

2025 Federal Income Tax Guide

A Plain-Language Breakdown for Easier Understanding

This document explains how federal income taxes work for **2025**, what information is required, and how each section affects your final tax result. It is intended for people who are unfamiliar with taxes or want a clearer explanation of how the pieces fit together.

Important:

- These tax rates and rules are **only for estimating 2025 taxes**.
 - Do not use this information to calculate 2024 taxes.
 - Source: IRS Rev. Proc. 2024-40
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1. Federal Income Tax Rates (2025)

Federal income tax uses **tax brackets**, meaning different portions of your income are taxed at different rates. Your **filing status** determines which brackets apply to you.

2025 Federal Tax Brackets by Filing Status

Married Filing Jointly / Qualified Widow(er)

- 10%: \$0 – \$23,850
- 12%: \$23,850 – \$96,950
- 22%: \$96,950 – \$206,700
- 24%: \$206,700 – \$394,600
- 32%: \$394,600 – \$501,050
- 35%: \$501,050 – \$751,600
- 37%: Over \$751,600

Single

- 10%: \$0 – \$11,925
- 12%: \$11,925 – \$48,475
- 22%: \$48,475 – \$103,350
- 24%: \$103,350 – \$197,300
- 32%: \$197,300 – \$250,525
- 35%: \$250,525 – \$626,350
- 37%: Over \$626,350

Head of Household

- 10%: \$0 – \$17,000
- 12%: \$17,000 – \$64,850

- 22%: \$64,850 – \$103,350
- 24%: \$103,350 – \$197,300
- 32%: \$197,300 – \$250,500
- 35%: \$250,500 – \$626,350
- 37%: Over \$626,350

Married Filing Separately

- 10%: \$0 – \$11,925
- 12%: \$11,925 – \$48,475
- 22%: \$48,475 – \$103,350
- 24%: \$103,350 – \$197,300
- 32%: \$197,300 – \$250,525
- 35%: \$250,525 – \$375,800
- 37%: Over \$375,800

2. Filing Status

Your **filing status** determines:

- Which tax brackets apply
- Your standard deduction amount
- Eligibility for deductions and credits

Your marital status on **December 31** determines your filing status for the entire year.

Filing Status Options Explained

Married Filing Jointly

You are married and file one tax return with your spouse. If your spouse passed away during the year and you did not remarry, you may still file jointly for that year. You may also choose to file separately instead.

Qualified Surviving Spouse

Available for two years after your spouse's death if you did not remarry and you have at least one dependent child or stepchild for whom you are the primary provider.

Single

Used if you are unmarried, divorced, or legally separated and do not qualify for another status.

Head of Household

For unmarried individuals who pay more than half the cost of maintaining a home for a qualifying person. A dependent parent does not have to live with you if you pay over half of their household costs. This status may also apply if you are married but lived apart from your spouse for the last six months of the year.

Married Filing Separately

Married individuals who choose to file separate tax returns.

3. Dependency Status

You must indicate whether:

- No one can claim you or your spouse as a dependent
- Someone can claim you
- Both you and your spouse are dependents

A person can be considered a dependent if someone supports them and is eligible to claim them, even if they are not actually claimed.

4. Dependents and Tax Credits

Child Tax Credit (2025)

A child qualifies if they:

- Are under age 17 at year-end
- Are your child, sibling, foster child, or descendant
- Lived with you more than half the year
- Did not provide more than half of their own support
- Are claimed as a dependent

Credit Amount:

- Up to **\$2,200 per qualifying child**

Child Tax Credit Income Phaseout

- Married Filing Jointly: Full credit up to \$400,000 AGI
- All other filing statuses: Full credit up to \$200,000 AGI
- Credit reduced by \$50 for every \$1,000 over the threshold

Credit for Other Dependents

For dependents who do not qualify for the Child Tax Credit:

- Up to **\$500 nonrefundable credit per dependent**
 - Same income phaseout rules as the Child Tax Credit
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5. Employment Income

Wages, Salaries, and Tips

Enter total wages from **W-2 Box 1** for the primary taxpayer only. Include:

- Regular wages
- Household employee wages not on a W-2
- Unreported tips and allocated tips

Box 1 is usually net of pre-tax deductions like 401(k) contributions and employer health plans.

Spouse Wages

Enter your spouse's wages separately using their W-2 Box 1.

6. Medicare Wages (W-2 Box 5)

Medicare wages may differ from Box 1 due to:

- 401(k) contributions
- Certain non-taxable benefits
- S-corporation health insurance

These differences usually do not affect taxes unless:

- You owe self-employment tax, or
- You exceed Medicare surtax thresholds

Thresholds for the 0.9% Medicare surtax:

- \$200,000 single
 - \$250,000 married filing jointly
 - \$125,000 married filing separately
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7. Other Types of Income

Include all applicable income such as:

- Taxable interest (1099-INT, 1099-OID, Schedule K-1)
- Taxable state or local tax refunds
- Alimony received (only if agreement finalized on or before 12/31/2018)
- Business income or loss (Schedule C and certain Schedule E income)
- Rental, royalty, partnership, and S-corporation income
- Farm income (Schedule F)
- Unemployment compensation
- Social Security and Railroad Retirement benefits

8. Social Security Taxation

Social Security benefits may become taxable when income exceeds certain limits.

How Taxable Social Security Is Calculated

1. Start with total income
2. Add 50% of Social Security benefits
3. Add certain excluded income
4. Subtract allowed adjustments

Up to **85% of benefits** may be taxable.

Social Security Thresholds

- Married Filing Jointly:
 - Base amount: \$32,000
 - 50% phaseout: \$12,000
- All other statuses:
 - Base amount: \$25,000
 - 50% phaseout: \$9,000

Married Filing Separately generally has no exclusion unless spouses lived apart all year.

9. Adjustments to Income (Above-the-Line Deductions)

These deductions reduce income before AGI is calculated and do not require itemizing.

Examples include:

- Educator expenses (up to \$300 per educator)
 - HSA contributions
 - One-half of self-employment tax
 - Self-employed retirement plan contributions
 - Self-employed health insurance
 - Traditional IRA deductions (subject to income limits)
 - Student loan interest (up to \$2,500)
 - Alimony paid (pre-2019 agreements only)
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10. Adjusted Gross Income (AGI)

AGI equals:

Total income minus total adjustments

AGI is used to determine eligibility and limits for many deductions and credits.

11. Standard Deduction vs Itemized Deductions

Standard Deduction (2025)

- Married Filing Jointly / Qualified Surviving Spouse: \$31,500
- Head of Household: \$23,625
- Single / Married Filing Separately: \$15,750

Additional amounts apply if age 65 or older or blind.

Itemized Deductions

May include:

- Medical expenses over 7.5% of AGI
- State and local taxes (up to \$40,000, subject to phaseout)
- Other Schedule A deductions

The higher of the standard or itemized deduction is used unless restricted.

12. Qualified Business Income Deduction (QBID)

Eligible taxpayers may deduct **up to 20% of qualified business income**, subject to:

- Income thresholds
- Business type
- Whether the business is a Specified Service Trade or Business (SSTB)

Certain professions phase out of the deduction at higher incomes.

13. Tax Credits

Credits reduce tax dollar-for-dollar and may include:

- Child and Dependent Care Credit
- Education credits
- Retirement savings credit
- American Opportunity Credit

- Earned Income Credit (EIC)

Some credits are refundable, meaning they can result in a refund even if no tax is owed.

14. Self-Employment and Other Taxes

Includes:

- Self-employment tax (Schedule SE)
 - Unreported Social Security and Medicare tax
 - First-time homebuyer credit repayment
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15. Payments and Withholding

Includes:

- Federal tax withheld from W-2s and 1099s
 - Estimated tax payments
 - Refundable credits and excess withholding
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16. Final Result

After entering:

- Filing status
- Income
- Adjustments
- Deductions
- Credits
- Payments

The result is:

- Estimated 2025 federal tax owed **or**
- Estimated refund

This document is designed to explain how each section fits together but does not replace a completed tax return or professional tax advice.