

November 21, 2025

Re: Year-end tax and financial planning letter for individuals

Dear Clients, Business Associates and Friends:

With the 2025 year-end fast approaching now is the ideal time to review your financial picture and take steps to capture available tax savings. With new tax legislation, economic shifts, and evolving personal circumstances, thoughtful planning can make a meaningful difference. Our goal is to help you navigate these changes with confidence and position yourself for financial success in the year ahead.

In this letter, you'll find a summary of key tax law changes, important deadlines and actionable planning ideas. Whether you're looking to maximize deductions, plan for retirement or address life changes, we're here to provide guidance and support every step of the way.

### **New temporary deductions for tips, overtime, car loan interest and seniors**

For 2025-2028, you may be eligible for new deductions: up to \$25,000 of qualified tips; up to \$12,500 (\$25,000 joint) of overtime premium pay; up to \$10,000 of interest on loans for new, U.S. assembled vehicles; and an additional senior deduction of up to \$6,000 if you are age 65 or older available to those who itemize or claim the standard deduction. Each deduction is subject to income phase-outs and specific eligibility rules. If these deductions are applicable to your situation, we can help you maximize these benefits.

### **Charitable contribution planning**

With changes coming in 2026 to the charitable deduction, it will be important to review your plans to discuss the best timing and structure for your charitable giving. There are many tax planning strategies we can discuss with you about charitable giving.

- Consider donating appreciated assets that have been held for more than one year, rather than cash. You benefit from a deduction for the fair market value (FMV) of your appreciated stock and avoid taxes on capital gains from the appreciation.

- Opening and funding a donor advised fund (DAF) is appealing to many as it allows for a tax-deductible gift in the current year and the ability to distribute those funds to charities over multiple years.
- Qualified charitable distributions (QCDs) are another beneficial option for those over age 70 ½ who don't typically itemize on their tax returns. A QCD counts toward your required minimum distribution (RMD) and is excluded from taxable income, especially valuable if you do not itemize deductions.
- Beginning in 2026, charitable deductions will be reduced by .5% of your adjusted gross income so it may behoove you to accelerate your charitable contributions to 2025 rather than make them in 2026. However, starting next year non-itemizers will be allowed to deduct up to \$1,000 of charitable deductions (\$2,000 for married filing jointly filers) in addition to the standard deduction, which will not be subject to the .5% floor.

It is essential to maintain proper documentation of all donations, including obtaining a letter from the charity confirming that no goods or services were provided in exchange for donations of \$250 or more.

### **Energy tax credits and green incentives**

Many federal energy credits, including those for new and used clean vehicles, solar panels and energy efficient home improvements, have expired or are set to expire soon. If you are considering such purchases or upgrades, we can help you determine if your purchases will still qualify.

### **Estate and gift tax planning**

The federal estate and gift exemption will increase to \$15 million per person (\$30 million per couple) for transfers after Dec. 31, 2025, with future inflation adjustments. The annual gift exclusion for 2025 and 2026 is \$19,000 per recipient. These changes may present new planning opportunities for wealth transfer and estate planning. Please contact us to review your estate plan in light of the changes.

## **State and local tax deduction**

The cap on the deduction for state and local taxes is temporarily increased to \$40,000 (\$20,000 for married filing separately) for 2025 through 2029, with a phase-down for higher incomes. The cap reverts to \$10,000 after 2029. This may affect whether it is beneficial for you to itemize deductions and your overall tax planning.

## **Digital assets and virtual currency**

Digital assets are defined as any digital representations of value that are recorded on a cryptographically secured distributed ledger or any similar technology. For example, digital assets include non-fungible tokens (NFTs) and virtual currencies, such as cryptocurrencies and stablecoins.

Beginning with transactions occurring in 2025, the IRS has implemented new reporting requirements. For certain transactions through a broker or certain digital asset platforms, you may receive a new Form 1099-DA in early 2026. It is important to note that you are responsible for accurately reporting all taxable digital asset transactions on your tax return, even if you do not receive a Form 1099-DA. It is important to maintain detailed records of all digital asset purchases, sales, exchanges and related transactions to substantiate that reporting. The IRS continues to increase its scrutiny and reporting requirements in this area.

Contact us to help if you have questions about your digital asset activity, how these new rules may affect you or if you need assistance with recordkeeping or tax reporting for digital assets.

## **Electronic payments to and from the IRS**

In March 2025, President Trump signed an executive order requiring all federal disbursements, including IRS tax refunds to be made electronically rather than by paper check, effective Sept. 30, 2025. According to the IRS, payments to Treasury can still be made using the current acceptable methods until guidance is released to provide a timeline for electronic payments. We recommend reviewing your current refund and payment methods to ensure compliance and to avoid delays or complications in the future. Please let us know if you would like to discuss how these changes might affect you.

## **Additional tax and financial planning considerations**

We recommend you review your retirement plans at least annually. That includes making the most of tax-advantaged retirement saving options, such as traditional individual retirement accounts (IRAs), Roth IRAs and company retirement plans. It is also advisable to take advantage of health savings accounts (HSAs) that can help you reduce your taxes and save for medical-related expenses.

Here are a few more important tax and financial planning items to consider and discuss with us:

- **Life changes** — Let us know about any major changes in your life such as marriages or divorces, births or deaths in the family, job or employment changes, starting a business and significant expenditures (real estate purchases, college tuition payments, etc.). These events often create both tax and planning opportunities.
- **Capital gains and loss harvesting** — Consider tax benefits related to using capital losses to offset realized gains. Selling underperforming assets before year-end can help manage taxable income.
- **Education planning** — Save for education with Sec. 529 plans. There can be income tax benefits to do so, and there have been changes in the way these funds can be used. We can help you with any questions.
- **Updates to financial records** — Determine whether any updates are needed to your insurance policies or beneficiary designations.
- **Required minimum distributions (RMDs)** — You cannot keep retirement funds in your account indefinitely. RMDs are the minimum amount you must annually withdraw from your retirement accounts once you reach a certain age (generally age 73). Failure to do so can result in significant penalties.
- **Roth IRA conversions** — Evaluate the benefits of converting your traditional IRA to a Roth IRA to lock in lower tax rates on some of your pre-tax retirement accounts.
- **Estimated tax payments** — With underpayment interest rates currently at 7% for federal, it is a good idea to review withholding and estimated tax payments and assess any liquidity needs.

## **Year-end planning equals fewer surprises**

As the year draws to a close, thoughtful planning can help you minimize surprises and position yourself for greater financial success. Our team is committed to guiding you through these changes and helping you make informed decisions tailored to your unique situation.

We encourage you to contact our office if you have any questions, and to also visit our website [www.messina-cpa.com](http://www.messina-cpa.com) for additional tax tips and detailed information on the new tax act.

Sincerely,

A handwritten signature in blue ink that reads "Messina & Associates Ltd." with a stylized flourish at the end.

Messina & Associates, Ltd.

Certified Public Accountants