2025 Tax Planning Checklist

Each year it is important to review your plan to ensure you are taking advantage of all the tax breaks and incentives available to you. Annual inflation adjustments and new laws create opportunities to save for retirement or reduce your tax bill. To help you make the best decisions regarding your taxes, retirement savings, and charitable giving, here are a few of the common planning opportunities and current tax benefits to consider as you update your plans for this year.

Income Tax Planning

- [ ] ### Tax-loss harvesting

Tax-loss harvesting is a strategy in which investors sell low-performing, taxable investments and use the losses to offset gains, thereby lowering their taxable earnings. If you're facing an unusually high-income year or you had tremendous losses, this might be a good strategy. A lot of people engage in tax-loss harvesting at the end of the year; however, you should be watching out for these opportunities all year long.

- [ ] ### 529 plans

A 529 is a tax-advantaged savings plan that can be used for qualified educational expenses. Money that goes into a 529 is deductible in many states, and you can fully fund 529 plans for yourself, kids and grandkids. Check to see what the tax benefits are in your state. Also, a new rule allows leftover 529 balances to be converted to a Roth IRA. This gives you an exit strategy for leftover funds.

- [ ] ### HSA/FSA

A Health Savings Account (HSA) is a tax-advantaged account used to pay for qualified health care needs; money in the account rolls over from year to year. HSAs can be used as long-term investment vehicles, allowing you to save for retirement health care costs in a tax-advantaged manner. You must be in a high-deductible health care plan to be eligible to contribute. The annual contribution limits to an HSA are $4,300 for individuals and $8,550 for family. A Flexible Savings Account (FSA) is also a tax-advantaged account for either unreimbursed health care costs or for costs related to dependent care. The balance doesn't typically roll over every year, but some plans allow a portion of the balance to carry over.

- [ ] ### Child Tax Credit

The enhanced credit – passed as part of the CARES Act – has gone away for 2023 and beyond. The credit goes back to previous levels which is $2,000 for each qualifying child (children under 17 at the end of the tax year). Generally, this is a nonrefundable tax credit which means if you owe nothing on your taxes you do not get a credit back to you. But if you qualify for the Additional Child Tax Credit, up to $1,700 is refundable. The credit begins to phase out above certain income levels – $200,000 for individuals or $400,000 for married couples.

- [ ] ### Roth Conversion

Sometimes recognizing income is the best tax planning strategy. One strategy that may be utilized when you are in a low-income year is to convert portions of your traditional IRA to a Roth IRA. This can be a good strategy if you think you will be in a higher tax bracket when you eventually use your IRA dollars. A Roth IRA allows for tax-free qualified distributions and you are never required to take money from the Roth IRA like you are required to do with your traditional IRA. This can be a great strategy to give you tax-free dollars to generate income in retirement or if you want to pass along tax-free dollars to your loved ones.

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Charitable Giving

☐ Qualified Charitable Distributions (QCD)

After age 70.5, you can send distributions from an IRA directly to a qualified charity – the distribution will not be treated as taxable income and it can offset any RMDs that year. This is called a QCD, and an individual can distribute up to $108,000 a year. If you make a QCD, it may not be contributed to your Donor Advised Fund (DAF).

☐ Religious Tithing

Did you give to your faith community (church, synagogue, etc.) last year? Make sure you have your donations recorded. Most houses of worship offer some kind of yearly statement.

☐ Nonprofit Donations / Bunching

Make sure you have these records, as well. Contact the organization for an updated record. Once you see how much you have given, ask yourself, "Will I actually get to deduct my gifts to charity?" Remember, you only get the tax benefit of giving to charity if you itemize your deductions from income (Schedule A on your taxes). With the standard deduction so high ($15,000 for individuals and $30,000 for married couples), most taxpayers do not itemize. So, does it make sense to give more to charity so that you can deduct your gifts? A larger gift to a Donor Advised Fund may be the right approach to "bunch" your charitable gifts into one year and do your annual giving from the fund.

Retirement Planning

☐ Traditional IRA Contributions

Contributions to your IRA can be made until the tax filing deadline, and still be treated as a 2025 contribution – the limit is $7,000 (Plus a $1,000 catch-up for those 50 and over).

☐ Roth IRA Contributions

Remember, your contribution toward your Roth IRA counts toward the overall $7,000 total for IRA accounts ($1,000 catch-up for those 50 and over), and can be made until the tax filing deadline, and still be treated as a 2025 contribution.

☐ 401(k), 403(b), 457(b) Contributions

Have you contributed the maximum amount to your employer-provided plan? Contributions must be made before the end of the year. However, your 2025 contribution limit is $23,500 for salary deferrals (Plus a $7,500 catch-up for those 50 and over), so plan accordingly this year.

☐ Required Minimum Distributions (RMDs)

Ideally, you've taken your RMD before November but if not, make sure you get it out before 12/31 to avoid penalties. But note if this is your first RMD ever, you have until 4/1 of the following year to take your RMD. Sometimes individuals miss an RMD that they were supposed to take from an IRA that they inherited from a loved one. Generally, IRA balances must be distributed from an inherited IRA within 10 years of the IRA owner's death. Surviving spouses may distribute over their lifetime or even treat the IRA as their own when they inherit an IRA. Working with your advisor on the right amount to distribute from your IRA and other assets you inherited can help you manage your taxes.

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Estate Planning/Transfers

$19,000 Annual Gift Tax Exclusion

This is the amount you can give away to as many people as you wish each year without filing a gift tax return and using your lifetime gift tax exclusion. Talk with your advisor about using this exclusion strategically in your estate plan. The amount is per person, so it is $38,000 for a married couple in 2025.

Lifetime Exemption Amount/Estate Exemption Amount

This is set at $13,990,000 for 2025, which is a total of the lifetime gift and estate tax exemption. Exceed this amount in transferring wealth, and you'll start incurring up to 40% in taxes.

Wills and Trusts

Are your wills and trusts updated? Now is a good time to double-check your beneficiaries and think about tax implications.

2025 and Beyond

Tax Cuts and Jobs Act (TCJA) Sunset

At the end of 2017, Congress and President Trump passed the TCJA. It lowered tax rates for all income levels and made filing taxes a little easier by raising the standard deduction. It even raised the income limits that were subject to those tax rates. Well, those changes are scheduled to "sunset" at the end of 2025 – meaning tax rates may increase in 2026. With the election results, it is more likely that these get extended and there could be more changes to come in 2025. Work with your advisor to monitor the changes to ensure you take advantage of any tax benefits that apply to you.

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