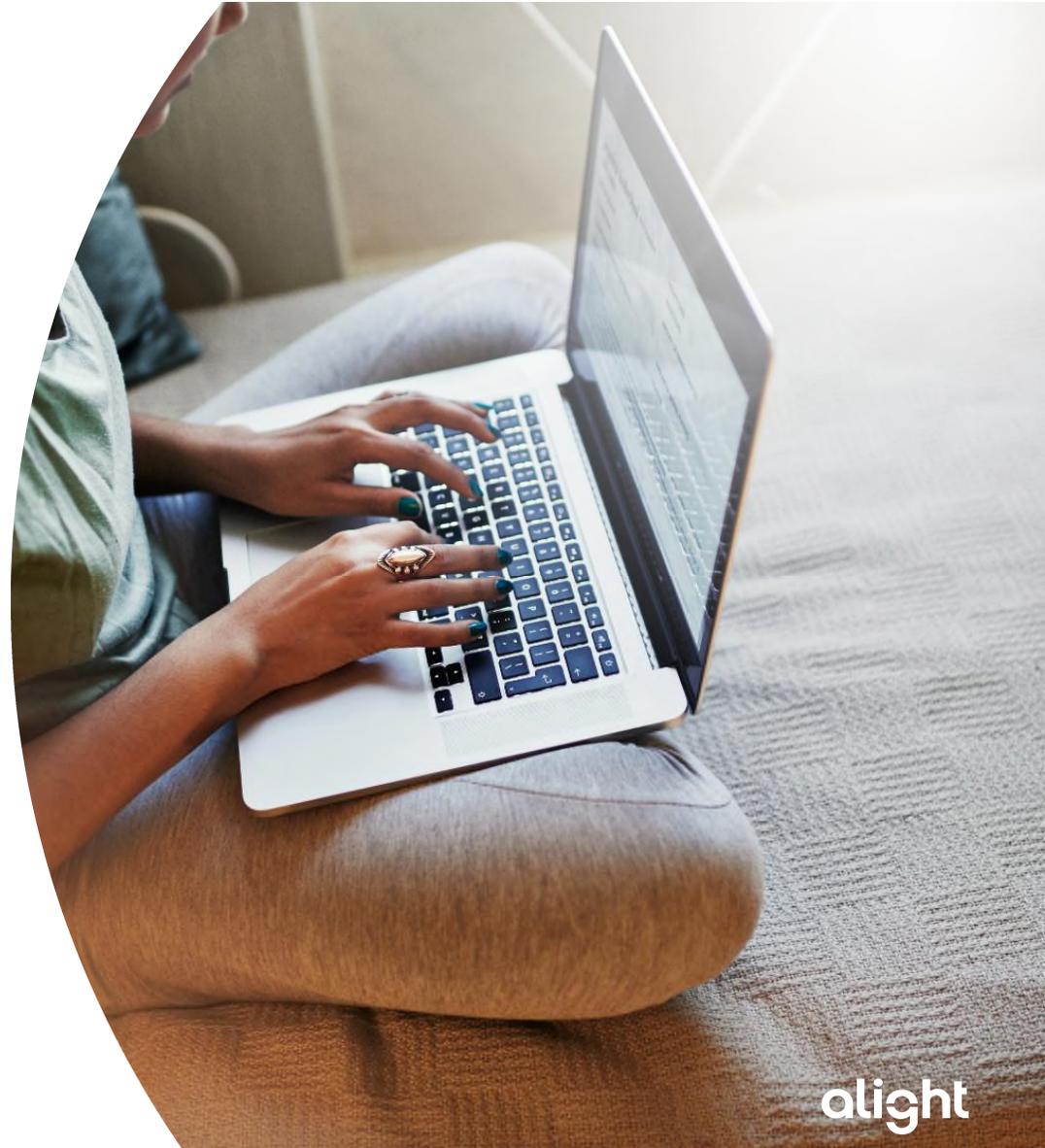

Tax Fundamentals

Alight Financial Advisors LLC

Alight Financial Solutions LLC, member FINRA/SIPC

Alight Financial Advisors LLC is a federally registered investment advisor and wholly owned subsidiary of Alight Solutions LLC



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It's not investment advice

This information does not constitute investment advice or an offer to invest or to provide management services.

It's not tax advice either

It does not constitute tax advice. Please see your tax advisor to determine how this information may apply to your own situation.

One Big Beautiful Bill Act (OBBBA)

For
2025

- Higher standard deduction, additional \$750
- Age 65+ deduction, additional \$6,000 each¹
- “No Tax on Tips” deduction up to \$25,000¹
- “No Tax on Overtime” deduction up to \$25,000¹
- Auto loan interest deduction up to \$10,000¹
- Permanently Increased Child Tax Credit, \$2,200 (indexed to inflation)
- Changes to Itemized Deductions—SALT², mortgage insurance
- Expanded 529 Plan eligible expenses for K-12, added credential expenses

In
2026

- Charitable contribution deduction for non-itemizers, \$1,000 each
- “Trump Account” for retirement savings (begins July 2026)
- Estate/Gift Tax exemption permanently increased, \$15,000,000

¹ Temporary provision for tax-years 2025 through 2028, and subject to income limits.

² Temporary provision for tax-years 2025 through 2030, and subject to income limits.

Agenda



Tax
Fundamentals



New
Deductions



Summary and
Resources

Note that many states have an income tax as well which we will not be discussing today.

Tax Fundamentals

- Tax filing process
- Income
- Above the line deductions
- AGI/MAGI
- Below the line deductions
- Tax brackets
- Tax brackets example
- Tax credits
- Payments



Tax Filing Process

Steps to complete IRS Form-1040

Step	Item	Calculation	Result
1	Income	Add income (W2, 1099s, etc.)	Total Income
2	“Above the Line” Deductions (ABL)	Subtract ABL deductions	Adjusted Gross Income (AGI)
3	“Below the Line” Deductions (BTL)	Subtract BTL deductions	Taxable Income
4	Tax Brackets	Apply taxable income	Tax
5	Tax Credits	Subtract tax credits	Total Tax
6	Payments	Subtract payments (withholding)	Amount Due/Refund

Income

Add income received to determine your **Total Income**

- Wages (W2)
- Self Employment (1099-NEC)
- Interest (1099-INT)
- Dividends (1099-DIV)
- Capital Gains/Losses (1099-MISC)
- Social Security (SSA-1099)
- Retirement plan distributions (1099-R)

Some income may be tax-exempt.

You are responsible for reporting all income regardless of whether or not you receive a 1099.

2222		Employee's social security number		OMB No. 1545-0029	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9		10 Dependent care benefits	
e Employee's first name and initial		Last name		Suff.	
f Employee's address and ZIP code		11 Nonqualified plans		12a	
		13 Statutory employee		Retirement plan	
		14 Other		12b	
				12c	
				12d	
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
				18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	
Form W-2 Wage and Tax Statement				2025	
Copy 1—For State, City, or Local Tax Department				Department of the Treasury—Internal Revenue Service	

		<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0110	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1a Total ordinary dividends		Form 1099-DIV	
		1b Qualified dividends		(Rev. January 2024)	
				For calendar year	
PAYER'S TIN		2a Total capital gain distr.		2b Unrecap. Sec. 1250 gain	
RECIPIENT'S TIN		2c Section 1202 gain		2d Collectibles (28%) gain	
RECIPIENT'S name		2e Section 897 ordinary dividends		2f Section 897 capital gain	
		3 Nondividend distributions		4 Federal income tax withheld	
Street address (including apt. no.)		5 Section 199A dividends		6 Investment expenses	
City or town, state or province, country, and ZIP or foreign postal code		7 Foreign tax paid		8 Foreign country or U.S. possession	
Account number (see instructions)		9 Cash liquidation distributions		10 Noncash liquidation distributions	
		11 FATCA filing requirement		12 Exempt-interest dividends	
		13 Specified private activity bond interest dividends		14 State	
		15 State identification no.		16 State tax withheld	
Form 1099-DIV (Rev. 1-2024)		(keep for your records)		www.irs.gov/Form1099DIV Department of the Treasury—Internal Revenue Service	

Dividends and Distributions

Copy B
For Recipient

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Above the Line Deductions

Subtract “above the line” deductions to determine your **AGI**

“Above the line” deductions are specific expenses you can deduct to determine your Adjusted Gross Income (AGI). You are not required to itemize your deductions to take advantage of these items. Examples include:

- Student loan interest deduction
- IRA deduction
- Health savings account deduction
- Alimony paid
- Educator expenses

Above the line deductions are less common, so many taxpayers often don't have any.

“Above the line” deductions

— **AGI** —

“Below the line” deductions

Adjusted Gross Income (AGI)

AGI is commonly used to determine income limitation eligibility

Items subject to income limitations include:

- Roth IRA contributions
- Additional deduction for seniors
- “No Tax on Tips” deduction
- “No Tax on Overtime” deduction
- New auto loan interest deduction
- Medicare premiums (IRMA)
- Social Security taxation
- Charitable contribution deduction
- Medical expense deduction

Modified Adjusted Gross Income (MAGI)

MAGI is your adjusted gross income plus some other specific income not included in your AGI. These specific items vary depending on the eligibility you are determining.

For example, Roth IRA contribution income limit:

MAGI = (AGI + IRA deduction + student loan interest deduction + foreign interest deduction + foreign housing exclusion/deduction + qualified savings bond interest + employer-provided adoption benefits).

Below the Line Deductions

Subtract “below the line” from AGI to determine your **Taxable Income**

Standard Deduction

- The simple deduction method.
- Reduces taxable income by a specific dollar amount.

Amounts for 2025 Tax Year



Single: \$15,750



Head of household: \$23,625



Married filing jointly: \$31,500

Additional standard deduction given to individuals who are either age 65+ or blind.

OR

Itemized Deductions¹

- Requires a list of eligible expenses that can reduce taxable income.
- May be advantageous when the total is more than the standard deduction.

Common Deductions



Mortgage interest



State and local taxes



Charitable contributions



Medical expenses

Note, rules have changed for most itemized deductions for 2025, see your tax adviser regarding your situation.

¹ Itemized deductions are subject to various limitations, see your tax adviser.
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Tax Brackets

Calculate your Tax

- Determine your filing status (single, joint, etc.)
- Apply your **taxable income** to the tax brackets
- Progressive tax rates; higher income, higher rate
- Tax rate for a given bracket is applied until you reach the next bracket. Then the higher tax rate is applied to the income in the higher bracket
- Add tax amounts from each tax rate to determine **total tax**

Tax rate	2025 Tax brackets		
	Single filer	Married filing jointly	Head of household
10%	\$0 - \$11,925	\$0 - \$23,850	\$0 - \$17,000
12%	\$11,926 - \$48,475	\$23,851 - \$96,950	\$17,001 - \$64,850
22%	\$48,476 - \$103,350	\$96,951 - \$206,700	\$64,851 - \$103,350
24%	\$103,351 - \$197,300	\$206,701 - \$394,600	\$103,351 - \$197,300
32%	\$197,301 - \$250,525	\$394,601 - \$501,050	\$197,301 - \$250,500
35%	\$250,526 - \$626,350	\$501,051 - \$751,600	\$250,501 - \$626,350
37%	\$626,351+	\$751,601+	\$626,351+

Tax Brackets Example

Jane is a single filer with \$50,000 in taxable income.

Jane is in the 22% tax bracket. This is her marginal rate. So, each additional dollar earned will be taxed at 22% (until she hits the next bracket).

Tax rate	Single filer 2025 tax bracket	Progressive taxes
10%	\$0 - \$11,925	\$1,192
12%	\$11,926 - \$48,475	\$4,386
22%	\$48,476 - \$103,350	\$335
24%	\$103,351 - \$197,300	\$0
32%	\$197,301 - \$250,525	\$0
35%	\$250,526 - \$626,350	\$0
37%	\$626,351+	\$0
Total Tax		\$5,913

Jane's effective or average tax rate is 12% (\$5,913 / \$50,000).

Visit [IRS.gov](https://www.irs.gov) for all your eligible deductions and steps taken to arrive at taxable income.

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Tax Credits

Subtract any Tax Credits to determine your **Total Tax**

A tax credit is an amount of money that taxpayers can subtract, dollar for dollar, from the income taxes they owe.

Congress may grant tax credits to promote specific behaviors that benefit taxpayers and the nation.

Common tax credits include¹:

- Child Tax Credit
- Child and Dependent Care Credit
- Education tax credits
- Premium Tax Credit (ACA)
- Retirement Savings Contributions Credit

Note, home energy credits and clean vehicle credits end in 2025.

¹ For a complete list, refer to <https://www.irs.gov/credits-deductions-for-individuals>
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Payments

Subtract **Payments** (withholding) you made during the year from your **Total Tax** to determine if you will receive a refund or need to make a final payment.

Payments

- The U.S. tax system operates on a pay-as-you-go basis.
- This means that taxpayers need to pay most of their tax during the year, as the income is earned or received.
- Employers withhold federal income tax from paychecks, reported on Form-W2.
- Financial institutions may withhold federal income tax, reported on Form-1099.

Form W-4

- Form W-4 is an IRS form that tells your employer how much money to take out of your paycheck to cover taxes.
- You can update this form and change the way your employer withholds taxes from your paycheck during the year based on changes in your circumstances.

Estimated Taxes

- Method used to pay tax on income that isn't subject to withholding.
- Estimated tax payments are due April 15th, June 15th, September 15th, and January 15th.
- See Form 1040-ES for details.

Penalties may apply if tax payments are not made on a timely basis.

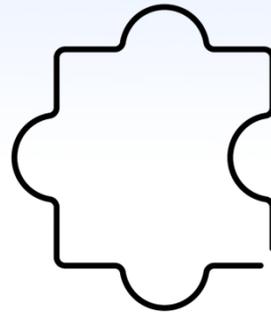
Summary-Tax Filing Process

Steps to complete IRS Form-1040

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New Deductions

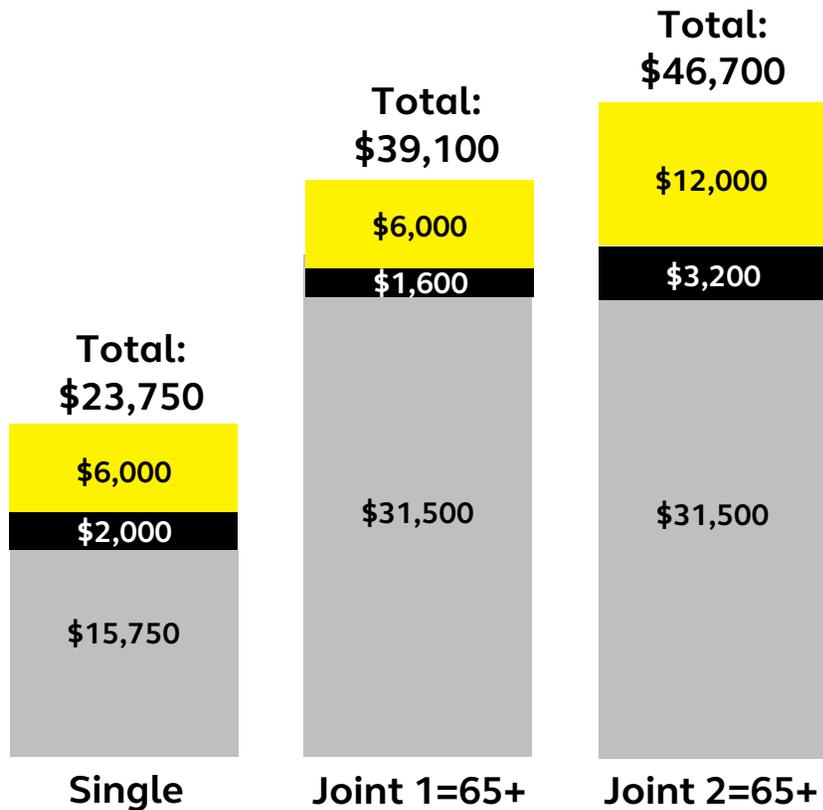
- Age 65+
- “No Tax on Tips”
- “No Tax on Overtime”
- New auto loan interest



Each of these new deductions are available for four-years from 2025 through 2028, and they are subject to income limits.

Age 65+ Deduction¹

Taxpayers age 65+ can deduct an additional \$6,000 each (subject to MAGI limit)



The deduction phases out for:
Single taxpayers with MAGI from \$75,000 to \$175,000, and for
Joint taxpayers with MAGI from \$150,000 to \$250,000.

¹ Temporary provision for tax-years 2025 through 2028, and subject to income limits.
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“No Tax on Tips”¹

Allows eligible workers to deduct up to \$25,000 in tip income from federal taxable income.

Who qualifies?

- Workers in occupations that customarily received tips before 2025 (e.g., servers, barbers, gig workers).
- Applies to cash tips voluntarily given to customers.
- Income limits: Deduction phases out with MAGI above:
 - \$150,000 (single)
 - \$300,000 (joint)

Key Details

- Applies to 2025 – 2028 tax years.
- Deduction available whether you itemize or take the standard deduction.
- Payroll taxes (Social Security, Medicare) still apply.
- Automatic gratuities do not qualify.

Implications

- May increase take-home pay for tipped workers.
- Requires accurate reporting of tips to employers.

¹ Temporary provision for tax-years 2025 through 2028, and subject to income limits. Tip income is subject to payroll taxes and may be subject to state income taxes.
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“No Tax on Overtime”¹

Eligible workers who have qualified overtime pay may be eligible for a federal deduction.

Who qualifies?

- Workers that earn time-and-a-half overtime pay.
- Income limits: Deduction phases out with MAGI above:
 - \$150,000 (single)
 - \$300,000 (joint)

Key Details

- Eligible workers can deduct up to \$12,500 (\$25,000 for joint filers) of qualified overtime pay from their federal income taxes.
- Deduction is retroactive to January 1, 2025, and expires 2028.
- Payroll taxes (Social Security, Medicare) still apply.

The deduction applies to the amount of overtime compensation paid above the normal rate.

¹ Temporary provision for tax-years 2025 through 2028, and subject to income limits. Maximum \$25,000 deduction for joint filers, \$12,500 for all others.
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New Auto Loan Interest¹

Taxpayers can deduct loan interest on new U.S. made autos² taken after 12/31/2024

- New cars, vans, SUVs, pickup trucks, and motorcycles
- Assembled in the United States
- For personal use, not for business or resale
- No restriction on number of loans, but \$10,000 maximum per year
- Below the line deduction that can be taken regardless of deduction method

The deduction phases out for single taxpayers with MAGI from \$100,000 to \$149,000, and for joint taxpayers with MAGI from \$200,000 to \$249,000.

¹ Temporary provision for tax-years 2025 through 2028, and subject to income limits. Maximum deduction is \$10,000 per year.

² Eligible vehicles include new cars, vans, SUVs, pickup trucks, and motorcycles manufactured for operating on public roads and having a gross vehicle weight of less than 14,000 pounds. Additionally, the vehicle must be assembled in the U.S. to be eligible for the deduction.

Summary and Resources

- Planning considerations
- People like me
- What's next
- Resources



Planning Considerations

Your 401(k) Retirement Plan¹

Individual Retirement Account (IRA)²

Health Savings Account (HSA)³

College Savings Plans⁴

Consider working with a professional



¹ See your plan's Summary Plan Description (SPD) for details.

² Income limitations apply. See <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras>.

³ Must participate in an eligible high-deductible health plan. See IRS Pub 969 for a complete discussion of qualified medical expenses.

⁴ Qualified education expenses include tuition, room and board, books and other supplies. Contributions may be subject to gift tax but qualify for annual gift exclusion.

People Like Me – Anne

Single taxpayer Anne, **earned \$50,000**, had **\$4,300 withheld for taxes**, contributed 6% or \$3,000 to **Roth 401(k)**, **earned \$300 in interest from savings**, paid **\$1,000 in student loan interest**, claimed the **standard deduction** and had no tax credits in **2025**.



Step	Item	Calculation	Amount
1	Total Income	W2 + 1099 (50,000 + 300)	\$50,300
2	Adjusted Gross Income (AGI)	Subtract ABL deductions (50,300 - 1,000)	\$49,300
3	Taxable Income	Subtract BTL deduction (49,300 - 15,750)	\$33,550
4	Tax	Apply tax brackets	\$3,788
5	Total Tax	No tax credit (3,788 - 0)	\$3,788
6	Tax Due/Refund	Subtract payments (4,300 - 3,788)	\$512

Hypothetical example for illustration purposes only. Consult a tax advisor regarding your situation.

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People Like Me – Jon

Jon earned **\$85,000**, including **\$5,000** in deductible overtime. He had **\$9,300** withheld for taxes. Jon also bought a new **American car** and paid **\$800** interest in 2025. He claimed the **standard deduction** and had **no tax credits** in 2025.



Hypothetical example for illustration purposes only. Consult a tax advisor regarding your situation.

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Step	Item	Calculation	Amount
1	Total Income	W2 (85,000)	\$85,000
2	Adjusted Gross Income (AGI)	Subtract ABL deductions (85,000 - 0)	\$85,000
3	Taxable Income	Subtract BTL deduction (85,000 - (15,750 + 5,000 + 800))	\$63,450
4	Tax	Apply tax brackets	\$8,874
5	Total Tax	No tax credit (8,874 - 0)	\$8,874
6	Tax Due/Refund	Subtract payments (9,300 - 8,874)	\$426

People Like Me – Jose and Nancy

Step	Item	Calculation	Amount
1	Total Income	W2 + 1099 (150,000 + 350)	\$150,350
2	Adjusted Gross Income (AGI)	Subtract ABL deductions (150,350 - 0)	\$150,350
3	Taxable Income	Subtract BTL deductions (150,350 - 31,500)	\$118,850
4	Tax	Apply tax brackets	\$15,975
5	Total Tax	Subtract tax credit (15,975 - 2,200)	\$13,775
6	Tax Due/Refund	Subtract payments (14,000 - 13,775)	\$225

Hypothetical example for illustration purposes only. Consult a tax advisor regarding your situation.
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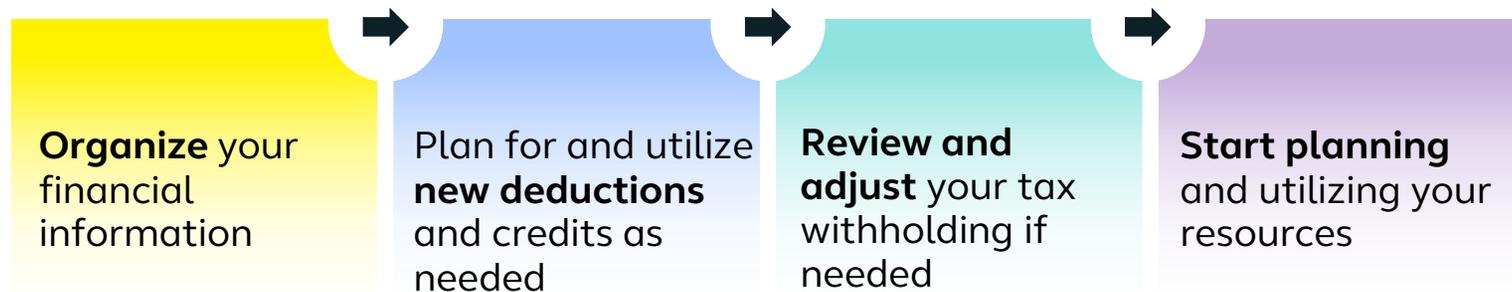
25



In 2025, Jose and his wife Nancy earned a combined **income of \$150,000**, file jointly, both contribute to a Roth 401(k), donate \$1,000 to charity, save for a down payment on a home (**\$350 interest earnings**), save to a 529 plan for their daughter's education, claim the standard deduction and are **eligible for a Child Tax credit** and had **\$14,000 withheld**.

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What's Next?



Consult a tax advisor regarding your situation.

Survey

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US Financial Health Webinar

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...

1. Do you plan to attend future sessions like this one?

- Yes
- No
- Maybe

2. (If no, please explain.)

Enter your answer

3. What actions do you plan to take after attending today's session? Choose all that apply.

- Increase my 401(k) contribution and/or rebalance my 401(k) account balance
- Create a budget and/or debt reduction plan
- Create a financial plan
- Review my employee benefits
- Create a will, trust or other estate planning documents

Resources



[CATBenefitsCenter.com](https://www.catbenefitscenter.com)

OR

Download the Alight Mobile App

Financial Health

- Financial Health > Let's Assess Your Finances

Financial Education Center

- Savings & Retirement > Financial Education Center

Investment Help

- **Online Advice**
- **Professional Management**
- Savings & Retirement > Get Investment Help

Additional Resources¹

[irs.gov](https://www.irs.gov)

- File > Individuals > How to file

¹References to third-party services are for informational purposes only, and their information, accuracy or reliability cannot be guaranteed. They are also not a recommendation by Alight Financial Advisors.



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- 877-228-4010
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