TAX UPDATE

The passage of the **One Big Beautiful Bill Act (OBBBA)** on **July 4, 2025**, brings important tax changes that will impact the upcoming filing season. While many provisions of the 2017 Tax Cuts and Jobs Act have been made permanent, the new law also introduces several temporary deductions available from 2025 through 2028. These updates create meaningful opportunities for tax savings, including new or expanded deductions for seniors, tipped and overtime workers, vehicle loan interest, and an increased State and Local Tax (SALT) deduction. We look forward to helping you navigate these changes and ensure you receive every benefit available, with the same level of care and responsiveness you've come to expect.

2025 & 2026 TAX LAWS AND CHANGES

IRS Payments & Refunds – Per the IRS, effective September 30, 2025, to reduce fraud (lost or stolen paper checks in the mail), increase efficiency and lower administration costs, **all** federal tax payments and refunds must be handled electronically. Federal refunds will be handled by direct deposit. Federal payments can be handled via automatic withdrawal when e-filing your tax return or by going on the IRS Direct Pay or EFTPS (*only available for current users*) websites. If using IRS Direct Pay, there are no fees if paying directly from your bank account.

OBBBA NEW TAX DEDUCTIONS

Most of the new tax laws enacted by the OBBBA are available regardless of whether you itemize or take the standard deduction. However, many are dependent on adjusted gross income (AGI) for limitations and phaseout thresholds. As such, the acronym **AGI** (adjusted gross income) will be used throughout the next several pages.

Increased SALT Limit Deduction - The biggest break for individuals in the OBBBA isn't new, but it's greatly expanded. The limit on the state and local tax deduction has been increased from $10,000 to $40,000. You must itemize your deductions to take advantage of the SALT deduction. If you haven't itemized in recent years, the increased SALT limit may enable you to do so. The $30,000 increase in the deduction limit starts phasing out for AGI above $500,000 ($250,000 for married filing separate returns).

Deduction for Car Loan Interest - There's a new deduction of up to $10,000 for interest on car loans taken out after 2024 for the purchase of a new personal use vehicle assembled in the U.S. The deduction is allowed through 2028 and begins to phase out for AGI above $100,000 ($200,000 for joint returns). The deduction is available whether you itemize or take the standard deduction. To find out if your vehicle was assembled in the U.S., go to https://vpic.nhtsa.dot.gov/decoder/ and put in the vehicle's VIN and model year. The last item under "Other Information" is the final assembly plant's location.

Deduction for Tip Income - There's a new deduction of up to $25,000 for tips received by an individual in an occupation which customarily and regularly receives tips. The deduction is allowed for both employees and independent contractors, and begins to phase out for AGI above $150,000 ($300,000 for joint returns). It is **not** available for taxpayers filing **married separately**. The deduction is allowed through 2028 and can be taken whether you itemize or take the standard deduction.

However, not all tips are eligible for the deduction. The Treasury Department has issued a preliminary list of occupations that customarily and regularly received tips on or before December 31, 2024, for purposes of the "no tax on tips" provision of the One Big Beautiful Bill Act (OBBBA). That list is available here: https://home.treasury.gov/system/files/136/Tipped-Occupations-Detailed-8-27-2025.pdf

<u>Deduction for Overtime Pay</u> - This is another new tax break available through 2028. This one allows you to deduct up to $12,500 ($25,000 on joint returns) for overtime pay that's required to be paid at time and a half by federal law. The deduction begins to phase out for AGI above $150,000 ($300,000 for joint returns) and is **not** available for taxpayers filing **married separately**. The deduction is allowed through 2028, and can be taken whether you itemize or take the standard deduction.

You can only deduct the "premium" portion—generally the extra half in "time-and-a-half" pay. The hours must be "qualified overtime compensation" as defined by the Fair Labor Standards Act (FLSA), which typically means hours worked over 40 in a single workweek. The qualified overtime pay must be reported on a statement provided by your employer to support the qualified overtime compensation included on your W-2.

<u>Deduction for Seniors</u> - A new $6,000 per person deduction is available for all individuals who are age 65 by the end of the 2025 tax year. The senior deduction begins to phase out for AGI above $75,000 ($150,000 for joint returns). This Senior Deduction is **not** available for taxpayers filing **married separately**. The deduction is allowed through 2028, and can be taken whether you itemize or take the standard deduction.

<u>Charitable Contribution Deduction for Non-Itemizers</u> – Effective for tax year 2026, if you contribute cash donations to a public charity, but don't itemize, you can take a maximum deduction of $1,000 ($2,000 for joint returns). Eligible contributions must be made in cash (checks and credit/debit cards) to a public charity. There is no phase out for this deduction. Donee organization receipt(s) or other proof required.

<u>Mortgage Insurance Premiums</u> – Effective tax year 2026, mortgage insurance premiums are now deductible as mortgage interest, if you are itemizing on your tax return. The deduction phases out for AGI above $100,000, ($50,000 for married filing separately).

<u>Itemized Deduction for Educator Expenses</u> - One more tax break that will be available in 2026 is a new itemized deduction for educator expenses. This deduction for K-12 teachers is a complement to the longstanding $300 ($350 in 2026) above-the-line deduction for classroom expenses. There are two key differences between the above-the-line deduction and the new itemized deduction: (1) there is no limit on the amount of the itemized deduction; and (2) educator expenses of interscholastic sports administrators and coaches are allowed, and nonathletic supplies for courses of instruction in health or physical education are allowed as eligible expenses. There is no phase out for this deduction, but you do have to itemize your deductions to take advantage.
Note: Please save your **unreimbursed** receipts. **Some states allow additional deductions over $300. Please see below under Maryland and Virginia Changes.**

<u>OBBBA TAX CHANGES</u>

<u>Form 1099-K</u> - Effective for 2025, 3rd party settlement organizations are required to report transactions for goods or services where the total payments received in 2025 were more than $20,000 **and** more than 200 transactions. Customers paying you via debit/credit card payments, or through apps like Venmo, PayPal or other 3rd party networks, will send you IRS Form 1099-K from any company that processed those transactions for you. NOTE: There may be a significant increase in your tax prep fee, to report this form correctly on your tax return. Please keep good records between your business transactions versus your personal transactions. This will all have to be sorted out in your tax returns.

<u>College Savings Plan Enhancements</u> - You can now withdraw funds for a wide range of K-12 expenses (as opposed to tuition only under the old rules). Eligible expenses include amounts paid for curricular materials, books or other instructional materials, online educational materials, tutoring or educational classes outside the home, testing fees, fees for dual enrollment in an institution of higher education, and educational therapies for students with disabilities. Beginning in 2026, the limit of withdrawals for K-12 expenses doubles, from $10,000 to $20,000. A 529 plan may now be used tax-free to pay for an apprenticeship program, if it is approved as such. Distributions from 529 accounts are tax-free, when used for elementary, high school and college qualified expenses.

Employee Retirement Catch-up Contribution to a 401(k), 403(b) and 457(b) plans - Important change for 2026 requires that catch-up contributions to a 401(k) be made with after-tax dollars for employees with income over $150,000 in the previous year. This means that these catch-up contributions will be made to a Roth 401(k) and will not be tax deductible. If your employer does not have a Roth 401(k) option, then you cannot contribute a catch-up contribution. Separate, special rules apply for 403(b) & 457(b) plans.

Business Meal Expense Deduction - For tax year 2025, the deduction for most business-related meals remains at a 50% deduction. However, starting in **2026**, the deduction for most employer-provided meals (ex., breakroom snacks, coffee, on-site cafeteria) is eliminated and becomes **0%** deductible

Crypto-Currency - Beginning in 2025, Form 1099-DA will be issued to taxpayers to report sales of crypto-currency. If a Form 1099-DA is not received, all transactions still need to be reported on your tax return. There is a question on every tax return that must be answered: "At any time during 2025, did you: (a) receive crypto as a reward, award, or compensation; or (b) sell, exchange, gift, or otherwise dispose of a digital asset?" **Note**: Virtual currency is treated as property for tax law. Every time cryptocurrency is used, it must be reported.

Trump Accounts - Trump accounts are essentially non-deductible IRAs for children that will transform into traditional IRAs when the beneficiary reaches age 18. Accounts will be allowed to start accepting contributions on **July 4, 2026**. Accounts can accept an aggregate of $5,000 in contributions annually from parents and other individuals. There are several provisions that allow employers, nonprofits, and government entities to make contributions that are not counted toward the annual limit. The federal government will contribute $1,000 to a Trump Account for each eligible child who is born in calendar years 2025-2028. Funds in a Trump account grow tax free and must be invested in S&P index funds or similar equity index funds.

Discharge of Qualified Principal Residence Indebtedness - If you had any qualified principal residence indebtedness discharged in 2025, it is **not** includible in gross income, under certain circumstances. However, this law expires for 2026, and any indebtedness will be included in income.

OBBBA TAX CREDIT CHANGES

Energy Credits

Type	2025 Status	2026 Status
Energy Efficient Home Improvement Credit (for windows, insulation, heat pumps, etc.)	Available (up to $3,200 annually, 30% of cost) through Dec. 31, 2025.	**Terminated** for property placed in service after Dec. 31, 2025.
Residential Clean Energy Credit (for solar, wind, geothermal, battery storage)	Available (30% of cost) for expenditures made through Dec. 31, 2025.	**Terminated** for expenditures made after Dec. 31, 2025.
New Clean Vehicle Credit (new and used EVs)	Terminated after Sept. 30, 2025.	Not available.
Alternative Fuel Vehicle Refueling Property Credit (EV chargers)	Available through June 30, 2026.	Available for property placed in service before July 1, 2026.

A certificate of certification from the installer of the qualifying energy improvement property must be included with your tax paperwork, before an energy tax credit can be taken on your tax return. Paperwork that says "Energy Star" does not necessarily qualify for the new tax credits and is not considered a certificate of certification.

Child Tax Credit - The maximum credit amount increased to $2,200 per qualifying child for 2025, up from $2,000 previously. This amount will be indexed for inflation in future years.

Child and Dependent Care Credit – For 2025, there is an adjustment to the credit calculation for different income levels. In 2026, the maximum credit percentage increases to 50% of eligible expenses, and the income phase-down thresholds are expanded to higher income levels.

Adoption Credit - This credit remains in place (up to $17,280 for 2025), but a portion of it, up to $5,000, is now refundable for qualifying adoption expenses incurred after December 31, 2024, meaning eligible taxpayers can receive a refund even if they have no tax liability.

Premium Tax Credit - The OBBBA tightened eligibility rules and expanded repayment scenarios for excess advance payments, particularly for those with income below the federal poverty line who are ineligible for Medicaid due to alien status, effective for tax years beginning after December 31, 2025.

INFLATION ADJUSTMENTS

2025 Mileage Rates - Business – 70¢/mile; Moving (Military only)/Medical – 21¢/mile; Charitable – 14¢/mile

2026 Mileage Rates – Business – 72.5¢/mile; Moving (Military only)/Medical – 20.5¢/mile; Charitable – 14¢/mile

Health Savings Account (HSA) - For 2025, HSA contribution limits are $4,300 (self-only) and $8,550 (family), increasing to $4,400 (self-only) and $8,750 (family) for 2026, with a $1,000 catch-up contribution for those 55+.

Dependent Care FSA - For the **2026** tax year, the annual limit for the dependent care FSA was raised to **$7,500** ($3,750 for married filing separately), up from $5,000 in 2025.

Standard Deduction

2025 - $15,750 (single/married filing separately), $23,625 (head of household), and $31,500 (married filing jointly). Additional standard deduction per taxpayer who is 65+ or blind is $2,000 (single/head of household) and $1,600/person (married filing jointly or separately).

2026 - $16,100 (single/married filing separately), $24,150 (head of household), and $32,200 (married filing jointly). Additional standard deduction per taxpayer who is 65+ or blind is $2,050 (single/head of household) and $1,650/person (married filing jointly or separately).

IRA (Traditional & Roth) contribution limits - 2025 - $7,000 Over age 49 catch-up - $1,000
2026 - $7,500 Over age 49 catch-up - $1,100
*****Deductibility and eligibility limits apply for contributions.**

401(k)/403(b)/457(b) limits - 2025 - $23,500 Over age 49 catch-up - $7,500
2026 - $24,500 Over age 49 catch-up - $8,000
2026 ***Aged 60-63 super-catch-up contribution - $11,250
*****See new rule under OBBBA Tax Changes page 3**

Simple IRA limit - 2025 - $16,500 Over age 49 catch-up - $3,500
2026 - $17,000 Over age 49 catch-up - $4,000
2026 ***Aged 60-63 super-catch-up contribution - $5,250

2025 MARYLAND TAX CHANGES

- **Union Dues** - Subtraction from your Maryland income.

- **Volunteer Fire, Rescue, Emergency Medical Services Personnel, Police Auxiliary or Reserve Volunteer** - Subtraction of $7,000 for each taxpayer who is a qualifying member of the U.S. Coast Guard Auxiliary, Maryland Defense Force, Maryland Civil Air Patrol, Police Auxiliary or Reserve Volunteer. A copy of the certification is required.

- **Educator Expenses** - Up to $250 more of **additional** qualifying unreimbursed expenses may be deducted, in addition to the up to $300 federal deduction.

- **Standard Deduction** – The standard deduction has changed from an income-based calculation to a flat amount, and the previous phase-in has been eliminated. The deduction increased for tax year 2025 to $3,350 for single/married filing separate, and to $6,700 for married filing jointly/head of household.

- **Capital Gains Surtax** - A new **2%** surtax on net capital gains applies to individuals with a federal AGI exceeding **$350,000**, regardless of filing status.

- **Pension Exclusion** - Up to $41,200 may be excluded for pension income. Beginning in 2025, retirement income now includes IRA's, Roth IRA's, Rollover IRA's and SEP income, which were previously excluded. There is no Social Security offset, as was in prior years. Total retirement exclusion will be phased in over 3 years, from 2025-2027, with a 30% exclusion in 2025, 60% exclusion in 2026 and 100% exclusion in 2027.

- **Military Retirement Income** – The 2025 military retirement subtraction is up to $25,000 for qualifying military retirement income and death benefits. There is no longer an age component to be able to take the deduction. This amount will be further increased to $40,000 in 2026.

- **Federal Tax Breaks Decoupled** - Maryland has decoupled from certain new 2025 federal tax provisions from the "OBBBA". This means Maryland residents cannot claim deductions for the "no tax on tips" provision, "no tax on overtime pay", "no tax on auto loan interest" nor the $6,000 "senior bonus" deduction, on their Maryland returns. Absent legislative action, Maryland does expect to conform in 2026.

2025 VIRGINIA TAX CHANGES

- **Standard Deduction** - Increased for tax year 2025 to $8,750 for single/married filing separate, and to $17,500 for married filing jointly.

- **Military Retirement Benefits** – Subtraction increased for tax year 2025 to up to $40,000 for military retirement pay, in addition to no age restriction.

- **Firearm Safety Device Tax Credit** – A nonrefundable individual income tax credit is available for up to $300 of the cost incurred for the purchase of one or more firearm safety devices in an eligible transaction. The credit may be taken for taxable years 2023-2027.

- **Virginia National Guard Income** - Individuals receiving wages for active or inactive service in the Virginia National Guard, ranking O6 and below, are entitled to a subtraction not to exceed income for 39 calendar days of service or $5,500, whichever is less.

- **Educator Expenses** – Up to $1,500 more of **additional** qualifying unreimbursed expenses may be deducted, in addition to the up to $300 federal deduction.

- **Federal Tax Breaks Decoupled** - Virginia has decoupled from certain new 2025 federal tax provisions from the "OBBBA". This means Virginia residents cannot claim deductions for the "no tax on tips" provision, "no tax on overtime pay", “no tax on auto loan interest” nor the $6,000 "senior bonus" deduction, on their Virginia returns. Virginia does expect to make some changes in 2026.

2025 DISTRICT OF COLUMBIA TAX CHANGES

- **Federal Tax Breaks Decoupled** - DC has decoupled from certain new 2025 federal tax provisions from the "One Big Beautiful Bill Act". This means D.C. residents cannot claim deductions for the new federal "no tax on tips" provision, "no tax on overtime pay", “no tax on auto loan interest”, nor the $6,000 "senior bonus" deduction on their D.C. returns. DC does not currently expect for this to change in 2026.

- **Educator Expenses** - Qualifying DC public and public charter school teachers can take a deduction for up to **$500** of unreimbursed qualifying expenses for basic classroom materials and supplies. A deduction is also available for up to **$1,500** per person for postgraduate education, professional development, or state licensing examination fees. Expenses taken on your DC return must be reduced by the amount deducted on your federal return. No double-dipping.

OTHER FEDERAL HIGHLIGHTS

Gift Limits - The annual gift exclusion is $19,000 per taxpayer per recipient for 2025 & 2026. Payments made directly to an educational institution for **tuition** on behalf of a student and payments made directly to a medical provider for **medical care** expenses on behalf of someone else are not counted as part of the annual exclusion.

Medical Expenses – The medical expense deduction floor is 7.5% of adjusted gross income. **NOTE:** If you are self-employed and pay for health insurance for you or your family, please provide the amount paid for health insurance premiums separately, to take an above-the-line deduction.

Charitable Contribution – **ALL** charitable deductions of any amount **must** have a receipt. Any individual contribution over $250 must also have an acknowledgement letter from the charitable organization, and the letter must be dated before filing your return. The letter should show the date and amount of any individual contribution over $250 and should also state “***if goods or services were received in return for the contribution.***” The fair market value of all non-cash donations must be written on the corresponding receipt before submission.

Mortgage Interest – Can be taken as an itemized deduction for acquisition debt of a personal residence or 2nd home, but limited to $750,000 in mortgage debt, while eliminating the deduction for home equity debt, unless used to buy, build or substantially improve the home. The max amount of $1M still applies for mortgages already in place before 2018. Please provide Form 1098 with your tax documentation. If you drew money out on a home equity line of credit or refinancing, please provide the settlement papers and general information on the use of the money, to determine deductibility of the interest.

Rental Property - If you own rental property, the following is needed for **each** property: the physical location, the type of property (single-family, duplex, etc.), 1099-Misc (if applicable), a record of the number of days actually rented **and** the number of days used for personal use. **Note:** A day spent in the rental for repairs and maintenance does not count as a personal-use day.

College Savings Plan - If you are a grandparent who has been contributing to your grandchild’s college savings account, but the account is in the child’s or parent’s name as the account holder, you can now take the subtraction on your Maryland return, up to $2,500/year/taxpayer/beneficiary. The excess can be carried over for up to 10 years if you contributed more than $2,500/year/taxpayer/beneficiary in a single tax year.

You may withdraw a lifetime total of $10,000 from a 529 plan to repay student loans of the account beneficiary (or their siblings), without tax or penalty.

529 plan assets can be rolled over to a Roth IRA for the beneficiary, subject to annual Roth contribution limits and an aggregate lifetime limit of $35,000. The 529 plan must be held for 15 years before a rollover can take place. The rollovers cannot exceed the aggregate before the 5-year period ending on the date of the distribution. The rollover is treated as a contribution towards the annual Roth IRA contribution limit for the given year and may take up to 5-6 years to complete the rollover of funds. A taxpayer's adjusted gross income is not taken into consideration for the Roth contributions. Consider opening a 529 plan account for yourself, if your income is too high to contribute to a Roth IRA

Expenses Incurred While Working from Home - Working from home continues to be a popular choice. However, related expenses are **not** deductible if you are an **employee**. Carefully read your employer's handbook to see if a **reimbursement program** is offered for job-related expenses such as mileage, licenses, dues, uniforms, supplies, etc. However, if you are self-employed and worked from home during the year, tax deductions are still available.

Capital Gains Tax - Net capital gains and qualified dividends continue to be taxed at 0%, 15% & 20% rates and may also be subject to the 3.8% net investment income tax. Gains from the sale of collectibles, such as art, antiques, coins and precious metals, such as gold and silver, are taxed at the higher capital gains rate of 28%.

Student Loan Interest – A maximum $2,500 full or partial above-the-line deduction is available for single/head of household filers with an adjusted gross income less than $100,000 and married joint filers, less than $200,000. The deduction is not available for married filing separate filers.

Other Income - If you have any income from Airbnb, Uber, Lyft, Etsy, eBay or similar consumer to consumer programs, please let us know because many income tax rules come into play and few of these sites provide you with adequate tax information.

Dependent & Student Tax Returns - Please do NOT allow your dependent children or college students to file their own returns this year before consulting with us first. Allowing a child to file their own return, particularly a student, can cost the child and parent thousands of dollars in tax credits.

Foreign Accounts - The IRS is looking closely for offshore accounts. If you have an account, retirement account or business interest, with a value over $10,000 in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Retirement Planning (including changes from the SECURE 2.0 Act)

- For the calendar years 2024-2032, the current age to begin taking **required minimum distributions (RMD)** from your **IRA** is **73**. In 2033, the RMD age will move to 75.
- A 25% excise tax will be imposed on participants for failing to take a timely RMD, with a reduction to 10% if corrected within a two-year correction window.
- Roth accounts in employer retirement plans (Roth 401k) are now exempt from the RMD requirements as of 2024.
- All taxpayers, regardless of age, may now deposit money to an IRA if they have earned income, such as wages or self-employment.
- IRAs inherited from people (other than your spouse and a few other exceptions) who passed away after 2019, must now be distributed within 10 years of death. This does not affect situations where the IRA was inherited from someone who died before 2020.
- Stipends and fellowships now qualify the recipient to make IRA contributions.

- Up to $5,000 may be withdrawn from a retirement plan, without penalty, for the birth or legal adoption of a child, for up to one year after the birth or adoption. The amount withdrawn is still taxable, but may be redeposited without penalty. If redeposited within 60 days of withdrawal, the distribution is not taxable.
- The 10% penalty tax on early distributions from an IRA or company-plan retirement account is waived, if due to emergency personal expenses, employees with a terminal illness, cases of domestic abuse, and instances in which an employee is impacted by a qualified federally declared disaster.

TAX PLANNING

If your employer offers a **401k or 403b plan**, the #1 tax shelter continues to be deferring the maximum amount the IRS allows to your 401k or 403b every year. Because employers are required by law to match a portion of your own deferral, this is a tax deduction with free money! Don't leave free money on the table!

Donating appreciated assets—such as stocks—to a charity can result in a greater tax benefit than giving cash. In general, the more an asset has increased in value, the larger the potential tax advantage. When you contribute appreciated assets, you may receive a charitable deduction for the full fair market value while also avoiding the capital gains tax that would apply if the asset were sold. It's important to note, however, that deductions for gifts of long-term appreciated property are subject to percentage limits based on your adjusted gross income, which can affect how much of the deduction can be used in a given year.

Many employers offer a **health savings account (HSA)** at work. If you have a high-deductible health insurance plan through your employer or one you purchased directly, you should also have an HSA and fund it as much as possible. If your employer does not deposit the maximum amount allowable into this plan, you have until April 15, 2026 to add the remaining amount (up to the 2025 maximum). The money going into the HSA is tax deferred. If distributions are for qualified medical expenses, the distribution is tax-free. Unlike the FSA, HSA distributions are not based on a calendar year and can be taken at any time, now or in the future, for which you have unreimbursed medical expenses paid out-of-pocket. At age 65, you can take penalty free distributions from the HSA for any reason (ex. buy a boat). However, to be both tax-free and penalty-free, the distribution must be for a qualified medical expense. Withdrawals made for other purposes will be taxable.

Bunching itemized deductions means intentionally timing your expenses so that roughly two years' worth of deductible costs are paid in a single tax year, or as close to that as practical. Doing this increases your total itemized deductions for that year, making it more advantageous to itemize rather than take the standard deduction. In the following year, with fewer deductible expenses, you would then take the standard deduction instead. By alternating between itemizing and taking the standard deduction, you can maximize the overall tax benefit across multiple years. This strategy is commonly used with charitable contributions, medical expenses, and certain taxes, and it can be a valuable tax planning tool.

If you are over 70½ and have an IRA, you are eligible to make a charitable contribution directly from your IRA. A **Qualified Charitable Distribution (QCD)** is a direct transfer of funds from your IRA custodian, payable to a qualified charity. This is more advantageous than taking a distribution and donating to the charity that may or may not be deductible as an itemized deduction. If your itemized deductions, including the contribution, are less than your standard deduction, then you receive no tax benefit from taking a taxable distribution and donating that distribution. By making the donation directly from your IRA to a charity, you eliminate having that portion of the IRA distribution included in your income. This in turn reduces your adjusted gross income (AGI). A reduced AGI can potentially increase your medical expense deduction, reduce the tax on social security income, reduce any net investment income tax and avoid an increase in your Medicare premiums due to an increase in your income. The maximum QCD per taxpayer is $108,000 in 2025 and $111,000 in 2026. If you qualify, this is one of the greatest ways to reduce your taxable income. **This is a win-win!**

Check your employee handbook and see what other fringe benefits are available at work. Some of the best employer fringe benefits include cafeteria (or 125) plans, as well as childcare plans and wellness programs.

A FEW PLANNING TIPS FOR MEDICARE

- For those taxpayers with Medicare benefits, please be aware that Medicare B & D premiums are based on each year's modified adjusted gross income (MAGI) reported on your federal tax return. Based on a 0% inflation, if you file single/head of household/married filing separately, and your 2025 MAGI is less than or equal to $109,000, you will pay the 2027 standard premium for Medicare B. If you file married jointly and your 2025 MAGI is less than or equal to $218,000, you will pay the 2027 standard premium per enrolled taxpayer for Medicare B. If your MAGI is over the above limits, your Medicare B & D premiums will increase with an income related monthly adjustment amount (IRMAA), which may be temporary or permanent, depending on your MAGI on the following year's tax return.

- **HSA contributions** (including employer-provided ones) are **disallowed** when other coverage is in place, including Medicare Part A. HSA contributions need to be discontinued 6 months prior to applying for Medicare. Taxpayers can still enroll in HSA-eligible plans and use funds already in HSAs for eligible expenses, but can no longer contribute further once enrolled in Medicare. Funds already in the HSA can still be used for qualified medical expenses upon enrollment in Medicare, including to reimburse taxpayers for Medicare B, C & D premiums (but **not** premiums for Medicare supplemental insurance, such as Medigap), as well as to pay for long-term-care costs and insurance.