



Income tax

Overview of federal taxation

The Tax Cuts and Jobs Act, signed into law on December 22, 2017, provided tax benefits in the form of fewer tax brackets and generally lower rates of tax and an increase in the standard deduction. However, it also curtailed or eliminated a number of tax deductions that have been a familiar part of the tax landscape for years.

In the area of transfer taxes, an increased exemption amount, coupled with the concept of portability remaining from prior law, provides the opportunity for increased flexibility in estate planning. And the fact that the current exemption levels are scheduled to expire or ‘sunset’ at the end of 2025 and return to prior levels, coupled with changes to the income tax law, make that flexibility an important element of wealth planning.

The maximum amount of earnings subject to Social Security payroll tax will increase to \$176,100 for 2025—up from \$168,600 in 2024. For workers subject to the maximum, that \$7,500 increase in taxable wage income amounts to a tax increase of \$465. For self-employed workers who must pay both the employee and employer share, that amounts to a tax increase of \$930 in 2025.¹

Individual income tax rates for 2025²

Taxable income

Single	Married, filing jointly	Rate
\$0- \$11,925	\$0-\$23,850	10%
\$11,926-\$48,475	\$23,851-\$96,950	12%
\$48,476-\$103,350	\$96,951-\$206,700	22%
\$103,351-\$197,300	\$206,701-\$394,600	24%
\$197,301-\$250,525	\$394,601-\$501,050	32%
\$250,526-\$626,350	\$501,051-\$751,600	35%
Over \$626,350	Over \$751,600	37%

Long-term capital gains and qualified dividends

Single	Married, filing jointly	Rate
Up to \$48,350	Up to \$96,700	0%
\$48,351-\$533,400	\$96,701-\$600,050	15%
Over \$533,400	Over \$600,050	20%

Medicare tax³

Single	Married, filing jointly	Earned income ⁴	Unearned income
0-\$200,000 (AGI)	0-\$250,000 (AGI)	1.45%	0%
Over \$200,000	Over \$250,000	2.35%	3.8%

¹ SSA.gov - Fact Sheet.

² Rev. Proc. 2024-40 (10.22.2024).

³ IRS Topic No. 751 - Social Security and Medicare Withholding Rates.

⁴ The Medicare tax shown above represents only the individual's portion of the tax; an employer is responsible for paying an additional 1.45% tax as well. Self-employed individuals are required to pay both the individual and employer's portion of the Medicare tax.

2025 Tax law

THE TAX CUTS AND JOBS ACT OF 2017

NOTES

Ordinary income tax rate	Top tax rate of 37%	For a complete list of income tax rates, please see prior page
Long-term capital gains rate and qualified dividends rate	Top tax rate 20% (23.8% with Medicare surtax)	For a complete list of long-term capital gains and qualified dividends rates, please see prior page
Interest income	Taxed as ordinary income and 3.8% Medicare surtax is applicable	3.8% Medicare surtax applicable at \$200,000 (single) and \$250,000 (married filing jointly)
Alternative minimum tax (AMT)	Maximum AMT exemption amount \$88,100 (single) and \$137,000 (married filing jointly)	AMT exemption phases out starting at \$626,350 (single) and \$1,252,700 (married filing jointly)
Standard deduction	\$15,000 (single) and \$30,000 (married filing jointly)	
Personal exemption	Suspended at all income levels	
Pease limitation	Suspended at all income levels	
Individual deduction for state and local taxes (SALT) for income and property taxes	Capped at \$10,000 (married filing jointly and single) and \$5,000 (married filing separately)	
Mortgage interest deduction	Beginning 2018, interest may only be deducted on new residential mortgages up to \$750,000 (\$375,000 married filing separately)	For residential mortgages existing prior to 12/15/2017 the limitation is \$1,000,000 (\$500,000 married filing separately)
Home equity loan interest deduction	Suspended entirely unless loans and lines of credit are used to buy, build or substantially improve the home that secures the loan	
Medical expense deduction	Threshold is 7.5% of AGI for all taxpayers	The 7.5% threshold applies to both income tax and AMT.
Miscellaneous itemized deductions	All itemized deductions subject to the 2% AGI floor are suspended	
Child tax credit	Credit increased to \$2,000 per qualifying child under the age of 18, and a \$500 nonrefundable credit for dependents other than qualifying child. The maximum amount refundable may not exceed \$1,700 per qualifying child.	Begins to phase out at \$200,000 (single) and \$400,000 (married filing jointly)
Alimony deduction/income	No deduction for alimony paid and not includible as income	The treatment of child support is unchanged.
Charitable deduction	Increases the % limit for charitable contributions of cash to public charities from 50% to 60% of AGI	Suspends charitable contribution for college athletic event seating rights
Pass-through business income deduction	20% deduction for domestic "qualified business income" from a pass-through entity (partnership, S-corporation or sole proprietorship)	Subject to many limitations as to income and specified service businesses and income phase outs
Roth recharacterization	After 2017, recharacterization cannot be used to unwind a Roth conversion	Contributions to Roth IRAs may be recharacterized
529 plans	In addition to college education, 529 plans may be used for the following: (i) \$10,000 each year for K-12 education, (ii) costs of registered apprenticeship programs, and (iii) \$10,000 toward qualified education loans	This provision does NOT expire after 2025.
Gift, Estate and Generation Skipping Tax (GST)	The exemption amount is doubled to \$10 million per person, indexed for inflation occurring after 2011.*	Exemption amount for 2025 is \$13,990,000 per person (\$27.98 million for married couple).
Future inflation adjustments	Inflation adjustments using Chained-CPI-U	This provision does NOT expire in 2025.

Source: Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97 (12.22.2017); 2025 Inflation Adjustments: Rev. Proc. 2024-40 (10.22.24).

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