



2025 Year-End Tax Update

**CURRENT INCOME TAX LAW OVERVIEW AND
YEAR-END TAX-PLANNING STRATEGIES**

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Marc A. Verdi, CPA/PFS, CFP®



DIRECTOR OF TAX & FINANCIAL PLANNING | CHIEF FINANCIAL OFFICER (CFO)

- 27 years of experience
- 12 years at Godsey & Gibb Wealth Management
- Hands-on with client tax preparation & strategy
- Focus on individual and trust taxation & personal financial planning



Our Tax & Financial Planning Team

- Dedicated team of CPAs and CFP[®] professionals
- Tax return preparation
- Tax planning & consulting
- Financial planning



Agenda

- Individual income tax
- Planning strategies for 2025
- Estate & trust income tax
- Summary



Individual Income Tax

TAX BRACKETS AND LEGISLATIVE UPDATES

The One Big Beautiful Bill Act (OBBBA)

- Signed in law July 4, 2025
- Made permanent many of the 2017 Tax Cuts and Jobs Act (TCJA) provisions that were set to expire at the end of 2025
- Added many new provisions to lower taxes for many individual taxpayers and increase investment by business taxpayers
- Top individual tax rate is 37%
- Preferential qualified dividends and long-term capital gains tax rates (0%, 15%, 20%) made permanent
- 20% Qualified Business Income (QBI) Deduction remains for certain passthrough entities



2025 Ordinary Income Tax Rates

RATE	FOR SINGLE INDIVIDUALS	FOR MARRIED INDIVIDUALS FILING JOINT RETURNS	FOR HEADS OF HOUSEHOLDS
10%	Up to \$11,925	Up to \$23,850	Up to \$17,000
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$17,001 to \$64,850
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,500
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,501 to \$626,350
37%	\$626,351 or more	\$751,601 or more	\$626,351 or more

Source: Internal Revenue Service



2026 Ordinary Income Tax Rates

RATE	FOR SINGLE INDIVIDUALS	FOR MARRIED INDIVIDUALS FILING JOINT RETURNS	FOR HEADS OF HOUSEHOLDS
10%	Up to \$12,400	Up to \$24,800	Up to \$17,700
12%	\$12,401 to \$50,400	\$24,801 to \$100,800	\$17,701 to \$67,450
22%	\$50,401 to \$105,700	\$100,801 to \$211,400	\$67,451 to \$105,700
24%	\$105,701 to \$201,775	\$211,401 to \$403,550	\$105,701 to \$201,775
32%	\$201,776 to \$256,225	\$403,551 to \$512,450	\$201,776 to \$256,200
35%	\$256,226 to \$640,600	\$512,451 to \$768,700	\$256,201 to \$640,600
37%	\$640,601 or more	\$768,701 or more	\$640,601 or more

Source: Internal Revenue Service



2025 Long-Term Capital Gains Tax Rates

RATE	TAXABLE INCOME OVER:		
	FOR UNMARRIED INDIVIDUALS	FOR MARRIED INDIVIDUALS FILING JOINT RETURNS	FOR HEADS OF HOUSEHOLDS
0%	\$0	\$0	\$0
15%	\$48,350	\$96,700	\$64,750
20%	\$533,400	\$600,050	\$566,700

Source: Internal Revenue Service

- Rates are based on taxable income amounts, not specific ordinary income tax rates
- The 3.8% Net Investment Income Tax (NIIT) also applies for high-income taxpayers



2026 Long-Term Capital Gains Tax Rates

RATE	TAXABLE INCOME OVER:		
	FOR UNMARRIED INDIVIDUALS	FOR MARRIED INDIVIDUALS FILING JOINT RETURNS	FOR HEADS OF HOUSEHOLDS
0%	\$0	\$0	\$0
15%	\$49,450	\$98,900	\$66,200
20%	\$545,500	\$613,700	\$579,600

Source: Internal Revenue Service

- Rates are based on taxable income amounts, not specific ordinary income tax rates
- The 3.8% Net Investment Income Tax (NIIT) also applies for high-income taxpayers



Net Investment Income Tax (NIIT) – 3.8%

NII INCLUDES NET INCOME FROM:

- Taxable interest
- Dividends
- Capital gains
- Rents
- Royalties
- Other passive business activities

AFFECTED INDIVIDUALS INCLUDE:

Those whose Modified Adjusted Gross Income (MAGI)* exceeds:

- \$200,000 filing single
- \$250,000 married filing jointly
- \$125,000 married filing separately

*Generally, MAGI is the same as AGI, but may be higher if you have foreign earned income and certain foreign investments



Net Investment Income Tax (NIIT) – 3.8%

NIIT IS CALCULATED ON THE LESSER OF:

- Your Net Investment Income (NII), or
- The amount by which your MAGI exceeds \$200,000 if filing single, \$250,000 if married filing jointly, and \$125,000 if married filing separately

EXAMPLES:

FILING STATUS	Single	Married filing jointly
MAGI	\$250,000	\$350,000
NII	\$75,000	\$75,000
ACTUAL NIIT	$3.8\% \times \\$75,000 = \\$2,850$ $3.8\% \times \\$50,000 (\\$250,000 - \\$200,000)$ =\$1,900	$3.8\% \times \\$75,000 = \\$2,850$ $3.8\% \times \\$100,000 (\\$350,000 - \\$250,000)$ =\$3,800



2025 Standard Deduction Amounts

OBBBA MADE LARGER TCJA STANDARD DEDUCTIONS PERMANENT

SINGLE

- \$15,750 (standard)
- \$17,750 (age 65+ or blind)

HEADS OF HOUSEHOLDS

- \$23,625 (standard)
- \$25,625 (age 65+ or blind)

MARRIED FILING JOINTLY

- \$31,500 (standard)
- +\$1,600 each (age 65+ or blind)



2026 Standard Deduction Amounts

OBBBA MADE LARGER TCJA STANDARD DEDUCTIONS PERMANENT

SINGLE

- \$16,100 (standard)
- \$18,150 (age 65+ or blind)

HEADS OF HOUSEHOLDS

- \$24,150 (standard)
- \$26,200 (age 65+ or blind)

MARRIED FILING JOINTLY

- \$32,200 (standard)
- +\$1,650 each (age 65+ or blind)



OBBBA: Senior Bonus Deduction

TEMPORARILY PROVIDES AN ADDITIONAL DEDUCTION FOR TAXPAYERS AGED 65+, FOR TAX YEARS 2025 THROUGH 2028

SINGLE AND HEADS OF HOUSEHOLDS

- Up to \$6,000
- Phaseout begins at modified adjusted gross income (MAGI) of \$75,000

MARRIED FILING JOINTLY

- Up to \$12,000 (i.e., \$6,000 per eligible individual)
- Phaseout begins at MAGI of \$150,000



OBBBA: Senior Bonus Deduction (cont.)

ADDITIONAL DETAILS:

- Available for both itemizing and non-itemizing taxpayers
- MAGI Phaseout: MAGI is your Adjusted Gross Income (AGI) plus any foreign earned income that was excluded from your AGI
 - The available deduction is reduced by six cents (\$0.06) for every dollar (\$1.00) that MAGI is over the threshold of \$75,000 (single) or \$150,000 (married filing jointly [MFJ])
 - Fully phased out at MAGI above \$175,000 (single), \$250,000 (MFJ)
 - Example: MFJ Taxpayers both aged 65+ with MAGI of \$225,000, or \$75,000 over the \$150,000 threshold. Phaseout reduction is $(\$75,000 \times 6\%) = \$4,500$. Bonus senior deduction is $(\$12,000 - \$4,500) = \$7,500$.



OBBBA – Other New Deductions

OTHER DEDUCTIONS EFFECTIVE 2025 THROUGH 2028:

- “No Tax on Tips”
 - May deduct “qualified tips”
 - Maximum annual deduction \$25,000
 - Deduction phases out for taxpayers with MAGI over \$150,000 (\$300,000 MFJ)
- “No Tax on Overtime”
 - May deduct qualified overtime compensation that exceeds regular rate of pay (i.e., the “half” portion of “time-and-a-half”)
 - Maximum annual deduction is \$12,500 (\$25,000 for joint filers)
- “No Tax on Car Loan Interest”
 - May deduct interest paid on a loan that originated after 12/31/2024, to purchase a qualified vehicle, purchased for personal use and meet other eligibility criteria
 - Maximum annual deduction is \$10,000
 - Deduction phases out for taxpayers with MAGI over \$100,000 (\$200,000 MFJ)
- See IRS.gov for additional details and guidance



OBBBA – Itemized Deductions

ALLOWABLE ITEMIZED DEDUCTIONS:

- Medical expenses still deductible to the extent expenses exceed 7.5% of AGI
- State and local tax (SALT) deduction cap increased, subject to income limitations and effective for 2025 through 2029
 - Maximum annual deduction \$40,000 for most taxpayers; \$20,000 married filing separately (MFS)
 - Subject to 30% phasedown on MAGI above \$500,000. Once taxpayer's MAGI exceeds \$600,000 (\$300,000 MFS), the SALT deduction is capped at the pre-OBBBA limit of \$10,000.
 - Current sunset provision returns cap to \$10,000 in 2030 unless Congress passes new legislation



OBBBA – Itemized Deductions

ALLOWABLE ITEMIZED DEDUCTIONS:

- Mortgage interest deduction limited to mortgage balances of \$750,000 (\$1 million balance limit still applies to pre-December 15, 2017 mortgages)
- Miscellaneous itemized deductions permanently eliminated (i.e., tax prep fees, investment management fees, unreimbursed employee expenses)
- Amount of all itemized deductions is reduced by $\frac{2}{37}$ of the lesser of:
 - the amount of all itemized deductions or
 - the amount of the taxpayer's taxable income that exceeds the start of the 37% tax rate bracket



OBBBA – Itemized Deductions

ALLOWABLE ITEMIZED DEDUCTIONS

- Charitable contribution deduction limits made permanent (Cash: 60% of AGI; noncash 50% of AGI; capital gain property 30% of AGI)
- Beginning in 2026:
 - Non-itemizing taxpayers can deduct up to \$1,000 (\$2,000 MFJ) in cash charitable contributions. The deduction is claimed in calculating taxable income and not as an above-the-line deduction in calculating AGI.
 - Taxpayers who itemize deductions will have a 0.5% floor applied to charitable contribution deductions. The amount of deductible charitable contributions will be reduced by 0.5% of the taxpayer's AGI for that tax year.
 - Example: 2026 charitable contributions of \$5,000, AGI of \$100,000. The floor is \$500 (i.e., $\$100,000 \times .005$) = \$500, and the allowable deduction will be \$4,500 (i.e., \$5,000 - \$500).



OBBBA – “Trump Accounts”

INDIVIDUAL TRUST ACCOUNTS

- Tax-advantaged savings and investment accounts for children under age 18, to be available for opening and funding after July 4, 2026. Funds can be invested in eligible mutual funds and ETFs.
- Children born from January 1, 2025 through December 31, 2028 who have a Social Security number, will be eligible for a one-time, \$1,000 initial deposit from the Federal government
- Annual contributions limited to \$5,000 (some exceptions apply), adjusted annually for inflation
- Employers may contribute up to \$2,500 of the \$5,000 annual limit and may deduct the contribution as a business expense, subject to regulatory guidelines
- No contribution deduction permitted but account grows tax-deferred
- No withdrawals permitted until the beneficiary reaches age 18, at which point the account functions like a Traditional IRA, and IRA distribution rules apply



OBBBA – Energy Tax Credits Eliminated

ENERGY EFFICIENT HOME IMPROVEMENT CREDIT (“§25C”)

- **The credit terminates for property placed in service after 12/31/2025**
- The credit is equal to 30% of the costs of qualifying energy efficient home improvements, for an annual maximum of \$1,200 for all eligible improvement (vs. a limited lifetime credit)
 - The annual limits for specific types of eligible home improvements include qualifying:
 - Exterior doors - \$250 each, max \$500
 - Exterior windows and skylights - \$600
 - “Other qualified energy property” - \$600
 - Includes: central air conditioners; electric panels and certain related equipment; natural gas, propane, or oil water heaters; oil furnaces; and water boilers
- There is an available credit of 30% of the costs, including labor, for qualifying electric or natural gas heat pumps and water heaters, biomass stoves and boilers - annual maximum of **\$2,000**



OBBBA – Energy Tax Credits Eliminated

RESIDENTIAL CLEAN ENERGY PROPERTY CREDIT (“§25D”)

- **The credit terminates for property placed in service after 12/31/2025**
- Includes a percentage of the installation costs for qualifying solar-powered property (solar panels, solar water heaters, fuel cell property, geothermal heat pump property) to your home
 - The amount of credit as a percentage of the cost will be:
 - **30% for 2023-~~2032~~ 2025**
 - ~~26% for 2033~~ **N/A**
 - ~~22% for 2034~~ **N/A**
 - No overall dollar amount limit
 - Exception: the credit allowed for fuel cell property expenditures is 30% of cost, up to \$500 for each half kilowatt of capacity of the qualified fuel cell property



OBBBA – Energy Tax Credits Eliminated

CLEAN VEHICLE CREDIT

- **The credit terminated for property placed in service after 09/30/2025**
- Created new credits for previously-owned clean vehicles and qualified commercial clean vehicles
- Credits were up to:
 - \$7,500 for new qualified clean vehicles
 - \$40,000 for new qualified commercial clean vehicles over 14,000 pounds
 - the lesser of 30% of the price of a previously-owned clean vehicle or \$4,000
- Several limitations applied based on the retail price of the vehicle and your adjusted gross income (AGI)



The SECURE Act

THE SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT (SECURE) ACT OF 2019

TRADITIONAL IRA CONTRIBUTIONS

- No age 70 ½ limit on contributions for taxable years beginning January 1, 2020
- Compensation is still required

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

- RMDs must start by April 1st of the year after the year in which you reach age 72
- If not 70 ½ prior to January 1, 2020, RMDs will start at age 72

“STRETCH IRA” DISTRIBUTIONS

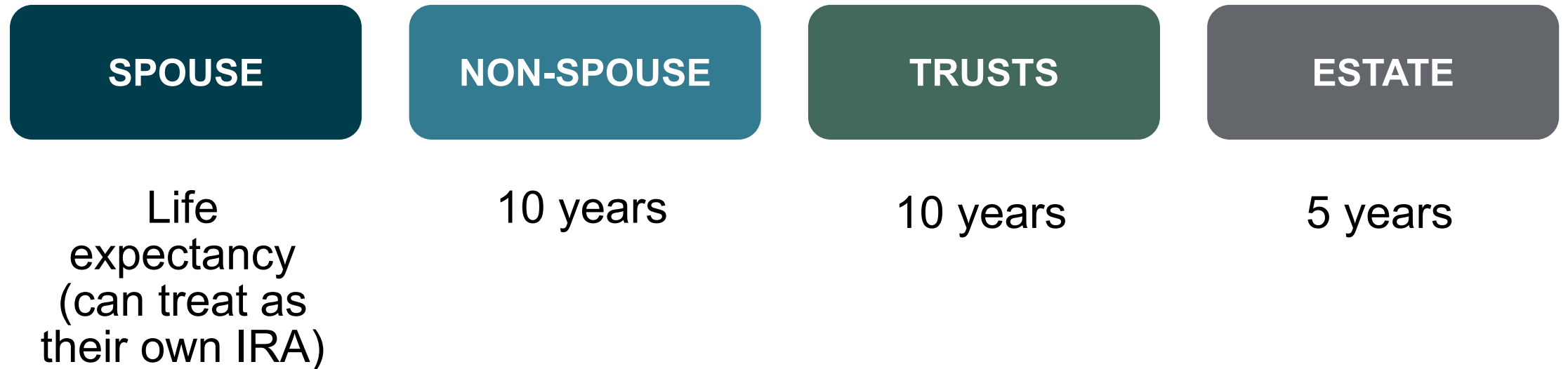
- Distribution periods are limited
- Similar rules for tax-qualified plan beneficiaries



The SECURE Act (continued)

BENEFICIARY DISTRIBUTIONS

Timeline to Distribute Funds:



The SECURE Act (continued)

BENEFICIARY DISTRIBUTIONS – PROPOSED VS. FINAL REGULATIONS

Timeline to Distribute Funds (Non-Spouse Beneficiaries):

- Historically, non-spouse beneficiaries had several options, including the ability to stretch RMDs over their life expectancy. This changed with the SECURE act.
- IRS issued proposed regulations in February 2022
 - Non-Spouse Beneficiaries must take annual RMD over 10 years
 - Calculation of RMD not specified
 - Still had option to defer distributions until proposed regulations are final and signed into law
 - IRS issued guidance in Notice 2022-53 and Notice 2023-54, waiving penalties if beneficiaries did not take annual distributions in 2021, 2022, or 2023
- IRS issued final regulations on July 19, 2024
 - Confirmed that non-spouse beneficiaries must take annual distributions and fully liquidate their inherited IRA within 10 years (i.e. the 10-Year Rule)



The SECURE Act (continued)

BENEFICIARY DISTRIBUTIONS – FINAL REGULATIONS

Timeline to Distribute Funds (Non-Spouse Beneficiaries):

- If IRA is inherited from someone who died before their Required Beginning Date (“RBD”), only the 10-Year Rule applies:
 - Entire inherited IRA must be liquidated by the end of the 10th year after the owner’s death (no annual RMDs are required)
- If IRA is inherited from someone who died on or after their RBD – the 10-Year Rule applies AND:
 - The individual must take annual RMDs in years 1 through 9 after the owner’s death, with the entire inherited IRA distributed by the end of the 10th year after the owner’s death
 - The amount of the annual RMD in Years 1 through 9 can be based on the longer of the beneficiary’s life expectancy or the decedent’s remaining life expectancy (per IRS tables)
- NOTE: Inherited Roth IRAs are subject to the 10-Year Rule, but annual RMDs are not required



The SECURE Act (continued)

BENEFICIARY DISTRIBUTIONS – FINAL REGULATIONS

Timeline to Distribute Funds (Eligible Designated Beneficiaries):

- Certain IRA beneficiaries may be exempt from the 10-Year Rule and may be able to “stretch” the IRA beyond 10 years (potentially over their life expectancy). Known as eligible designated beneficiaries, they include:
 - Surviving spouses
 - Children who have not reached the age of majority (age 21)
 - Those who are chronically ill or disabled
 - Beneficiaries who are not more than 10 years younger than the original IRA owner
- Those who inherited an IRA prior to 2020 may also be exempt, as the rule became effective for IRAs inherited after December 31, 2019.



The SECURE 2.0 Act of 2022

PART OF THE CONSOLIDATED APPROPRIATIONS ACT

- Signed into law on December 29, 2022
- Objectives:
 - To build on the SECURE Act of 2019 to improve retirement-saving opportunities
 - To promote retirement savings, lower employer costs to set up retirement plans, and offer more flexibility to those saving for retirement
- Individual income tax provisions include automatic 401(k) plan enrollment and increases in RMD age
- Many provisions were effective beginning **January 1, 2023**; others are effective in 2024, 2025, or later



The SECURE 2.0 Act of 2022 (continued)

RMD RULES

- Under SECURE Act, RMDs begin when you turn age 72
- SECURE 2.0 increased the RMD age to:
 - 73, beginning on January 1, 2023
 - 75, beginning on January 1, 2033
- Essentially, the RMD age increased to 73 for those who turned 72 after December 31, 2022 (and before January 1, 2033), and will increase to 75 for those who turn 74 after December 31, 2032
- SECURE 2.0 reduced the excise tax (penalty) on failure to take an RMD, from 50% to 25% of the RMD amount. If the failure is corrected in a timely manner (as defined in the Act), the excise tax is reduced to 10%.



The SECURE 2.0 Act of 2022 (continued)

RETIREMENT “CATCH-UP” CONTRIBUTIONS

- For those aged 50 and older, you can contribute additional amounts to your retirement accounts, called “catch-up” contributions
- The Traditional and Roth IRA annual catch-up contribution limit is \$1,000 but isn’t indexed for inflation. SECURE 2.0 provides for annual inflation adjustments, effective for tax years beginning after 2023. Still \$1,000 in 2025, but \$1,100 in 2026.
- The annual catch-up contribution limit for most employer retirement plans is \$7,500, and is subject to inflation increases
- Starting in **2025**, SECURE 2.0 provides for an increased retirement-plan catch-up contribution limit equal to the greater of:
 - \$10,000 (\$5,000 for SIMPLE Plans)
 - 150% of the standard catch-up contribution limit, if you are between ages 60 and 63 (also adjusted for inflation). This catch-up will be \$11,250 in 2025 and 2026, for a total 2025 contribution limit of \$34,750 (\$35,750 in 2026).



The SECURE 2.0 Act of 2022 (continued)

RETIREMENT “CATCH-UP” CONTRIBUTIONS (CONTINUED)

- SECURE 2.0 initially enacted a rule under which catch-up contributions must be treated as Roth contributions if your annual income is at least \$145,000, indexed annually for inflation (\$150,000 in 2026)
- In September 2025, the IRS issued Final Regulations to clarify certain provisions and to extend the effective date
 - Effective January 1, 2027, but retirement plans can apply the rule in 2026 “using a reasonable, good faith interpretation of statutory provisions.”



Planning Strategies for 2025

CONSIDERATIONS TO HELP REDUCE YOUR 2025 TAX LIABILITY

Current Tax Law Strategy Considerations

MAXIMIZE RETIREMENT PLAN AND IRA CONTRIBUTIONS (PRE-TAX OR ROTH)

- Employee elective deferral limit to 401(k) and 403(b) plans is \$23,500 in 2025
 - \$24,500 in 2026
 - Plus \$7,500 catch-up contributions if over age 50 in 2025;
 - \$8,000 in 2026
 - \$11,250 in 2025 and 2026 if you are aged 60-63
 - Overall annual limit \$70,000 (\$77,500 if over age 50; \$81,250 if age 60-60) in 2025
 - \$72,000 (\$80,000 if over age 50; \$83,250 if age 60-63) in 2026
- SEP IRA Contributions (employer only) cannot exceed the lesser of:
 - 25% of the employee's compensation, or
 - \$70,000 (no catch-up contributions available) in 2025; \$72,000 in 2026
- Traditional and Roth IRA contributions limited to \$7,000 (2025); \$7,500 in 2026
 - Plus \$1,000 catch-up contributions if over age 50; \$1,100 in 2026



Current Tax Law Strategy Considerations

ROTH IRA CONVERSIONS AND/OR TRADITIONAL IRA DISTRIBUTIONS (PRE-RMD OR INHERITED) MAY BE TAX-EFFICIENT UNDER CURRENT TAX RATES

CONSIDERATIONS:

- **Cash flow:**
 - Is the distribution needed to cover living expenses?
 - Do I have outside cash to pay taxes on conversion?
- **Timing (especially for first-time RMD):**
 - What will my income look like in 2025 (or 2026) if I take an IRA distribution or convert to a Roth IRA?
- **Other assets and taxable-income sources:**
 - Interest and dividends
 - Pension
 - Social Security (and impact on Medicare premiums)



Current Tax Law Strategy Considerations

LONG-TERM CAPITAL GAINS

- Realize long-term capital gains at 0%/15% tax rate, harvest losses when appropriate

ITEMIZED DEDUCTIONS VS. STANDARD DEDUCTION

- Standard deduction is more prevalent, but it may be worthwhile to “bunch” your itemized deductions for the additional tax benefit

CHARITABLE CONTRIBUTIONS

- “Bunch” charitable contributions in alternate years
- Donate appreciated stock – either directly or using a donor-advised fund
- Consider OBBBA cash charitable contribution deduction for non-itemizers beginning in 2026 (\$1,000 single, \$2,000 MFJ)



Current Tax Law Strategy Considerations

MEDICAL EXPENSES

- “Bunch” medical expenses into alternate years when possible
- Contribute to a Health Savings Account (“HSA”) and use it to pay medical expenses.
 - High-deductible health plan (“HDHP”) required
 - HDHP minimum annual deductible \$1,650 self-only/\$3,300 family in 2025 (\$1,700 self-only/\$3,400 family in 2026);
 - out-of-pocket maximum \$8,300 self-only/\$16,600 family (\$8,500 self-only/\$17,000 in 2026)
 - HSA contribution limits for 2025 are:

• Self-only:	\$4,300 (\$4,400 in 2026)
• Family:	\$8,550 (\$8,750 in 2026)
• Catch-up contribution (age 55+):	\$1,000

EVALUATE TIMING OF TRANSACTIONS ELIGIBLE FOR TAX CREDITS

- Limited time remaining, but consider the clean energy credits expiring in 2025 and time your purchases accordingly, if practical



Current Tax Law Strategy Considerations

QUALIFIED CHARITABLE DISTRIBUTIONS

- Take Qualified Charitable Distributions (“QCDs”) from your IRA
 - Must be over 70 ½ on the date the QCD is made
 - Funds must go directly from the IRA to the charity
 - Maximum \$108,000 per person per year in 2025 (\$111,000 in 2026), and is counted towards your RMD (if applicable)

INVESTMENT MANAGEMENT FEES

- Pay your IRA’s management fees directly from your IRA instead of a separate taxable account since fees are no longer deductible
 - Essentially allows for tax-free distributions from IRA
 - Only the fees related to the specific IRA can be deducted directly from the IRA as a tax-free transaction



Current Tax Law Strategy Considerations

CHECK IN WITH YOUR CPA/TAX PREPARER

- Discuss your 2025 expected income and deductions with your CPA or tax preparer, to determine if any quarterly estimated tax payment adjustments are needed
 - Is your actual 2025 situation as expected and/or previously estimated?
 - Check 4th quarter estimated payment amount for adequacy
 - Common variable items include realized capital gains (YTD and projected), IRA distributions, medical expenses, a move to another state, or changes in income sources due to retirement
 - Withhold taxes from your IRA distributions in lieu of separate payments, if applicable
- IRS withholding estimator: <https://www.irs.gov/individuals/tax-withholding-estimator>



Estate & Trust Tax

TAX LAW OVERVIEW & STRATEGY CONSIDERATIONS

Estate & Trust Tax Law Overview

- Four income tax rates for estates and trusts: 10%, 24%, 35%, and 37%
 - Top income tax rate of 37% is reached at taxable income over \$15,650 (\$16,000 in 2026)
- Preferential qualified dividend and long-term capital gains rates (0%/15%/20%) still apply
 - 0% up to \$3,150 (\$3,300 in 2026); 20% rate is reached at taxable income over \$15,650 (\$16,250 in 2026)
 - NIIT is 3.8% of the lesser of:
 - Undistributed net investment income, or
 - The excess of the trust's AGI over the dollar amount at which the highest tax bracket begins for the tax year (\$15,650) (\$16,000 in 2026)



Estate & Trust Tax Law Overview

- The OBBBA made permanent the TCJA's doubled base estate and gift tax exemption amount, indexed for inflation, and is \$13.99 million in 2025 (\$27.98 million per married couple)
 - \$15 million (\$30 million per couple) in 2026
 - Estate tax rate is 40%
- Annual gift exclusion amount is \$19,000 per gift recipient in 2025 and 2026
- There are fewer taxable estates with the new exemption amounts, but a thoughtful gifting is still important, to remove assets from your taxable estate and to fulfill your estate planning objectives



Estate & Trust Tax Strategy

TAKE ADVANTAGE OF ANNUAL GIFT EXCLUSION

- Gift up to \$19,000 per recipient, or \$38,000 if the gift is split between spouses, to reduce your taxable estate
- With 529 Education Savings Plans, you can gift up to \$95,000
 - Can elect to treat the gift as having been made over the next five years
 - This allows a sizable gift in one year, a possible state tax deduction, and does not reduce your lifetime exemption amount

CONSIDER IRREVOCABLE TRUSTS

- Consider setting up and funding irrevocable trusts for the benefit of heirs
- **NOTE:** Heirs will not receive a step-up in basis on assets placed in an irrevocable trust or gifted outright to them during your lifetime



Estate & Trust Tax Strategy

CONSIDER DECEASED SPOUSE'S UNUSED EXEMPTION (DSUE) PORTABILITY

- A DSUE amount of up to \$13.99 million (\$15 million in 2026) is “portable” (i.e., it can be added to the surviving spouse’s lifetime exemption amount)
 - Potentially making the surviving spouse’s lifetime exemption amount a maximum of \$27.98 million (\$30 million in 2026)
 - To claim, the executor of the deceased spouse’s estate must file a Form 706 United States Estate Tax Return and elect portability for the DSUE to be transferred to the surviving spouse
 - Form 706 filing deadline is generally nine months from the date of death, with an automatic six-month extension (extension filing required)



Estate & Trust Tax Strategy

REVISIT YOUR ESTATE PLANNING DOCUMENTS (WILLS, TRUSTS, ETC.) WITH YOUR ESTATE ATTORNEY TO ENSURE THAT THEY ACCURATELY REFLECT YOUR INTENTIONS UNDER CURRENT LAW



Summary

REVIEWING CURRENT TAX LAW & PLANNING STRATEGIES

Summary

- Roth IRA conversions and Traditional IRA distributions may be more tax-efficient under the current tax bracket structure
- While working, maximize contributions to your retirement plan and IRA
- Realized long-term capital gains and qualified dividends are taxed at lower rates, but also be aware of other income and the NIIT, as well as any impact on Medicare premiums
- Itemizing your deductions may still be valuable, depending on amounts and timing, so review them before taking the standard deduction
- If you are considering the purchase of clean energy home improvements, understand the credits available to you in 2025 and time your purchases accordingly



Summary (Continued)

- Consider various charitable gifting strategies (cash, appreciated stock, QCDs) to maximize the tax benefit while meeting your philanthropic objectives
- Review your 2025 tax withholding and quarterly estimated tax payment amounts, and adjust if necessary
- Estate planning is critical. Consider:
 - Creating irrevocable trusts (including irrevocable grantor trusts) and other gifting strategies
 - Electing portability for a deceased spouse's unused exemption amount
 - Updating your existing estate and trust documents to reflect current tax laws and prepare for potential tax law changes with your estate attorney





Questions?

EMAIL:

mverdi@godseyandgibb.com