Taxland Newsletter
2025

SEPTEMBER ISSUE

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UPCOMING DEADLINES:
Partnerships (including LLCs), and S Corps Tax Return on Extension: 09-15-25
3rd QTR ESTIMATED TAX PAYMENTS DUE: 09-15-25
2024 Tax Deadline for those on Extension: 10-15-25

2025 Shred Event: Thursday, October 23rd 2025.
From 4:00pm - 6:00pm at 1206 Boston Road, Springfield, MA.

New tax law changes impacting in 2025 and beyond

Revised State and Local Tax Deduction for 2025:

From 2025 to 2028, the state and local tax (SALT) deduction limit has been increased from $10,000 to $40,000 for single filers and married couples filing jointly. For married couples filing separately, the limit is $20,000. This change was enacted under the One Big Beautiful Bill Act (OBBB) signed into law in July 2025.

However, this increased limit is subject to a phase-down for higher-income taxpayers:

- The $40,000 cap begins to phase out for taxpayers with modified adjusted gross incomes (MAGI) above $500,000 ($250,000 for married couples filing separately).
- For every dollar of income exceeding the threshold, the deduction is reduced by 30%, until it reaches a floor of $10,000.
- This means that for households with MAGIs above $600,000 in 2025, the SALT deduction is limited to $10,000.
- The cap and income threshold will increase 1% annually.

The increased cap on the SALT deduction may influence whether itemizing deductions or claiming the standard deduction is more advantageous when filing your return. It would be prudent to reassess your tax position in light of these changes, particularly if you were affected by the SALT limitation in previous years. To discuss tax planning strategies, please contact our office to schedule an appointment in advance.

Child Tax Credit Increase:

Effective for 2025, the Child Tax Credit has increased to $2,200 per qualifying child under the age of 17. Going forward, the $2,200 amount is adjusted annually for inflation, meaning it will increase every year based on inflation for that year.

Educator Expense Deduction Expansion:

Starting on January 1st, 2026, educators will be able to deduct their classroom expenses as itemized deductions without the usual $250 limit ($300 for 2025, adjusted for inflation). These expenses are generally the same types currently allowed under IRC Section 62(a)(2)(D), but the new law also expands what qualifies. Now, coaches and sports-related equipment used for teaching purposes are included as eligible expenses. Professional development costs are also deductible as unreimbursed costs and can be included in your total expenses.

Charitable Deduction Expanded to Non-itemizers:

Beginning 2026 tax year, taxpayers who take the standard deduction (instead of itemizing) will also be able to claim a charitable deduction for cash contributions. This benefit does not apply to property donations. The new law also makes permanent the 60% of AGI limit for cash contributions.

The new deduction amounts are capped at starting 2026:

- $1,000 (Single)
- $2,000 (Married Filing Jointly)

The Commonwealth of Massachusetts allows a personal income tax deduction for charitable contributions based on the federal charitable contribution deduction allowed or allowable under Code § 170. No deduction is allowed for contributions of household goods or used clothing.

Business Meals Provided to Employees:

Beginning in 2026, meals provided to employees—whether at employer-operated eating facilities or for the employer’s convenience—will no longer be deductible. The new law provides two exceptions. A deduction is still allowed if:

1. The meals are provided at a facility where the taxpayer sells goods or services in bona fide transactions for adequate and full consideration, or
2. The meals are required by federal law to be provided to crew members of a commercial vessel, including commercial fishing vessels.

1099-NEC and 1099-MISC Reporting Threshold Increase:

Effective from tax year 2026, if you earn income from work outside of a W-2 job, you may receive a tax form only if the new reporting thresholds are met. Regardless of whether you receive a form, you are still required to report the income.

- **Form 1099-NEC** and certain items on **Form 1099-MISC**: reporting threshold increases from $600 to **$2,000** for 2026..
- The threshold will be adjusted annually for inflation.