



Finding Life Insurance Opportunities Using Form 1040 2025 Edition

**Diversified Brokerage Services
5501 Excelsior Boulevard | Minneapolis, MN 55416**

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Introduction

A careful review of a client’s tax returns can provide insight into their insurance and financial planning needs. A review of the lines on a tax return can lead to conversations about:

- Basic needs analysis and college funding
- Retirement and extended care planning
- Legacy & charitable planning
- Business planning

Additionally, comparing last year’s tax return to this year’s tax return can shed light on planning opportunities due to major changes in the client’s life.

Form 1040 was redesigned in 2018. Now, everyone will use Form 1040* and Forms 1040A and 1040EZ will no longer be used. Originally, the new Form 1040 was shorter, but has increased over the past couple of years. In addition to the Form 1040, individuals may need to file schedules.

Tax planning remains an essential aspect in any work with clients at all income levels. A review of your client’s tax return should allow you an opportunity to assist them in addressing decisions that can impact their overall income tax, accumulation, and retirement planning. Life insurance provides features that can help clients particularly in a changing tax environment.

This guide focuses on Form 1040, and Schedule A. The guide is designed to help you review and uncover opportunities within your client’s income tax return. In addition to paying attention to what is disclosed in the client’s tax return, note what is missing. This may also result in opportunities.

*Starting with tax years 2020, seniors may use Form 1040-SR.



Overview of Primary Planning Opportunities

Form 1040 and its schedules can uncover many different planning opportunities. The opportunities fall into the four categories described below:

Opportunity	Basic Needs Analysis & College Funding	Retirement & Extended Care Planning
Description	Addressing a family's life insurance needs in the event of a premature death is challenging because each family's goals are unique. A needs analysis will generally look at replacing the income of the deceased person, covering debts/mortgage, and for families with young children planning for college education. There may be additional needs for insurance if this is a client's second marriage or if there is a dependent with special needs.	For many clients age 50+, retirement and extended care planning will typically be a top concern. A great way to start the conversation is by offering to conduct a retirement readiness analysis. Even if a client is already retired, there may be planning needs such as protecting against long-term care/chronic care or planning for the tax efficient distributions of qualified retirement accounts.
Life Insurance Product	The type of product will depend on the client's discretionary income, duration of the insurance needs, and risk tolerance. Typically, a combination of term and permanent life insurance is used to cover the needs. To help you determine the amount and type of coverage, consider using DBS's needs analysis and product selector tool.	A permanent life insurance policy is typically used for clients who need death benefit protection and extended care benefits. A permanent policy can provide an income-tax free source of retirement income while the extended care rider can protect a family from the financial burdens created when care is needed for an extended period of time. To help identify the form of extended care policy, use DBS's needs analysis and product selector tool.
Opportunities	Legacy & Charitable Planning	Business Planning
Description	Clients that are older and have a high net worth often think about the legacy they want to leave. Life insurance may be used to provide for a favored charity or replace wealth lost to final expenses or taxes.	Business owners have a multitude of planning needs including, but not limited to, succession planning, retaining key employees, and protecting the business from the loss of a key employee. The recent Supreme Court decision Connelly vs. US has given financial advisors a reason to review existing business owned life insurance.
Life Insurance Product	Permanent products, single life, and survivorship are usually used for legacy/charitable planning. The policy's death benefit can provide liquidity of final expenses, equalization with heirs, and enhance the total amount left as a legacy.	A combination of term and permanent insurance is typically used to address the needs of a business owner. Term insurance can provide a low-cost solution for short-term needs. Permanent products are often used to fund employee retention benefits.



Form 1040 Entries

This section of the guide will break down the lines on Form 1040 and identify key planning opportunities. There are two pages of the Form 1040. The first page of Form 1040 includes basic personal information like name, address, Social Security number, filing status, dependents, and most common income sources.

Filing Status (Figure 1)

A client's filing status is one of the principal drivers of planning. With each filing status there is a story. Perhaps they were recently married, divorced, or widowed. If the filing status has changed, you should review their planning needs. Considerations might include:

- **Single:** Did the client recently get divorced? Some divorce agreements require life insurance to meet financial obligations. See Schedule 1 to determine if alimony is being paid or received.
- **Married:** Did the client recently get married? Is this a second marriage? Marriage often creates financial interdependence. Married couples might find that they need life insurance to replace a spouse's earnings or cover debt such as a mortgage. If it is a second marriage, insurance can be used to equalize estate between children of each marriage, or between the new spouse and children of a prior marriage.
- **Head of household:** A client who files as head of household will be single but have dependents that rely on them. Life insurance on the client can help provide for the dependents if the client is no longer alive.
- **Qualifying widow(er):** A client who files as a qualifying widow(er) will be single because a spouse has died in the last two years and have dependents that rely on them. Because of the recent marital status change, this client will typically have many planning and life insurance needs.

Home Address (Figure 1)

A client's home address may indicate opportunities. If there has been a recent change in address, there may be a need for insurance to cover a mortgage. In addition, slightly less than half of the states still have an estate or inheritance tax. If the client's address recently changed to a state with such taxes, estate documents and plans may need to be revised.

Form 1040 Department of the Treasury—Internal Revenue Service		2025	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
For the year Jan. 1–Dec. 31, 2025, or other tax year beginning		, 2025, ending	, 20	See separate instructions.
<input type="checkbox"/> Filed pursuant to section 301.9100-2		<input type="checkbox"/> Combat zone	<input type="checkbox"/> Deceased MM / DD / YYYY Spouse MM / DD / YYYY	
<input type="checkbox"/> Other				
Your first name and middle initial		Last name		Your social security number
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.			Apt. no.	Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. <input type="checkbox"/>
City, town, or post office. If you have a foreign address, also complete spaces below.		State	ZIP code	Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name		Foreign province/state/county	Foreign postal code	
Filing Status	<input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly (even if only one had income) <input type="checkbox"/> Married filing separately (MFS). Enter spouse's SSN above and full name here: _____ <input type="checkbox"/> If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required): _____			
Check only one box.	<input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying surviving spouse (QSS) If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____			
Digital Assets	At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) <input type="checkbox"/> Yes <input type="checkbox"/> No			

Figure 1



Dependents & Child/Other Dependents Tax Credit (Figure 2)

Many clients, especially younger and middle-aged, will have dependents. The addition of a dependent can change how a client thinks about their own financial preparedness. When a client has dependents, the financial advisor will want to examine whether there is sufficient life insurance to support the family, provide for college funding or other special needs. The birth or adoption of a child is the most common change in dependents. But other changes, such as a care of an elderly parent or remarriage may change dependents.

Having children typically requires a client to assess life insurance needs and a review of estate plans. Does the client have enough life insurance to protect loved ones in the event of a premature death? Do any of the dependents have special needs? Should a college fund be established or is the client on track to meet their college funding goal? If the dependent is an elderly parent, the client may want to reconsider their own extended care needs.

If the client does not have any dependents, files a joint return, or the return indicates a spouse, you will want to talk to the client to see if s/he has sufficiently planned for a surviving spouse that may be dependent on him/her. Information contained in the balance of the tax return will help to reveal how much each spouse is dependent on each other. This could include items such as income, or the reduction of expenses like a home mortgage.

The One Big Beautiful Bill Act (OBBBA) 2025 added a new type of IRA called a Trump Account. The Trump Account can be established for an eligible child under 18 by parents/guardians or other authorized individuals by filing Form 4547 with the tax return. In additions, children who are U.S. citizens born after 2024 and before 2029 may also elect to receive a \$1,000 pilot program contribution. Discussion of the availability of the Trump Account may lead to a conversation about the client's own retirement savings.

Digital Assets	At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) . . . <input type="checkbox"/> Yes <input type="checkbox"/> No							
Dependents	Dependent 1		Dependent 2		Dependent 3		Dependent 4	
(see instructions)	(1) First name							
	(2) Last name							
	(3) SSN							
	(4) Relationship							
If more than four dependents, see instructions and check here . . . <input type="checkbox"/>	(5) Check if lived with you more than half of 2025		(a) <input type="checkbox"/> Yes		(a) <input type="checkbox"/> Yes		(a) <input type="checkbox"/> Yes	
	(b) <input type="checkbox"/> And in the U.S.		(b) <input type="checkbox"/> And in the U.S.		(b) <input type="checkbox"/> And in the U.S.		(b) <input type="checkbox"/> And in the U.S.	
(6) Check if	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student	<input type="checkbox"/> Permanently and totally disabled
(7) Credits	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit	<input type="checkbox"/> Credit for other dependents
<input type="checkbox"/> Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.								

Figure 2



Line 1 – Wages, Salary, Tips (Figure 3 next page)

Earned income is another primary driver of planning. It's important to understand the details behind this number. For example, if the client is married, it's important to know the amount each spouse earns. This is important to consider when determining how much life insurance is necessary to replace lost income in the event of a premature death.

While checking the life insurance needs, don't forget to consider the needs of any stay-at-home spouse. Stay-at-home spouses are often underinsured or not insured. Several carriers will cover the stay-at-home spouse for the same face amount as the income-earning spouse, with amounts up to \$1 million.

If the client is a high-income earner, s/he could be subject to additional tax and may be looking for ways to defer tax. Also, the amount s/he may be able to save in company plans may not be adequate to meet their retirement needs. Retirement income planning is often a concern for high-income clients. Clients who have maximized their work saving opportunities, yet still have assets they want to save for retirement, may be interested in other tax-deferred opportunities. This may lead into a conversation concerning how personal permanent life insurance policy can be used. It can help protect the family in the event of a premature death, while the cash value can be accessed on a tax-favored basis to help supplement retirement.

Insurance Face Amount Guidelines for Income Replacement

Ages	Income	Factor		Ins. Amount
Under 40	\$ X	30	=	\$
40 - 45	\$ X	25	=	\$
46 - 55	\$ X	20	=	\$
56 - 60	\$ X	15	=	\$
61 - 70	\$ X	10	=	\$
71 - 80	\$ X	5	=	\$
Over 80	\$ X	?	=	Individual Basis

This chart represents a composite of what several carriers will typically permit as the face amount of coverage for income replacement.

Lines 2 and 3 – Interest & Dividends (Figure 3 next page)

Lines 2a/b (interest) and 3a/b (dividends) can open many discussions with clients. For example, if the client's return reflects mostly taxable interest or dividend income, perhaps the client would be open to a conversation about diversifying some of their taxable assets into tax-free or tax-deferred assets. If the dividend income comes from a concentrated position in a single stock life insurance, it can help protect the family in the event of a down-turn in the market.

Alternatively, if the client has substantial investments in tax-advantaged assets such as

municipal bonds, s/he may be a good candidate to discuss the benefits of permanent life insurance. You might ask the

Taxable Equivalent Yields Starting in 2018		
Tax Brackets	Tax-Free Yield of:	
	3%	5%
Provides an Equivalent Taxable Yield of:		
24%	3.95%	6.58%
32%	4.41%	7.35%
35%	4.62%	7.69%
37%	4.76%	7.94%



client, "What are you earning on the bonds? What is the money for?" An alternative to low-risk low return assets is to use these assets to purchase life insurance that can be structured to provide an extended care benefit.

Lines 4a, 4b, 5a and 5b – IRA, qualified plans, and annuity distributions (Figure 3)

If this line is blank, it simply means that the client has not taken distributions from a retirement account or annuity. If the client is still working, you might ask about his/her retirement plans and the amount in qualified accounts. Clients with significant amounts in pre-tax retirement accounts might be better off doing a Roth conversion. However, clients who do a Roth conversion should be informed that because taxes will need to be paid, after the conversion they will be in a worse position for a period of time. A client's family can be made whole by purchasing life insurance to cover the risk of an early death during this time period.

Alternatively, some clients who are taking retirement plan distributions are doing so only because they are required as RMDs. Clients who do not need the earnings for living expenses might be interested in purchasing insurance to leave an income tax-free benefit to their heirs. Carriers will often permit an amount equal to 40% of the retirement plan value based on the premise that this is approximately the amount lost to income tax. Now that legislation has eliminated stretch distributions for most beneficiaries, this strategy may become more popular.

Lines 6a and 6b – Social Security (Figure 3)

Clients taking Social Security are typically retired. Retired clients face multiple risks with longevity, health care, and sequence of returns. These individuals can use life insurance cash value to supplement retirement income in later years, help cover long-term care expenses, and protect/provide a legacy to heirs or a favored charity.

Line 7 – Capital Gain or Loss from Schedule D (Figure 3)

Clients with a significant amount of capital gain income who are high income earners may be interested in more tax efficient assets. Life insurance may serve as such an asset.

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
	b	Household employee wages not reported on Form(s) W-2	1b	
	c	Tip income not reported on line 1a (see instructions)	1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
	e	Taxable dependent care benefits from Form 2441, line 26	1e	
	f	Employer-provided adoption benefits from Form 8839, line 31	1f	
	g	Wages from Form 8919, line 6	1g	
	h	Other earned income (see instructions). Enter type and amount: _____	1h	
	i	Nontaxable combat pay election (see instructions)	1i	
	z	Add lines 1a through 1h	1z	
	Attach Sch. B if required.	2a	Tax-exempt interest	2b
3a		Qualified dividends	3b	Ordinary dividends
c		Check if your child's dividends are included in 1 <input type="checkbox"/> Line 3a	2	<input type="checkbox"/> Line 3b
4a		IRA distributions	b	Taxable amount
c		Check if (see instructions) 1 <input type="checkbox"/> Rollover	2	<input type="checkbox"/> QCD 3 <input type="checkbox"/>
5a		Pensions and annuities	b	Taxable amount
c		Check if (see instructions) 1 <input type="checkbox"/> Rollover	2	<input type="checkbox"/> PSO 3 <input type="checkbox"/>
6a		Social security benefits	b	Taxable amount
c		If you elect to use the lump-sum election method, check here (see instructions) <input type="checkbox"/>		
d		If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here <input type="checkbox"/>		
7a		Capital gain or (loss). Attach Schedule D if required	7a	
b	Check if: <input type="checkbox"/> Schedule D not required <input type="checkbox"/> Includes child's capital gain or (loss) _____			
8	Additional income from Schedule 1, line 10	8		
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your total income	9		
10	Adjustments to income from Schedule 1, line 26	10		
11a	Subtract line 10 from line 9. This is your adjusted gross income	11a		

Figure 3



Lines 8 & 9 – Calculating Total Income (Figure 3)

A number of less common income items such as alimony received, farm income, etc. were removed and now appear on Schedule 1. Line 10 reflects the taxpayer(s) total income and includes the total of lines 1-7 from Form 1040 and line 10 from Schedule 1.

Lines 10 - 11 – Calculating Adjusted Gross Income (Figure 3)

Once the total income is calculated, it's necessary to make what are called "above the line deductions" to get to adjusted gross income. Previously, Form 1040 included a section that took taxpayers through a number of the above the line deductions. The less common adjustments were removed and are now included in Schedule 1 line 26.

Tax and Credits		11b
	11b Amount from line 11a (adjusted gross income)	11b
	12a Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent	
	b <input type="checkbox"/> Spouse itemizes on a separate return c <input type="checkbox"/> You were a dual-status alien	
	d You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind	
	Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind	
	e Standard deduction or itemized deductions (from Schedule A)	12e
Standard deduction for— • Single or Married filing separately, \$15,750 • Married filing jointly or Qualifying surviving spouse, \$31,500 • Head of household, \$23,625 • If you checked a box on line 12a, 12b, 12c, or 12d, see inst.	13a Qualified business income deduction from Form 8995 or Form 8995-A	13a
	b Additional deductions from Schedule 1-A, line 38	13b
	14 Add lines 12e, 13a, and 13b	14
	15 Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income	15
	16 Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
	17 Amount from Schedule 2, line 3	17
	18 Add lines 16 and 17	18
	19 Child tax credit or credit for other dependents from Schedule 8812	19
	20 Amount from Schedule 3, line 8	20
	21 Add lines 19 and 20	21
22 Subtract line 21 from line 18. If zero or less, enter -0-	22	
23 Other taxes, including self-employment tax, from Schedule 2, line 21	23	
24 Add lines 22 and 23. This is your total tax	24	

Figure 4

Line 12 - Itemized or Standard Deductions (Figure 4)

The standard deduction which was significantly increased in 2018 was retained with OBBBA. Additionally, OBBBA continued to curtail or eliminate many itemized deductions. As a result, many taxpayers will continue to claim the standard deduction and not need to file an itemized Schedule A. For 2025, the standard deduction is \$31,500 for married filing joint/surviving spouse, \$15,750 single/married filing separate, and \$23,525 for head of household.

Line 13(a) – Qualified Business Income Deduction (199A) (Figure 4)

Owners of pass-through business entities (sole proprietorships, S corporations, partnerships/LLCs may be entitled to a deduction of up to 20% of their "qualified business income (QBI)." OBBBA permanently extended the 20% QBI deduction. In addition, it expanded the taxable income phase-out limitations by increasing the current \$50,000 (non-joint returns) and \$100,000 (joint returns) amounts to \$75,000 and \$150,000, respectively. Additionally, it introduced a new, inflation-adjusted, minimum deduction of \$400 for taxpayers who have at least \$1,000 of QBI from one or more active trades or businesses in which the taxpayer materially participates.

Business owners have many needs for life insurance including: purchasing life insurance to cover debt, to protect against the loss of a key person, funding of a buy-sell arrangement, and providing non-qualified compensation benefits for key employees.



Payments and Refundable Credits	25	Federal income tax withheld from:			
	a	Form(s) W-2	25a		
	b	Form(s) 1099	25b		
	c	Other forms (see instructions)	25c		
	d	Add lines 25a through 25c			25d
	26	2025 estimated tax payments and amount applied from 2024 return			26
		If you made estimated tax payments with your former spouse in 2025, enter their SSN (see instructions): _____			
	27a	Earned income credit (EIC)	27a		
	b	Clergy filing Schedule SE (see instructions)		<input type="checkbox"/>	
	c	If you do not want to claim the EIC, check here		<input type="checkbox"/>	
	28	Additional child tax credit (ACTC) from Schedule 8812. If you do not want to claim the ACTC, check here	28		
	29	American opportunity credit from Form 8863, line 8	29		
	30	Refundable adoption credit from Form 8839, line 13	30		
31	Amount from Schedule 3, line 15	31			
32	Add lines 27a, 28, 29, 30, and 31. These are your total other payments and refundable credits			32	
33	Add lines 25d, 26, and 32. These are your total payments			33	

If you have a qualifying child, you may need to attach Sch. EIC.

Figure 5

Calculation of Tax Owed or to be Refunded (Figure 5)

The balance of Form 1040 takes you through the steps to determine the amount of tax the client must pay, amount withheld, and whether the client owes tax or is entitled to a refund. Line 24 is the total amount of taxes a client must pay. You may be able to help your clients reduce their tax by encouraging them to take advantage of strategies that bunch deductions or defer income.



Schedule 1-A - Entries for Additional Deductions (Figure 6)

This new Schedule was added for taxpayers to claim new temporary deductions (2025-2028) added by OBBBA for no tax on tips, no tax on overtime, no tax on car loan interest, and the new enhanced deduction for seniors. The deductions are aimed at cutting taxes for "working-class" households and encourage behavior (buy U.S. cars).

SCHEDULE 1-A (Form 1040) Department of the Treasury Internal Revenue Service	Additional Deductions Attach to Form 1040, 1040-SR, or 1040-NR. Go to www.irs.gov/Form1040 for instructions and the latest information.	OMB No. 1545-0074 20 25 Attachment Sequence No. 1A
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number
Part I Modified Adjusted Gross Income (MAGI) Amount		
1	Enter the amount from Form 1040, 1040-SR, or 1040-NR, line 11b	1
2a	Enter any income from Puerto Rico that you excluded	
b	Enter the amount from Form 2555, line 45	
c	Enter the amount from Form 2555, line 50	
d	Enter the amount from Form 4563, line 15	
e	Add lines 2a, 2b, 2c, and 2d	2e
3	Add lines 1 and 2e	3
Part II No Tax on Tips		
Caution: Fill out Part II only if you received qualified tips. These tips must have been received in an occupation listed at IRS.gov/TippedOccupations. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.		
4	Qualified tips received as an employee. If you received tips as an employee with respect to employment with more than one employer, enter -0- on lines 4a and 4b and see the instructions to determine the amount to enter on line 4c. If you received tips as an employee in more than one occupation, see the instructions.	
a	Enter qualified tips included on Form W-2, box 7, but see the instructions if Form W-2, box 5 is more than \$176,100 or you received tips that are not subject to social security and Medicare taxes	4a
b	Qualified tips included on Form 4137, line 1, row A, column (c). If Form 4137 is not filed, enter -0-	4b
c	If you only received qualified tips as an employee with respect to employment with one employer, enter the larger of line 4a or line 4b. Otherwise, see the instructions to determine the amount to enter on line 4c. If you received tips as an employee in more than one occupation, see the instructions	4c
5	Qualified tips received in the course of a trade or business. Qualified tip amount included in Form 1099-NEC, box 1; Form 1099-MISC, box 3; or Form 1099-K, box 1a. Do not enter more than the net profit from the trade or business. If you received qualified tips in the course of more than one trade or business or in more than one occupation, see instructions	5
6	Add lines 4c and 5	6
7	Enter the smaller of the amount on line 6 or \$25,000	7
8	Enter the amount from line 3	8
9	Enter \$150,000 (\$300,000 if married filing jointly)	9
10	Subtract line 9 from line 8. If zero or less, enter the amount from line 7 on line 13	10
11	Divide line 10 by \$1,000. If the resulting number isn't a whole number, decrease the result to the next lower whole number. (For example, decrease 1.5 to 1, and decrease 0.05 to 0.)	11
12	Multiply line 11 by \$100	12
13	Qualified tips deduction. Subtract line 12 from line 7. If zero or less, enter -0-	13

Figure 6



Schedule A Entries – Itemized Deductions

Because of these changes, many people will forgo taking itemized deductions and use the new higher standard deduction amounts.

Line 1 – Medical & Dental Expenses (Figure 7)

Even prior to the 2017 legislation, the medical and dental itemized deduction was significantly limited. Consequently, most taxpayers do not qualify for this deduction. That being said, this deduction can lead into a discussion on disability income or long-term care coverage. For example, the client could be asked if they understand that medical insurance does not cover extended care/long-term care expenses.

Medical and Dental Expenses	Caution: Do not include expenses reimbursed or paid by others.			
	1 Medical and dental expenses (see instructions)		1	
	2 Enter amount from Form 1040 or 1040-SR, line 11b	2		
	3 Multiply line 2 by 7.5% (0.075)		3	
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				4

Figure 7

Lines 5 & 6 – Taxes You Paid – State/Local Income & Property Taxes (Figure 8)

OBBBA temporarily increases the SALT cap to \$40,000 in 2025, \$40,400 in 2026 and increases it by 1% annually from 2027 through 2029. The cap reverts back to \$10,000 in 2030. In the case of a taxpayer with modified adjusted gross income over \$500,000 (\$250,000 for a married taxpayer filing a separate return), the cap would phase down by 30 percent of the excess of MAGI over the threshold until it reaches \$10,000.. The threshold would increase to \$505,000 in 2026 and increase 1% annually thereafter deduction.

Taxes You Paid	5 State and local taxes (SALT).			
	a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>		5a	
	b State and local real estate taxes (see instructions)		5b	
	c State and local personal property taxes		5c	
	d Add lines 5a through 5c		5d	
	e Enter the smaller of line 5d or \$40,000 (\$20,000 if married filing separately). If Form 1040 or 1040-SR, line 11b is more than \$500,000 (\$250,000 if married filing separately), or if you completed Form 2555, Form 4563, or excluded income from Puerto Rico, see instructions		5e	
	6 Other taxes. List type and amount: ----- -----		6	
7 Add lines 5e and 6				7

Figure 8

Lines 8 & 9 – Interest Paid (Figure 9) Next Page

Because life insurance is commonly used to pay off mortgage debt, this is an ideal opportunity to review coverage—particularly with OBBBA permanently lowering the mortgage interest deduction to \$750,000.



Interest You Paid <small>Caution: Your mortgage interest deduction may be limited. See instructions.</small>	8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>			
	a Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a		
	b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address	8b		

	c Points not reported to you on Form 1098. See instructions for special rules	8c		
	d Reserved for future use	8d		
e Add lines 8a through 8c	8e			
9 Investment interest. Attach Form 4952 if required. See instructions	9			
10 Add lines 8e and 9				10

Figure 9

Lines 11 & 12 – Gift to Charity (Figure 10)

Gifts to Charity <small>Caution: If you made a gift and got a benefit for it, see instructions.</small>	11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions	11		
	12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500.	12		
	13 Carryover from prior year	13		
	14 Add lines 11 through 13			14
Casualty and Theft Losses	15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions			15
Other Itemized Deductions	16 Other—from list in instructions. List type and amount: _____ _____			16
Total Itemized Deductions	17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12			17
	18 If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>			

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Schedule A (Form 1040) 2022

Figure 10

Starting in 2026, OBBBA allows non-itemizers an above-the-line charitable deduction of up to \$1,000 (\$2,000 joint), makes the 60% AGI limit for cash gifts permanent for itemizers, and adds a 0.5% AGI floor on itemized charitable deductions. These changes may create opportunities to leverage charitable giving through life insurance, especially for clients planning large estate gifts.

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