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Tax Newsletter

Seven Year-End Personal Tax Tips

Tax strategies available under new law

Year-end tax planning was already complicated before this year. But the new tax law—the **One Big Beautiful Bill Act (OBBBA)**—adds a few extra twists and turns. Taking that into account, following are seven common tax strategies for individual taxpayers.

1. Charitable donations: If you itemize deductions, you can boost your charitable write-off by donating to qualified charitable organizations at year-end. For 2025, the current deduction for monetary gifts is limited to 60% of your adjusted gross income (AGI). New rules: Under the OBBBA, you must first clear a floor of 0.5% of adjusted gross income (AGI), beginning in 2026. But the new law also authorizes a deduction in 2026 of up to \$1,000 for single filers who do not itemize and \$2,000 for joint filers. Plan accordingly.

2. Capital gains and losses: Frequently, investors are able to use capital gains and losses to offset each other. For example, you might realize capital gains late in the year from sales of securities to absorb capital losses from earlier in the year or realize losses to offset capital gains plus up to \$3,000 of ordinary income in 2025. Note: The maximum tax rate on long-term capital gain for assets held longer than a year is 15% (20% for certain high-income taxpayers).

3. Auto loan interest: Personal interest, like interest paid on most credit card debt, is nondeductible. But the OBBBA creates a brand-new deduction for some car buyers. For 2025 through 2028, you can deduct up to \$10,000 of annual interest paid on auto loans. This tax break is retroactive to January 1, 2025, and is available whether or not you itemize. Caveat: The deduction of auto loan interest begins to phase out for single filers with a modified adjusted gross income (MAGI) above \$100,000 and \$200,000 of MAGI for joint filers.

4. Home energy credits: Recent legislation expanded two residential energy credits. Generally, you may qualify for a 30% “residential clean energy credit” for installing solar panels or other equipment to harness renewable energy this year. Also, a 30% “energy efficient home improvement credit” of up to \$1,200 is available for the cost of qualified energy-efficient improvements, subject to certain dollar caps. Warning: The OBBBA eliminates these credits after 2025—act now or never!

5. Alternative minimum tax: Taxpayers may have to pay the “alternative minimum tax” (AMT) instead of their regular tax liability. The AMT calculation involves certain “tax preference” items, tax adjustments and an exemption amount subject to a phase-out. Now the OBBBA permanently establishes favorable exemption amounts of \$500,000 for single filers and \$1 million for joint filers for 2026 and thereafter, with future indexing, but phases out the exemption twice as fast as before. Have your AMT exposure assessed to determine the best moves for your situation.

6. Medical expenses: An itemizer can deduct unreimbursed medical expenses above an annual threshold of 7.5% of AGI. Thus, if you are close to or are already over this threshold for 2025, you might accelerate non-emergency expenses, such as medical check-ups or dental cleanings, from 2026 into 2025. Note that qualified expenses paid on behalf a dependent relative may count toward the 7.5%-of-AGI threshold.

7. Required minimum distributions: Under current law, if you have reached age 73 (increasing to age 75 in 2033) you must take annual required minimum distributions (RMDs) from traditional IRAs and qualified plans like a 401(k). Otherwise, you may be hit with a 25% tax penalty in addition to regular income tax liability (10% if corrected promptly). Be aware that other special rules apply to non-spouse IRA and qualified plan beneficiaries.

Of course, these are just seven potential ideas to consider as the year draws to a close. Contact your professional advisor regarding your personal situation.

Seven Year-End Business Tax Tips

Tax strategies available under new law

The new **One Big Beautiful Bill Act (OBBBA)** also has a significant impact on year-end tax planning for businesses. Following are seven ideas to consider in the wake of the new law.

1. Business property: Under Section 179 of the tax code, a business may “expense” the cost of qualified business property (e.g., equipment or computers) placed in service during the year, up to an annual limit but subject to a phase-out. The OBBBA permanently increases the limit to \$2.5 million, with a \$4 million phase-out threshold, in 2025. These figures will be indexed for inflation in the future. The new law also restores 100% first-year bonus depreciation for qualified property placed in service after January 19, 2025. This deduction was being gradually phased out over five years.

2. Start-up costs: Did you launch a new business venture in 2025? Normally, start-up costs must be amortized over 180 months, but you can currently deduct up to \$5,000 of qualified expenses. This includes costs normally deductible by an active business. Make sure you are legitimately “open for business” before 2026 to qualify for this tax break on your 2025 return. Note that the special deduction is phased out for costs above \$50,000.

3. Work Opportunity Tax Credit: If your business plans to expand its staff this upcoming holiday season, it may claim the Work Opportunity Tax Credit (WOTC) by hiring workers from designated “target” groups. Generally, the WOTC equals 40% of the first-year wages of up to \$6,000 per employee, for a maximum of \$2,400 per worker. The credit has expired and been reinstated multiple times in the past but the OBBBA does not touch it. The upshot: This may be your last chance to qualify for this credit.

4. Qualified small business stock: If you acquire “qualified small business stock” (QSBS) from your company, you can exclude from tax up to 100% of a gain on a sale after five years if certain requirements are met. For QSBS issued after July 4, 2025, the OBBBA—

- Allows a partial exclusion of 50% for stock held at least three years and 75% for four years;
- Enables the company to issue stock valued as much as \$15 million, up from \$10 million; and
- Increases the threshold for small business status from \$50 million in assets to \$75 million.

Note That other sales of QSBS held longer than one year may still qualify for favorable capital gain treatment.

5. SALT workarounds: Under rules imposed by the Tax Cuts and Jobs Act (TCJA) and extended and modified by the OBBBA, an individual's deduction for state and local tax (SALT) payments is subject to an annual cap. However, the owner of a **pass-through entity** may arrange to have the business entity make the SALT payments. The tax benefits are then passed through to the owners on their personal tax returns. See a tax professional for more details.

6. Research and experimental expenses: In the past, a business could currently deduct research and experimental (R&E) expenses, but recent legislation required costs incurred after 2021 to be capitalized and amortized over 60 months. The OBBBA generally reinstates the prior rules retroactive to January 1, 2025. Alternatively, a business can elect 60-month amortization of R&E expenses. When appropriate, amended returns may be filed for 2022 through 2024 under transitional rules.

7. Holiday party: Generous tax deductions for business entertainment expenses are generally a thing of the past. But there is a narrow exception for holiday parties thrown by your small business. If the cost is reasonable and all employees are invited—not just the C-suite—you can deduct 100% of the cost. The deduction for other qualified meal and beverage expenses is limited to 50% of the cost.

Reminder: Other tax benefits may be available at year-end. Discuss your situation with your professional tax advisors.

What's Your Retirement Saving Stage? Planning based on your current age

When is the best time to start saving for retirement? Once you begin working full-time! Although that is not always possible for those coming straight out of school or in the first few years of their careers, the sooner you “get going,” the better.

Keeping that in mind, following are brief guidelines for saving diligently for retirement, based on your current stage of life. This does not necessarily apply to all people, but it is common approach.

Stage #1: Early years: For most people, their first starting salary does not provide much room for saving. But it is still important to develop good savings habits. For instance, if your company provides matching contributions to 401(k) accounts, be sure to take advantage of the company match. Otherwise, you are leaving money on the table that may provide valuable income in retirement. Plus, you might be surprised to find out how much of an impact tax-deferred compounding can have over a long period of time.

Stage #2: Middle years: When you are midway through your career, other obligations—such as buying a home, raising your children and building up funds to help pay for their college education—often take priority. Nevertheless, do not take your eye off the ball. To the extent possible, continue utilizing company retirement plans, IRAs and other savings vehicles. Note that qualified distributions from a Roth IRA or 401(k) (e.g., those received after age 59½) are exempt from tax after five years. If you are rewarded with a raise, try to allocate at least part of it to your retirement savings plan.

Stage #3: Later years: This time of life may provide more opportunity for saving if the house is paid off and the kids are out of school. Also, you may benefit from seniority and career advancement, so your earnings could be higher than ever or near their peak. If you have not been as dedicated as you would have liked, it is still possible to build a sizeable nest egg for retirement. The basic principles of using retirement plans and IRAs for tax-deferred growth remain in place.

Also, note that recent legislation, including the SECURE 2.0 law, encourages more retirement saving by older workers. For 2025, the regular 401(k) deferral limit is \$23,500, but employees age 50 or older can add a “catch-up contribution” of \$7,500, or \$31,000 for the year. Even better: Employees age 60 through 63 may benefit from a “super catch-up contribution” of \$11,250 for a maximum total of \$34,750. These figures will continue to increase.

Finally, do not think that saving for retirement ends once you call it quits. Before that occurs, you should consider all aspects and assess both your expected income and expenses. One major decision is when to take Social Security benefits so you are able to maximize the payouts. If you can afford to, you may start collecting reduced benefits at age 62. The longer you wait, however, the bigger the monthly benefit will be until the maximum is reached at age 70.

Reminder: Due to longer life expectancies, you may need more retirement income than you initially thought. There is no time like the present to bulk up your savings accounts.

Silver Tax Lining for Casualty Losses **New law expands deduction rules**

The Tax Cuts and Jobs Act (TCJA) suspended deductions for casualty losses but with a major exception. Now the new law passed earlier this year—the **One Big Beautiful Bill Act (OBBBA)**—provides even more leeway for certain taxpayers.

Background: Under prior law, casualty and theft losses were available for personal property damage caused by an event that was “sudden, unusual or unexpected,” including natural disasters, fires, vandalism and even auto collisions. However, the deductible amount was limited to the excess above 10% of adjusted gross income (AGI), after subtracting \$100 per event. (Congress has periodically tinkered with these limits but they are currently in effect.)

Say that a married couple had an AGI of \$100,000 in a previous year. A fire caused extensive damage to their home, valued at a loss of \$15,000 after insurance reimbursements were made. Based on the 10%-of-AGI/\$100 floor rules, their deduction was limited to \$4,900 (\$15,000 – 10% of AGI - \$100). The loss generally had to be claimed on the tax return for the tax year in which the damage occurred.

Due to the TCJA suspension of most casualty loss deductions from 2018 through 2025, victims of destructive events may not have derived any tax benefits from personal casualty losses in recent years. But some taxpayers still have a way out. A loss is deductible, subject to the limits, if it is attributable to damage in a federally-designated disaster area.

New law changes: The OBBBA permanently extends the crackdown on casualty loss deductions past 2025 but continues to allow deductions for losses in federal disaster areas. What’s more, the new law authorizes deductions for losses in state-declared disaster areas, under the same limits. This change takes effect in 2026.

To top things off, you may be able to take advantage of a—

Special rule: Thanks to a unique provision in the tax code, a taxpayer may claim a casualty loss suffered in a designated disaster area on the tax return for the year **preceding** the year in which the casualty actually occurred. This might provide a desperately needed quick tax refund in a pinch. For instance, suppose your home is destroyed by a severe storm in a disaster area next month. Instead of waiting to claim the loss on your 2025 return, you may obtain faster relief by filing an amended 2024 return.

Similarly, if you incur a disaster-area loss in January, you may claim the deduction on the 2025 return you file early next year instead of waiting until you file your 2026 return—in 2027.

Finally, be aware that deductions are curtailed only for losses to **personal property**. There are no such restraints or dollar limits—including the 10%-of-AGI threshold and the \$100 reduction per event—for **business property** losses. As was the case under prior law, these losses remain fully deductible. Contact your professional tax advisor for assistance relating to any personal or business losses.

New Floor for Corporate Donations

The new **One Big Beautiful Bill Act (OBBBA)** imposes new tax restrictions on charitable donations made by individuals. But your small business may also face a new tax hurdle.

New law update: The OBBBA imposes a “floor” of 1% of taxable income on deductions for donations made by corporations. This new corporate deduction floor, which has not received as much attention as the 0.5% floor for individuals, takes effect in 2026.

Be aware that other special rules may apply to corporate donations. We will have more details in the future.

Facts and Figures

Timely points of particular interest

Strategy Sessions—When planning new business strategies, it is important to define the current strategies for the main functional areas, as well as the entire business. This includes finance, marketing, sales, management, operations, etc. Establish a series of short strategic statements for each and then examine them thoroughly. Finally, ask if the strategies promote growth or just hedge against possible failure.

Fake Text —Watch out for this new tax scam making the rounds. A text is sent to the target purporting to be from a federal government unit. It states that you only have a few more days to provide information needed to receive a tax refund. Of course, the message is bogus because the IRS would not contact you initially by text and usually allows 30 days or more to respond to a legitimate inquiry. Your first notice from the IRS would come via snail mail. Stay vigilant.

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