Funding the Gap: How Last-Minute Planning Opportunities Can Still Lower Your 2025 Tax Bill

By Jenny Doty

As the April tax filing deadline approaches, many people assume the door has closed on opportunities to meaningfully reduce last year's tax bill. After all, the calendar year is over, income has already been earned, and tax forms are largely complete. But that assumption isn't always true.

On a recent episode of *Money in Motion*, we discussed an important and often overlooked reality: even after December 31, there may still be strategic planning moves available that can lower your current tax bill—if you know where to look. Two of the most powerful tools in this lastminute planning window are **Traditional IRA contributions** and **Health Savings Accounts (HSAs)**. Used thoughtfully, they can help bridge what we often refer to as the "funding gap" between what you owe and what you wish you owed.

This article expands on that conversation and walks through how these strategies work, who may benefit, and why understanding the mechanics matters.

Why April 15 Still Matters for Tax Planning

The April 15 tax deadline is commonly viewed as the finish line. In reality, for certain planning strategies, it's closer to a *final checkpoint*. Congress intentionally structured accounts like IRAs and HSAs so taxpayers could make informed decisions after seeing a full year of income. That design allows for more accurate and intentional planning—rather than guesswork.

If you are eligible, contributions made between January 1 and April 15 can often be applied retroactively to the prior tax year. That means actions taken now can still affect your 2025 tax return.

Traditional IRAs: A Familiar Tool With Nuance Beneath the Surface

A Traditional IRA is one of the most well known retirement savings vehicles, but its rules—and its planning value—are often misunderstood.

Contribution Basics

To contribute to a Traditional IRA for the 2025 tax year, you must have **earned income** equal to or greater than the amount you plan to contribute. Earned income includes wages, salaries, tips, and self employment income. It does *not* include income such as Social Security, pensions, interest, or dividends.

For 2025, contribution limits are:

- **$7,000** if you are under age 50
- **$8,000** if you are age 50 or older

These limits apply across all IRAs combined—Traditional and Roth.

The Deduction Question

Here's where planning becomes more complex. While anyone with earned income can generally *contribute* to a Traditional IRA, not everyone can *deduct* that contribution.

Whether your contribution is fully deductible, partially deductible, or not deductible at all depends primarily on two factors:

1. Whether you (or your spouse) are covered by an employer sponsored retirement plan
2. Your modified adjusted gross income (MAGI)

For 2025, the deduction phaseout ranges are:

- **Married filing jointly (covered by a workplace plan):** $126,000–$146,000
- **Single or head of household:** $79,000–$89,000
- **Spouse covered, taxpayer not covered:** phaseout begins at $236,000

If neither spouse is covered by an employer plan, the deduction is generally fully available regardless of income.

It's also important to note that even if a contribution is not deductible, it may still make sense as part of a broader planning strategy. However, that analysis should always be done carefully and documented correctly.

The Value of the Deduction

When a contribution *is* deductible, its value is tied directly to your marginal tax bracket. For example, a taxpayer in the 22% federal bracket who makes a fully deductible $7,000 contribution could save $1,540 in federal income taxes—before considering any potential state tax benefit.

This concept of "relative value" is important. The higher your tax bracket, the more valuable the deduction. Conversely, for taxpayers in lower brackets, other credits—such as the Saver's Credit—may provide additional or even greater benefit.

HSAs: The Only Account With a Triple Tax Benefit

Health Savings Accounts deserve special attention because they are one of the few tools in the tax code that offer a **triple tax advantage**:

1. Contributions may be tax deductible
2. Growth inside the account is tax deferred
3. Qualified medical withdrawals are tax free

Eligibility Comes First

To contribute to an HSA, you must be covered by a **high deductible health plan (HDHP)** that meets IRS requirements. Not all health plans qualify, so this is a critical first step.

Contribution Limits for 2025

- **$4,300** for individual coverage
- **$8,550** for family coverage
- **Additional $1,000 catchup** for those age 55 or older

These limits include both employee and employer contributions combined.

Payroll vs. Direct Contributions

Many people fund their HSAs through payroll deductions, which can be especially powerful because those contributions may avoid federal income tax, state income tax, *and* FICA taxes.

However, even if you didn't contribute enough through payroll in 2025—or didn't contribute at all—you may still be able to make a **direct contribution** to your HSA before filing your tax return. As long as you remain under the annual maximum, that contribution can still generate a tax deduction on your 2025 return.

Planning Beyond the Current Year

While HSAs are often thought of as short term medical spending accounts, they can also be powerful long term planning tools. Unused balances carry forward indefinitely, and in retirement, HSAs can be used to pay for Medicare premiums, long term care expenses, and other qualified medical costs.

Avoiding Common Pitfalls

Lastminute planning can be effective, but it's not without risk. Some of the most common issues we see include:

- Contributing without verifying eligibility
- Exceeding contribution limits
- Misclassifying the tax year of a contribution
- Assuming deductibility without confirming **modified adjusted gross income (MAGI)** thresholds

Clear communication with your financial adviser, tax professional, and custodian is essential—especially when contributions are made close to the filing deadline.

Funding the Gap—Intentionally

At its core, tax planning isn't about finding loopholes or rushing decisions. It's about understanding the tools available to you and using them intentionally. Traditional IRAs and HSAs exist to encourage long term financial security and responsible planning. When used correctly, they can also help close the gap between expected and actual tax outcomes.

If your tax return shows a higher balance due than anticipated—or if you simply want to be more proactive—this final window before filing may be worth a closer look.

The Bigger Picture

Your tax return is more than a snapshot of what already happened. It's a planning document that can inform better decisions moving forward. Reviewing it alongside a trusted adviser can help ensure that today's strategies support tomorrow's goals.

Sometimes, a few thoughtful steps before April 15 can make a meaningful difference—not just in what you owe, but in how confidently you move into the year ahead.

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