

# 2025 NATIONAL INCOME TAX WORKBOOK

## CHAPTER 1: RETIREMENT NEW LEGISLATION



1

### *AUTOMATIC ENROLLMENT P 598*

- SECURE Act 2.0
- New 401(k) and 403(b) plans established after December 29, 2022
- Exempt plans – SIMPLE 401(k) or 403(b) or governmental plans, small business plans, church plans, governmental plans
- Employees can opt out
- Automatic enrollment rate
  - At least 3%
  - Increase by 1% per year
  - Capped at 10% but not more than 15% of pay



2

## *CATCH-UP CONTRIBUTIONS P 598*

- Age 50 or older
- Additional elective deferrals
- FICA Wage limit = \$ 145,000
- Over FICA Wage limit – designated ROTH contributions



3

## *EDUCATION SAVINGS P 599*

- 529 Plan expense expansion
- Includes Elementary or Secondary public, private or religious school (K-12)
- Distributions after July 4, 2025 = \$ 20,000
- K-12 expenses = tax years beginning after December 31, 2025

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## *ELIGIBLE EXPENSES P 599*

- Tuition
- Curriculum & materials, books & materials, online educational materials
- Tutoring or at-home educational class provided by unrelated party and licensed
- Fees for nationally standardized norm-referenced achievement test, advanced placement or post-secondary admissions exams
- Fees for dual enrollment in post-secondary institution
- Educational therapist for students with disabilities

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## *529 ACCOUNTS & POSTSECONDARY CREDENTIALLING P 599*

- Distributions for qualified postsecondary credentialing expenses
- Tuition, fees, book, supplies & equipment
- Enrollment or attendance of a designated beneficiary in postsecondary credential program
- Fees = testing, continuing education
- Required to maintain credential



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## *RECOGNIZED POSTSECONDARY CREDENTIAL PROGRAMS*



Workforce Innovation &  
Opportunity Act



Web Enabled Approval  
Management System (WEAMS)  
of Veterans Benefits  
Administration or successor  
directory program



Prepares individuals to  
take an exam required for  
credential



Reputable program for  
obtaining a recognized  
postsecondary credential

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## *RECOGNIZED CREDENTIAL P 600*

Accredited by the  
Institute for  
Credentialing  
Excellence

National Commission  
on Certifying Agency

American National  
Standards Institute

Credentialing  
Opportunities On-Line  
(COOL) directory by  
DOD

Employment  
credential identified  
as being industry  
recognized

National  
Apprenticeship Act --  
certificate of  
completion

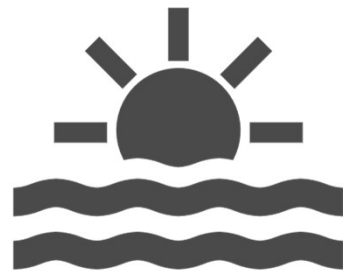
Occupational or  
Professional License

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## *OPPORTUNITY ZONES*

*P 600*

- Sunset date repealed
- Investment in qualified property 180-day period beginning on the date of sale or exchange
- H.R. 1
  - Fixed, decennial schedule
  - Decennial determination date is July 1, 2026
  - Each July 1 for 10 years



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## *OPPORTUNITY ZONE TAX BENEFITS*

1

Temporary deferral of capital gain reinvested in the qualified opportunity zone

2

Permanent 10% or 15% reduction in amount of such gain that must be recognized if the investment is held for 5 or 7 years (respectively)

3

Permanent exclusion of future gains resulting from the investment in the opportunity zone if the investment is held for at least 10 years

10

*OVERPAYMENTS**P 601*

Inadvertent Benefit Overpayments

Employer Plans Compliance Resolution System

Eligible Rollover Distributions

11

*H.R. 1:  
TRUMP  
ACCOUNTS**P 601*

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Adds I.R.C. §6434

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Qualifying child: born between January 1, 2025 – December 31, 2028

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\$ 1,000 from U.S. Dept. of Treasury 12 months following enactment of this legislation

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Accounts set up & funded by parents

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Refundable or non-refundable credit on parents return

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Investment restricted to U.S. Equity Index Funds

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Up to \$ 5,000 additional deposits before age 18

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# *H.R. 1: TRUMP ACCOUNTS*

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Distributions before Age 18

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*Postsecondary education & related expenses: college, university, vocational, trade schools*

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*First-time home purchase (up to \$ 10,000)*

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*Starting a business*

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*Disability or medical expenses*

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*Birth or adoption cost (up to \$ 5,000)*

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*Disaster recovery (up to \$ 22,000)*

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# *H.R. 1: TRUMP ACCOUNTS*

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Non-qualified Distributions

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*Used for ineligible expenses*

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*Subject to 10% early withdrawal penalty*

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*Contributions after age 18 will be subject to Traditional IRA requirements*

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*ROTH conversions may be allowed after ag 18 (further IRS guidance is still needed regarding this interpretation)*

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# *H.R. 1: TRUMP ACCOUNTS*

Source of Funds	Tax on Withdrawal	Penalty Before 59½
<b>Parent Contributions</b>	Contributions: tax-free Earnings: taxed as ordinary income	10% penalty unless exception applies
<b>Employer Contributions</b>	Taxed as ordinary income	10% penalty unless exception applies
<b>Government Seed (\$1,000)</b>	Taxed as ordinary income	10% penalty unless exception applies

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# *2025 NATIONAL INCOME TAX WORKBOOK*

## CHAPTER 6: RETIREMENT



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## *CHAPTER ISSUES P 201*

- RMD from Inherited Retirement Accounts
- Designating a Trust as Beneficiary
- ROTH IRA's
- Designated ROTH Contributions & ROTH Catch-Up
- Retirement Account Disaster Distributions
- ABLE Accounts
- Education Savings Account Rollover to TOTH
- Qualified Charitable Distributions

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## *LEARNING OBJECTIVES P 201*

- Understand when a taxpayer must take distributions from an inherited retirement account
- Describe the requirements to designate a trust as a beneficiary of a retirement account
- Know what contributions can be made to a ROTH IRA
- Explain the new rules for designated ROTH contributions & ROTH catch-up contributions
- Know when a taxpayer can take a retirement account disaster distribution
- Understand the taxation of ABLE account contributions & distributions
- Understand when an education savings account can be rolled over to a ROTH IRA
- Identify when a taxpayer can make a Qualified Charitable Distribution

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# *ISSUE 1*

## RMD FROM INHERITED RETIREMENT ACCOUNTS

19

P 203

## *REQUIRED MINIMUM DISTRIBUTIONS*

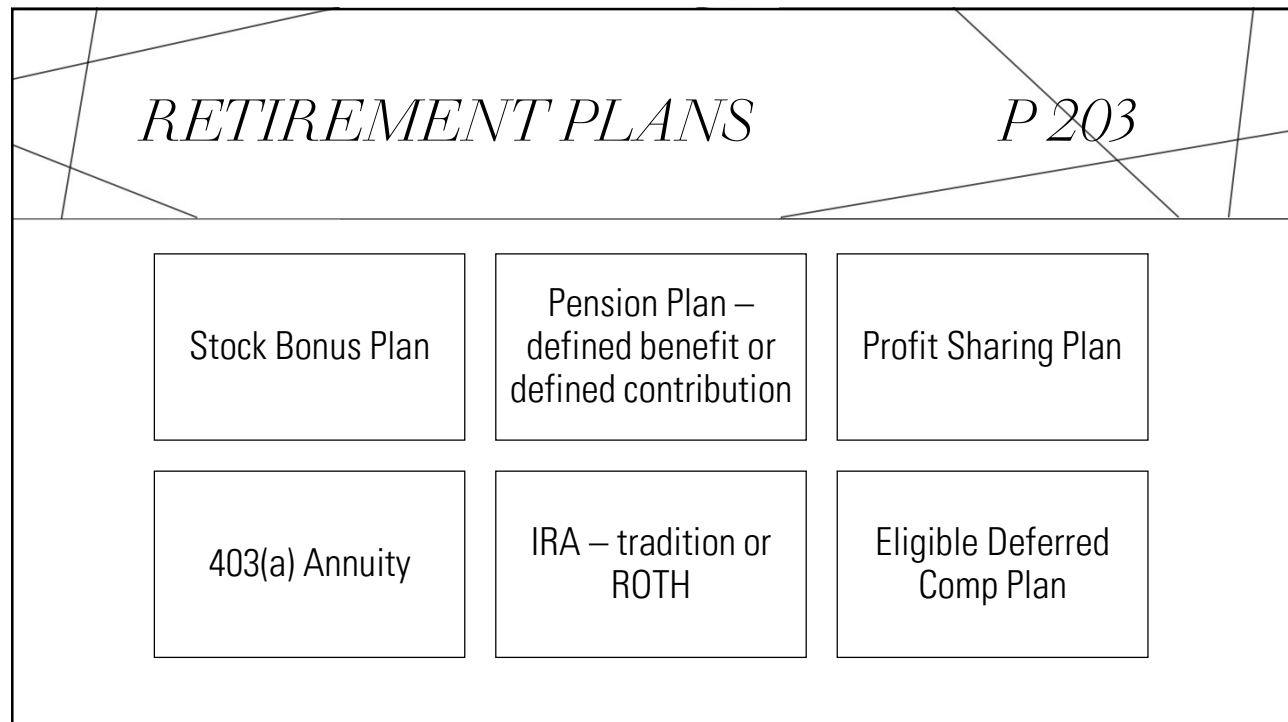
401(a)(9) –  
require  
distributions  
beginning date  
& period of  
distribution

SECURE ACT  
OF 2019

SECURE ACT  
2.0 ACT OF  
2022

Practitioner  
Note – final  
regs for RMD's  
after January  
1, 2025

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*REQUIRED BEGINNING DATE* *P 204*

- April 1<sup>st</sup>
  - Calendar year reach applicable age OR
  - Calendar year of retirement
- Applicable age
  - 70 ½ -- born before July 1, 1949
  - 72 – born on July 1, 1949 & before January 1, 1951
  - 73 – born on January 1, 1951 & before January 1, 1960
  - 75 – born on or after January 1, 1960

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## *EMPLOYEE TREATED AS RETIRED*

Not a 5% owner

Has benefits under a plan maintained by more than 1 employee AND

Retires from any employer but is still employed by a different employer participating in the same plan

RMD – April 1<sup>st</sup> following year of applicable age

23

## *ROTH ACCOUNT RMD'S*

*P 204*

Required upon death of account owner

Beneficiaries – RMD requirements

Practitioner Note – designated ROTH

- RMD does not apply
- Defined Contribution Plan ROTH
- Rollover to ROTH only

24

## *DESIGNATED BENEFICIARY P 205*

01

Any individual the employee/owner designates

02

Distribution period – by December 31 of the 10th year after the original owner's death

03

Observation – Estate or Charity is not a designated beneficiary

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## *ELIGIBLE DESIGNATED BENEFICIARY*

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Surviving spouse

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Child who has not reached age 21

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Disable individual

---

Chronically ill individual

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Individual not more than 10 yrs younger

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## *SEE-THROUGH TRUSTS*

*P 205*

Beneficiaries of Trust  
are Beneficiaries of  
Retirement Plan

Trust is valid under  
state law

Trust is Irrevocable or  
become irrevocable  
upon death

Beneficiaries are  
identifiable

Documentation  
requirements are  
satisfied

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## *SPOUSE AS BENEFICIARY*

*P 205*

Sole beneficiary –  
elect to be treated as  
employee

RMD begins:

Example 6.1 –  
Spouse Electing to  
Be Treated as  
Employee

year employee would  
have attained  
applicable age

Distributions over  
beneficiary's lifetime  
or life expectancy

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## *DISTRIBUTIONS – ELIGIBLE DESIGNATED BENEFICIARY P 206*

- Elect to receive distributions over the beneficiary's life expectancy
- 10-year rule applies
- RMD due in year of death
- Child Beneficiary – not reached age of majority
  - NOT an eligible beneficiary

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## *NOT AN ELIGIBLE DESIGNATED BENEFICIARY P 207*

- Individual dies before RMD
- 10-year rule for distributions
- Not required to take annual distributions
- Withdraw balance by December 31<sup>st</sup> of 10<sup>th</sup> year after date of death

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*RMD  
BEGAN BEFORE  
DEATH*

- Not an eligible designated beneficiary
  - Continues RMD
  - Withdraw balance by December 31<sup>st</sup> of 10<sup>th</sup> year after death
- RMD in year of death
  - Beneficiary takes it if decedent hadn't
  - Any 1 beneficiary may take it if there are multiple beneficiaries

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*ISSUE 2*

DESIGNATING A TRUST AS A  
BENEFICIARY

32



## *TRUST BENEFICIARIES*

*P 208*

Revocable Trust

See-Through Trust

Multi-beneficiary Trust

Separate Accounting

- for each beneficiary
- divided immediately upon death

33

## *ISSUE 3*

ROTH IRA'S

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## *ROTH REQUIREMENTS P 210*

Taxable – year of contribution

Nontaxable – year of distribution

Early distributions – earnings subject to tax & penalty

Contribution limit = IRA contribution limit

2025 = \$ 7,000 (\$ 1,000 catch-up age 50 or older)

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## *FIGURE 6.1 P 211*

**IRS Table 2-1 Effect of Modified AGI on Roth IRA Contribution**

<b>If you have taxable compensation and your filing status is</b>	<b>AND your modified AGI is</b>	<b>THEN</b>
Married filing jointly or qualifying surviving spouse	Less than \$236,000	You can contribute up to \$7,000 (\$8,000 if you are age 50 or older)
	At least \$236,000 but less than \$246,000	The amount you can contribute is reduced
	\$246,000 or more	You cannot contribute to a Roth IRA
Married filing separately (and you lived with your spouse at any time during the year)	\$0	You can contribute up to \$7,000 (\$8,000 if you are age 50 or older)
	More than \$0 but less than \$10,000	The amount you can contribute is reduced
	\$10,000 or more	You cannot contribute to a Roth IRA
Single, head of household, or married filing separately (and you did not live with your spouse at any time during the year)	Less than \$150,000	You can contribute up to \$7,000 (\$8,000 if you are age 50 or older)
	At least \$150,000 but less than \$165,000	The amount you can contribute is reduced
	\$165,000 or more	You cannot contribute to a Roth IRA

IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), Table 2-1

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EXAMPLE 6.4

P 212

FIGURE 6.2  
IRS Winona Alexander's Worksheet 2-2

1. Modified AGI for Roth IRA purposes	156,000
2. Enter \$236,000 if filing a joint return or qualifying surviving spouse Enter \$0 if married filing a separate return and you lived with your spouse at any time during the year Enter \$150,000 for all others	150,000
3. Subtract line 2 from line 1	6,000
4. Enter \$10,000 if filing a joint return or qualifying surviving spouse or married filing a separate return and you lived with your spouse at any time during the year Enter \$15,000 for all others	15,000
5. Divide line 3 by line 4 and enter as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	0.400
6. Enter the lesser of \$7,000 (\$8,000 if 50 or older) or your taxable compensation	7,000
7. Multiply line 5 by line 6	2,800
8. Subtract line 7 from line 6. Round the result up to the nearest \$10. If the result is less than \$200, enter 200	4,200
9. Enter contributions for the year to other IRAs	0
10. Subtract line 9 from line 6	7,000
11. Enter the lesser of line 8 or line 10. This is your reduced Roth IRA contribution limit	4,200

IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), Worksheet 2-2

ROTH DISTRIBUTIONS

P 213

SEP or SIMPLE = designated ROTH IRA's

Qualified ROTH distribution

Made after 5-years beginning with 1 <sup>st</sup> year contribution	On or after 59 1/2	Disability	Death	1 <sup>st</sup> time home buyer (\$ 10,000 lifetime limit)
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## *10% PENALTY EXCEPTION P 213*

- Terminal illness
- Beneficiary of a deceased IRA owner
- Series of substantially equal payments
- Unreimbursed medical expenses > 7.5% of AGI
- Medical Insurance Premium payment while unemployed
- Corrective distributions
- Qualified higher education
- IRS Levy
- Qualified reservist
- Qualified birth or adoption
- Qualified disaster
- Qualified disaster recovery
- Domestic abuse victim
- Certain emergency personal expenses

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## *DISTRIBUTION ORDERING RULES*

*P 213*

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Return of regular contribution

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Return of conversion

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Rollover

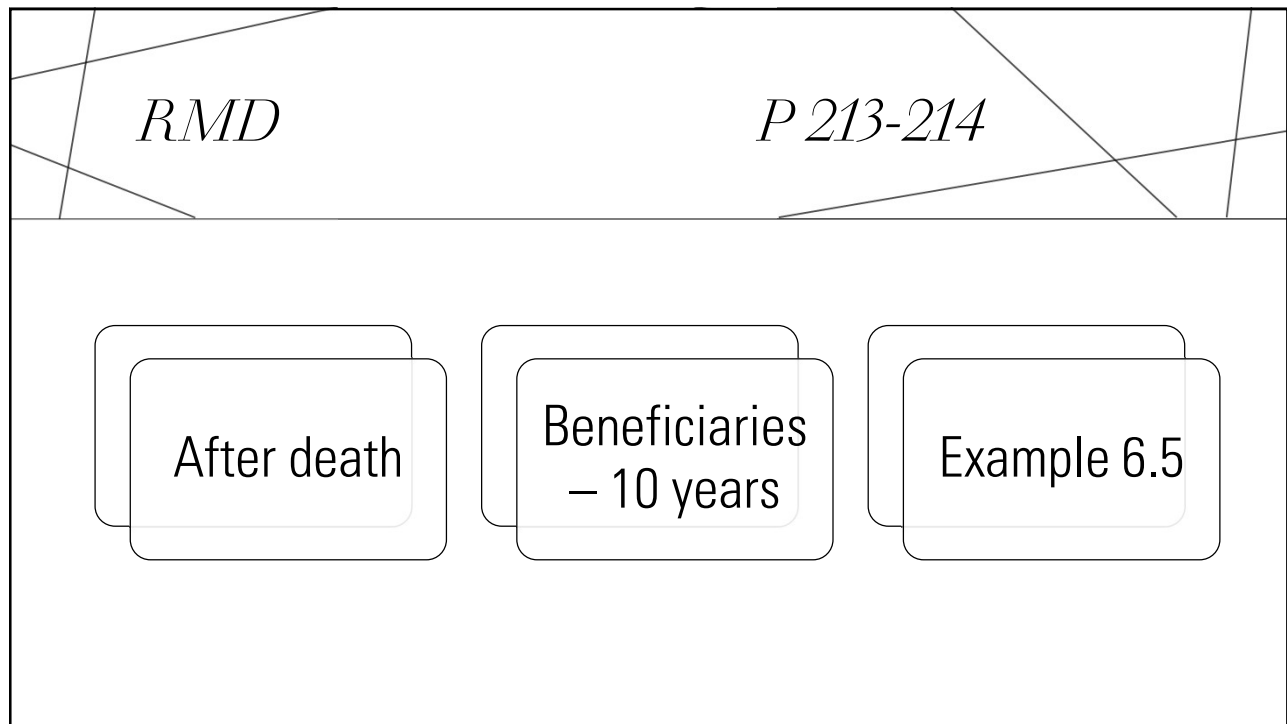
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Earnings

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File form 8606, Nondeductible IRA's Part III

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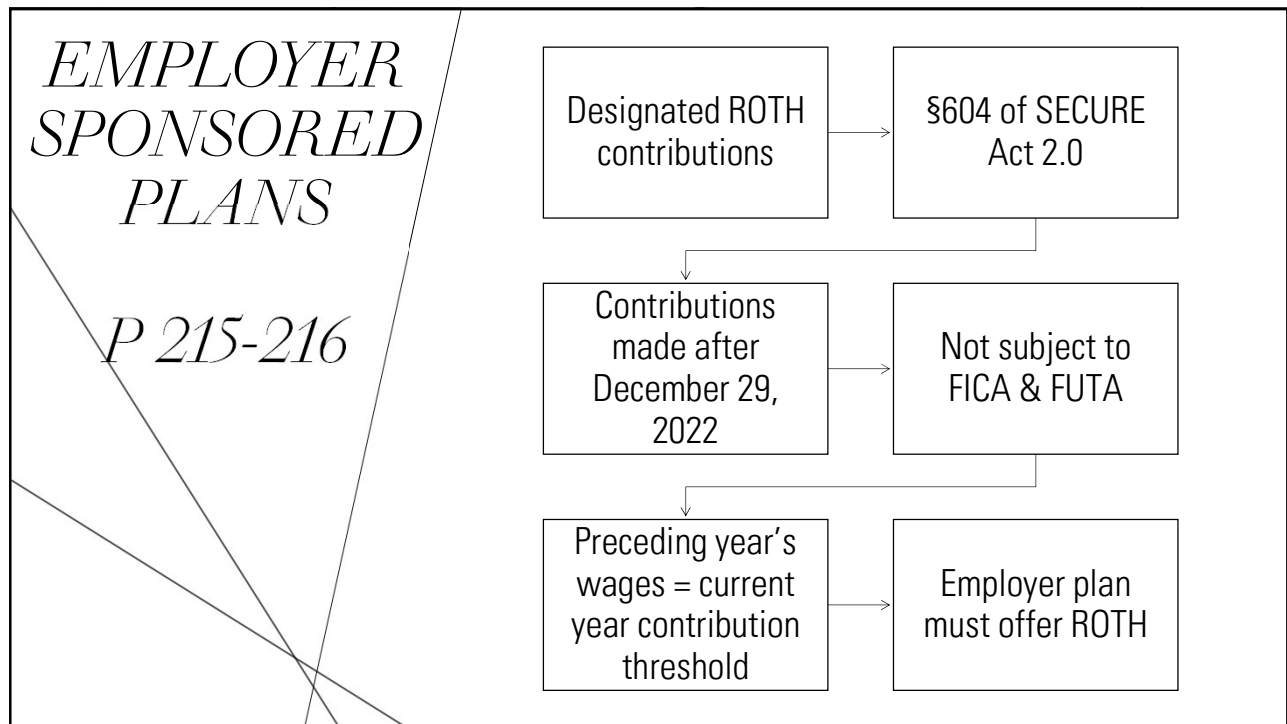


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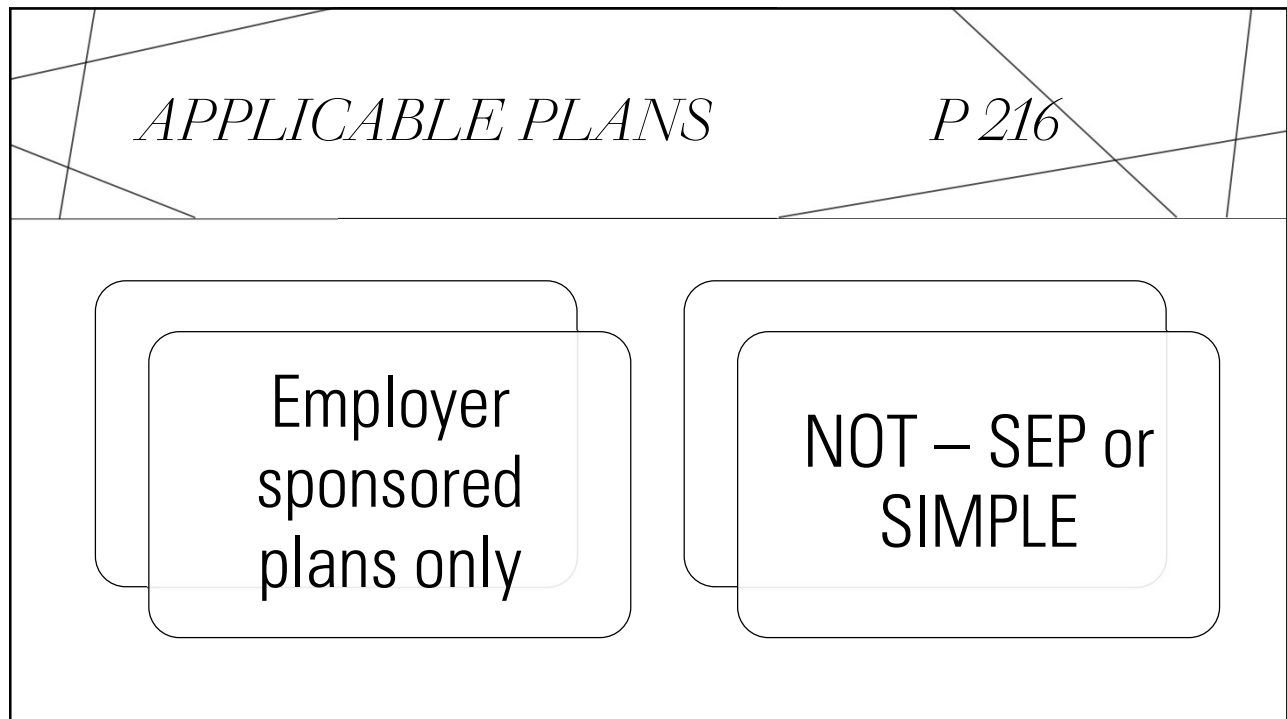
# *ISSUE 4*

## DESIGNATED ROTH CONTRIBUTIONS & CATCH-UP

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*PRACTITIONER NOTE**P 216*

- Notice 2023-62
- Administrative Relief
- Beginning tax years after December 31, 2023
- Transition period
- Catch-up contributions
- Treated as designated ROTH even if didn't have provision



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*DEFINITION OF WAGES**P 217*

- Treas. Reg. 1.414(v)-2(a)(2)
- FICA Wages
- I.R.C. 3101(a)
- I.R.C. 3111(a)



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## *ROTH CONTRIBUTIONS P 217 - 218*

Example 6.6 –  
Wages exceed  
threshold

Example 6.7 –  
Wages don't  
exceed  
threshold

Treas. Reg.  
1.401(k)-1(f)(5) – if  
subject to catch-up  
-- deemed  
irrevocable  
designated ROTH  
contribution

Employers are  
not required to  
offer ROTH  
option

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## *ISSUE 5*

### RETIREMENT ACCOUNT DISASTER DISTRIBUTIONS

48



P 219

## *QUALIFIED DISASTER DISTRIBUTION*

- Federally Declared Disaster
- Practitioner Note – FAQ's & Loans
- Up to \$ 22,000
- Qualified Individual – principal residence in qualified disaster area
- FEMA – period in which disaster occurred



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## *ECONOMIC LOSS*

*P 219-220*

- Loss, damage to, or destruction of real or personal property
- Loss related to displacement from the individual's home
- Loss of livelihood due to temporary or permanent layoffs
- From fire, flooding, looting, vandalism, theft, wind, or other cause



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# *DISTRIBUTIONS*

*P 220*

Major Disasters after January 26, 2021

On or after 1<sup>st</sup> day of the incident

Before 180 days after the later of

- December 29, 2022
- 1<sup>st</sup> day of the incident period with respect to the qualified disaster
- Date of the disaster declaration with respect to the qualified disaster

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## *TAX ON DISTRIBUTIONS*

*P 220*

Up to \$ 22,000

10% additional penalty – doesn't apply

3-year income recognition period

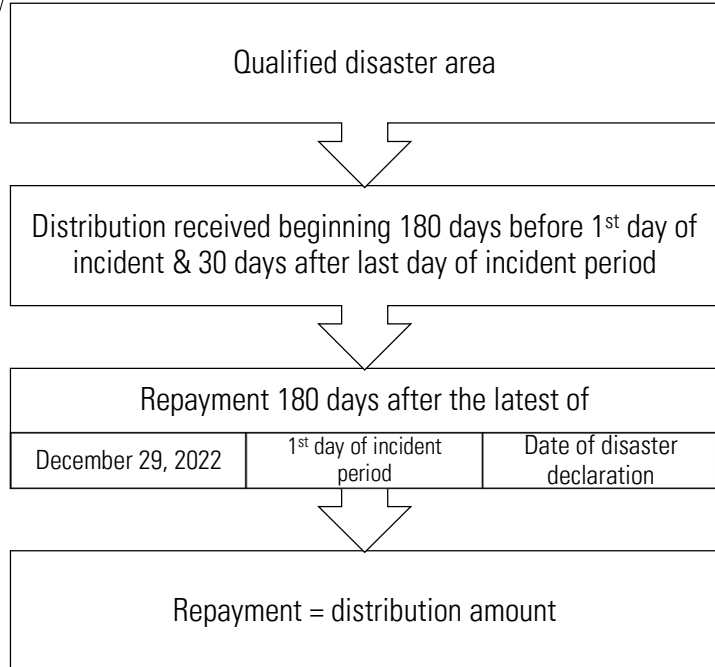
Elect to include in year of distribution

Form 8915-F, Qualified Disaster Retirement Plan Distributions & Repayments

Example 6.8 – Reporting Distributions

52

# *1<sup>ST</sup>-TIME HOME BUYER P 221*



53



## *PLAN LOANS*

*P 221*

- Greater of \$ 10,000 or 50% of individual's vested benefit OR
- \$ 50,000 whichever is less
- Employer may increase dollar limit
  - Up to vested benefit
  - Up to \$ 100,000
- Repayment due date
  - 1<sup>st</sup> day of disaster's incident period
  - 180 days after last day of incident period

54

## *EMERGENCY PERSONAL EXPENSES*

### *P 222*

10% additional tax –  
exception

Unforeseeable or  
immediate financial  
needs

Related to personal  
or family emergency

Medical care

Accident or loss of  
property due to  
casualty

Imminent foreclosure  
or eviction from  
primary residence

Need to pay burial or  
funeral expenses

Auto repairs

Any other necessary  
emergency personal  
expenses

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## *ISSUE 6*

### ABLE ACCOUNTS

56

## *REQUIREMENTS* *P 223*

- Established to meet the qualified disability expenses of eligible designated beneficiary
- 1 eligible beneficiary per account
- Prohibit noncash contributions
- Annual contributions cannot exceed annual gift tax exclusion (2025 = \$ 19,000)
- Beneficiary contributions
  - Earned income
  - Poverty line for 1 person household



57

## *REQUIREMENTS* *P 223*

- Separate accounting for each designated beneficiary
- Beneficiary can direct or change investments is limited to twice per year
- Plan prohibits pledging or using account to secure a loan
- Plan has safeguards to prevent excess contributions



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## *DESIGNATED BENEFICIARY*

- Employee or self-employed individual
- No contributions in a tax year when
  - Contributions to a Defined Contribution Plan
  - Contributions to an Annuity Contract
  - Contributions to an eligible Deferred Compensation Plan



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## *TAX TREATMENT P 223 - 224*

Exempt from income tax

Unrelated Business Income –  
taxable

Distributions

Example 6.10 – Taxation on  
Account Distributions

Gift Tax – contributions limited  
to annual gift tax exclusion

Taxable if exceed qualified  
disability expenses

10% penalty if taxable

60

# *ESTATE TAX P 224 - 225*

ABLE account included in beneficiaries  
Gross Estate

## Deductions of the Estate

- Outstanding qualified disability expenses
- Payments of certain claims made to the state (Medicaid)
- Claim must be enforceable against the estate (Medicaid Estate Recover)
- Based on a "promise or other agreement that was supported by full and adequate compensation"

61



# *TAX ON EXCESS CONTRIBUTIONS*

6% EXCISE TAX

62

## *CHANGING BENEFICIARIES P 225*

Eligible for  
Trustee-to-Trustee  
Rollover ONLY

New Beneficiary –  
sibling who is  
eligible individual

63



## *ELIGIBLE INDIVIDUAL P 225*

- Disability Certification required
- Medical determination of physical or mental impairment
- Severe functional limitation
- Expected to last a continuous period not less than 12 months
- Blindness or disability occurred before Age 26
- Tax years after 2025 – qualified disability occurred between Age 26-46

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## *QUALIFIED DISABILITY EXPENSE P226*

Education  
expenses

Employment  
training &  
support

Housing

Transportation

Assistive  
technology &  
equipment

Health care,  
prevention &  
wellness

65

## *QUALIFIED DISABILITY EXPENSE P226*

Legal fees

Funeral & burial  
expenses

Financial  
management

Personal  
support services

Expenses for  
oversight &  
monitoring

Basic living  
expenses (food)

66

## *FEDERAL PROGRAMS P 226*

Means-tested programs

Varies state-to-state

SSI -- \$ 2,000 resource limit

- ABLE accounts exempt
- ABLE distributions exempt
- NOT exempt is account value > \$ 100,000

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## *H.R.1 – SAVER'S CREDIT*

*P 227*

- Made Permanent
- Contributions eligible as retirement contributions
- Nonrefundable credit up to \$ 1,000
- Credit = 10%, 20%, or 50% of contribution
- 18 years or older
- Not claimed as a dependent
- Not a full-time student

**FIGURE 6.4**  
2025 Retirement Savings Contributions Credit

Applicable Credit Percentage	Married Filing Jointly AGI	Head of Household AGI	Single, Married Filing Separately, and Surviving Spouses AGI
50% of the contribution	Not more than \$47,500	Not more than \$35,625	Not more than \$23,750
20% of the contribution	\$47,501–\$51,000	\$35,626–\$38,250	\$23,751–\$25,500
10% of the contribution	\$51,001–\$79,000	\$38,251–\$59,250	\$25,501–\$39,500
0% of the contribution	More than \$79,000	More than \$59,250	More than \$39,500

Source: Notice 2024-80, 2024-47 I.R.B. 1120

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# *ISSUE 7*

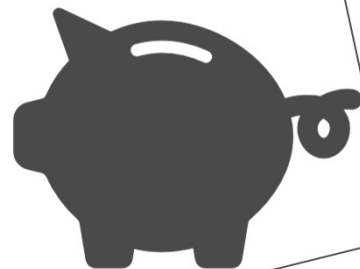
## EDUCATION SAVINGS ACCOUNT ROLLOVER TO ROTH

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### *ROLLOVER ELIGIBILITY*

*P 229*

- SECURE Act 2.0 §126
- Long-term qualified tuition programs
- Up to \$ 35,000
- Limited to annual IRA contribution limit
- Example 6.12 – Rollover to ROTH IRA limitation
- 5-years @ \$ 7,000 per year to rollover \$ 35,000



70

# *ISSUE 8*

## QUALIFIED CHARITABLE DISTRIBUTIONS

71

### *QCD* *P 231-232*

- Nontaxable distribution from IRA
- Trustee to Qualified Non-Profit Organization
- Taxpayer at least 70 ½
- Maximum annual exclusion = \$ 108,000
- MFJ – each spouse can make separate QCD
- Example 6.13 – Partial QCD
- Example 6.14 – Contributions Offset
- One-Time Election
  - Tax year beginning after December 30, 2022
  - Up to \$ 54,000
  - Charitable Remainder Annuity Trust, Unitrust or Gift Annuity Fund

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