



Down South

Accounting & Tax

2025 Tax Overview

This guide lists some of the changes most likely to affect our clients' 2025 tax returns. It is for information only; everyone's tax situation is unique, so talk with us before using this guide to make tax-related decisions.

Standard Deduction:

Filing Status	Deduction Amount
Married Filing Jointly; Qualifying Surviving Spouse	\$31,500
Head of Household	\$23,625
Single; Married Filing Separately	\$15,750
Age 65 and/or Blind Additional Amount – Unmarried	\$2,000
Age 65 and/or Blind Additional Amount – Married	\$1,600 per spouse

Additional Deduction for Seniors: An additional deduction for taxpayers age 65 or older in the amount of \$6,000 per taxpayer is available for single filers with a Modified Adjusted Gross Income (MAGI) below \$75,000 and married taxpayers filing jointly with a MAGI under \$150,000. The additional deduction begins to phase out as income exceeds these limits.

Child and Dependent Care Credit: The credit amount remains unchanged from last year and is not refundable. The credit is calculated based on the taxpayers' income and total qualifying child care expenses (up to \$3,000 for one child and \$6,000 for two or more children).

Child Tax Credit/Additional Child Tax Credit: The credit amount increased slightly from last year. The credit is up to \$2,200 per qualifying child under the age of 17. The refundable portion of this credit is up to \$1,700 per qualifying child.

Cryptocurrency: Every taxpayer must answer this question: At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?

Retirement plan contribution limits: For tax year 2025, the IRA contribution limit remains \$7,000 (\$8,000 for those 50 and older), and the limit for 401(k) plans is \$23,500 (with a \$7,500 catch-up for anyone 50 years old or older). There is a "super catch up" limit of \$11,250 for anyone aged 60 – 63 with 401(k) plans that allow it. Income limits for deductible traditional IRA contributions and for contributing to ROTH IRAs have been adjusted for inflation.



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Greenville, NC 27858

2025 Income Tax Brackets:

Rate	Joint Return	Individual Return
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

No Tax on Tips: Taxpayers working in an occupation that “regularly and customarily” pays tips may deduct up to \$25,000 of tip income that was reported to the employer (unreported cash tips do not qualify). This is a deduction for income tax purposes only; all tip income is still subject to FICA taxes.

No Tax on Overtime: Taxpayers working in occupations that are mandated by FLSA regulations to receive “time and a half” overtime pay may deduct up to \$12,500 of the “half” portion of qualified overtime pay. (ie. A worker making \$20/hour receives \$30/hour overtime. They may deduct \$10 of the hourly overtime pay from their taxable income.) Holiday pay, bonuses, and other “extra” pay that is not mandated by the FLSA does not qualify.

Car Loan Interest: Up to \$10,000 of interest paid on a loan for a new, personal-use vehicle assembled in the US can be deducted even if the taxpayer does not itemize. Loans on used vehicles and lease payments do not qualify.

State and Local Tax (SALT) Limit: For those who itemize, the limit on State and Local Taxes that can be deducted was increased from \$10,000 to \$40,000.