

Cohen & Co[®]

2025 Year-End Tax Planning Guide

INDIVIDUALS



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Minimizing taxes is an ongoing challenge for individual taxpayers, and, as year-end approaches, that goal becomes even more critical. There are numerous options within the tax code to help reduce your individual tax burden. To accomplish this, you must evaluate your overall tax situation and goals holistically. In addition to basic planning ideas, the One Big Beautiful Bill Act (OBBBA) adds a new dimension for 2025 and beyond, providing key tax law extensions and new provisions that could impact your tax situation.

Review our year-end planning guide to begin strategizing with your tax advisory team.



Individual Income Tax Planning

■ Individual Tax Brackets

Individuals are subject to a progressive system of federal income tax with seven brackets that range from 10% to 37%. For 2025, the 37% bracket is applicable to taxable income over:

- ◆ \$626,350 (single)
- ◆ \$751,600 (married filing jointly)
- ◆ \$375,800 (married filing separately)

► **Our Take:** Timing income, managing deductions and optimizing retirement contributions can help take advantage of progressive income tax rates and minimize overall tax liability.

 **Find the 2025 individual federal tax rates and brackets on page 12.**

■ Alternative Minimum Tax (AMT)

AMT is a separate, parallel tax system originally meant to ensure certain high-income taxpayers who benefited from various deductions and other tax preferences still paid a minimum level of tax. Historically, many high-income earners (often those with significant state and local tax deductions) were subject to AMT, but the Tax Cuts and Jobs Act of 2017 (TCJA) significantly increased the exemption and phase-out thresholds. This greatly reduced the number of AMT taxpayers.

The current AMT tax rate is 26% or 28%, depending on alternative minimum taxable income (AMTI), which includes certain add-back items, such as state and local tax. The AMT exemption reduces AMTI and for 2025 is:

- ◆ \$88,100 (single)
- ◆ \$137,000 (married filing jointly)
- ◆ \$68,500 (married filing separately)

The AMT income phase-out thresholds for these exemption amounts begin at \$1,252,700 for married filing joint filers and \$626,350 for all other individuals.

► **Our Take:** Taxpayers subject to AMT often have a higher tax base taxed at a lower rate, as compared to the regular income

tax calculation. Because AMT tax rates are generally lower than certain regular tax rates, consider accelerating income from a future year to the AMT year.

 **Find the 2025 AMT exemption amounts and phaseouts on page 12.**

■ Estimated Taxes

Individuals must make quarterly estimated tax payments when not enough taxes are withheld from compensation or retirement account distributions. An underpaid installment may create a penalty. However, the IRS will not impose an underpayment penalty if either 90% of the current year tax or 100% of the prior year tax (110% if AGI exceeds \$150,000) is paid through withholding or timely estimated tax payments.

► **Our Take:** Tax overpayments represent interest-free loans to the government. You can minimize or avoid overpayments by calculating estimated tax payments and withholding exemptions carefully and adjusting them if circumstances change. Additionally, because tax withholding is deemed to occur ratably throughout the year, increasing the rate of withholding on a year-end bonus or on IRA distributions could help make up for underpaid estimates in earlier quarters.

■ State Residency Planning

Individuals are typically subject to state income tax in their state of residency, and certain states also have their own estate tax. Some states have more favorable tax regimes than others, and some do not impose income tax. For this reason, state and local taxation is something that can significantly impact individuals' tax situations.

► **Our Take:** The decision to change state residency takes much time and forethought. If you wish to change your residency, ensure you have a supportable fact pattern capable of withstanding a potential state tax audit.



Itemized Deduction Planning

■ Standard Deduction vs. Itemizing

Individual taxpayers can either itemize certain deductions or claim the standard deduction amount corresponding to their filing status. For 2025:

- ◆ The standard deduction increases to \$31,500 (married filing jointly), \$15,750 (single) and will be adjusted for inflation in future years.
- ◆ Taxpayers who are 65 or older and/or blind can receive an additional deduction of \$1,600 (married filing jointly) or \$2,000 (single) per qualifying individual.

The OBBBA provides for a temporary additional deduction of \$6,000 per qualifying individual age 65 or older, subject to certain phaseouts. Many taxpayers who previously benefited from itemizing may find it more advantageous to claim the standard deduction.

► **Our Take:** If you typically don't have enough deductions to itemize, consider "bunching" them, such as taxes and charitable contributions, to maximize your itemized deductions to exceed the standard deduction amount.



Find standard deductions for nonitemizers on page 13.

■ State and Local Tax Deduction

The OBBBA temporarily increases the \$10,000 limit on the federal deduction for state and local taxes (often known as the SALT cap) to \$40,000 for most taxpayers. In 2026, the cap will be \$40,400 and then increase by 1% annually through 2029. Beginning in 2030, the cap will revert to \$10,000.

For most taxpayers, the SALT cap phases down from the \$40,000 cap to a \$10,000 floor between \$500,000 and \$600,000 of modified adjusted gross income (MAGI). Specifically, the reduction will be 30% of the amount by which MAGI exceeds \$500,000. However, all itemizing taxpayers will still be able to deduct at least \$10,000.

► **Our Take:** Because of the state and local tax phaseout, taxpayers with MAGI between \$500,000 and \$600,000 could be subject to a 45.5% marginal federal tax rate. Plan to make year-end state, local and property tax payments in the tax year that provide the largest benefit, considering your MAGI, marginal tax rate and SALT cap for that particular year.



Investment Planning

■ Tax Efficiency of Investments

Unlike certain tax-advantaged retirement and college savings accounts, regular broker accounts do not offer any specific tax-saving benefits. Investments vary in their tax efficiency, with some being more efficient than others. Placing less actively traded and more tax-efficient investments into taxable broker accounts can reduce an individual's tax liability, as these assets should generate less capital gains.

► **Our Take:** Carefully consider purchasing mutual funds late in the tax year. Capital gain distributions often occur at year-end. If you purchase mutual fund shares before that distribution, you will pay tax on it even though you did not economically benefit from the gains.

■ Investment Gain and Loss Harvesting

Capital gains and losses are netted together on an individual's tax return. If the losses exceed the gains, individuals can offset \$3,000 against other forms of income, and any excess loss can be carried forward to future years.

► **Our Take:** If you have realized capital gains from investments, consider selling other investments that will generate losses to offset those gains. If realized losses exist at year-end,

securities can be sold with no immediate tax cost, allowing you to rebalance your portfolio.

If you sell a stock, bond or security at a loss, and within 30 days before or after that sale you buy the same or substantially identical security, the "wash sale" rules will disallow the loss. While these rules limit the ability to sell an asset at a loss and immediately repurchase the same security, similar rules do not apply when selling stock and securities at a gain.

■ Net Investment Income Tax (NIIT) Planning

The NIIT applies an additional 3.8% tax on net investment income for taxpayers with adjusted gross income (AGI) exceeding \$250,000 (married filing jointly) or \$200,000 (single). Taxpayers who are currently below the NIIT thresholds, but may exceed them in the future, should consider accelerating capital gains or other investment income to avoid the NIIT on this income in future years.

► **Our Take:** There are several strategies to reduce income levels below the NIIT thresholds, including timing investment income events and maximizing retirement plan contributions, among other planning tactics.

Charitable Planning

■ Charitable Contribution Deduction

Individual taxpayers who itemize their deductions can generally deduct the fair market value of their donation, subject to AGI limits. The OBBBA introduced several new provisions effective beginning in 2026. It created a charitable contribution deduction for taxpayers who do not elect to itemize, allowing non-itemizers to claim a deduction of up to \$2,000 (married filing jointly) or \$1,000 (single) for certain charitable contributions. This deduction is only available for cash gifts to qualified public charities, excluding donor advised funds.

For itemizers, the OBBBA imposes a 0.5% floor on the charitable contribution deduction, beginning in 2026. The amount of an individual's charitable contributions for a tax year is reduced by 0.5% of the taxpayer's AGI. In addition, the maximum tax benefit from charitable deductions and other itemized deductions is capped at 35%, even if the taxpayer is in the 37% marginal tax bracket.



► **Our Take:** Because the new restrictions do not take effect until 2026, consider accelerating future charitable contributions to 2025. Donor advised funds can be used if you don't have a recipient currently in mind.

■ Gifting Appreciated Securities

Donating appreciated publicly traded stock held more than one year offers an enhanced benefit. The fair market value of the stock can be deducted while avoiding capital gains tax that would have been incurred had the stock been sold and the proceeds contributed.

► **Our Take:** For stock or securities that have lost value, consider selling them, recognizing the loss and donating the proceeds.

■ Donor Advised Funds

A donor advised fund is a charitable giving vehicle that allows individuals or families to make a charitable contribution, receive an immediate tax deduction and then make grants from the fund over time. Donor advised funds offer several benefits, including the ability to “bunch” charitable contributions and to efficiently obtain a deduction for donated stock and securities.

■ Qualified Charitable Distributions

A qualified charitable distribution can be a tax-efficient way for individuals age 70 ½ and older to donate directly from their individual retirement account (IRA) to a qualified charity. For 2025, the maximum qualified charitable distribution limit is \$108,000 per individual. These distributions can be used to satisfy required minimum distribution requirements, thus allowing for the inclusion of income that would otherwise be subject to tax.

► **Our Take:** When making a qualified charitable distribution from an IRA, you can exclude the income from AGI, and there is no corresponding tax deduction. Making a qualified charitable distribution can be more beneficial than making regular charitable contributions, especially if you do not itemize deductions.

Retirement Planning

■ Employer 401(k)/Other Retirement Plans

Employees who contribute to traditional employer-sponsored defined contribution plans receive several benefits. These contributions are typically pre-tax, which provides immediate tax savings. Contributions also reduce AGI (and modified AGI), which can often be a trigger for certain taxes or can reduce or eliminate other tax benefits. The plan assets grow tax-deferred, as gains will not be taxed until the year distributed. Finally, employers may match some or all employee contributions.

► **Our Take:** Consider contributing the maximum amount permitted to qualified retirement plans. This is especially beneficial in a high-income tax year, as future distributions could occur in a year when lower tax brackets apply.

■ Roth IRA Accounts

Roth IRA accounts allow for tax-free growth and tax-free withdrawals. Furthermore, they are not subject to the required minimum distributions. Individual taxpayers meeting certain earned income and MAGI requirements can contribute after-tax dollars now and take tax-free qualified withdrawals later.

► **Our Take:** You can withdraw original Roth IRA contributions tax-free and penalty-free if certain requirements are met. As such, Roth IRAs allow retirement plan flexibility, as amounts can potentially be used for nonretirement needs. This benefit must be balanced with the loss of potential tax-free growth on the withdrawn amounts.

■ Roth IRA Conversions

Investments in a traditional IRA — including SEPs and SIMPLE IRAs, Sec. 401(a) qualified retirement plans, and Sec. 403(b) tax-sheltered annuities or Sec. 457 government plans — may be rolled over into a Roth IRA without penalty, if certain requirements are met. The conversion is taxable but allows for future growth of the investment in the Roth IRA to be tax-free.

► **Our Take:** Generally, converting to a Roth IRA in a year in which you are in a lower tax bracket could provide additional benefit through tax rate arbitrage. Individuals wishing to pass

wealth onto heirs should consider converting tax-deferred accounts to Roth IRA accounts. The prepayment of income tax will reduce the taxable estate and allow the future transfer of an income tax-free asset to beneficiaries.

However, be aware stock market valuations at near historic highs create a certain level of risk if the market falls following a Roth conversion. Such conversions may no longer be recharacterized and undone.

■ Back-Door Roth IRA

Individuals whose income is too high to make a regular Roth IRA contribution are still permitted to make a “back-door” Roth contribution. This is done by establishing a traditional IRA and making a non-deductible contribution. This traditional IRA can then be converted to a Roth IRA tax-free because the initial nondeductible contribution creates basis.

► **Our Take:** Be mindful — if you have other traditional retirement plans that consist of pre-tax dollars, a portion of the Roth IRA conversion will be taxable.

■ Required Minimum Distributions

A required minimum distribution is the minimum amount the IRS requires taxpayers to withdraw from certain retirement accounts once they reach age 73. Individuals who are turning 73 in 2025 can choose to take their first distribution by April 1, 2026. For each subsequent year, the distribution must be taken by December 31.

► **Our Take:** While deferring income is a common planning technique, if you delay the initial required minimum distribution until April 1 of the following year, you will have two required distribution withdrawals for 2026 (April 1 and December 31). This may push you into a higher tax bracket in 2026. As such, consider taking the first distribution by December 31, 2025, if turning 73 this year.

Family Tax Planning

■ Kiddie Tax

The kiddie tax provisions prevent parents from shifting unearned income (investment income such as interest, dividends and capital gains) to their children to take advantage of lower tax rates. In general, the kiddie tax applies to children under the age of 18, or dependent full-time students under 24, who have unearned income from investments.

For applicable children, investment income exceeding \$2,700 (for 2025) is subject to taxation at the parents' marginal tax rate.

Specifically, the first \$1,350 of unearned income is not taxed. The next \$1,350 is taxed at the child's rate, and any amount over \$2,700 is taxed at the parents' rate.

► **Our Take:** Parents can elect to include a child's interest and dividend income on their own return if certain conditions are met. Doing so could simplify tax compliance but will also affect the parents' taxable income and potentially other aspects of their income tax calculation.

Education Planning

■ 529 Plans

Sec. 529 plans are tax-advantaged savings plans to fund education expenses. Contributions are not deductible for federal tax purposes, but investment growth is tax-deferred. Some states offer additional tax benefits for contributions. Distributions used to pay for certain beneficiary education expenses are tax-free, making the tax benefit permanent. These expenses include:

- ◆ Qualified post-secondary expenses, such as tuition
- ◆ Elementary and secondary tuition of up to \$10,000 per year, per beneficiary
- ◆ Up to \$10,000 of student loan debt per beneficiary
- ◆ Certain other qualified higher education expenses, including qualified postsecondary credentialing expenses

Unused Sec. 529 plan funds (up to \$35,000) can be rolled over to a beneficiary's Roth IRA, subject to various rules and limits.

► **Our Take:** Some individuals may desire to fund the 529 plan sooner, and with larger amounts, to maximize the growth

potential. You can elect to treat a contribution up to \$95,000 (or \$190,000 for a gift-splitting married couple) as if it had been contributed over a five-year period. The larger contribution can still be sheltered by the annual gift tax exclusion amount.



Estate & Gift Tax Planning

■ Annual Exclusion Gifts

The annual gift tax exclusion is the amount an individual donor can gift to someone without incurring gift tax or reducing the donor's estate and lifetime gift tax exemption amount. The annual exclusion for 2025 is \$19,000. Married couples can double this amount by either gifting separately or electing to split gifts on a properly filed gift tax return. This means married couples can give up to \$76,000 annually to their child and his or her spouse.

► **Our Take:** Annual exclusion gifts represent a use-it-or-lose-it opportunity to transfer wealth tax-free. While the amounts may seem small, consistently using this gifting strategy for a long period can effectively transfer significant assets out of an estate.

■ Lifetime Exemption Gifts

In 2025, the lifetime exemption amount is \$13.99 million per person, increasing to \$15 million in 2026. For married couples, this exemption is \$27.98 million for 2025 and will be \$30 million in 2026. Estates above these amounts should consider reducing the taxable estate through gifting, taking advantage of the larger exemption amounts available. Transferring assets out of an estate today freezes the value of the assets and moves future appreciation out of the estate to future generations.



Find the 2025 gift and estate tax exclusions and credits on page 13.

■ Establishing Trusts

A trust is a legal arrangement in which one party (the grantor) gives another party (the trustee) the right to hold and manage assets for the beneficiary(ies). Trusts can be used to achieve both the tax and nontax goals of the grantor. Some of the common reasons trusts are established include:

- ◆ Avoiding the cost and administrative effort of the probate process
- ◆ Minimizing gift, estate and generation skipping transfer tax on the transfer of wealth
- ◆ Arranging for management of assets for the benefit of family members
- ◆ Accomplishing charitable goals

■ Beneficiaries on Retirement Accounts & Life Insurance Policies

Beneficiary designations supersede will and trust directives. For this reason, it is important to review designations periodically to ensure they reflect current estate planning objectives. This is especially true when family situations change due to marriage, divorce and death. Even the most well thought out estate plan could be disrupted by beneficiary designations that do not align with current estate planning goals.

■ Estate Planning for Income Tax

Lifetime gifts of assets will reduce a taxable estate, but the recipient will have a carryover basis in the asset. Alternatively, nonretirement account assets transferred at death are included in a taxable estate, but the recipient receives a tax-free basis adjustment. As part of an overall estate plan, taxpayers should consider both the estate tax and income tax effects of their gifting strategy.

► **Our Take:** If you will not have a taxable estate, consider letting assets pass through the estate to heirs rather than gifting assets during your lifetime. Your beneficiaries will receive a stepped-up basis on appreciated assets, which will reduce future gain on the sale of those assets.

Estate Tax Reminder

Individuals who pass away with net worth exceeding the estate and gift lifetime exemptions will be subject to federal estate tax. Even if an estate is below current exemption amounts, there are still important estate planning strategies that could reduce a family's future taxes. Review your estate plan regularly to ensure it continues to meet family goals in a tax-efficient manner.

Conclusion

The planning areas throughout this guide are potentially meaningful strategies to consider with your tax advisers now and over the next year. Talk with them prior to year-end to determine what makes the most sense for your tax situation and to create a plan.

Contact Us

Our specialists focus on helping business owners, other high-net-worth individuals and families, and family offices understand the comprehensive picture of their complex needs.



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Thank You

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Year-End Tax Planning for Private Companies



It's time for businesses to proactively plan for and execute on tax opportunities to help ease their 2025 tax burden. New this year is the One Big Beautiful Bill Act (OBBBA), which contains numerous tax law extensions as well as new provisions that may be impactful.

***For specific business planning items to consider, read
Cohen & Co's 2025 Year-End Tax Planning Guide for Private Companies.***

APPENDIX:

2025 Tax Rates & Additional Information

Individual Federal Tax Rates and Brackets

Tax Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household	Estates & Trusts
10%	Up to \$11,925	Up to \$23,850	Up to \$11,925	Up to \$17,000	Up to \$3,150
12%	\$11,926 – \$48,475	\$23,851 – \$96,950	\$11,926 – \$48,475	\$17,001 – \$64,850	--
22%	\$48,476 – \$103,350	\$96,951 – \$206,700	\$48,476 – \$103,350	\$64,851 – \$103,350	--
24%	\$103,351 – \$197,300	\$206,701 – \$394,600	\$103,351 – \$197,300	\$103,351 – \$197,300	\$3,151 – \$11,450
32%	\$197,301 – \$250,525	\$394,601 – \$501,050	\$197,301 – \$250,525	\$197,301 – \$250,500	--
35%	\$250,526 – \$626,350	\$501,051 – \$751,600	\$250,526 – \$375,800	\$250,501 – \$626,350	\$11,451 – \$15,650
37%	Over \$626,350	Over \$751,600	Over \$375,800	Over \$626,350	Over \$15,650

Tax Rates on Long-Term Capital Gains (LTCG) & Qualified Dividends

LTCG Tax	Single	Married Filing Jointly	Married Filing Separately	Head of Household	Estates & Trusts*
0%	Up to \$48,350	Up to \$96,700	Up to \$48,350	Up to \$64,750	Up to \$3,250
15%	\$48,351 – \$533,400	\$96,701 – \$600,050	\$48,351 – \$300,000	\$64,751 – \$566,700	\$3,251 – \$15,900
20%	Over \$533,400	Over \$600,050	Over \$300,000	Over \$566,700	Over \$15,900

*Estates and irrevocable trusts that do not distribute capital gains are subject to these rates.

Alternative Minimum Tax

EXEMPTION AMOUNTS & PHASEOUTS		
	Exemption Amount/Phaseout Amount Begins at:	
Single or head of household	\$88,100 / \$626,350	
Married filing jointly	\$137,000 / \$1,252,700	
Married filing separately	\$68,500 / \$626,350	
Estates and trusts	\$30,700 / \$102,500	
AMT TAX RATES		
	Married Filing Separately	All Others
26% tax rate applies to AMTI below:	\$119,550	\$239,100
28% tax rate applies to AMTI over:		

Standard Deductions for Nonitemizers

Filing Status	2025 Standard Deduction
Single	\$15,750
Married filing jointly	\$31,500
Married filing separately	\$15,750
Head of Household	\$23,625
Dependent filing own tax return	\$1,350*
Additional Standard Deductions for Elderly (65+) or Blind	Additional Amount**
Married filing jointly or separately	\$1,600 per individual
Single or head of household	\$2,000
Enhanced senior (65+) standard deduction	\$6,000 per individual***

* For taxable years beginning in 2025, the standard deduction amount for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) \$1,350 or (2) the sum of \$450 and the individual's earned income. The amount cannot be more than the regular standard deduction for single filers (\$15,750).

** Amounts can double if an individual is both 65+ and blind.

*** This amount is in addition to the regular standard deduction and the additional age/blindness amount. Amounts are phased out between \$150,000 and \$250,000 (married filing jointly), and \$75,000 and \$150,000 (single).

Estate & Gift Tax Exclusions & Exemptions

Gift tax annual exclusion	\$19,000
Estate, gift and generation skipping transfer tax exemption amount (per taxpayer)	\$13,990,000
Annual exclusion for gifts to noncitizen spouse	\$190,000
Maximum estate, gift and generation skipping transfer tax rate	40%

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