

Newsletter

February 2025

Tax/IRA Season Update

You still have time to complete your 2024 contributions. The deadline for 2024 tax year contributions is **April 15th, 2025**. For traditional IRA contributions, you have the opportunity to contribute the maximum amount and, in most cases, still qualify for a tax deduction. However, income limits may restrict the deductibility of traditional IRA contributions for higher-income individuals. Assuming your income falls within the allowable range, you can also maximize your Roth contributions for 2024 if you haven't already done so. If your income exceeds the threshold, we may be able to assist you in making a backdoor Roth contribution, provided you don't already have a traditional IRA.

Please refer to the chart below for more details (**MFJ = married filing jointly**).

ROTH IRA ELIGIBILITY	
SINGLE MAGI PHASEOUT	\$150,000 - \$165,000
MFJ MAGI PHASEOUT	\$236,000 - \$246,000
TRADITIONAL IRA DEDUCTIBILITY (IF COVERED BY WORK PLAN)	
SINGLE MAGI PHASEOUT	\$79,000 - \$89,000
MFJ MAGI PHASEOUT	\$126,000 - \$146,000
MFJ (IF ONLY SPOUSE IS COVERED)	\$236,000 - \$246,000

Now is also a good time to begin planning your **2025 contributions**. The maximum contribution limits **remain the same** as in 2024.

Please refer to the chart below for the updated contribution limits:

TRADITIONAL IRA & ROTH IRA CONTRIBUTIONS	
Total Contribution Limit	\$7,000
Catch Up (Age 50+)	\$1,000
RETIREMENT PLANS	
ELECTIVE DEFERRALS (401(K), 403(B), 457)	
Contribution Limit	\$23,500
Catch Up (Age 50+)	\$7,500
Catch Up (Ages 60-63)	\$11,250
403(b) Additional Catch Up (15+ Years of Service)	\$3,000

Tax Documents

As we move through tax season, there are two main tax documents that clients are eager to receive:

1. The 1099-R.

This tax form is specifically required and available for individuals who made distributions from a retirement account, such as an IRA, SEP, or SIMPLE. It provides a straightforward summary of the distribution amount, its tax classification, and any federal or state taxes that were withheld from the distribution.

- If your only IRA distribution occurred at Schwab, you will only receive and need the Schwab-produced 1099-R.
- If you made monthly or multiple redemptions throughout 2024 you will likely require both the Schwab and Axos 1099-R tax forms.
- If your only IRA distribution occurred after accounts transferred to Axos, you may only receive and need the Axos-produced 1099-R.
- Both forms have been available online since January and are also being sent via mail.

Who **DOES NOT** need this form?

- If you don't have an IRA or other 'retirement' account, you will neither receive nor need this form.
- If you did not make any distributions from your IRA or retirement account, you will also not receive or require this tax form.

2. The 1099-DIV.

This form is only produced for TAXALBE brokerage accounts. It provides a comprehensive breakdown of your total dividends, interest income (including a categorization of the types of dividend and interest income), and all investment sales data including realized gains. This information aids you or your tax professional in determining your investment income and capital gains for the year. Schwab's 1099-DIV will be available on February 28, 2025, while Axos's 1099-DIV was released on February 15, 2025.

With this form, we can provide you with a spreadsheet containing all sales data for the year, along with the original purchase information necessary to calculate your capital gains or losses.

- If you send an email to your representative, we can send this spreadsheet to your tax accountant, saving them valuable time and eliminating the need for manual data entry. Most popular professional tax programs can easily upload this spreadsheet. Please let us know if you would like us to send this to your tax professional.
- If you only have an IRA or 'retirement accounts' you will neither require nor receive this form, and there's no need to wait for it.

Key Tax Deadlines for 2025

- ✦ **April 15, 2025** – Tax Filing Deadline
- ✦ **1099-R forms** have been available since **January 2025**
- ✦ **Axos 1099-DIV** was released on **February 15, 2025**
- ✦ **Schwab 1099-DIV** will be available on **February 28, 2025**

Moving forward, it would be beneficial for all tax documents to be released earlier, as Axos has demonstrated by making its 1099-DIV available **two weeks before Schwab**. Having these documents sooner would allow for a smoother and more efficient tax filing process for everyone. If you have any questions or need assistance, feel free to reach out.

Something to Ponder While You Wait for Your 1099s...

Tax season isn't over yet, but while you're gathering forms and crunching numbers, here's a little something to keep you entertained—the **2025 tax brackets!** Because nothing says "fun" like seeing where your income lands in the grand scheme of taxation. Take a look, make some future tax-planning moves, or just use this as a reason to grab another cup of coffee.

FEDERAL INCOME TAX		
Rates apply to taxable income (i.e., income after deductions).		
TAX RATE	MFJ	SINGLE
10%	\$0 - \$23,850	\$0 - \$11,925
12%	\$23,851 - \$96,950	\$11,926 - \$48,475
22%	\$96,951 - \$206,700	\$48,476 - \$103,350
24%	\$206,701 - \$394,600	\$103,351 - \$197,300
32%	\$394,601 - \$501,050	\$197,301 - \$250,525
35%	\$501,051 - \$751,600	\$250,526 - \$626,350
37%	Over \$751,600	Over \$626,350
ESTATES & TRUSTS		
10%	\$0 - \$3,150	
24%	\$3,151 - \$11,450	
35%	\$11,451 - \$15,650	
37%	Over \$15,650	

For the 2025 tax year, the **standard deduction has increased**, providing a bit more tax relief for filers. The new deduction amounts are:

STANDARD DEDUCTION			
FILING STATUS		ADDITIONAL (AGE 65/OLDER OR BLIND)	
MFJ	\$30,000	MARRIED (EACH ELIGIBLE SPOUSE)	\$1,600
SINGLE	\$15,000	UNMARRIED (SINGLE, HOH)	\$2,000

These increases help account for inflation and may reduce your taxable income. If you typically take the standard deduction rather than itemizing, this update could mean **lower taxes** or a **larger refund**.