

Individual Tax Update

Presented By:

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ADVISORS for
WHAT'S NEXT

Welcome and Meet Your Presenter



Kristy Ferraro, CPA, MT

Senior Manager, Tax Services

Kristy is a Senior Manager in RKL's Tax Services Group. She specializes in estates, trusts, gift, and high net worth individuals. Kristy uses her expertise to assist her clients in navigating the complexities of tax compliance and planning. Kristy joined the firm in 2023, bringing with her over a decade of public accounting experience. What Kristy values most is the opportunity to build personal relationships with her clients. By understanding their individual situations and aspirations, Kristy can deliver customized advice that resonates with their goals and values. Kristy's approach is not just about providing tax services; it's about being a trusted advisor in her clients' long-term success.

Kristy lives in York County with her husband and their 5-year-old daughter. Outside of staying on top of the latest in tax and estate planning, Kristy enjoys baking, reading, and spending as much time as possible outdoors with her family.

| What We Will Introduce

01. 2025 General Updates
02. One Big Beautiful Bill - Individuals
03. One Big Beautiful Bill – Trust & Estates



2025 Individual Tax Rates

Rate	Single	Married Filing Joint
10%	\$0 to \$11,925	\$0 to \$23,850
12%	\$11,925 to \$48,475	\$23,850 to \$96,950
22%	\$48,475 to \$103,350	\$96,950 to \$206,700
24%	\$103,350 to \$197,300	\$206,700 to \$394,600
32%	\$197,300 to \$250,525	\$394,600 to \$501,050
35%	\$250,525 to \$626,350	\$501,050 to \$751,600
37%	\$626,350+	\$751,600+

2025 Estate/Nongrantor Trust Tax Rates

Rate	
10%	\$0 to \$3,150
24%	\$3,150 to \$11,450
35%	\$11,450 to \$15,650
37%	\$15,650+

2025 Standard Deduction

Filing Status	2025	2024
Married Filing Jointly	\$31,500	\$29,200
Single	\$15,750	\$14,600
Head of Household	\$23,625	\$21,900
Married Filing Separately	\$15,750	\$14,600

2025 Estate & Gift Tax

	2025	2024
Lifetime Exemption	\$13.99M	\$13.61M
Annual Exclusion	\$19,000	\$18,000
GST Lifetime Exemption	\$13.99M	\$13.61M

The OBBBA permanently increases the estate and gift tax exemption to \$15M, indexed annually for inflation. Effective 1/1/2026.

One Big Beautiful Bill Act (OBBBA)

At a Glance

- Official name is H.R. 1
- Most of the 2017 TCJA individual provisions were made permanent
- New provisions provide a deduction for reported tips and overtime income
- Temporary increase in the cap on state and local taxes (SALT)
- A social security number is specifically required for many credits & deductions (including AOTC and child tax credits)
- Many provisions are effective for tax year 2025

Extended Individual Provisions

TCJA: Common Individual Extenders

Extenders made permanent

- Individual tax rates applicable since 2018
- Estate & gift tax exemptions - \$15M (\$30M for married couples) as of 2026 (adjusted for inflation annually)
- Standard deduction increase – subject to inflation starting in 2026

Lower limits made permanent

- Home mortgage interest deduction
- Personal theft & casualty loss deduction

Repeals made permanent

- Personal exemptions
- Home equity debt deduction
- Moving expense deduction, except members of the Armed Forces & the Intelligence Community
- Pease limitation

Allowances made permanent

- Mortgage insurance premium
- Rollovers from qualified tuition programs to ABLE accounts

Child Tax Credit

Base credit, refundable portion & other dependent credit made permanent

- Base credit is \$2,200 for 2025, indexed for inflation
- Refundable portion of the credit is \$1,700 for 2025, indexed for inflation
- Other dependent credit is \$500 for 2025

Other Changes

Phase-out made permanent: MAGI of \$200,000 for single filers/\$400,000 for married filing jointly

Other Family Related Credits

Child & Dependent Care Credit

- Deductible qualified expense percentage increases from 35% to 50% starting in 2026
- Stepped phase-down, no phase down below 20%

Employer Dependent Care Assistance

- Maximum increased from \$5,000 to \$7,500

Adoption Credit

- Up to \$5,000 is refundable starting in 2025
- Refundable portion may not be carried forward

Alternative Minimum Tax (AMT)

Exemption Amounts

- Increased AMT exemption amounts for individuals; are permanent for tax years beginning after 2025
- Phaseout threshold: \$500,000 for single filers & \$1M for married filing jointly, increased for inflation

Exemption Phaseout Threshold

- Reverts to the 2018 threshold amount
- Exemption phaseout rate for individual taxpayers increased to 50% (from 25%), starting in 2026
 - Appears to be a technical error in the phase-out language of the legislation
- More rapid phase-out partially offsets higher exemption amount

State & Local Tax (SALT) Cap

SALT Cap

- Temporarily increased 2025-2029 before returning to TCJA levels
- 2025 deduction is \$40,000, with 1% annual inflation adjustments through 2029
- Cap reverts to \$10,000 in 2030

SALT Deduction Threshold

- Deduction is reduced once it exceeds the threshold
- 2025 threshold is \$500,000 MAGI
- Threshold reduction is 30% in 2025, with 1% annual inflation adjustments through 2029
- Pass-through entity workaround preserved

New Individual Provisions

Qualified Tip Deduction

- Individuals can claim an income tax deduction for qualified voluntary tips received in tax years 2025 through 2028
- Qualified tip: any cash tip received in an occupation that customarily and regularly receives tips on or before December 31, 2024
- Above the line deduction, \$25,000 maximum per year
- Phase-out starts at MAGI of \$150,000 for single filers (\$300,000 for married filing jointly) at a rate of \$100 for each \$1,000 over
- Applies to customary tip businesses
- Tips are still subject to FICA taxes; only exempt from Federal income taxes

Qualified Overtime Pay Deduction

- Individuals can claim an income tax deduction for qualified overtime pay received in years 2025 through 2028
- Qualified overtime compensation: Overtime paid to an individual required under the Fair Labor Standards Act of 1938 (FLSA) that is in excess of the regular rate under the FLSA at which the individual is employed
- Above the line deduction, \$12,500 maximum
- Phase-out starts at MAGI of \$150,000 for single filers (\$300,000 for married filing jointly) at a rate of \$100 for each \$1,000 over the threshold
- Overtime pay is still subject to FICA taxes; only exempt from Federal income taxes

The “Senior” Deduction

- ✓ For qualified individuals 65 and older, a temporary deduction of \$6,000 is added for tax years 2025 through 2028
- ✓ Above the line deduction
- ✓ Phase-out begins at MAGI of \$75,000 for single filers (\$150,000 for married filing jointly), at a rate of 6%
- ✓ Deduction is fully phased out at MAGI of \$175,000 for single filers (\$250,000 for married filing jointly)

Car Loan Interest Deduction

- For tax years 2025 through 2028, noncorporate taxpayers may claim a deduction of up to \$10,000 for interest paid or accrued on a post-2024 loan to purchase a qualified passenger vehicle for personal use
- Qualified passenger vehicle: Generally, includes a car, minivan, van, SUV, pickup truck, or motorcycle that is new, and that meets other requirements
- Above the line deduction
- Phase-out at MAGI of \$100,000 for single filers (\$200,000 for married filing jointly) at a rate of \$200 for each \$1,000 over the threshold
- US assembly is required to qualify for the deduction
- Available to both itemizers and non-itemizers

Charitable Contributions & Trump Accounts

Charitable Contribution Deductions

- Starting in 2026, individuals who do not itemize deductions can deduct charitable contributions made in cash during the tax year
- Below the line deduction for 2025 itemizers 2028 will be a maximum of \$1,000 for single filers (\$2,000 for married filing jointly) who are US citizens at birth with \$1,000 seed the accounts of filing jointly
- Annual contribution max of \$5,000 annually, adjusted for inflation, from birth to age 18
- Withdrawals commencing at age 18
- Employer can contribute up to \$2,500 (adjusted for inflation after 2027) of employee's income to be excluded from the employee's gross income
- Can rollover to ABLE Accounts

OBBBA Impact on Trusts & Estates

Increased Estate Tax Exemption

- With the increased lifetime exemption of \$15M, very few individuals will be subject to federal estate tax.
 - ↳ But don't forget about Pennsylvania Inheritance Tax!
- Estate planning remains important for non-tax reasons
 - ↳ Avoiding probate, ensuring assets are distributed according to desires, asset protection
- Permanent doesn't really mean permanent

Popular Wealth Transfer Tools Remain

- Spousal lifetime access trusts (SLATs)
- Dynasty trusts
- Annual exclusion gifts + other excluded gifts
- Re-evaluate buy-sell agreements
- Electing portability
- Use estate freeze strategies

Potential Increase in Non-Grantor Trusts



Increased SALT limitation

Charitable contributions

Shift income to beneficiaries in lower tax brackets

Re-evaluate Credit Shelter Trust Provisions

Historically, many
revocable trusts and
wills funnel max amount
to credit shelter trusts

Avoids estate tax at
death of surviving
spouse

But also forfeits
step-up in basis

May be more
beneficial to leave
assets outright to
spouse or use QTIP