The 2025 Tax Bill

A Big Deal for Californians: The SALT Deduction

- **What's Changing:** The new bill significantly increases the cap on the State and Local Tax (SALT) deduction.
  - For the 2025 tax year, the cap is raised from a mere $10,000 to **$40,000** for a household.
  - This means many of you can now deduct more of your California income and property taxes, which can directly lower your federal tax bill.

    Note: This new cap begins to phase down for taxpayers with a modified adjusted gross income over $500,000.

New Incentives for California Entrepreneurs

Time to Start a Business

The bill creates powerful new incentives for small businesses and those considering entrepreneurship.

- **Bigger Pass-Through Deduction:** For pass-through businesses like LLCs and S-Corps, the Qualified Business Income (QBI) deduction is made permanent and increased from 20% to **23%**. This applies to tax years beginning after Dec. 31, 2025.
- **100% First-Year Expensing:** You can immediately deduct **100% of the cost** of new or used business property in the first year instead of depreciating it over many years. This applies to property acquired after January 19, 2025.
- **Immediate R&D Write-Offs:** The law allows you to fully deduct **domestic research and development costs** in the year they occur, rather than amortizing them over five years. This is a significant boost for innovation and applies to expenses incurred in tax years after Dec. 31, 2024.
- **Larger Asset Deduction (Sec. 179):** The maximum amount you can expense for new or used business equipment increases from $1 million to **$2.5 million**. This applies to tax years after Dec. 31, 2024.

Major Savings
for Your Home & Health

New Rules for Your Biggest Expenses

- Mortgage Interest Deduction:
  - The good news: The new bill makes the current rules for the mortgage interest deduction **permanent**, preserving a critical tax break for California homeowners.
  - The deduction for Private Mortgage Insurance (PMI) premiums has been eliminated. If you pay **$3,000 a year in PMI**, is no longer a deductible expense. It's crucial to factor this into your financial planning.
- Health Savings Account (HSA) Expansion:
  - HSAs are now more accessible and powerful. They let you save for medical expenses with a **triple tax advantage**: tax-deductible contributions, tax-free growth, and tax-free withdrawals for medical costs.

    Example: A family can now buy a lower-premium **Bronze or Catastrophic plan** through Covered California and still be eligible to contribute to an HSA. By contributing the family maximum (e.g., ~$8,300), they could save over **$2,700** in combined federal and state taxes for the year.

    Bonus: **Telehealth services** are now permanently covered before you meet your deductible, making these plans more practical for everyday use.

More Savings
for Your Family

Enhanced Tax Credits for Your Family

- Key Updates:
  - **Child Tax Credit:** The credit is increased to **$2,200 per child**, and the refundable portion will now be adjusted for inflation.
  - **Adoption Credit:** The adoption credit is enhanced, and up to **$5,000 of it is now refundable**, meaning you can get that money back even if you don't owe any federal tax.

Why Tax Planning
is Crucial for Everyone

Don't Leave Money on the Table

- Tax laws are complex and constantly changing. Proactive planning ensures you take advantage of every credit and deduction you're entitled to.
- Without a strategic plan, you risk overpaying the IRS, missing savings opportunities, or facing unexpected tax bills and penalties.