INVESTOR'S EDGE

Here are some of the tax changes that will affect investors in 2025

***Among them:** IRA accounts that are inherited must be depleted within 10 years.*

"The income tax has made liars out of more Americans than golf." — Will Rogers

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Guest columnist

Even by Syracuse standards, this winter was tough. But we are now into April — spring is here — and so is tax time.

For procrastinators who have still yet to file, get going. Gather your documents and do all you can to file on time. If you are eligible and have not done so, make sure to get your 2024 Traditional, Roth, or SEP IRA contributions in before the Tax Day deadline.

Now for this coming tax year (2025), there are several important tax law and investment regulation changes and proposals that are likely to impact many readers.

Let's go over some of the main ones.

Post Secure ACT Inherited IRA Required Minimum Distribution Enforcement

Following the passage of the Secure ACT 2.0, nearly all non-spousal beneficiaries of IRA accounts inherited in 2020 or later must fully deplete those accounts within 10 years of the original owner's death. For accounts inherited from an owner who was taking required minimum distributions (RMD), beneficiaries must also take an RMD each year as well. For the past several years, the IRS waived the penalties for individuals who failed to take their RMD, however this year those penalties will be enforced.

The penalty is 25% of the amount you should have withdrawn.

I recommend that impacted readers get proactive about this and ensure not only that you take your RMD this year, but that you also consider the investment and tax planning implications of drawing down the account over 10 years. For example, if you inherited an IRA from your mother in 2021, you must fully draw the account down by 2031. Remember that distributions are taxed as ordinary income in that current year (note, not for inherited Roth IRA's).

401(k) Catch-Up Boost

This year, readers participating in workplace 401(k), 403(b), or 457 plans can defer up to $23,500 from their salary, up from $23,000 in 2024. Those over the age of 50 can also contribute the extra catch-up amount of $7,500 for a total of $31,000.

Brand new this year, however, is a "super catch-up" provision for those aged 60 to 63 who are covered under an above workplace plan. In 2025, there is an extra catch up of $3,750 permitted for workers between the ages of 60 and 63, bringing the total possible amount of salary deferrals to $34,750 for 2025 ($23,500 deferral + $7,500 catch up + $3,750 super catch-up).

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I recommend readers, who are able, to take advantage of this. Be sure to check with your Human Resources or payroll department on your eligibility to participate in this super catch-up.

An Uncertain Future of the Tax Cuts & Jobs ACT (TCJA)

At the end of 2025, the tax law changes enforced by TCJA of 2017 are set to expire. This impacts a variety of elements including ordinary income tax brackets, the corporate tax rate, the qualified business income (QBI) deduction, the $10,000 state and local tax deduction (SALT), and the lifetime gift/estate tax exemption.

At present, President Trump and Congressional Republicans have indicated a strong desire to extend many of the core provisions of the TCJA, as well as introduce some enhancements.

One potential welcome enhancement for local readers would be the removal of the $10,000 SALT cap, which for many New Yorkers limits the deduction they are able to take on their federal tax return. Keep a close eye on this upcoming legislation, and how you and your family will be impacted.

Inflation-Indexed Adjustments

For 2025, the annual gift tax exclusion increases to $19,000 per individual — $38,000 per individual for a married couple. The standard deduction also jumps, rising to $30,000 for married couples filing jointly, or $15,000 for single filers. The seven federal tax brackets remain the same, but the qualifying income for each bracket moves slightly higher than 2024 — make sure you check the tax tables to estimate where you will stand for this year.

To close, remember the words of the great Green Bay Packers coach Vince Lombardi, who once stated: "Be brilliant at the basics." This year, make sure you save at least 10% of your pre-tax income for retirement. Review your asset allocation and make sure it is in line with your risk tolerance and long-term investment goals.

As for portfolio construction, I would emphasize equities in order for your money to outpace the inevitable pernicious effects of inflation and, above all, please maintain a long-term perspective.

These basics are especially important during this time of heightened market volatility and political uncertainty.

As legendary investor Seth Klarman said: "The single greatest edge an investor can have is a long-term orientation."

Enjoy the springtime!

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com