



# XMc Timely Updates

DECEMBER 2025

## Happy Holidays-

As we approach the close of another year, it's a great time to pause, reflect, and make sure you have elevated the tax-planning strategies that may be appropriate for your situation. This season often brings a flurry of personal and financial activity, and a little planning now can go a long way toward reducing surprises when tax time arrives. Below are a few high-impact reminders and updates as you look toward year-end planning and the year ahead.

## Year-End Planning Reminders

*SALT deduction* – Beginning in 2025, we have an increased SALT (state and local tax) cap which may allow for a higher SALT deduction of up to \$40,000 for some taxpayers, depending upon income. This larger potential \$40,000 deduction begins to be phased out at \$500,000 of AGI for married filing joint taxpayers and is fully phased out to the lower \$10,000 deduction when the taxpayer hits AGI of \$600,000 for married filing joint taxpayers. Potential planning ideas may include, reassessing strategies to maximize itemized deduction, potentially bunching deductions in certain years, evaluating when to itemize and when to take the standard deduction and also in the case of owning a pass through business entity, whether to make pass through entity tax elections.

*Charitable deduction changes under the One Big Beautiful Bill* – Starting in 2026, any charitable deduction taken as part of your itemized deductions will be subject to a 0.5% of AGI floor. This means that part of your charitable deductions, when itemizing, will not be deductible. Potential planning ideas include, consider making charitable contributions in 2025 before the 0.5% floor becomes effective and consider “bunching” contributions as a strategy to avoid the 0.5% AGI floor for charitable contributions.

*Other charitable deduction reminders* – consider making charitable contributions using appreciated stocks (and avoid capital gains), taking advantage of Iowa's School Tuition Organization (STO) credit or making a contribution via your IRA through a Qualified Charitable Distribution (QCD)—see below for more on QCD. By contributing appreciated securities, you get a deduction for the fair market value of the stock even though you have never paid the tax on the gain. For taxpayers that pay Iowa income tax and like the idea of private schools and school choice, Iowa School Tuition Organization (STO) allows taxpayers to contribute cash or appreciated stocks to such organizations and receive an Iowa income tax credit of 75% of the amount given to the STO organization. For example, if you think you will owe \$10k in Iowa income tax, you could gift an Iowa STO \$13,333 and receive an Iowa income tax credit of \$10k to fully offset your IA tax.

*Using RMD's to make charitable contributions via QCD* – If you are 70.5 or older you may donate part or all of your Required Minimum Distribution (RMD) of up to \$108,000 through a Qualified Charitable Distribution (QCD), potentially reducing your taxable income. By making a charitable contribution from your IRA directly to a charity—via a QCD—you make the contribution without having to take the distribution into income (and since you never paid tax on it, you also don't get a deduction). However, the benefit is that it doesn't increase your income thereby potentially triggering other phase-outs (Social Security taxability), potential net investment income taxes, increased Medicare premiums, etc. This keeps your income lower potentially avoiding additional taxes due to the various income phaseouts and premiums.

*Required minimum distributions (RMDs)* – RMDs must be taken from retirement accounts (IRA's, 401(k)s, etc) by December 31 of the current year, unless this is the first year you are subject to RMD's, in which case you have until April 30 of next year. Those that turned 1) age 70.5 prior to 2020, 2) age 72 between 2020 and 2022 and 3) those that turned 73 in 2023 and after are subject to RMDs from their retirement accounts. XMc Wealth Management clients— we have already handled this or will reach out to confirm all RMDs are completed before December 31.

*Annual gift exclusion* – The One Big Beautiful Bill increased a taxpayer's lifetime exclusion to \$15,000,000 per person and if you are married 30,000,000 of lifetime exemption against estate tax beginning in 2026. If you are fortunate enough to have net worth's above those amounts or you would just like to make a cash gift to your child, grandchildren, friends, etc, you can gift up to \$19,000 per donor per donee in 2025 without triggering potential gift tax or gift tax filing requirements. This is a great way to pass on wealth and save taxes, especially if you have a net worth above \$15,000,000 for individuals or \$30,000,000 married. One caveat to note, however, is that the checks must be deposited (cashed) by the recipient by December 31 to count towards a current year gift. Also, if husband and wife plan to each gift \$19,000 to a child, thereby maximizing the gift, husband and wife should write separate checks when gifting to the same person to avoid potential IRS claim that the gift came from one person (thereby exceeding the \$19k limit) instead of the married couple (38k limit).

*Educational and Medical gift exemptions* – As a reminder, payments made for educational and medical expenses for the benefit of anyone (family member, friend, etc), when made directly to the institution, are not subject to gift tax. If you have friends or family members that need a little financial assistance with medical or education expenses, this is a great strategy to utilize to help them out without creating adverse tax consequences for you, the grantor.

If you'd like to discuss how these year-end planning ideas or legislative changes may affect your personal financial strategy, we are here to help. Just give us a call.

Warm regards,  
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## Your XMc Team



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