



**Your Extended Family at Frank Cafasso, EA LLC  
Welcomes You to Income Tax Time!**

January 2026

Dear Valued Friends and Clients,

As we welcome the start of 2026, we want to extend our heartfelt appreciation for your trust and partnership. Each year brings new opportunities, and we are grateful to continue supporting you and your family through every financial season. We look forward to another year of navigating the tax landscape together with clarity and confidence.

As you prepare for this upcoming tax season, we want to share several key updates that may impact your return. On July 4<sup>th</sup>, a bill was signed into law, making permanent certain provisions of the Tax Cuts and Job Acts (TCJA) that were previously set to expire – and introducing several new deductions and rules.

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**New Tip Income Deduction (2025–2028)**

A major change affects workers who rely on tips. Up to \$25,000 of qualified tip income per year may now be deducted from taxable income for tax years 2025–2028.

Please note:

- This is a deduction, not an exclusion—you'll still report your full tip income.
- There will be no changes to paycheck withholding.
- Tips still count toward Social Security and Medicare.
- Only cash and card-based tips in qualifying jobs apply (not service charges, wages, or non-cash rewards).

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**New Senior Deduction (65+)**

For tax years 2025–2028, a new \$6,000 deduction is available for each qualified taxpayer age 65 or older (and their spouse if filing jointly).

Requirements include:

- Income limitation:
  - Deduction is reduced by 6% of the amount by which MAGI exceeds:
    - \$75,000 (single filers)
    - \$150,000 (joint filers)
  - Note on Social Security:  
While there were campaign statements about eliminating the tax on Social Security income, no provision in the law removes or reduces these taxes.

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**Deduction for Interest on New Car Loans (2025-2028)**

Interest paid on new car loans for personal vehicles may now be deducted—even if you don't itemize.

Key rules:

- Loan must be incurred after December 31, 2024.
- Vehicle must be brand new and assembled in the U.S.
- Maximum deduction: \$10,000 of interest per taxpayer per year.
- Loans from related parties do not qualify.
- Refinance loans qualify up to the amount of the original loan.

Additionally:

- The deduction is reduced by \$200 for each \$1,000 (or partial \$1,000) by which MAGI exceeds:
  - \$100,000 (single filers)
  - \$200,000 (joint filers)
- Some deductions require reporting the Vehicle Identification Number (VIN) when applicable.

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### Increased SALT Deduction Cap

The State and Local Tax (SALT) deduction cap increases to \$40,000 in 2025 (from \$10,000). It will increase by 1% annually through 2029 before reverting to \$10,000 in 2030. A phase-out begins for taxpayers with income over \$500,000 in 2025, increasing slightly each year.

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### “Trump Accounts” for Newborns (2025-2028)

U.S. citizens born between January 1, 2025, and December 31, 2028, will automatically receive a \$1,000 tax-deferred investment account funded by the U.S. Treasury.

Parents may:

- Open the account at any qualifying institution.
- Contribute up to \$5,000 per year.
- Allow the child to access it after age 18 (it becomes a traditional IRA).

Funds may be withdrawn early for:

- Education
- First-home purchase
- Small business or farm expenses

Children born after January 1, 2025, will receive the automatic \$1,000 contribution. Distributions will be taxed at capital gains rates.

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### 2025 Standard Mileage Rates

From January 1<sup>st</sup> through December 31<sup>st</sup>:

- **Business:** 70¢ per mile
- **Medical & Moving:** 21¢ per mile
- **Charitable:** 14¢ per mile

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### Our Commitment to You

We are grateful for your loyalty, trust, and partnership. To continue providing the highest level of service, we have updated our office policies:

- **Hourly Rate:** \$225
- **Minimum Fee:** \$300 per tax return (excluding children’s returns)
- **Paper Copies:** Returns will be delivered electronically unless paper is specifically requested
- **Additional Electronic Copies:** \$25 surcharge per request

To schedule your tax appointment, please contact our office at **(201) 447-1040**.

Thank you for being a part of our family. We are here to guide you every step of the way.

Warm regards,



**Frank Cafasso, EA**

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