TAX YEAR
2025

High-Income Taxpayers

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High-Income Taxpayers

In addition to higher federal tax rates, taxpayers whose income exceeds certain levels may have reduced or eliminated tax deductions and credits.

The provisions listed may have additional qualifications or restrictions. Other provisions of the tax code can further restrict certain deductions or generate increased taxes. Ask your tax professional for more details.

Capital Gain Tax Rates

Long-Term Capital Gain and Qualified Dividend Income Maximum Tax Rates

Taxable Income	*Maximum Rate*	*Taxable Income*	*Maximum Rate*
Single		**MFJ or QSS**	
$0 to $48,350	0%	$0 to $96,700	0%
$48,351 to $533,400	15%	$96,701 to $600,050	15%
$533,401 and over	20%	$600,051 and over	20%
HOH		**MFS**	
$0 to $64,750	0%	$0 to $48,350	0%
$64,751 to $566,700	15%	$48,351 to $300,000	15%
$566,701 and over	20%	$300,001 and over	20%

Itemized Deductions and Personal Exemptions

Taxes paid. Itemized deduction for state and local taxes is limited to $40,000 ($20,000 MFS), decreased by 30% of the MAGI over $500,000 ($250,000 MFS) but not less than $10,000. Foreign real property taxes are not deductible.

Home mortgage interest. A taxpayer may treat no more than $750,000 ($375,000 MFS) as acquisition debt. The limit for debt incurred prior to December 15, 2017, is $1,000,000 ($500,000 MFS). Interest on home equity debt (except for acquisition or improvement) is not deductible.

Personal exemptions. A temporary deduction for seniors of $6,000 per qualified individual, reduced by 6% of the taxpayer's MAGI exceeding $75,000 ($150,000 MFJ). All other personal exemptions are permanently terminated.

Individual Retirement Arrangements (IRAs)

IRA Individual Contribution Limits

	2025	*2024*
Under age 50	$7,000	$7,000
Age 50 or older	$8,000	$8,000

Traditional IRA Phaseout Based on Modified AGI (MAGI)

If an individual is an active participant in an employer-sponsored retirement plan, the deduction for a traditional IRA contribution is phased out when MAGI is between the following.

Tax Year	*MFJ*	*Single, HOH*	*MFS*
2025	$126,000 to $146,000	$79,000 to $89,000	$0 to $10,000
2024	$123,000 to $143,000	$77,000 to $87,000	$0 to $x10,000

If you are not an active participant, but your spouse is, your deduction is phased out when MAGI is between the following.

Tax Year	*MFJ*	*MFS*
2025	$236,000 to $246,000	$0 to $10,000
2024	$230,000 to $240,000	$0 to $10,000

Roth IRA Phaseouts

	2025	*2024*
MFJ or QSS	$236,000 to $246,000	$230,000 to $240,000
Single, HOH, or MFS*	$150,000 to $165,000	$146,000 to $161,000
MFS	$0 to $10,000	$0 to $10,000

*MFS and did not live with spouse during the year.

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Child Tax Credit (CTC)

A $2,200 credit (under age 17), of which up to $1,700 is refundable, reduced by $50 for each $1,000 of MAGI over $200,000 ($400,000 MFJ).

Credit for Other Dependents

A nonrefundable credit up to $500 for dependents other than a qualifying child for the CTC.

Adoption Expenses

2025 maximum credit or exclusion	$17,280
2025 maximum refundable portion	$5,000
AGI phaseout	$259,190 – $299,190
Unused credit carryforward	5 years

Additional Medicare Tax

Medicare Tax on Earned Income

The employee portion of the hospital insurance (Medicare) tax is increased by an additional tax of 0.9% on wages received in excess of the threshold amount. However, unlike the general 1.45% hospital insurance (Medicare) tax on wages, this additional tax is on the combined wages of the employee and the employee's spouse, in the case of a joint return.

Medicare Tax on Unearned Income

The Net Investment Income tax is 3.8% on the lesser of net investment income or the excess of modified adjusted gross income over the threshold amount.

Threshold Amount	
Joint return or surviving spouse	$250,000
Married individual filing separately	$125,000
All other tax filers	$200,000

Education Benefits

2025 Education Benefits Comparison Chart

	Benefit	*Annual Limit*	*Modified AGI Phaseout*
American Opportunity Credit	40% of the credit may be refundable (limited to $1,000).	$2,500 credit per student.	$80,000 – $90,000 $160,000 – $180,000 (MFJ)
Lifetime Learning Credit	Tax credit (non-refundable).	$2,000 credit per tax return.	$80,000 – $90,000 $160,000 – $180,000 (MFJ)
Coverdell Education Savings Account (ESA)	Tax-free earnings.	$2,000 contribution per beneficiary.	$95,000 – $110,000 $190,000 – $220,000 (MFJ)
U.S. Savings Bond Interest Exclusion	Tax-free interest.	Amount of qualified education expenses.	$99,500 – $114,500 $149,250 – $179,250 (MFJ)
Student Loan Interest Deduction	Above-the-line tax deduction.	$2,500 deduction per tax return.	$85,000 – $100,000 $170,000 – $200,000 (MFJ)

Qualified Business Income

Threshold amounts for qualified business income limitations are:

- $394,600 Married Filing Jointly.
- $197,300 Single, Head of Household, Qualifying Surviving Spouse.
- $197,300 Married Filing Separately.

Excess Business Loss Limitation

For 2025, the threshold amount for determining an excess business loss is $313,000 ($626,000 MFJ).

Gift Exclusion

The annual gift exclusion for gifts to any person is $19,000.

Estate Tax Exclusion

The basic estate tax exclusion amount is $13,990,000.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.