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**PLANNING & PROTECTING  
YOUR FAMILY & FINANCIAL SUCCESS**

**Tax Update  
2025**

*To Our Clients and Friends:*

*The One Big Beautiful Bill Act makes temporary tax cuts permanent and cuts taxes further for senior citizens, homeowners, second homeowners, those who are raising children, those who own a business, and on Estates. There is also an increase in allowable State and local tax deductions - a significant benefit to those living in high tax states such as New York and New Jersey. There are also a few credits and deductions that have been eliminated and so require additional planning.*

*While some provisions are subject to income limitations, others are temporary (perhaps they will be extended?). Overall, the new law benefits many, many, taxpayers.*

*A few highlights follow. We hope you will find them helpful as we approach tax season.*

*In the meantime, we wish you a happy, healthy, and safe holiday season!*

*Thank you. The Visci & Associates Team.*

## SALT - State and Local Taxes Deduction

- State and local income, property, and some sales taxes are allowed as a deduction reducing federal tax. No matter how much you had paid in SALT, the deduction was limited to, capped at \$10,000.
- **The SALT cap is now increased from \$10,000 to \$40,000** for most taxpayers.
- Please note there is a phase out of the SALT Deduction for taxpayers earning over \$500,000.

### Impact-Example:

A taxpayer pays property tax and State income tax for total SALT \$40,000, plus mortgage interest and deductible charity totaling \$25,000. Total paid out \$65,000.

- Old Law: The \$40,000 of SALT paid was limited to \$10,000. Adding the \$10,000 SALT allowed to mortgage interest and charity of \$25,000, the taxpayer deducted \$35,000.
- New Law: Most taxpayers can deduct the full \$65,000 paid out.

### Planning Opportunity:

- The change helps taxpayers in high tax states, like NJ & NY, and second homeowners everywhere.
- Paying **property tax** and **state estimated income taxes** before December 31 – even if not yet due, may save income tax for the year in which the taxes were paid.

## Standard Deduction Increases

- Standard deduction has been increased for all filers. For example:
  - For 2024, the standard deduction was \$14,600 on single and \$29,200 on married joint returns.
  - This increases for 2025 to \$15,750 on single and \$31,500 on married joint returns.
  - This increases again for 2026 to \$16,100 on single and \$32,200 on married joint returns.
- The increase in standard deduction benefits those without significant itemized deductions such as mortgage interest, SALT, and/or charity expenditures that might be otherwise used to reduce tax.

## Bonus Standard and Itemized Deduction for Seniors

- For 2025–2028, taxpayers 65 or older add \$6,000 to their **Standard or Itemized Deductions** whichever applies in their case - \$12,000 if filing married joint and both taxpayers are age 65 or older.

## Charitable Deductions

- If you do not itemize deductions, you can now - in addition to your standard deduction – deduct donations up to \$1,000 on single and \$2,000 on married joint returns.
- If you itemize, you can only deduct charity exceeding .5% of adjusted gross income (AGI).  
Impact-Example: A taxpayer with an adjusted gross income of \$100,000 donates \$2,000 to charity. The taxpayer can deduct \$1,500. ( $\$100,000 \text{ AGI} \times .5\% = \$500$  “floor”.  $\$2,000 - \$500 = \$1,500$  deduction)

## 2% Floor Itemized Deductions

- Deductions that were previously temporarily suspended, such as Unreimbursed Employee Business expenses, Investment Expenses, Safe Deposit Rentals, are now permanently eliminated and lost.

### Planning Opportunity:

These expenses **may nevertheless be deductible elsewhere** on your return depending on the type and source of your earnings.

## Energy / Clean Energy Incentives

- Electric Vehicle credits have been eliminated. Residential Energy credits end December 31.

## Child Tax Credit Increase

- The Child Tax Credit increases from \$2,000 to **\$2,200 per qualifying child** in 2026.
- The \$2,200 will be thereafter indexed annually for inflation.

## 401K's and Retirement

- Taxpayers age 50 and over remain allowed to make 401-K catchup contributions - increasing the amount they can put away for tomorrow's retirement while reducing their tax today.
- Multiple factors should be considered **before** making catch-up contributions:
  - Withdrawals from 401k and similar plans by those under 59½ can be subject to penalties. One should therefore only contribute monies they will not need until after at minimum 59½.
  - If overall post-retirement income will be high, the cost of withdrawals from 401k and similar plans may be higher than what was saved when the contribution was made.
- Starting in 2026, catchup contributions for high income taxpayers are subject to income tax.

### Planning Opportunities:

- **Roth Plans:** There is no tax deduction for money contributed to a Roth. However, there is generally no tax on Roth withdrawals, often making them a better choice - especially for those further from retirement as the accounts grow tax free over time.
- **Roth Conversions:** Some taxpayers benefit from converting traditional retirement accounts to Roth accounts. Taking the money slowly over time reduces RMD's that may need to be taken later and taxed at a higher rate, plus there are Roth benefits.

## Self-Employed / Small Business Owner Income Deduction is Extended

- 20% of Qualified Business Income (QBI) is excluded from tax (tax free), subject to limitations.

## Tips and Overtime

- For 2025-2028, up to \$25,000 of qualified tips and \$12,500 of overtime may be excluded from tax.

## Estate, Gift, and Generation-Skipping Tax

- The 2026 federal estate tax exemption is increased to \$15 million.
- The \$15 million exemption will increase annually, indexed to inflation.

### Planning Opportunity:

- With planning this exemption can often be doubled while preserving income tax benefits.
- State estate taxes vary widely and must be taken into account in all estate planning.

***We hope you find the above helpful as we approach tax season. Please do not hesitate to contact us with any questions or planning concerns. Thank you. The Visci & Associates Team.***

**Newsletter content is not intended as legal advice.**

**We welcome any questions you may have regarding its content. Thank You!**

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