



Volume 6 Issue 2

FALL Newsletter

2025 Tax Updates: What You Need to Know

September in Pennsylvania brings cerulean skies, golden corn fields, and the earthy scent of harvest. But it also carries a less welcome sign—the first stirrings of tax season.

Our tax team has reviewed the key tax law changes and distilled them into an easy-to-read update for

you. So, grab a pumpkin pastry—or your favorite fall beverage—and settle in. You still have time before the year's end to consult your accountant, make strategic tax-deductible purchases, and set yourself up for a smoother filing season.

Expanded Deductions for Individuals

Effective: 2025 – 2028

“No Tax on Tips”

Working in a business where tipping is customary? You may be able to deduct **up to \$25,000 in tip income**. This deduction applies to employees and self-employed individuals. It begins phasing out for those with a modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

“No Tax on Overtime”

Employees may deduct overtime pay **up to \$12,500 (Single) / \$25,000 (Married Filing Jointly)**. Keep in mind that you may deduct only the portion of your pay that exceeds your regular rate—the “half” portion of “time-and-a-half” compensation. This deduction begins phasing out for those with a modified adjusted gross income over \$150,000 (\$300,000 for joint filers).

“No Tax on Car Loan Interest”

If you're purchasing a new vehicle and taking out a loan, you may be able to deduct loan interest **up to \$10,000** per year.

Of course, not every vehicle is eligible, so be sure to check the guidelines first. This deduction begins phasing out for those with a modified adjusted gross income over \$100,000 (\$200,000 for joint filers).



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Adjusted Tax Brackets Here to Stay

In 2017, the Tax Cuts and Jobs Act temporarily widened the tax brackets and lowered five of the seven rates. Those changes were set to disappear at the end of 2025, which would have meant higher taxes for more than 60% of filers. But thanks to the "One Big Beautiful Bill Act" passed in July, the bracket changes are here to stay.

In addition, the IRS has made its usual annual inflation adjustments to prevent "bracket creep." Bracket creep happens when your wages go up, but inflation eats away at your buying power. To put it simply, you may have more dollars, but they

don't stretch as far, and you move into a higher tax bracket. You end up paying more taxes on income that buys less and receiving fewer benefits from any tax credits or deductions you take.

Key Takeaway: The federal tax brackets introduced in 2017 are now permanent. Find your income range for 2025 on the chart below to see the corresponding tax rate.

2025 Federal Income Tax Brackets and Rates

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000
12%	\$11,925 to \$48,475	\$23,850 to \$96,950	\$17,000 to \$64,850
22%	\$48,475 to \$103,350	\$96,950 to \$206,700	\$64,850 to \$103,350
24%	\$103,350 to \$197,300	\$206,700 to \$394,600	\$103,350 to \$197,300
32%	\$197,300 to \$250,525	\$394,600 to \$501,050	\$197,300 to \$250,500
35%	\$250,525 to \$626,350	\$501,050 to \$751,600	\$250,500 to \$626,350
37%	\$626,350 or more	\$751,600 or more	\$626,350 or more

Increased Standard Deduction

The larger standard deduction from 2017 stays the same, and the amounts for 2025 through 2028 received an inflation bump. You can simplify your tax preparation by using the standard deduction instead of itemizing, especially if your deductible expenses are minimal.

2025 Standard Deduction

Filing Status	Deduction Amount
Single	\$15,750
Married Filing Jointly	\$31,500
Head of Household	\$23,625



Extra \$6,000 Deduction for Seniors

If you are 65 or older by the end of 2025, you may take an extra \$6,000 deduction (\$12,000 for a qualified married couple), in addition to your standard or itemized deduction. This deduction begins phasing out for those with a modified adjusted gross income over \$75,000 (\$150,000 for joint filers).

Charitable Contributions

Beginning in the 2026 tax year, taxpayers who do not itemize can deduct charitable contributions—up to \$1,000 for single filers or \$2,000 for married couples filing jointly. This is considered an “above-the-line” deduction, since it is in addition to the standard deduction. Also beginning in 2026, taxpayers can only deduct charitable contributions that exceed 0.5% of their adjusted gross income.



Family & Estate Tax Benefits

- **Child Tax Credit** is increased permanently by **\$200**, bringing it to **\$2,200 per child**, with inflation indexing.
- **Adoption Credit** is now partially refundable. Up to \$5,000 may be refunded if the credit exceeds the tax due.
- **A Trump Savings Account for Children** can be set up for children under age 18. Up to \$5,000 can be contributed annually by a parent or guardian. Contributions are not tax-deductible and create the basis that is not taxable when withdrawn.
- **Estate Tax Exemption** is raised permanently to \$15 million (individuals) and \$30 million (couples).

Business & Investment Tax Provisions

- **Qualified Business Income Deduction** (Section 199A 20% business deduction) enacted under the 2017 Tax Cuts and Jobs Act (TCJA) is now permanent.
- **The R&D Tax Credit and business investment incentives**, including full bonus depreciation and special deductions, are extended or made permanent. The R&D Credit provides dollar-for-dollar cash savings for business activities related to the development, design, or improvement of products, processes, formulas, or software.

Team Member Spotlight

Jay Martin



Career. Before joining Gehman Accounting (GA), I operated my own small trucking company. Over time, I realized that I enjoyed the business and paperwork side more than driving, which led me to transition into accounting. I connected with GA because they were seeking a tax accountant. I have been working here for 13 years and currently lead the tax team.

Family. My wife Marilyn and I have four sons and one daughter. Over the past year, our two oldest sons and our daughter got married, and we were delighted to welcome two daughters-in-law and a son-in-law into our family.

Learning Goals. I began learning guitar a year ago, though my progress has been limited.

Days Off. I enjoy working on projects around the house, including lawn care and occasionally driving a tractor-trailer for a friend. I also serve as a deacon at our church, supporting our congregation through various responsibilities, including managing the finances.

IRS Going Paperless

Starting **October 1, 2025**, the IRS will no longer issue paper checks. Refunds will be delivered electronically. For taxes due, taxpayers are directed to use electronic payment methods “as soon as practicable.”



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Other Key Tax Changes

- **State and Local Tax (SALT) deduction limit** is temporarily raised to \$40,000 for taxpayers earning under \$500k. The deduction cap and income limit will increase by 1% each year through 2029. In 2030, the SALT deduction will revert to \$10,000 as originally set in 2017.
- **Miscellaneous itemized deductions are permanently eliminated.**
- **Casualty losses are expanded** to include state-declared disasters in addition to presidentially declared disasters (effective 2026). A casualty loss can result from a natural disaster, such as a flood or tornado.
- **Itemized deductions** begin to phase out in the 37% tax bracket.
- **1099 reporting thresholds raised from \$600 to \$2,000 beginning January 2026** for NEC and MISC forms.

