

As we approach tax season, your immediate focus might be finalizing your 2024 returns. However, now is the perfect time to start planning for 2025. Inflation adjustments have brought changes to various tax-related figures, and being aware of these updates can help you prepare more effectively.

Here are answers to five common questions about 2025 tax updates:

Q1. What is the maximum IRA contribution for 2025?

- A. If you qualify, you can contribute up to \$7,000 annually to a traditional or Roth IRA, or 100% of your earned income, whichever is less. For individuals aged 50 and above, an additional \$1,000 “catch-up” contribution is allowed. These limits remain unchanged from 2024.

Q2. What’s the new 401(k) contribution limit?

- A. In 2025, you can contribute up to \$23,500 to your 401(k) or 403(b) plan, an increase from the \$23,000 limit in 2024. If you’re 50 or older, you can still make an extra \$7,500 in catch-up contributions. Additionally, a new provision allows employees aged 60 to 63 to contribute up to \$11,250 in catch-up contributions, which includes the \$7,500 standard catch-up amount.

Q3. At what income level do I stop paying Social Security tax?

- A. The Social Security wage base for 2025 is \$176,100, an increase from \$168,600 in 2024. Earnings above this threshold are exempt from Social Security tax, but remember that Medicare tax applies to all wages regardless of the amount.

Q4. What are the 2025 standard deduction amounts?

- A. For the 2025 tax year, the standard deduction is:
- \$30,000 for married couples filing jointly (up from \$29,200 in 2024)
 - \$15,000 for single filers (up from \$14,600)
 - \$22,500 for heads of household (up from \$21,900)

If your itemized deductions don’t exceed the standard deduction, it’s typically better to take the standard deduction.

Q5. How much can I gift without filing a gift tax return?

- A. For 2025, the annual gift tax exclusion rises to \$19,000, up from \$18,000 in 2024. You can gift this amount to any individual without triggering a gift tax return.

These are just a few updates that could impact your financial planning for 2025.

More Questions?

If you have questions about how these changes apply to your unique situation or need assistance optimizing your tax strategy, [contact us](#) today. We're here to help you make the most of your financial opportunities.