

Lisu L. Tan & Co., Ltd., CPAs

December 5, 2025



Dear Clients & Friends:

Another year gone – how the time flies!

We hope you find time to read through the attached newsletter, which summarizes current tax changes that may affect you. We suggest that you start your year-end planning now, while some time still remains in the year.

Should you have more questions about recent tax legislation, or to discuss any tax and/or financial planning matters for yourself or for your business, please don't hesitate to contact us.

We also encourage you to discuss with us if you've had or anticipate a significant change in income, are planning a significant financial move, or if you've had a major change in your life or family situation. A brief discussion now can prevent a big surprise when the time comes to file your tax returns.

We wish you and yours a happy, healthy, and prosperous 2026.

Very truly yours,

Li-Su Tan & staff

感謝多年的信任與支持。

敬祝新年快樂、萬事如意！

**Thanks for your trust and support.
Happy New Year!!**



林麗淑會計師聯合專業公司

Lisu L. Tan & Co., Ltd., CPAs

1120 East Ogden Avenue, Suite 102, Naperville, IL 60563-8575

Tel: (630) 416-9422 Fax: (630) 416-6175

E-mail: acct@lisutancpas.com ; Website: www.lisutancpas.com

2025 YEAR-END TAX PLANNING

Individuals

- The “One, Big, Beautiful, Bill” Act (OBBBA) introduced tax savings provisions effective 2025. Consider whether any of them may apply to you, and if so, make sure you have the records to substantiate them.
 - The limit on the deduction for state and local taxes (SALT) is increased to \$40,000 – four times the previous limit of \$10,000.
 - A special deduction of up to \$6,000 applies for those 65 or better.
 - Certain tips and overtime pay are not included in taxable income.
 - Interest paid on certain new cars is deductible.
- No tax credits will be available for energy-efficient home improvements (such as windows, furnaces, or solar panels). If you have improvements planned, you may wish to consider ensuring it is completed before the end of the year.
- New Form 1099-DA will report any transactions involving digital assets. Please make sure you have records of all your digital asset transactions.
- Some polite reminders as we approach the end of the year:
 - Ensure you have taken your Required Minimum Distributions (RMDs) if you are 73 or better.
 - The IRS encourages all taxpayers to safeguard their identity by signing up for an identity protection personal identification number (IP PIN), which is a six-digit number that prevents someone else from filing a federal tax return using a taxpayer’s SSN.

Businesses

- The reporting threshold for 1099-NEC and 1099-MISC is increased to \$2,000 per recipient beginning in 2026. There is no change for the reporting threshold of \$600 for 2025.
- Some polite reminders as we approach the end of the year:
 - Properly categorize and document holiday party meals and ordinary business meals. Some may qualify for a 100%, rather than 50%, deduction.
 - Review vendor payments and ensure you have a Form W-9 on file for all required. As mentioned above, the reporting threshold remains \$600 per payee for Forms 1099-NEC and 1099-MISC for 2025. If you have 10 or more Forms 1099 – of any variety – to file, *you must file electronically*.
 - Review worker classification (employee vs. contractor) and ensure you have sufficient documentation to substantiate the classification. This is a target compliance area for state Departments of Labor and Unemployment Security, and penalties for misclassification can be particularly steep.
 - Review your records to ensure you have adequate documentation for all expenses and deductions claimed. Remember, your documentation must show what was paid, that you paid it, and the business purposes. (A credit card statement alone is not sufficient.)
 - Review your business activity to determine the state(s) in which you may need to file an income tax return.



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2025 Reference Rates and Figures

Single Taxpayers	
Taxable Income	Tax Liability
0 – 11,925	10% of taxable income
11,925 – 48,475	1,192.50 + 12% of the amount over 11,925
48,475 – 103,350	5,578.50 + 22% of the amount over 48,475
103,350 – 197,300	17,651.00 + 24% of the amount over 103,350
197,300 – 250,525	40,199.00 + 32% of the amount over 197,300
250,525 – 626,350	57,231.00 + 35% of the amount over 250,525
626,350 +	188,769.75 + 37% of the amount over 626,350

Head of Household	
Taxable Income	Tax Liability
0 – 17,000	10% of taxable income
17,000 – 64,850	1,700.00 + 12% of the amount over 17,000
64,850 – 103,350	7,442.00 + 22% of the amount over 64,850
103,350 – 197,300	15,912.00 + 24% of the amount over 103,350
197,300 – 250,500	38,460.00 + 32% of the amount over 197,300
250,500 – 626,350	55,484.00 + 35% of the amount over 250,500
626,350 +	187,031.50 + 37% of the amount over 626,350

Married Filing Jointly (and Qualifying Surviving Spouse)	
Taxable Income	Tax Liability
0 – 23,850	10% of taxable income
23,850 – 96,950	2,385.00 + 12% of the amount over 23,850
96,950 – 206,700	11,157.00 + 22% of the amount over 96,950
206,700 – 394,600	35,302.00 + 24% of the amount over 206,700
394,600 – 501,050	80,398.00 + 32% of the amount over 394,600
501,050 – 751,600	114,462.00 + 35% of the amount over 501,050
751,600 +	202,154.50 + 37% of the amount over 751,600

Married Filing Separately	
Taxable Income	Tax Liability
0 – 11,925	10% of taxable income
11,925 – 48,475	1,192.50 + 12% of the amount over 11,925
48,475 – 103,350	5,578.50 + 22% of the amount over 48,475
103,350 – 197,300	17,651.00 + 24% of the amount over 103,350
197,300 – 250,525	40,199.00 + 32% of the amount over 197,300
250,525 – 375,800	57,231.00 + 35% of the amount over 250,525
375,800 +	101,077.25 + 37% of the amount over 375,800

Unearned income is subject to **3.8% Net Investment Income Tax** if modified adjusted gross income over the thresholds below:

Earned income is subject to **0.9% Additional Medicare Tax** if over the thresholds below:

Single \$200,000, Head of Household \$200,000, Married filing jointly \$250,000, Married filing separately \$125,000.

Long-Term Capital Gain & Qualified Dividends				
Filing status Taxable income Tax rate	Single	Married Filing Jointly	Head of Household	Trusts/ Estates
0%	0 – 48,350	0 – 96,700	0 – 64,750	0 – 3,250
15%	48,350 – 533,400	96,700 – 600,050	64,750 – 566,700	3,250 – 15,900
20%	533,400 +	600,050 +	566,700 +	15,900 +

Standard Deduction	
Single / MFS	15,750
Head of Household (HH)	23,625
Married Filing Jointly	31,500
Blind/Aged Add'l - Single, HH	2,000
Blind/Aged Add'l - Married	1,600
Senior Bonus Deduction (2025-2028)	6,000

Alternative Minimum Tax (AMT) Exemption	
Single / HH	88,100
Married Filing Jointly	137,000
Married Filing Separately	68,500

Rates for Mileage Reimbursement
For 2025: 0.70 Business; 0.14 Charitable; 0.21 Medical or Moving

1 Social Security/Medicare Point
1,810 (for 2025); 1,950 (for 2026)

Maximum Taxable Social Security Wage Base
176,100 (for 2025); 184,500 (for 2026)

Maximum Foreign Earned Income Exclusion
130,000 (for 2025); 132,900 (for 2026)

Estate and Gift Tax Exemptions	
Annual Exemption	19,000 (for 2025); 19,000 (for 2026)
Federal Lifetime Exclusion	13.99 million (for 2025); 15 million (for 2026)
Illinois Estate Exemption	4 million
Top Transfer Tax Rate	40%

C-Corporation Federal Tax Rate
21% of Taxable Income