

2025 FEDERAL & MN Individual/Business Tax Updates

Federal provisions:

- Please add/update your banking information on the tax questionnaire since the government move is to have all refunds directly deposited and all payments electronically withdrawn; refunds could be delayed if no bank info
- New tax form, 1099-DA, for digital asset transactions
- Enhanced Deduction for Seniors- \$6000 deduction for each taxpayer 65 or older; phaseout when MAGI exceeds \$75K for Single and \$150K for MFJ
- Qualified Tips Deduction-max deduction of \$25K for all taxpayers; phaseout when MAGI exceeds \$150K for Single and \$300K for MFJ; **documentation is needed to show amount of qualified tips & occupation**
- Qualified Overtime Compensation Deduction-max deduction of \$12,500 for Single and \$25K for MFJ; phaseout when MAGI exceeds \$150K for Single and \$300K for MFJ; **documentation is needed to show amount of qualified overtime**
- Qualified Vehicle Loan Interest Deduction-strict requirements for max deduction of \$10K; phaseout when MAGI exceeds \$100K for Single and \$200K for MFJ; **documentation is needed to show amount of interest paid and other requirements**
- The Energy Efficient Home Improvement credit and Residential Clean Energy credit have ended as of 12/31/2025; **provide invoices or statements for any items installed in 2025**
- Itemized Deductions – the medical expense AGI threshold is now permanent at 7.5%; **the cap for state/local and property taxes is now at \$40,000 for most taxpayers with MAGI less than \$500,000**; interest on home equity debt is only deductible if it was used to buy or improve your home; cash contributions are deductible up to 60% of your AGI and the 2% miscellaneous deductions are eliminated. Please include all charitable contributions if your total is over \$500 for possible MN subtraction.
- **2026 Modified charitable giving rules:** A new 0.5% of AGI floor now applies to itemized charitable deductions, and the 60%-of-AGI ceiling for cash gifts is made permanent. Non-itemizers will be able to claim a charitable deduction of cash contributions up to \$1,000 for Single and \$2,000 for MFJ
- The standard deduction has increased to \$15,750 for Single & MFS, \$23,625 for HOH and \$31,500 for MFJ; if you feel your itemized deductions will be over this amount for your filing status, please supply the information on page 4 of the tax questionnaire.
- The Child Tax Credit has increased to \$2,200 for each child 0 through 16; all other dependents-\$500 credit
- Traditional and ROTH IRA max contribution amounts for 2025/2026 are \$7,000/\$7,500; plus additional \$1,000/\$1,100 if 50 & over
- HSA max contribution amounts for 2025/2026 – Individual - \$4,300/\$4,400 or Family - \$8,550/\$8,750; plus additional \$1,000 if 55 & over
- If you received, sold, exchanged, gifted and/or disposed of any digital asset in 2025, please check the box on the tax questionnaire on page 2
- The annual gift tax exclusion amount is \$19,000 for 2025 and 2026
- 2025/2026 Mileage rates: Business–70/72.5 cents; Medical & Moving–21/20.5 cents; Volunteer–14 cents
- 100% bonus depreciation has been made permanent as of 1/19/2025 for purchases of new and used assets for a business
- Business meals are permanently 50% deductible if purchased from a restaurant; any type of Entertainment is non-deductible – please keep the expenses separate when providing your business information
- Please supply your 1095-A form for reconciliation if you have gone through MNSURE for your health insurance

MN Provisions:

- The Dependent Exemption amount is \$5,200 for eligible dependents
- The MN standard deduction is \$14,950 for Single & MFS, \$22,500 for HOH and \$29,900 for MFJ
- Social Security Benefits subtraction – possible 100% subtraction of taxable SS benefits if AGI is less than \$108,320 for MFJ, \$84,490 for Single & HOH, and \$54,160 for MFS; phaseout applies if AGI is higher