DMA
ACCOUNTANCY CORPORATION

Online Portal

Over the next few months, you will receive an email from our team with instructions on how to set up your online portal account. Once the invitation arrives, please take a few moments to complete your registration.

As part of our ongoing commitment to safeguarding your confidential information - and in accordance with IRS security requirements - we will no longer accept tax documents or notices via email, text message, or WhatsApp. To protect your data, we strongly encourage you to use our new secure online portal for all document uploads and communication moving forward.

For added convenience, the Canopy Client App is available for both Android and Apple devices. The app provides a simple, efficient, and secure way to upload tax documents, notices, or any other information you need to share with us. We recommend installing and using the app to make the process faster and more accessible wherever you are.

End of Year Tax Tips for 2025

As year-end approaches, now is the ideal time to review your financial picture and take steps to capture available tax savings. With new tax legislation, economic shifts, and evolving personal circumstances, thoughtful planning can make a meaningful difference. Our goal is to help you navigate these changes with confidence and position yourself for financial success in the year ahead.

In this letter, you'll find a summary of key tax law changes, important deadlines and actionable planning ideas. Whether you're looking to maximize deductions, plan for retirement or address life changes, we're here to provide guidance and support every step of the way.

Evaluate the use of itemized deductions versus the standard deduction.

Effective for 2025 tax returns, the standard deduction amounts will increase to $15,750 for individuals and married couples filing separately, $23,625 for heads of household, and $31,500 for married couples filing jointly and surviving spouses.

Although personal exemption deductions are no longer available, the larger standard deduction, combined with lower tax rates and an increased child tax credit, could result in less tax. You should consider running the numbers to assess the impact on your situation before deciding to take itemized deductions.

New temporary deductions for tips, overtime, car loan interest and seniors

For tax years 2025 through 2028, you may qualify for several new deductions designed to put more money back in your pocket. These include:

- **Up to $25,000 for qualified tips you've reported as income.**

  There are now new provisions in the OBBBA that provide tax deductions for tips and overtime pay. These deductions are available from 2025 through 2028. This is good news for taxpayers in occupations which regularly receive tips, such as waitressing. The deduction for tips received is up to $25,000. Individuals who receive overtime pay that is required only by the Fair Labor Standards Act (FLSA) that exceeds their regular pay are also entitled to a new deduction. This deduction is capped at $12,500 ($25,000 for joint filers). Both of these provisions are phased out for earners making over $150,000 ($300,000 filing jointly).

- **Up to $12,500 (or $25,000 for joint filers) for overtime premium pay.**

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- **Up to $10,000 in interest deductions on loans used to purchase new vehicles assembled in the U.S.**

  For those of you interested in purchasing a new car, you could get a tax deduction for interest paid on a new car loan. There are parameters for a vehicle to qualify, including that they must be assembled in the United States. This deduction starts in 2025 and is set to expire at the end of 2028. This "above-the-line" deduction is capped at $10,000 annually and can be claimed without itemizing. This deduction phases out for higher earners (above $100,000 for single filers and $200,000 for joint filers).

- **An additional deduction of up to $6,000 if you're age 65 or older - available whether you itemize or take the standard deduction.**

  For the 2025 tax year, there's an additional standard deduction for those who are age 65 or older, or blind of $2,000 for single or head of household filers ($1,600 per qualified person for married couples filing jointly or separately). Furthermore, starting in the 2025 tax year, a new senior bonus tax deduction is available for eligible individuals aged 65 and older. This bonus deduction allows them to claim an additional deduction of up to $6,000, in addition to the standard deduction and the existing extra deduction for seniors. To fully benefit from the senior bonus, you must meet specific age and income requirements. You must be 65 or older by December 31 of the tax year. This deduction begins to phase out at a 6% rate for modified adjusted gross income (MAGI) above certain thresholds and disappears entirely at higher income levels. For single filers, the full $6,000 deduction is available for MAGI up to $75,000. It phases out completely at $175,000. For married couples filing jointly, the total deduction can reach up to $12,000 if both spouses are 65+ and your MAGI is no greater than $150,000. It reduces and phases out completely at $250,000. It's important to note that this new deduction is available regardless of whether you itemize deductions or take the standard deduction. Also, please note that it's a temporary measure and is set to expire after the 2028 tax year.

Each deduction comes with specific eligibility rules and income limits, so your actual benefit may vary.

State and local tax deduction

For tax years 2025 through 2029, the cap on the deduction for state and local taxes (SALT) will be temporarily increased to $40,000 for most taxpayers ($20,000 for those married filing separately). This expanded limit provides welcome relief for many individuals in high-tax states, allowing for greater deductions on property taxes and state income taxes paid during this period.

It's important to note that the increased cap will phase down gradually for higher-income taxpayers and is scheduled to return to the previous $10,000 limit after 2029, unless further legislation is enacted.

This change could influence whether it's advantageous to itemize deductions instead of taking the standard deduction - and may affect your broader tax planning strategy.

Charitable contribution planning

With changes to charitable deductions expected in 2026, now is the time to review your giving strategy. Planning ahead can help you maximize your tax benefits while continuing to support the causes that matter most to you.

Here are a few strategies to consider:

- Donate Appreciated Assets Instead of Cash

  If you own stocks, mutual funds, or other investments that have appreciated in value and have been held for more than one year, consider donating these assets instead of cash. You can claim a deduction for the fair market value (FMV) of the asset while also avoiding capital gains tax on the appreciation - effectively giving more to charity at a lower after-tax cost to you.

- Establish a Donor-Advised Fund (DAF)

  DAF allows you to make a tax-deductible contribution now and distribute gifts to qualified charities over time. This approach is especially attractive if you expect your deductions to be limited in future years or if you want to “bunch” charitable contributions into a single tax year for greater impact.

- Use Qualified Charitable Distributions (QCDs)

  For taxpayers age 70½ or older, a QCD from your IRA can be a powerful tool. QCDs count toward your required minimum distribution (RMD) and are excluded from taxable income, even if you don’t itemize deductions. This can help reduce your adjusted gross income and potentially lower Medicare premiums or taxes on Social Security benefits.

No matter which strategy you choose, it’s essential to keep detailed records of your charitable giving. Be sure to obtain a written acknowledgment from any organization for donations of $250 or more, confirming that no goods or services were provided in return for your contribution.

Energy tax credits and green incentives

Many federal energy credits, including those for new and used clean vehicles, solar panels and energy efficient home improvements, have expired or are set to expire soon.

Estate and gift tax planning

For 2025, the federal exemption stands at $13.99 million per individual (or $27.98 million for married couples), and the step-up or step-down in income-tax basis to fair market value at death remains in effect. Amounts exceeding these thresholds are subject to a 40% federal tax. These historically high exemption levels create a valuable planning opportunity for high-net-worth individuals to make strategic gifts or establish irrevocable trusts.

Beginning in 2026, the federal exemption amounts are scheduled to increase to $15 million for individuals and $30 million for married couples. Before the passage of the OBBBA, the estate tax exemption had been set to revert to pre-2018 levels.

In addition, the annual gift tax exclusion - the amount you can give each year to any number of individuals without using your lifetime exemption - will be $19,000 per recipient for both 2025 and 2026.

This increase allows for greater tax-free gifting flexibility, whether you’re helping family members, funding education accounts, or supporting charitable causes.

These changes create an excellent window to revisit your estate and gifting strategies. By planning ahead, you can take advantage of higher exemption amounts and optimize your long-term wealth transfer goals.

Digital assets and virtual currency

As the use of digital assets continues to grow, the IRS has introduced new reporting requirements to improve compliance and transparency in this evolving area.

Digital assets are broadly defined as any digital representation of value recorded on a cryptographically secured distributed ledger or similar technology. This includes virtual currencies such as cryptocurrencies and stablecoins, as well as non-fungible tokens (NFTs) and other blockchain-based assets.

Starting with transactions occurring in 2025, certain digital asset platforms and brokers will be required to report qualifying transactions to the IRS. If you trade or hold digital assets through one of these platforms, you may receive a new Form 1099-DA **in** early 2026, which will summarize your reportable digital asset activity.

It's important to understand that you are still responsible for accurately reporting all taxable digital asset transactions on your tax return — even if you do not receive a Form 1099-DA. This includes purchases, sales, exchanges, and other transfers involving digital assets. Maintaining detailed records of your transactions is essential to properly document your activity and support your tax reporting.

The IRS continues to increase its scrutiny of digital asset activity and is expanding enforcement efforts in this area.

Electronic payments to and from the IRS

Starting September 30, 2025, all federal payments - including IRS tax refunds - must be made electronically, following a new executive order signed in March 2025. Paper checks will no longer be issued.

If you currently receive refunds or make payments by check, we recommend updating your banking information to ensure smooth processing and avoid delays.

Please contact us if you'd like to review your refund and payment methods or discuss how these changes may affect you.

Additional tax and financial planning considerations

We recommend reviewing your retirement plans at least once a year to ensure you're on track toward your financial goals. This includes maximizing contributions to tax-advantaged retirement accounts, such as traditional and Roth IRAs and employer-sponsored retirement plans.

If you have earned income or are working, you should consider contributing to retirement plans. This is an ideal time to make sure you maximize your intended use of retirement plans for 2025 and start thinking about your strategy for 2026. For many investors, retirement contributions represent one of the smarter tax moves that they can make. Here are some retirement plan strategies we'd like to highlight.

- 401(k) contribution limits increased. The elective deferral (contribution) limit for employees under the age of 50 who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is $23,500. The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remains $7,500 ($30,500 total). Starting in 2025, there is also a new "super catch-up" of up to $11,250 for people who turn 60-63 during the calendar year. As a reminder, check with your plans for details and these contributions must be made in 2025.

- IRA contribution limits increase. The limit on annual contributions to an Individual Retirement Account (IRA) in 2025 remains $7,000 for individuals. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains $1,000 (for a total of $8,000). IRA contributions for 2025 can be made all the way up to the filing deadline on April 15, 2026.

- Higher IRA income limits. The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (MAGI) of $79,000 to $89,000. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is $126,000 to $146,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out in 2025 as the couple's income reaches $236,000 and completely at $246,000. For a married individual filing a separate return, the phase-out range is $0 to $10,000 for 2025. Please remember that if your earned income is less than your eligible contribution amount, your maximum contribution amount equals your earned income.

- Increased Roth IRA income cutoffs. The MAGI phase-out range for taxpayers making contributions to a Roth IRA is $236,000 - $246,000 for married couples filing jointly in 2025. For singles and heads of households, the income phase-out range is $150,000 - $165,000. For a married individual filing a separate return, the phase-out range remains at $0 to $10,000. Please keep in mind that if your earned income is less than your eligible contribution amount, your maximum contribution amount equals your earned income.

- Larger saver's credit threshold. The MAGI limit for the saver's credit (also known as the Retirement Savings Contribution Credit) for low- and moderate-income workers is $79,000 for married couples filing jointly in 2025, $59,250 for heads of household and $39,500 for all other filers.

Be careful of the IRA one rollover rule. Investors are limited to only one rollover from all their IRAs to another in any 12- month period. A second IRA-to-IRA rollover in a single year could result in income tax becoming due on the rollover, a 10% early withdrawal penalty, and a 6% per year excess contributions tax if that rollover remains in the IRA. Individuals can only make one IRA rollover during any 1-year period, but there is no limit on trustee-to-trustee transfers. Multiple trustee-to trustee transfers between IRAs and conversions from traditional IRAs to Roth IRAs are allowed in the same year.

Don't overlook health savings accounts (HSAs), which offer triple tax benefits - contributions are tax-deductible, growth is tax-free, and withdrawals for qualified medical expenses are tax-free. HSAs can be a powerful way to reduce current taxes while saving for future healthcare needs.

As we approach another tax year, it's a great time to review your overall financial picture and make any needed adjustments. Here are a few important items to consider and discuss with us:

- **Life Changes**
  Major life events such as marriage or divorce, the birth or loss of a family member, job or business changes, or large financial commitments (like buying property or paying college tuition) often create both tax and planning opportunities. Keeping us informed helps ensure your financial strategy reflects your current circumstances.

- **Capital Gains and Loss Harvesting**
  Review your investment portfolio for tax-loss harvesting opportunities. Selling underperforming assets before year-end can help offset realized gains and manage taxable income more efficiently.

  Keep the "wash sale" rule in mind when harvesting tax losses. If you sell an investment at a loss and immediately buy it back, the IRS will disallow the deduction. Under the wash sale rule, you must wait at least 30 days before repurchasing the same security to claim the original loss. The deduction is also disallowed if you purchased the same security within the 30 days prior to the sale.

- **Education Planning**
  Section 529 education savings plans remain one of the most effective ways to save for future education costs. These plans offer potential state income tax benefits, and recent rule changes have expanded how funds can be used. We can help you determine the best approach for your family's education goals.

- **Financial Record Updates**
  Take time to review insurance policies, estate documents, and beneficiary designations to ensure they remain up to date and align with your current wishes.

- **Required Minimum Distributions (RMDs)**
  Once you reach age 73, you must begin taking annual RMDs from most retirement accounts. Missing an RMD can result in significant penalties, so it's important to confirm you've withdrawn the correct amount each year.

- **Roth IRA Conversions**
  Consider whether converting part of your traditional IRA to a Roth IRA makes sense for you. This strategy can help lock in lower tax rates today and create more tax-free income in retirement.

- **Estimated Tax Payments**
  With federal underpayment interest rates currently at 7%, reviewing your withholding and estimated tax payments is essential.

Holiday schedule

Our office will be closed from November 26th through November 30th in observance of the Thanksgiving holiday. We hope you enjoy a warm and restful holiday with your loved ones.

Additionally, our office will be closed from December 20th through January 4th to allow our team time to enjoy the holiday season with their families as we prepare for the upcoming tax season.

During these periods, access to email will be limited. While our response times may be slower than usual, we will do our best to address any urgent matters as promptly as possible.

We appreciate your understanding and wish you a wonderful holiday season.

Year-end planning equals fewer surprises

As the year comes to a close, thoughtful planning can help you minimize surprises and position yourself for greater financial success in the year ahead. Our team is here to guide you through the latest tax and financial developments and help you make informed decisions tailored to your unique situation.

Please note that tax planning services are offered separately from tax preparation to provide you with customized guidance and added value tailored to your situation. Feel free to contact us at (714) 462-5290 to schedule your personalized year-end review.