

2025 Personal Income Taxes: Key Takeaways and Action Items

Key Dates

- **Filing deadline:** Monday, April 15, 2026
- **2025 IRA contribution deadline:** April 15, 2026
- **Extension deadline (Form 4868):** October 15, 2026 (payment still due April 15)
- **Recommend e-filing with direct deposit:** Refunds within three weeks vs. months for paper returns.

Major 2025 Tax Law Changes You Should Know

Increased Standard Deduction

Filing Status	2025 Amount
Single	\$15,750
Married filing jointly	\$31,500
Additional (age 65+, Single)	\$2,000
Additional (age 65+, Married both 65+)	\$3,200

New Senior Deduction (2025–2028)

- \$6,000 per eligible taxpayer age 65+ (\$12,000 for married couples both 65+)
- Added to the standard deduction
- Income phase-out begins at \$75,000 (Single) or \$150,000 (Married)

Example: A married couple, both 65+, with a \$140,000 income, gets a total deduction of \$46,700 (standard deduction of \$31,500 + additional \$3,200 + senior deduction of \$12,000). The first \$46,700 of income is tax-free.

Other Significant Changes (2025–2028)

- **Property and state income tax cap increased** from \$10,000 to \$40,000 (2025–2029).
- **New car loan interest deduction:** Up to \$10,000/year (U.S.-assembled cars only, income limits apply).
- **Charitable deduction without itemizing:** \$1,000 (Single) or \$2,000 (Married) starting in 2026.
- **Tips and overtime deductions:** Up to \$25,000 tip income and \$12,500/\$25,000 overtime (income limits apply).

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Lower Tax Rates Made Permanent

Tax rates reduced in 2018 are now permanent (were scheduled to increase in 2026).

Key brackets:

- **Single Taxpayers:** 12% on income \$11,925–\$48,475 | 22% on income \$48,475–\$103,350
- **Married Filing Jointly:** 12% on income \$23,850–\$96,950 | 22% on income \$96,950–\$206,700

High-Value Tax Strategies For Seniors (70½ and Older)

IRA Charitable Distributions: Transfer up to \$108,000 from IRA directly to charity—avoids tax on distribution. Must transfer directly from IRA to charity before taking any regular RMD withdrawals. Deadline: December 31.

For Everyone Planning Ahead

- **Roth IRA conversions:** Pay taxes now while rates are low (expires 2028). Roth withdrawals are tax-free after five years.
- **Stay in 12% bracket:** Plan income sources strategically (wages, Social Security, pensions, IRA withdrawals, Roth withdrawals, savings, investments).
- **Capital gains opportunities:** 0% tax rate on long-term gains if taxable income below \$48,475 (Single) or \$96,950 (Married filing jointly).
- **Tax loss harvesting:** Deduct up to \$3,000/year in investment losses (excess carries forward).

For Itemizers

- **"Bunch" deductions:** Prepay property taxes, make January mortgage payment in December, time charitable giving.
- **Donor-advised fund:** Deduct several years of charitable giving upfront in one year.

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Required Minimum Distributions (RMDs)

Date of Birth	Start RMDs at Age
Before July 1, 1949	70½
July 1, 1949–Dec. 31, 1950	72
1951–1959	73
1960 or later	75

Penalty: 25% of the amount you should have taken (10% if corrected timely). Not required from Roth IRAs.

Common Mistakes to Avoid

- Filing before all tax documents are received.
- Choosing an incorrect filing status.
- Failing to report all income (especially 1099s).
- Missing eligible credits (education, child care, earned income, retirement savers).
- Incorrect Social Security numbers or names (must match Social Security card).
- Incorrect bank routing/account numbers for direct deposit.
- Failing to make adequate estimated payments (must prepay 90% of current year or 100% of prior year taxes).

Frequently Overlooked Deductions

- Gambling losses (to the extent of winnings)
- Long-term care insurance premiums
- Medical transportation and lodging costs
- Out-of-pocket charitable mileage
- Refinance points paid

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Action Checklist

By April 15, 2026

- File electronically with direct deposit
- Make 2025 IRA contribution if eligible (max \$7,000 plus \$1,000 if 50+)
- File extension (Form 4868) if needed—but pay the estimated amount due by April 15
- Verify all Social Security numbers and names are accurate

Strategic Planning for 2026

- Review eligibility for new senior deduction if 65+
- Explore Roth conversion while rates remain low
- Plan IRA charitable distributions if 70½+ (deadline Dec. 31)
- Review RMD requirements if applicable (deadline Dec. 31)
- Maximize 401(k)/IRA contributions for 2026
- Consider Michigan 529 contributions (deduct up to \$10,000 on Michigan return)
- Plan income sources to stay in 12% bracket if possible
- Review capital gains opportunities for 0% rate

Resources

Free Tax Preparation

- **IRS Free File:** [IRS.gov/FreeFile](https://www.irs.gov/FreeFile) (incomes of \$89,000 or less)
- **AARP Tax Aide:** Free tax preparation services
- **Accounting Aid Society:** Free tax preparation services

Key Contacts

- **IRS helpline:** 1-800-829-1040
- **Michigan Treasury helpline:** 517-636-4486

Watch the Full Webinar

Access the on-demand recording of "2025 Personal Income Taxes: What Every Filer Should Know," presented by Tom Hill, CPA, at <http://oakgov.com/webinars>.