

TAX Tidbits



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November 2025

Why Tax Filing Is the Least Important Part of Your Tax Strategy

My name is Richard Burchill, CPA, and I am pleased to join Valicenti Advisory Services as Director of Tax & Business Services. With more than 30 years of experience advising individuals, families, and business owners, my focus is on helping clients move beyond annual tax filing toward thoughtful, proactive planning. That approach shapes the discussion below.



Most people think of taxes as something that happens once a year. Documents are gathered, returns are filed, and tax considerations are largely set aside until the following spring. While this approach may feel efficient, it often overlooks one of the most important opportunities available to taxpayers: planning before the year is over.

Tax filing reports what already happened.

Tax planning helps guide what happens next.

At Valicenti Advisory Services, we regularly see clients with similar income and similar circumstances experience very different tax outcomes. The difference is rarely the accuracy of the tax return. More often, it is whether planning occurred early enough to support informed decision-making.

Filing Looks Back. Planning Looks Forward.

Preparing a tax return is necessary and required. It ensures compliance and provides an accurate record of the prior year.

Tax planning, on the other hand, looks ahead. It considers upcoming income, expenses, business activity, retirement contributions, and personal changes before decisions are finalized. When planning is done proactively, it often reduces surprises, improves cash flow management, and creates greater clarity throughout the year.

Where Opportunities Are Often Missed

Many questions that arise during tax season can be traced back to decisions made earlier in the year. Common examples include:

- Business owners maintaining an entity structure without fully understanding its tax impact
- Retirees experiencing higher-than-expected taxes or Medicare premiums due to income timing
- High-income earners missing opportunities to coordinate retirement contributions and withholding
- Individuals and families navigating major life events without adjusting their tax strategy in advance

In each case, the tax return accurately reflects the result—but the opportunity to influence that result has already passed.

Planning Does Not Have to Be Complicated

Effective tax planning does not require complex strategies or aggressive positions. Often, it begins with asking practical questions at the right time, such as:

- Should income be recognized this year or next?
- Are retirement contributions aligned with overall cash flow?
- Is the current business structure still appropriate?
- Are tax, insurance, and retirement decisions working together?
- Are there upcoming changes that should be addressed before year-end?

These discussions are most valuable before decisions are locked in.

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Employer Roth Components for 401Ks Catch-up Contributions

The Department of the Treasury and the Internal Revenue Service, on September 15th (IR-2025-91), issued final regulations addressing several SECURE 2.0 Act provisions relating to catch-up contributions. (Catch-up contributions are additional contributions under a 401(k) or similar workplace retirement plan for employees who are age 50 or older.) The final regulations include defined rules related to a SECURE 2.0 Act provision requiring that catch-up contributions made by certain higher-income participants be designated as after-tax Roth contributions.



Historically, employers may offer participants who are age 50 or older the opportunity to defer additional compensation (more than the standard annual limit, which is \$23,500 for 2025) in the form of a catch-up contribution (\$7,500 in 2025) to their retirement account plans, including 401(k), 403(b) and 457(b) plans.

Largely effective January 1, 2026, however, the Act requires employers that offer catch-up contributions to treat the catch-up contributions made by “high wage earners” as post-tax Roth contributions or “rothification”. (This requirement applies to most retirement plans, but does not apply to SARSEP, SIMPLE IRA, Starter K or Safe Harbor 403(b) plans.)

A “high wage earner” under the Act is an employee whose wages from the employer sponsoring the plan during the preceding calendar year exceeded \$145,000 (indexed annually). The wage threshold is based on Social Security (FICA) wages paid to the individual by the employer sponsoring the plan.

Tax Filing

(Continued from Page 1)

What Clients Can Expect from Us

As part of our ongoing commitment to client service, our Tax & Business Services team continues to focus on proactive planning—not just annual compliance.

Our goal is to provide:

- Clear guidance in plain language
- Timely conversations when planning matters most
- Coordination across tax, business, retirement, and insurance considerations
- Fewer surprises and better-informed decisions

Looking Ahead

Tax filing will always remain an essential service, and we take that responsibility seriously. Accuracy, professionalism, and compliance are foundational to our work.

Final regulations also provide guidance relating to increased catch-up contribution limits under the SECURE 2.0 Act for certain retirement plan participants, in particular employees between the ages of 60-63 and employees in newly established SIMPLE plans.

The rule was originally effective for plan fiscal years starting on or after January 1, 2024. (The fiscal year for most plans is January 1 – December 31.) However, in response to a flood of complaints by plan record-keepers, the IRS delayed the effective date two years. In the final rules, the IRS opted not to extend the rule any longer. So, plans must implement the new “rothification” rule effective for fiscal years beginning in 2026, which is January 1, 2026, for most plans.

The IRS did extend the effective date of its final regulations interpreting the new law until January 1, 2027. The IRS’s decision to delay the effective date of its regulations has led some to conclude that plans don’t have to comply with the law itself until 2027. That is incorrect. Plans do have to comply with the Roth catch-up law starting in 2026. It’s just that during 2026, plans have more leeway in how they apply the law and don’t necessarily have to follow the IRS’s guidance.

Work with your retirement plan administrator, custodian, and legal counsel to review how the final regulation applies to your plan. Plan amendments must be prepared and adopted by the December 31, 2026, SECURE 2.0 amendment deadline. Plan sponsors that currently offer catch-up contributions but do not offer Roth contributions must add a Roth contribution feature to enable “high wage earners” to make catch-up contributions.

Source IRS, ADP and Ed Slott & Co., LLC.

Joseph M. Valicenti
President/CEO

However, the greatest value we can often provide occurs before the return is prepared, when planning opportunities are still available and choices remain flexible.

If you have questions about your tax situation, business activities, retirement planning, or upcoming financial changes, we encourage you to reach out earlier rather than later. A brief conversation at the right time can often make a meaningful difference.

As always, our clients come first, and we appreciate the trust you place in Valicenti Advisory Services.

Richard P. Burchill, CPA
Director of Tax & Business Services

2026 Annual Contribution Limits

Each year, the Internal Revenue Service (IRS) sets contribution limits for Health Savings Accounts (HSAs). Contributions to an HSA each year could help prepare for the expected and unexpected health care costs. You are responsible for monitoring the amount deposited into your HSA each calendar year. If your employer contributes funds, those contributions also count toward the maximum.



Current 2025 contribution limits:

- An individual with coverage under a qualifying high-deductible health plan (deductible not less than \$1,650) can contribute up to \$4,300 – up \$150 from 2024 – for the year. The maximum out-of-pocket is capped at \$8,300.
- An individual with family coverage under a qualifying high-deductible health plan (deductible not less than \$3,300) can contribute up to \$8,550 – up \$250 from 2024 – for the year. The maximum out-of-pocket is capped at \$16,600.

2026 HSA contribution limits:

- An individual with coverage under a qualifying high-deductible health plan (deductible not less than \$1,700) can contribute up to \$4,400 – up \$100 from 2025 – for the year. The maximum out-of-pocket is capped at \$8,500.
- An individual with family coverage under a qualifying high-deductible health plan (deductible not less than \$3,400) can contribute up to \$8,750 – up \$200 from 2025 – for the year. The maximum out-of-pocket is capped at \$17,000.

Eligible individuals, age 55 or older, can contribute an additional catch-up provision of \$1,000 per year. If your spouse is also 55 or older, he or she may establish a separate HSA and make a “catch-up” contribution to that account.

Contributions to your HSA can be made until the tax filing deadline (typically April 15) for the previous year.

Suzanne M. Valicenti, President/CEO
Valicenti Insurance Services

Going Digital for 2025 and Beyond Updates

As a reminder, we are continuing our transition to a more digital workflow for the 2025 tax season and beyond. Over the past few years, many clients have already adopted this approach and have shared positive feedback about the process.



Using our secure portal through client access on Valicenti.com or Lacerte Link, you can easily upload your tax documents online.

Once your tax return is prepared, it will be sent to you via DocuSign for review and electronic signature. This streamlined process offers several key benefits, including:

- Faster processing and delivery
- Improved accuracy and enhanced security
- Saves time and postage (no need to mail or drop off documents)

Additional advantages of going paperless include:

- Secure document sharing with our office
 - Easily send and receive tax-related documents
 - Conveniently exchange any additional required information
 - See exactly what we need with a clear document checklist
- Reduced paper waste and more efficient communication

If you have any questions or would like assistance in getting started, we are happy to help.

We look forward to working with you this tax season.

Melissa B. Mickley, FPQP®
Tax Client Services Associate
Marketing & Publications

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The mission of Valicenti Insurance Services, Inc. is to provide personalized insurance products and services with unparalleled customer service to protect the assets of individuals, families and businesses that we serve.

2025 Annual Inflation Adjustments

The 2026 tax filing season will not only feature inflation adjustments to tax brackets and the standard deduction, but it also brings new provisions from the One Big Beautiful Bill Act passed earlier this year.

Notable changes for tax year 2025

The tax year 2025 adjustments described below generally apply to income tax returns to be filed starting tax season 2026. The tax items for tax year 2025 of greatest interest to many taxpayers include the following dollar amounts:



- Standard deductions:** For single taxpayers and married individuals filing separately for tax year 2025, the standard deduction rises to \$15,750 for 2025, an increase of \$1,150 from 2024. For married couples filing jointly and qualifying surviving spouses, the standard deduction rises to \$31,500, an increase of \$2,300 from tax year 2024. For heads of households, the standard deduction will be \$23,625 for tax year 2025, an increase of \$1,725 from the amount for tax year 2024.
- Marginal rates:** For tax year 2025, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$626,350 (\$751,600 for married couples filing jointly). The other rate brackets are as follows:
 - 35% for incomes over \$250,525 (\$501,050 for married couples filing jointly).

- 32% for incomes over \$197,300 (\$394,600 for married couples filing jointly).
- 24% for incomes over \$103,350 (\$206,700 for married couples filing jointly).
- 22% for incomes over \$48,475 (\$96,950 for married couples filing jointly).
- 12% for incomes over \$11,925 (\$23,850 for married couples filing jointly).
- 10% for incomes \$11,925 or less (\$23,850 or less for married couples filing jointly).

- Additional Senior Deduction (Available for tax years 2025-2028):** Taxpayers age 65 and older can claim an additional temporary deduction of up to \$6,000 per eligible individual (phasing out for higher-income earners). This is in addition to the existing extra standard deduction for seniors/blind individuals.
- Child Tax Credit:** The maximum credit increased to \$2,200 per qualifying child. Phase-out thresholds remain the same at \$400,000 (MFJ) and \$200,000 (single).
- IRS Direct File:** The IRS's free Direct File program will not be available for the 2026 filing season.

Jessica M. Brenzo
Senior Tax & Accounting Associate



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