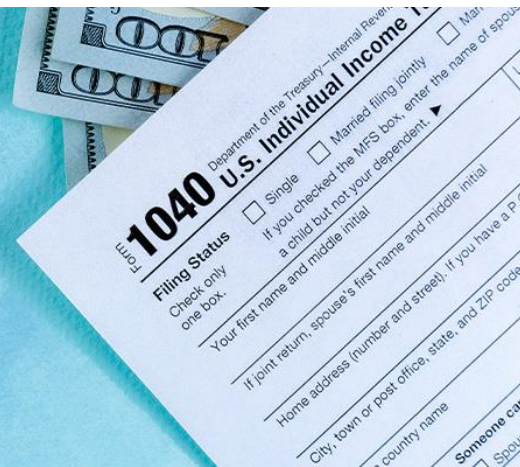


Tax Season



Tax Season has begun What You Need to Know...

This week marks the official opening of the 2026 federal tax filing season, when the Internal Revenue Service begins accepting and processing 2025 individual income tax returns. For many Americans, this filing period will feel different from prior years—not just because of new forms and digital tools, but because of a significant wave of temporary tax changes that could translate into **larger refunds, lower tax bills, and new planning opportunities** for investors and working families alike.

A Snapshot of This Year's Tax Season

The IRS expects to receive about **164 million individual income tax returns** for the 2025 tax year, with the vast majority filed electronically. The federal deadline remains **Wednesday, April 15, 2026**, for most taxpayers to file and pay any tax due.

Estimates from the **Tax Foundation** suggest that many households will see **average refunds increase between \$300 and \$1,000** compared with prior years, with more than 100 million taxpayers receiving a refund. As Tom O'Saben, director of tax content and government relations at the National Association of Tax Professionals, notes, these larger refunds are not “free money” but rather the result of **over withholding**—taxpayers paying more throughout the year than their revised 2025 tax obligations actually require.

Why Refunds Are Bigger This Year

Several factors are converging to push refunds higher in 2026:

- **Larger standard deduction:** The “One Big Beautiful Bill” Act (OBBBA) permanently locked in and slightly expanded the higher standard deduction created under the 2017 Tax Cuts and

Jobs Act. For 2025, the standard deduction is about **\$15,750 for single filers** and **\$31,500 for married couples filing jointly**, up modestly from prior years. |

- **New temporary deductions:** The 2025 law added several targeted deductions that reduce taxable income for specific groups, including seniors, tipped workers, and those earning overtime.
- **Unchanged withholding:** Most workers did not adjust their W-4 withholding after the 2025 changes, so their paychecks continued to have the same or higher tax taken out, even though their actual tax liability went down.

The result is a classic “refund surge”: lower tax liability, unchanged withholding, and a larger check back from the IRS when returns are filed.

Key New Deductions for 2025

The OBBBA introduced several **temporary deductions** that run from 2025 through 2028 and are available to taxpayers who take either the **standard deduction or itemized deductions**, subject to income limits.

1. \$6,000 Senior Deduction

Taxpayers who are **age 65 or older** by the end of 2025 can claim an **additional \$6,000 deduction**, on top of the regular standard deduction or their itemized deductions. For a married couple where both spouses qualify, that can mean up to **\$12,000 in extra deductions**.

This benefit **phases out** for single filers with modified adjusted gross income (MAGI) above **\$75,000** and for joint filers above **\$150,000**, so higher-income retirees

may see a reduced or eliminated benefit.

For retirees and near-retirees, this deduction can meaningfully reduce taxable income, especially when combined with other tax-efficient strategies such as Roth conversions, Social Security timing, and tax-loss harvesting in taxable brokerage accounts.

2. Up to \$25,000 for Qualified Tips

Service-industry workers can now deduct **up to \$25,000 of qualified tip income** for 2025, with the deduction capped at **\$12,500 for single filers** and **\$25,000 for joint filers**. The deduction begins to phase out for taxpayers with MAGI above **\$150,000 (\$300,000 for joint filers)**.

This change effectively reduces the tax burden on a portion of reported tips, which can be especially valuable for waitstaff, bartenders, rideshare drivers, and others whose earnings fluctuate from year to year.

3. Up to \$12,500 for Overtime Pay

The law also allows a deduction of **up to \$12,500 for overtime pay**, again subject to income-based phase-outs. For many middle-income workers, this can translate into a noticeable reduction in taxable income and a higher refund or lower tax bill.

The New Car Loan Interest Deduction

One of the more eye-catching provisions in the 2025 law is a **deduction of up to \$10,000 in car loan interest** for vehicles assembled in the United States and purchased in 2025.

Key details include:

- The deduction applies to **interest paid on a qualifying auto loan** used to purchase a **new personal vehicle** that is **final-assembled in the U.S.**
- It is available to taxpayers who **take the standard deduction**, not just those who itemize.
- The benefit **phases out** for single filers with MAGI above **\$100,000** and joint filers above **\$200,000**.

Vehicles must generally be **new (not used)**, **financed with a qualifying loan**, and **under 14,000 pounds gross vehicle weight rating (GVWR)**. This includes many cars, minivans, SUVs, pickup trucks, and some motorcycles, as long as they meet the U.S. assembly requirement.

For investors and financially savvy households, this deduction reinforces the idea that **tax-efficient spending decisions**—such as timing a new vehicle purchase, choosing domestic assembly, and optimizing loan structure—can have a measurable impact on annual tax outcomes.

Temporary Nature and Income Limits

Importantly, most of these new deductions are **temporary**, tied to President Donald Trump's term and currently scheduled to run through the **2028 tax year**. After that, absent new legislation, they would expire, potentially leading to higher tax bills for those who have come to rely on them.

Each provision also includes **income-based phase-outs**, so higher-income taxpayers may receive little or no benefit. This underscores the value of **multi-year tax planning**: understanding not just what the law says for 2025, but how it may change in 2026, 2027, and beyond.

What This Means for Investors

From an investment-planning perspective, today's tax-season opening is not just about paperwork; it's an opportunity to **realign cash flow, savings, and tax strategy** with long-term goals.

- **Refunds as planning fuel:** A larger refund can be directed toward **emergency savings, debt reduction, or tax-advantaged accounts** such as IRAs, HSAs, or 529 plans.
- **Withholding adjustments:** If you consistently receive large refunds, consider adjusting your W-4 so more money stays in your paycheck and can be invested or used more efficiently throughout the year.]
- **Retirement-focused strategies:** Seniors and near-retirees should evaluate how the **\$6,000 senior deduction** interacts with Social Security timing, required minimum distributions (RMDs), and Roth conversion opportunities.
- **Auto-purchase timing:** Households considering a new vehicle may benefit from evaluating whether a **2025-model, U.S.-assembled car** fits their budget and tax profile, given the \$10,000 interest-deduction window.

Working With a Financial Professional

Given the complexity of the new rules and the temporary nature of many provisions, **consulting a tax professional or financial advisor** can help ensure you maximize deductions, avoid surprises, and integrate your tax outcome into a broader investment and retirement plan.

As tax season begins today, this is an ideal time to:

- Gather 2025 income and deduction records.
- Review withholding and estimated tax payments.
- Discuss how larger refunds or lower tax bills can be channeled into long-term financial goals.

By treating tax season as part of your overall financial strategy—not just an annual obligation—investors can turn today’s filing deadline into a meaningful step toward greater financial security.

*This material is published and distributed by **Financial Media Exchange** for informational and educational purposes only. It is not intended as investment advice or a recommendation to buy or sell any security.*

*Investing involves risk, including the potential loss of principal. **Past performance does not guarantee future results. Forecasts and expectations are based on current data and are subject to change without notice.***

*The information presented is believed to be reliable but is not guaranteed. **Financial Media Exchange and its affiliates do not receive compensation related to the companies, industries, or investment themes discussed.** You should consult your own financial professional before making any investment decisions.*

*This content complies with **SEC Rule 206(4)-1** and **FINRA Rule 2210** governing educational communications, and it does not promote any specific products, services, or investment strategies.*