 and over (catch-up contribution)	7,500 (for a total of \$31,000)

## Education

Student loan interest	
<b>Max deduction</b>	\$2,500
(MAGI) Phase out, Single	\$80,000 and \$100,000
(MAGI) Phase out, Married, filing jointly	\$170,000 and \$200,000

529 Education Savings Plans	
Plan contributions per individual	\$19,000 per year
Plan contributions per couple	\$38,000 per year (splitting the gift)
Spread over 5 years (accelerated gifting)	\$95,000 per individual
Spread over 5 years (accelerated gifting)	\$190,000 per couple

\*\* In order for the gift to be fully excluded from their estates, the parents or grandparents must survive beyond the 5-year period. (The gift is excluded from the giver's estate over time, 20% each year).

Redeeming Series EE and I bonds to pay qualified higher education expenses	
Phase out, parent (Single filer) owning bonds with AGI above	\$96,800
Phase out, parents (Married, filing jointly) owning the bonds with AGI above	\$145,200

## Child Tax Credit

Taxpayers can receive a tax credit of up to \$2,200 per qualifying dependent child. The additional child tax credit (the refundable portion) is worth up to \$1,700.

You are eligible for the full credit amount if your modified adjusted gross income (MAGI) is \$400,000 or below (married filing jointly) or \$200,000 or below for all other filers. Should your MAGI exceed the limits, the credit is reduced by \$50 for each \$1,000 of income above the threshold until it completely phases out.

## Kiddie Tax

The kiddie tax was created in 1986 as part of the Tax Reform Act to prevent parents from shifting wealth into their children's name to bypass having to pay taxes at a higher tax rate. Therefore, earned income is taxed at single tax bracket rates, and unearned income in excess of \$2,700 is taxed at the rates of the child's parents. The first \$1,350 of unearned income is tax-free, the next \$1,350 is taxed at the child's rate and any amount above \$2,700 is taxed at the parents' rate.

## Planning for Tax Season

Preparing well ahead of the tax season can help you be better equipped for unexpected situations. Here are several reasons to start planning early:

- You want to have enough time to save sufficient money should you have a tax liability.
- Events may have occurred in your life the previous year that required your attention and could impact you.
- You want to get the most out of any tax credits and deductions should you qualify.

Therefore, reviewing your taxes throughout the year is encouraged, and you can make changes as they occur instead of trying to figure them all out while the deadline is fast approaching.

You also want to keep your tax records in a safe place. Here are some of the items you may want to have on hand:

- W-2 form from your employer
- Receipts
- Canceled checks
- Pay stubs
- Documents related to philanthropy
- Mortgage payment documents
- Home purchase records
- Business and travel receipts
- Automobile mileage associated with business
- Medical bills
- Bank statements
- Credit card statements
- Form 1099-K, 1099-MISC, W-2 or any other income statements if you do gig work
- 1099 forms for dividend and pension income, unemployment compensation, annuity or retirement plan distributions, and from banks or other issuing agencies
- Form 1099-INT if you were paid interest
- Form 1095-A, your health insurance marketplace statement
- Form 1099-G for state and local taxes
- Any other IRS or agency letters



### Remember:

It is critical to keep your documents safe, secure, yet easily accessible. Also, if you keep most of them in digital form on your computer, make the effort to back them up on a storage device or thumb drive.

## How to Prepare for Filing Your Taxes

- **Organize all of your relevant tax documents**

- Being organized makes it easier to have a clearer picture of your taxes and to help mitigate necessary errors that tend to create delays in processing, receiving a refund if you get one, and having to pay more in taxes when you could have utilized tax strategies, for example, credits and deductions, to lower your payment.

- **Meet with a tax professional**

- A tax professional can help you determine if you have withheld enough tax or if you need to modify your withholding if you received a large refund or if you owed because changing your withholding may help you keep more money each time you are paid and even avoid a larger tax bill. There may have been changes made to credit amounts that apply to you, a marriage, divorce, or birth in the family that you can take advantage of if you adjust your withholding.

- **Consider making estimated tax payments**

- For some taxpayers, if you have a significant amount of non-wage income such as investment income, self-employment income, Social Security benefits, or annuity and pension income you should make quarterly estimated tax payments. This strategy can help give you an idea of your cash flow, get some of your debt paid off, and avoid penalties. Not all income is subject to withholding so it is helpful to understand what is and isn't.
- If the amount of income tax withheld from your salary or pension isn't enough, or if you earn income from other sources like capital gains, dividends, interest, alimony, self-employment income, or prizes and awards, you make estimated tax payments based on that income you expect to earn and the credits you expect to qualify for that year. Taxpayers typically use the prior year's tax return as a model. You may send estimated tax payments with Form 1040-ES.

- **Ensure you notify the IRS of an address change**

- Changing your personal information could impact your tax returns by creating delays in processing and receiving your refund.

- **Notify the Social Security Administration if you legally changed your name, for example, from a marriage or divorce**

- Having your personal information correct helps for more efficient processing of your tax return and Social Security benefits and prevents delays, and issues with identity verification.

- **Ensure your individual tax identification number (ITIN) is up to date**

- If your ITIN expires, it may delay the processing of your return or delay credits that you are owed including the Child Tax Credit and the American Opportunity Tax Credit, however, you are still able to file your tax return and the IRS will still accept it.

## Impacts on Tax Refunds

There are a variety of reasons your tax refund could be affected, for example, your filing status or tax benefit eligibility could change because of a marriage or divorce, the birth of a child, or the death of a spouse or a dependent you claim.

### Natural Disasters

If you reside in an area stricken by a natural disaster and need more time to file your tax return, you may qualify for tax relief. The IRS may postpone the tax filing deadline for taxpayers who live in or have businesses in federally declared disaster areas.

### The Death of a Loved One

When someone passes away, the final return is filed on the same form the taxpayer would have used had they still been alive, but the word “Deceased” is written at the top of the return after the person’s name accompanied by their death date. The deadline to file the final return is the filing deadline of the year following the taxpayer’s death.

There is a two-year limitation that begins the year after your spouse’s death, not the year of the death itself. If your spouse died in 2025, you file jointly for 2025, then can use qualifying surviving spouse status for 2026 and 2027. Temporary absences of dependents don’t disqualify you from the status.

### Legal separation or divorce

If you get legally separated or divorced in 2025, here are several potential tax concerns to be aware of:

- **Filing status**

- Whether or not you are married on the last day of the year determines your filing status.
- Various deductions such as medical expenses, mortgage interest, and real estate taxes could be impacted by a legal separation or divorce.
- If you’re legally separated or divorced at the end of the year, you must file as single for the tax year unless you’re eligible to file as head of household or you remarry by the end of the year.

- **Withholding**

- You generally adjust the amount of tax withheld from your check.

- **Alimony or separate maintenance income**

- If you were granted alimony or separate maintenance income, the details of your agreement impact how the payments are taxed so you may want to adjust your withholding. It might even be beneficial to make estimated tax payments.
- Payments are deductible by the spouse who pays and included in the income of the recipient spouse if your agreement was signed in 2018 or earlier.

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- As mentioned above, prior to 2019, alimony payments were tax deductible for the payer and considered taxable income for the recipient. However, under the new federal tax rules, alimony payments made under agreements executed in 2019 or later are no longer tax deductible for the payer and not taxable for the recipient.

## Impacts on Tax Refunds (Continued)

### • **Child support**

- Child support payments aren't deductible by the payer and aren't taxable to the payee.

### • **Claiming dependents**

- The parent who was granted custody of the child can claim that child on their tax return as head of household or claim credits. If both parents split custody, either the parents agree to which years each will get to claim the child, or the courts will decide.

### • **Managing retirement accounts**

- If you have a retirement plan such as a 401(k) and 403(b), your ex-spouse could be entitled to a portion under a qualified domestic relations order (QDRO) which manages retirement accounts that are not IRAs. Keep in mind that payments from a QDRO count as income unless you roll them into a traditional IRA lest other conditions apply.
- IRAs are divided using a process called transfer incident to divorce. This process allows you to transfer assets from your IRA into your spouse's IRA tax-free.
- If divorced or separated at the end of the year, you aren't permitted to deduct contributions you make to your former spouse's traditional IRA. Also, taxable alimony or separate maintenance payments, and contribution and deduction limits for an IRA count as compensation.

### • **Property transfers**

- Regarding the transfer of property, there is typically no recognized gain or loss on the transfer between spouses or former spouses; however, you may be required to report the transaction on a gift tax return.



## Tax Credits

You may also become eligible for certain tax benefits if you lose your job, purchase a home, or enroll in college. Some of the tax credits you could qualify for include:

- **The Earned Income Tax Credit (EITC)**
  - For 2025, eligible taxpayers for the EITC with no qualifying children may receive up to \$649.
- **The Child Tax Credit**
  - For 2025, each qualifying child is worth up to \$2,200. The child must be under age 17 at the end of 2025 to qualify.
- **The Child and Dependent Care Credit**
  - For tax year 2025, the maximum amount of care expenses you're allowed to claim is \$3,000 for one person, or \$6,000 for two or more people. The percentage of your qualified expenses that you can claim ranges from 20% to 35%.
- **Home energy tax credit**
  - Certain tax credits may be available to taxpayers who make energy improvements to their homes.
- **Clean vehicle tax credit**
  - With the purchase of an electric vehicle or fuel cell vehicle you may qualify for a tax credit. When you purchase a clean vehicle, the seller must provide you information about your vehicle's qualifications and register online with the IRS to submit time-of-sale reports. If you happen to be a licensed dealer, you can also register to receive advance payments to offset the amount of a tax credit that was applied toward a customer's purchase price.

## SECURE Act 2.0 - What is New in 2025?

Employers must comply with SECURE 2.0 changes as they take effect in 2025, but have until December 31, 2026 to formally adopt the changes.

### **401(k) Automatic Enrollment**

New 401(k) plans are required to include automatic enrollment in 2025 unless an exemption applies.

### **Catch-up contribution increased**

Starting January 1, 2025, catch-up contributions increased limits for 401(k), 403(b), governmental plan, and IRA account holders to the greater of \$10,000 or 50 percent more than the regular catch-up amount for employees between the ages of 60 and 63.

### **IRS Withholding Calculator**

IRS encourages taxpayers to accurately calculate the correct amount to have withdrawn from their paycheck. Therefore, the IRS created the Withholding Calculator (also called the Tax Withholding Estimator) to help you estimate the amount that should be withheld from your paycheck.

You will find that you may have a significant refund, or you owe a substantial amount in taxes. If this occurs, you may want to look into your withholding election.

If you are owing a large amount of tax, you may wish to increase the amount that is withheld from your paycheck and if you have a large refund you may elect to reduce the amount of taxes withheld. The idea is that you want to try and be as close to zero as possible. Doing this helps to eliminate the possibility of owing large amounts of federal taxes when you prepare your return in future years.

The calculator will require specific information including your projected gross income, your current withholding number, the current amount of federal taxes withheld, and other questions.

The calculator will inform you what you might have to pay or how much the refund could be and offers changes to your withholding or how much additional money to request be withheld from your check.



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## Individual Deadlines and Dates

### **Estimated January 24, 2026**

IRS begins accepting tax returns

### **February 2, 2026**

Due date for employers to send W-2 forms (this is the last day they send forms, not when you, the taxpayer, receive them).

### **February 2, 2026**

Forms, 1099-K, 1099-C, 1099-DIV, 1099-INT, 1099-R, 1098, and 1098-T (Paper filing deadline March 2, 2026, e-filing deadline March 31, 2026)

### **February 2, 2026**

1099-MISC (Nothing in Boxes 8 or 10) (Paper filing deadline March 2, 2026, e-filing deadline March 31, 2026)

### **February 2, 2026**

1099-NEC (paper filing and e-filing)

### **February 17, 2026**

1099-MISC (With information in Boxes 8 or 10) (Paper filing deadline March 2, 2026, e-filing deadline March 31, 2026)

### **February 17, 2026**

Form 1099-B and 1099-S (Paper filing deadline March 2, 2026, e-filing deadline March 31, 2026)

### **March 2, 2026**

Affordable Care Act (ACA) Forms 1095-C, 1095-B, and 1094-C filing deadline (Paper filing deadline March 2, 2026, e-filing deadline March 31, 2026)

### **March 16, 2026**

The Form 1042-S filing deadline. This date applies for both filing with the IRS and furnishing copies to recipients.

### **April 15, 2026**

The deadline to file your 2025 personal tax return (or an extension). If you file an extension you will have until October 15, 2026, to submit your return

### **April 15, 2026**

The deadline to make contributions to a Traditional or Roth IRA

## Individual Deadlines and Dates (Continued)

### **April 15, 2026**

First quarter of federal estimated tax payment is due. This payment covers income earned from January 1 through March 31, 2026.

### **June 15, 2026**

Second quarter estimated tax payment is due. This payment covers income earned from April 1 through May 31, 2026.

### **September 15, 2026**

Third quarter estimated tax payment is due. This payment covers income earned from June 1 through August 31, 2026.

### **October 15, 2026**

General deadline to file an extended 2025 personal tax return. This deadline applies if you requested an extension by the original Tax Day of April 15, 2026.

### **January 15, 2027**

Fourth quarter estimated tax payment is due.

## Consult Your Financial Professional

Don't wait until the end of the year to begin working on your taxes. Consider scheduling a consultation with a financial professional to discuss your questions and concerns and work to create strategies and manageable approaches that align with your tax and financial goals.

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## Important Disclosures

Content in this material is for educational and general information only and not intended to provide specific advice or recommendations for any individual.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

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