

From the desk of...

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A First Look at the 2025 Tax Forms

In last month's newsletter, I discussed how changes to the tax code introduced in the 2025 Reconciliation Act might impact income adjustment professional judgments based on 2025 income. The IRS has issued draft versions of the 2025 Form 1040 and new Schedule 1-A, and I wanted to update the information I shared last month.

You can view the draft Form 1040 [here](#) and the draft Schedule 1-A [here](#).

First, the good news.

Unlike my supposition in my last update, Schedule 1-A is not part of a revised Schedule 1. Schedule 1-A is a new, stand-alone tax form that allows taxpayers to calculate four new tax deductions:

- The No Tax on Tips deduction
- The No Tax on Overtime deduction
- The No Tax on Car Loan Interest deduction
- The Enhanced Deduction for Seniors

Schedule 1-A will collect the information needed to calculate a taxpayer's eligibility for these new deductions. It is completely separate from Schedule 1.

These four deductions will be transferred from Schedule 1-A to Form 1040, line 13b, which is immediately after the Qualified Business Income Deduction on Form 1040, line 13a. This means that the deductions will not reduce the adjusted gross income (AGI) after all – they will only reduce the taxable income. So, the AGI on a 2025 tax return will be calculated almost exactly as it was calculated in 2024, and we don't need to worry about changes in the definition of AGI complicating income adjustment professional judgments.

Changes on the horizon that you should be aware of.

Other than this new line 13b, there are several other changes to Form 1040. Most of these will not impact how we process financial aid directly, but some may indirectly create some issues:

- **First (and if you are a member of the FAFSA team at Federal Student Aid, please take note), the 2025 AGI appears on Form 1040, lines 11a and 11b – there is no plain line 11.** Line 11a is at the bottom of Form 1040, page one, and line 11b is at the top of Form 1040, page two.
- **It asks for a lot of new information that has not been asked on prior versions.** Taxpayers will be asked to report if they are stationed in a combat zone, whether their dependents were full time students and/or disabled, and whether the taxpayer is a self-employed clergy person, among other things. While these things might be interesting to know, they won't have much impact on financial aid file reviews.
- **It asks taxpayers if they reported dividends or capital gains that belong to a child.** Don't worry: a checked box here will not create conflicting information. A parent may elect to report their child's unearned income on their tax return if they choose to, instead of filing a separate child's return with this income. A child's earned income, however, cannot be reported on the parent's return.
- **It has two changes that might impact our students who have one or more undocumented family members:**
 - **First, the Form once again specifies that people who file their taxes using the married filing separately (MFS) filing status must enter their spouse's social security number (SSN) on the form.** The last time Form 1040 itself specified this was the 2017 tax year.

Note that there was no change in Form 1040 instructions. The Form 1040 instructions have always asked MFS filers to report their spouse's SSN on Form 1040. It is only the Form 1040 itself that dropped the spousal social security number language. So technically, nothing has changed in the tax law around this issue. But practically, people who may have been willing to file a tax return using MFS in the past, not knowing that their spouse's SSN was required, may no longer be willing to do so, or may have trouble completing the form, now knowing that it is required. Lack of social security numbers is one of the reasons some taxpayers use the head of household (HoH) filing status (which does not require the reporting of a spouse's social security number), instead of MFS. This may lead to even more incorrect use of HoH.

- **Second, it has a new checkbox with this instruction: *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.

This first clause in this instruction should sound familiar to experienced financial aid administrators. It is an incomplete description of when a married taxpayer can use the HoH filing status. It is incomplete because it does not specify that if the absence is temporary, people should not check the box. Resolving conflicting information related to a married taxpayer incorrectly using the HoH filing status may be even more challenging in 2027-2028, because of this new checkbox.

- **Finally, it looks like the word “rollover” will no longer be appearing on Form 1040 starting in 2025.** Instead, the 2025 Form 1040 has a checkbox that taxpayers will check if they conducted an IRA or pension rollover in 2025. Not a big change, but one worth noting before we begin to collect 2025 tax forms.

I am sure I will have still more to say about the 2025 tax code and tax forms, especially after the draft instructions for Form 1040 are published. Remember, I am talking about draft tax forms here, and because they are drafts, they may change before the actual forms are released. I'll be posting future updates in this newsletter, or you can follow me on LinkedIn.