



TRAPHAGEN

CPAs & WEALTH ADVISORS

Year-End Tax Planning Strategies for Individuals & Businesses

To Our Clients and Friends:

The hours are like fireflies, flashing briefly in the dark, yet lighting the way. That short poem encapsulates how quickly time marches on. Thus, we have arrived at that period again: Year-end tax planning!

As the end of the year approaches, we hope to light the way for all of you by bringing your attention to moves you can make to help reduce your federal and state tax bills.

The One Big Beautiful Act was signed into law on July 4, 2025. This law makes permanent many provisions of the 2017 Tax Cuts and Jobs Act (TCJA), nearly six months ahead of their scheduled expiration. The law delivers long-term changes to individual and business taxation. The core TCJA features are now permanent, including lower individual tax rates, an expanded standard deduction, a larger child tax credit, and the 20% deduction for passthrough income. Bonus depreciation and full expensing, both major incentives for business investment, have also been extended without expiration. The estate tax exemption was also locked in at a permanent floor of \$15 million per individual which provides long-term certainty for estate planning and wealth transfer strategies.

In developing a year-end tax plan, we want to send this tax alert to remind you of certain tried-and-true tax planning strategies that can reduce your federal and state tax bills.

With this background in mind, we have compiled a list of actions based on current tax rules and

economic conditions that will save you tax dollars before this year ends. Not all actions will apply to your situation; but you (or a family member) will likely benefit from many of them.

Using our tax strategies, you can effectively:

- Reduce current year's tax
- Defer current year's tax
- Reduce future year's tax
- Maximize savings from allowable deductions
- Maximize tax credits
- Minimize Capital Gains
- Minimize tax on net investment income
- Avoid penalties for underpayment of estimated taxes

Generally, for tax planning, you want to defer income and accelerate deductions if you expect to be in the same or a lower tax bracket in 2026. However, if you expect to be in a higher tax bracket in 2026, you will want to accelerate income into 2025 (taxed at a lower rate) and defer deductions until 2026 when they will yield a bigger tax benefit.

Our strategies below are based on the concept of deferring income and accelerating deductions.

Year-end Planning Moves for Individuals

Tax Planning Strategies:

- Defer taxable income (which includes accelerating deductions). If you have appreciated business or investment property that you are thinking of selling, wait until 2026 to close the sale.
- Use recognized capital losses this year (or have capital loss carryovers from previous years) to shelter any 2025 capital gains realized before year end.
- Before year end, realize capital losses on stocks that have declined in value while substantially preserving your investment position. This also can shelter realized capital gains.
- Keep in mind that virtual currency (also known as cryptocurrency or crypto) such as Bitcoin is treated as property for federal tax purposes. So, you can generate a capital loss (assuming you held the crypto as an investment) by selling before year-end if it is now worth less than you paid for it.
- Bunch itemized deductions such as charitable contributions, taxes on property held for investment/trade or business, state and local taxes (up to \$40,000 in 2025 for those whose gross income is below \$500,000) and home mortgage interest, if close to exceeding the standard deduction. This would also include medical expenses such as elective medical procedures, dental work, and routine physicals.
- Charitable giving. Contribute to charity directly from your IRA (RMD) or use a donor-advised fund to make a charitable contribution. Also, donate appreciated assets, including appreciated stocks, that were held for over a year which can allow you to deduct the full fair market value of the donated asset while avoiding the tax if you had sold the asset and donated the cash to

the charity.

- Take advantage of the annual gift tax exclusion. For 2025, you can make annual exclusion gifts up to \$19,000 per donee, with no limit on the number of donees. If you are married, you and your spouse can elect to gift split, so that a gift either of you makes is considered to be made one half by each spouse.
- The SECURE 2.0 Act increased the age for required minimum distributions (RMD). The law brought changes to the RMD rules. Individuals born between 1951 and 1959 must start their RMDs after age 73. Those born in 1960 or later can delay RMDs until after age 75.
- Other tax planning strategies:
 - Maximize your health flexible spending account and health savings account contributions
 - Defer bonuses to 2026, if possible
 - Elect to capitalize real estate taxes on investment property
 - Maximize 401(k)/IRA contributions
 - Consider a Roth IRA conversion if current market conditions allow
 - Use installment method to defer taxable capital gains

Year-end Planning Moves for Small Businesses

Year-end Planning Moves for Small Businesses

Tax Planning Strategies:

- Maximize retirement plan contributions. If you are self-employed and set up a SEP-IRA, you can contribute up to 20% of your self-employment earnings, with a maximum contribution of \$70,000 for 2025. If you're employed by your own corporation, up to 25% of your salary can be contributed, with a maximum contribution of \$70,000. Other small business retirement plan options include 401(k) plans, defined benefit pension plans, and SIMPLE-IRA plans.
- Review for pass thru entity tax which allows a federal deduction for state taxes (not limited to \$10,000 or \$40,000 for those whose gross income is below \$500,000).
- Bonus depreciation - Consider making expenditures that qualify for 100% first-year bonus depreciation.
- Section 179 - Consider making expenditures that qualify for the business property expensing option under Section 179. For 2025, the maximum Section 179 deduction is \$2,500,000. The deduction begins to phase-out when the cost of Section 179-eligible property placed in service during the year exceeds \$4,000,000.
- Deductions for business meals. In 2025, the deduction for business meals is limited to 50%.
- If you own an interest in a Partnership, LLC or S Corporation, you may need to increase your basis in the entity so you can deduct a loss from it for this year.
- Postpone income and accelerate deductions this year if you expect to be in the same or a

lower tax bracket next year. Cash method taxpayers can defer billing clients until January 2026 and pay your bills before year-end.

- Accelerate income and defer deductions if you expect to be in a higher tax bracket next year.
- Consider employing your children in the business which can allow a current tax deduction for your business while allowing your children to contribute to a Roth IRA.
- Maximize the 20% deduction for business pass through income.
- Review and consider changing current accounting method and/or entity structure.

This alert only covers some of the year-end tax planning moves that could potentially benefit you, your family, and your business. Please contact us if you have questions, want more information, or would like us to help in designing a year-end planning package that delivers the best tax results for you.

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