
APPENDIX

Author's note. You are welcome to use client letters included in our tax update manual BUT you must read the letters and agree with the content to you clients, family, friends and peers.

Client Year-End Planning Letter

Dear [Client's Name],

As the year draws to a close, it is essential to assess your financial situation and consider strategies to optimize your tax position for the upcoming tax season. This year-end tax planning letter serves as a guide to help you make informed decisions that can positively impact your tax liability. Please keep in mind that tax laws are subject to change at the whim of Congress. Therefore, I strongly advise you to consult with us to discuss the latest tax law changes and their implications for your situation.

Important Note: The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025, creating new tax deductions and making permanent many provisions that were set to expire December 31, 2025. This letter incorporates these major changes.

New Tax Relief Opportunities

Senior Tax Deduction — If you are age 65 or older, you may qualify for a new \$6,000 deduction starting in 2025. This deduction phases out for taxpayers with income over \$75,000 (single) or \$150,000 (married filing jointly), reducing by 6% of excess income. Both spouses can claim the deduction if both are 65 or older.

No Tax on Tips — Qualified cash tips received in eligible occupations may now be deductible up to \$25,000 annually. The deduction phases out for income over \$150,000 (single) or \$300,000 (married filing jointly). Tips must be properly reported and the occupation must be one that customarily received tips before December 31, 2024.

No Tax on Overtime — Qualified overtime compensation is now deductible up to \$12,500 (\$25,000 for married filing jointly). The same income phase-out applies as for tips. This applies to overtime required under the Fair Labor Standards Act that exceeds your regular rate of pay.

Car Loan Interest Deduction — Through 2028, you may deduct up to \$10,000 of interest on loans for qualifying passenger vehicles purchased after December 31, 2024. The deduction phases out for income over \$100,000 (single) or \$200,000 (married filing jointly). The vehicle must be new, manufactured primarily for public road use, and final assembly must occur in the United States.

Important note. If you make estimated tax payments and qualify for any of these new deductions, be sure to ask us about revising your last estimated tax payment. If you are a wage earner and qualify for these new deductions, be sure to ask if and how you can adjust your withholding.

Individual Planning

Review your income and expenses: Take a close look at your income and expenses for the year to determine if there are any opportunities to reduce your tax liability. Consider deferring income to next year or accelerating expenses into this year, whichever is more beneficial to your tax situation.

Enhanced Standard Deductions: The One Big Beautiful Bill Act provides increases to the standard deduction effective for 2025. These 2025 amounts make it even more important to compare the benefits of itemizing versus taking the standard deduction.

Review your withholding and estimated tax payments: Make sure you are withholding enough taxes from your paycheck or making sufficient estimated tax payments throughout the year. Adjust your withholding or estimated tax payments as needed to avoid underpayment penalties.

Review Capital Gains and Losses: If you have investments that have declined in value, consider selling them before the end of the year to offset capital gains from other investments. If you have investments that have increased in value, consider selling them before the end of the year to offset capital losses from earlier sales and utilize the 0% bracket for long-term capital gains. Careful planning will maximize your tax savings by sheltering capital gains sooner.

Max out Retirement Contributions: Contribute the maximum allowable amount to retirement accounts such as 401(k)s, IRAs, or SEP IRAs. These contributions can reduce your taxable income and enhance your retirement savings.

Consider Charitable Giving: If you plan to make charitable contributions, consider donating appreciated assets, such as stocks or real estate, to maximize your tax benefits. Be sure to keep proper records of your donations for tax purposes. Note that in 2026, itemized charitable deductions now have a 0.5% floor based on your contribution base, and non-itemizers can deduct up to \$1,000 (\$2,000 for married filing jointly) in charitable contributions.

Take Required Minimum Distributions: Required Minimum Distributions (RMDs) are minimum amounts that IRA and retirement plan account owners generally must withdraw annually starting with the year they reach age 73 (if you reached age 72 after Dec. 31, 2022). RMDs are taxable income and must be withdrawn by year end or a penalty applies. If you have a favorite charity, consider a qualified charitable distribution (QCD) from your IRA. The distribution is not taxable as it is, in practice, offset by the charitable donation.

Enhanced Child Tax Credit: The Child Tax Credit has increased to \$2,200 per qualifying child for 2025 and is now permanent, with inflation adjustments beginning in 2026.

Business Planning

Review your business expenses: If you are a cash basis business owner, postponing billings and accelerating deductible expenses may provide tax savings.

Consider Equipment Purchases: Take advantage of the Section 179 deduction and bonus depreciation for eligible business equipment purchased and placed in service by the end of the year. The Section 179 limits have increased significantly: \$2.5 million expensing limit with a \$4 million phase-out threshold.

Full Expensing for Research & Development: Domestic research and experimental expenditures can now be fully expensed in the year incurred, rather than amortized over multiple years.

Estate Planning

Review your estate plan: Review your estate plan to ensure it is up-to-date and reflects your current financial situation. Consider consulting with an estate planning attorney to ensure your plan is comprehensive and effective.

Utilize the annual Gift Tax Exclusion: Consider gifting assets to heirs to take advantage of the annual gift tax exclusion. The 2025 annual gift tax exclusion is \$19,000. Making annual gifts can help reduce the size of your taxable estate.

Important Estate Tax Update: While the 2025 lifetime estate and gift tax exemption remains \$13.99 million per person, the One Big Beautiful Bill Act provides relief starting January 1, 2026. The exemption will permanently increase to \$15 million per person (indexed for inflation), eliminating the previously scheduled reduction to approximately \$7 million. This change provides much greater certainty for long-term estate planning strategies.

State and Local Taxes (SALT)

Enhanced SALT Deduction: The state and local tax deduction limit has been increased to \$40,000 for 2025, \$40,400 for 2026, with 1% annual increases through 2029, then reverting to \$10,000 in 2030. This enhanced deduction phases out for taxpayers with income over \$500,000 (\$250,000 for married filing separately), reducing by 30% of excess income but never falling below \$10,000. Some taxpayers may now benefit from paying property taxes or state income taxes in advance.

Timing of Deductions

Bunching Deductions: Consider itemizing deductions in one year if you usually take the standard deduction. This strategy, known as "bunching," can help you exceed the standard deduction threshold and maximize your deductions. For example, pay your 2025 and 2026 charitable contributions in 2025 to get enough deductions to itemize. Use the standard deduction in 2026.

Itemized Deduction Limitation: High-income taxpayers should be aware that itemized deductions will be reduced by approximately 5.4% of the amount by which taxable income exceeds the 37% tax bracket threshold. In 2025, the 37% tax bracket starts at taxable income of \$626,350 for single taxpayers and \$751,600 for married couples filing jointly.

Beneficiary Designations

It is important that you review each year your beneficiary designations on bank accounts, stock accounts, life insurance, IRA accounts, and pension accounts.

These are general guidelines to get you started on your year-end tax planning. However, your financial situation is unique, and I recommend scheduling a meeting with me to discuss your specific circumstances in detail. Together, we can develop a customized tax strategy to minimize your tax liability while taking full advantage of the new opportunities provided by recent tax law changes. Please don't hesitate to reach out to schedule an appointment. It's important to act promptly to make the most of your year-end tax planning opportunities.

Thank you for entrusting us with your financial needs. We look forward to assisting you in optimizing your tax position and achieving your financial goals in the coming year.

Warm regards,