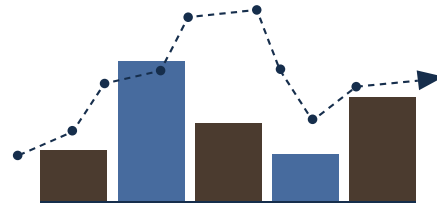
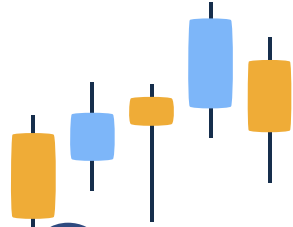


Financial and Tax Planning

Presented by Castellon Professional Services PC



Let's Meet the Presenter



Frank Mario Castellon, CPA CGMA, MST

- An accomplished financial and tax consultant with individuals at various stages of life from single, starting a family, mid-career to golden years. In addition, provide consulting services for entities ranging from start-up to pre-IPO.
- Broad depth and breadth of experience with entity formation, financial reporting and tax matters including entity selection, preparation of financials for presentation to lenders or investors, tax planning to manage tax liability and cash flow management.
- Frank Mario Castellon recognized and awarded by the American Institute of Certified Public Accountants and Chartered Institute of Management Accountants, the world-class designation of Chartered Global Management Accountant. As well as California licensed Certified Public Accountant, he is an alumnus of Golden Gate University earned Master of Science in Taxation.



- Ten years Big Four- and ten-years industry experience dedicated to assisting individuals and C-Suite management in the decision-making process of determining financial and tax strategies.

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Standard Deduction (Tax year 2025)


	OBBA	BEFORE OBBA
MFJ	\$31,500	\$30,000
H of H	\$23,625	\$22,500
Single & MFS	\$15,750	\$15,000
65+/Blind	No Change	————

(New) Senior Deduction (2025-2028)

- \$6000 tax credit for seniors 65+ (MFJ \$12,000)
- Phase out \$75,000-\$175,000 AGI (MFJ \$150,000-\$350,000)
- SSN required
- Must file joint if married

Rate Changes

- **Extended** tax rates of Tax Cuts and Jobs Act (TCJA)
- **Extended** Capital gains rates
- **Extended** annual adjusted inflation rates



No Tax on Tips (2025-2028)

Max deduction \$25,000

- Phased out starting at:
 - \$150,000 AGI (single)
 - \$300,000 AGI (MFJ)
 - Deduction reduced by 10%
 - Fully phased out:
 - \$250K AGI

- Must be reported (W-2, 1099-K, 1099-NEC)
- Valid SSN required
- File joint return if married

IRS will publish list of occupations that's customary to receive tips

No Tax on Overtime (2025-2028)

Max deduction of \$12,500
(\$25,000 joint filers)

- Phased out starting at:
 - \$150k AGI (Single)
 - \$300K AGI (MFJ)
 - Deduction reduced by 10%
 - Fully phased out:
 - 150k (single)
 - 300K (MFJ)



- Must be reported (W-2, 1099-K, 1099-NEC)
- Deduct the extra "half time"

No Tax on Car Loans (2025-2028)

Max deduction of \$10,000

- Phased out starting at:
 - \$100k AGI (Single)
 - \$200K AGI (MFJ)
 - Deduction reduced by 10%
 - Fully phased out:
 - 150k (single)
 - 300K (MFJ)

- Qualifying Vehicle
 - Be new (original use)
 - Be under 14,000 lbs
 - Assembled in the US
 - Meet clean air act motor vehicle standards

- 1098 form required
 - Reports interest
 - Must include loan details
 - Vehicle details
- 
- 



State & Local Taxes Deductions

1. The Basic SALT Deduction Limit Increases:
 - 2025: increases to \$40,000.
 - 2026: increases to \$40,400.
 - 2027 to 2029: The cap grows by 1% each year
 - 2030 and beyond: The cap reverts to \$10,000
2. Phaseout begins at \$500K AGI (2025); never drops SALT deduction below \$10,000
 - SALT limitation decrease by 30% of taxpayers AGI

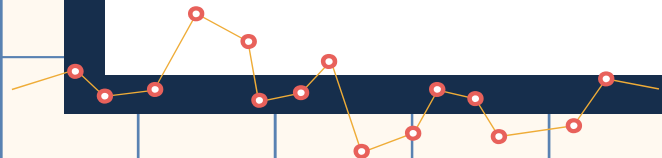
Ex. AGI = \$540,000
 $\$40K \text{ (over limit)} * 30\% = \$12,000$
 $\$40,000 \text{ (cap)} - \$12,000 = \$28,000 \text{ (allowable SALT deduction)}$

Qualified Residence Interest (2026)

- Deduct Mortgage interest
 - \$350K (Single or MFS)
 - \$750K (MFJ)
- Debt must qualify as acquisition debt
- Will be adjusted for inflation
- Amendment: Mortgage insurance premiums will qualify as acquisition debt

Estate and Gift Tax Exemption (2026)

- Exemption: increased to \$15 million for gifts and deaths after 12/31/25
- 2025 exemption: \$13 million
- Will be adjusted for inflation





Postsecondary Credentialing Expenses as Qualified Education (after 7/4/2025)

Postsecondary credentialing

- Includes tuition, fees, books, supplies for recognized postsecondary credential programs.
- Recognized credentials include industry credentials, registered apprenticeships, occupational licenses.
- Programs defined via Workforce
- Innovation and Opportunity Act lists, VA directories, Treasury Secretary approval, and recognized credentialing organizations.

Student Loans Discharged on Account of Death or Disability (Effective after 12/31/2025)

- Discharged student loan amounts excluded from gross income.
- Tax return must include taxpayer's work-eligible Social Security Number (SSN).
- Missing/incorrect SSN treated as clerical error.
- Non-tax provisions for student loans included.

Expanded Qualified Higher Education Expenses (\$529) (Effective after 7/4/2025)

- Qualified expenses for K-12 education expanded to
 - Includes: tuition, curriculum, books, tutoring, tests, dual enrollment, and therapies.
- K-12 distribution limit increased from \$10,000 to \$20,000 per beneficiary annually.
- Expenses count toward contribution limits.



EDU Credits

- AOTC & Lifetime learning credit must include:
 - SSN
 - EIN of educational institution
 - Work-eligible SSN

Gambling Losses

- Gambling Losses/winnings deductions up to 90%

Ex. Winnings: \$10,000
Deductions \$9,000 in expenses
Taxed on \$1000



CONTRIBUTIONS

Charitable Contributions Itemized (New)

- Donation limit 60% of AGI
- Contributions exceeding 0.5% of AGI are deductible
- Excess over 60% may be carried forward

EX. AGI = \$100,000
Floor = \$500
Contribution = \$2000
Deductible portion = \$1500

Charitable Contributions Non-Itemized (New)

- Deduct up to:
 - \$1000 (single)
 - \$2000 (MFJ)
- Reduces taxable income not AGI
- Permanent

Scholarship Contributions (New)

- Non-refundable credit up to \$1,700 (reduced by other state credit)
- Allowable carried forward credit up to 5 years
- Eligibility:
 - Organizations must be 501(c)(3) (non-private)
 - Qualifying elementary/secondary edu
 - Serve low-to-middle income households

Terminating Credits

01	New & Used EV Credit	<ul style="list-style-type: none">• EV bought after 09/30/25 not eligible for credit• Terminates as of 9/30/25
02	EV Charging Station	<ul style="list-style-type: none">• Terminates 6/30/26
03	Solar Credit	<ul style="list-style-type: none">• Terminates 12/31/25
04	Energy Efficient Home Credit	<ul style="list-style-type: none">• The credit allowed- 30% of the cost of adding energy efficient insulation, doors, windows, etc...• Terminates as of 12/31/2025
05	Qualified Transportation Expense	<ul style="list-style-type: none">• Qualified transportation expense will not include bicycle commuting reimbursement (\$20)• Terminates as of 12/31/25



Required Minimum Distributions (RMDs)

What Are RMDs?

- Required withdrawals from retirement accounts.
- Must be taken each year once you reach the required age.

Accounts that may require RMDs:

- Traditional IRAs
- 401(k) and other employer retirement plans
- 403(b) and 457(b) plans

How Are RMDs Calculated?

- $\text{Prior year-end account balance} \div \text{life expectancy factor (Uniform Lifetime Table)}$
- Separate calculations for each plan; IRAs can aggregate, employer plans cannot
- Designated Roth accounts in employer plans: no lifetime RMDs starting 2024

When Do RMDs Start?

- Age 73 for those born 1951–1959
- Age 75 for those born 1960 or later
- First RMD due April 1 following the year you reach RMD age; thereafter by December 31 annually
- Taking 2 RMDs in one year may increase taxes/Medicare premiums





If the Account Owner Passes Away

Most beneficiaries must withdraw the full account within 10 years.

Some beneficiaries may withdraw over a longer period, including:

- Surviving spouses
- Minor children
- Disabled or chronically ill

individuals

Practical Notes:

- **IRAs:** RMDs can be aggregated across multiple IRAs; can be taken from any IRA.
- **Employer Plans (401(k), 403(b), 457(b)):** RMDs calculated and satisfied separately; check plan for “still-working” exceptions and post-death rules.
- **Roth Accounts:** Employer Roths have no lifetime RMDs starting 2024; post-death beneficiary rules still apply.

Missing an RMD

Penalties & Relief:

- Excise tax for missed RMDs: 25%, reduced to 10% if corrected within “correction window”
- Reasonable error waiver possible via IRS Form 5329





Donor-Advised Funds (DAFs)

What is a DAF?

- A **charitable fund** managed by a public charity (sponsoring organization).
- Donor contributes irrevocably but can **advise on grants and investments**.
- Donor gets **immediate charitable tax deduction** when contributing.


Key Points for Donors

- Deduction applies when money is **given to the sponsoring organization, not when the charity makes grants**.
- Must receive **written acknowledgment** confirming charity has exclusive legal control of the assets.

Where the Money Can Go

- Grants should go to **qualified public charities (§170(b)(1)(A))**.
- Grants to **individuals or non-charities** may trigger extra rules (“taxable distributions”).
- **Never use DAF funds for personal benefit** (e.g., tickets, loans, compensation).

Taxes & Penalties

- **20% excise tax** on the sponsoring organization for taxable distributions.
 - **5% excise tax (up to \$10,000)** on any fund manager who knowingly allows a taxable distribution.
 - **Excess benefit transactions** (personal benefit to donor/advisor) trigger excise taxes.
- 



Taxability of Social Security Benefits

What Counts

- **Taxable:** Social Security **retirement, survivor, and disability benefits** (Title II & Tier 1 Railroad equivalent).
- **Not taxable:** Supplemental Security Income (SSI).

How Taxability Is Determined

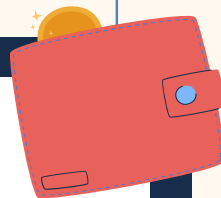
Provisional (combined) income:

MAGI + Tax-exempt interest + $\frac{1}{2}$ of Social Security benefits

Compare to base amounts (filing status):

Filing Status	Base Amount	Adjusted Base Amount
Single/HOH/Qualifying Surviving Spouse	\$25,000	\$34,000
Married Filing Jointly	\$32,000	\$44,000
Married Filing Separately	\$0	\$0





How Much Can Be Taxed

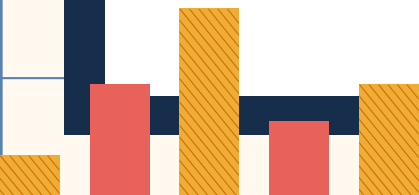
- **Over base but under adjusted base:** Up to **50% taxable**
- **Over adjusted base:** Up to **85% taxable**

Reporting

- Report **net benefits from Box 5 of SSA-1099** on **Form 1040**.
- Use **IRS Publication 915** or **Notice 703 worksheet** to calculate taxable portion.
- If none is taxable, report total benefits on **line 6a** and **"0"** on **line 6b**.

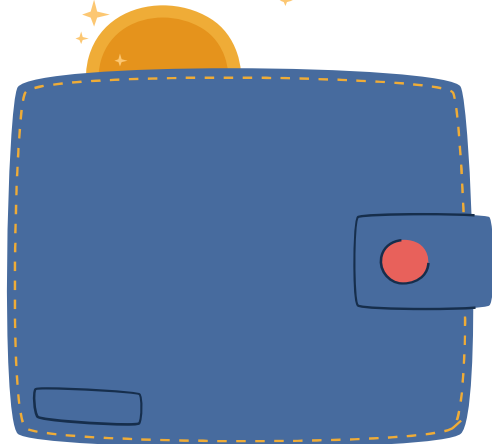
Practical Tips

- **Avoid underpayment penalties:** request voluntary withholding (Form W-4V) or make estimated tax payments.
- **Keep your SSA-1099;** replace via My Social Security account if lost.



Thank you!

Questions & Discussion



Still have questions? Feel free to reach out.

Frank Mario Castellon- mario@mcastellon.com

415-655-6626

www.mcastellon.com



Castellon Professional Services PC