

ST JOHNS BUSINESS AND TAX SERVICE

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Happy New Year! We hope everyone had a wonderful holiday season. Our staff is ready to get to work, preparing your tax returns for 2025.

We will again be taking in-person appointments on limited schedules. Therefore, if you have **no significant changes**, we encourage you to **drop off your material**. We plan to have returns completed for pick-up within a week's time assuming all required material is present. If you do require an in-person appointment, please call and we will do our best to accommodate you.

This year's personal tax deadline is Wednesday, April 15th. That is also the last day to make any contributions to your IRA, HSA or to file for any extensions. Farm returns are due, Monday, March 2nd and Corporate/Partnership returns are due Monday, March 16th. **It is your responsibility to notify us if you will not have your material to us by the tax deadline and will require an extension. Anyone submitting material between April 6th and the 15th may be subject to an automatic extension.**

For those individuals with busy schedules or those simply comfortable communicating online, we do have a secure portal (ATOM) available for use. Materials can be uploaded to us and in turn we can send you a completed return by pdf and provide you with the ability to electronically sign and pay. If you are interested, call and ask us to send you a link. You may have already used it this last season.

The IRS is phasing out paper refund checks and **requiring direct deposit**. If you do not provide this info, your refund could face significant delays of up to 6 weeks. It is additionally encouraged that you use electronic methods to pay balance owed as well as estimates. We can set up one or both through our tax software or you can use IRS Direct Pay, a free online service.

New Deductions for 2025-2028 include (1) Qualified Tips Deduction, (2) Overtime Deduction, (3) New Senior Deduction for taxpayers 65 and older and (4) a Deduction for Certain Car Loan Interest.

Our goal is to partner with you to prepare complete and accurate returns. We thank you for your continued trust and patronage.

Brad Baltimore, EA * Vickie Black, EA * Gail Baltimore, AFSP * Jake Baltimore, AFSP
Kay Sheldon, AFSP * Drew Tucker, AFSP * Shannon Walker, AFSP * Sue Fox * Wendy Ward

SIGN UP WITH THE IRS FOR PERSONAL ACCOUNT ACCESS

IRS.gov Create a personal online account at IRS.gov for access to all your IRS information. You can view balances owed (with a breakdown by tax year), make payments and see up to 5 years of payment history, create payment plans, manage communications, access past tax returns, and view and authorize Power of Attorney forms. STOP waiting on IRS hold, it only takes about 10 minutes with a smart phone and personal email account.

TAX INFORMATION

SOCIAL SECURITY

Social Security Administration has announced gross social security benefits will increase by 2.8% for 2026. Base Medicare Part B monthly premiums will increase to \$206.50 (depends on MAGI). If married couples modified adjusted gross income exceeded \$218,001 or single filers exceeded \$109,001 in 2024, Medicare premiums Part B begin to increase and there will be a surcharge for Part D.

REQUIRED MINIMUM DISTRIBUTION

The required minimum distributions from your IRA accounts start in the year you reach age 73. You can delay the first year's distribution until April 1st of the following year but you will then have to take a second RMD that same year. Although your plan trustee should notify you, it is your final responsibility to arrange for any distributions. Missing an RMD results in penalties.

ELECTRIC VEHICLES

The federal tax credit presently ranges from \$2,500 to \$7,500 and is available only until 9/30/25. This applies to purchases of new and used electric vehicles, but there are various qualifications, limitations and income phase outs. This credit is non-refundable and cannot be carried forward.

STANDARD DEDUCTION for 2025

Married filing joint	\$31,500
Married filing separate	\$15,750
Head of household	\$23,625
Single	\$15,750
65+/-blind additional	\$ 2,000

2025 STANDARD MILEAGE RATES

Business: 70 cents per mile
Medical: 21 cents per mile
Charitable: 14 cents per mile

AFFORDABLE CARE ACT – Marketplace Health Ins.

The advanced premium tax credit from the Marketplace must be reconciled each year on your tax return. Please supply us with the **1095-A** that you receive. **We cannot file without it.**

CHARITABLE CONTRIBUTIONS FROM IRA'S

An IRA owner who is 70½ or older may make qualified charitable distributions (QCDs) directly from their IRAs to charities of up to \$100,000. You will receive a 1099R for this distribution that you must bring to your tax appointment. This can be a beneficial tax planning strategy for some taxpayers in keeping income down and receiving a benefit for charitable contributions especially if you don't itemize. Please request a letter from your broker to substantiate the donation(s).

AMERICAN OPPORTUNITY TAX CREDIT- AOTC

The maximum credit is \$2500 for undergraduate studies. **We must have the form 1098-T and statements showing the amount of tuition PAID in 2024 as well as receipts for books, supplies and equipment.** Your student may have to access the 1098-T and billing statements on their on-line student account. Many institutions no longer mail these documents.

FOREIGN ACCOUNTS - If the combined value of all foreign accounts over which you have signature authority exceeds \$10,000 at any time during the year, reporting is required. Foreign financial accounts include bank, brokerage accounts and pension funds. Please advise us if you have any foreign accounts.

ANNUAL GIFT EXCLUSION - For 2025 you could gift up to \$19,000 to each person without having to file a gift tax return. This is simply an additional filing and will not result in taxes due unless you have exceeded the Lifetime Gift Exemption of \$13.99 million. For 2026 that amount will not change.

VIRTUAL CURRENCY – The IRS is expanding crypto currency reporting. Please be sure to answer the virtual currency question on your client information form.

ENERGY EFFICIENT HOME IMPROVEMENT CREDIT

This credit is \$1,200 this year calculated at 30% of cost with various limits inside categories, Efficiency Improvement on a Primary Residence and Property Expenditures on ANY taxpayer home. AND, a new credit limit of \$2,000 (30% of cost) covering biomass stoves/boilers. The Clean Energy Credit covering solar/wind/geothermal as well as **all** the above credits **expire 12/31/25** with the exception of Home EV charging (with some limitations until 6/30/26).

DUE DILIGENCE – The IRS requires that paid professional tax preparers exercise due diligence in determining eligibility for three credits: Earned Income, Child Tax, and American Opportunity (education) credit. We will ask additional questions to verify these credits, also the Head of Household status. The IRS has identified these tax situations as having the highest rates of fraud and therefore continue to audit these returns at a higher percentage.

SMALL BUSINESS OWNERS

MILEAGE SUBSTANTIATION

If you plan to take a mileage deduction for your self-employed business, make sure you have the beginning and ending odometer readings for 2025. We need your business miles, personal miles, and your total miles for the year for each vehicle. Your mileage must be substantiated, preferably by written detail in your calendar or in a mileage log.

If you use your vehicle(s) for business purposes, we need the following information *split by vehicle*:

Date you began using vehicle in business: _____
Total of all miles you drove your vehicle in 2025 _____
Number of business miles you drove in 2025 _____

MEALS PER DIEM

For 2025 the per diem for meals/incidentals is \$68 per day unless you traveled to a specifically listed location. Use 75% of the rate for partial travel days.

HOME OFFICE DEDUCTION AND SAFE HARBOR

In order to take your mileage from doorstep to doorstep, your home must be your principal place of business. A home office will qualify as a principal place of business if it is used to conduct administrative activities and there is no other fixed location for the business. The office must be used regularly and exclusively for the business. The safe harbor deduction is \$5 per square foot up to a maximum of a \$1,500 deduction. If the office qualifies, no other record keeping is required. Actual expenses may be a better deduction however, the safe harbor is an easy method for those who qualify but who prefer not to do the record keeping.

ISSUING 1099/1096 FORMS

If you pay a **non-incorporated** individual or entity \$600 or more in the course of your trade or business you are **required** to file forms 1099 and 1096. Examples include rent, web and computer consultants, repair persons, and billing services. The 1099 is also required for therapists who deduct their own counseling as a business expense. Our staff can assist in filing these forms or prepare them for you. **THE DUE DATE TO RECIPIENTS AND FOR FILING THE FORMS TO SOCIAL SECURITY ADMINISTRATION is January 31, 2026.** You no longer have until the end of February.

SECURE 2.0 – There are lots of new provisions and rulings on Retirement savings plans and IRAs in the workplace, many help small employers in offering retirement plan options. Some began in 2023 but more are starting in 2024-2027.

RETIREMENT PLANNING

MAXIMIZE YOUR PENSION CONTRIBUTIONS!

ELECTIVE 401(k) DEFERRALS

Elective deferrals are capped at \$23,500 FOR 2025 AND \$24,500 for 2026; an additional \$8,000 if you are 50 or older is permitted. And for 60-63 a super catch-up of \$11,250 is allowed.

SIMPLE CONTRIBUTIONS

The maximum elective deferral to your SIMPLE plan for 2025 is \$16,500 AND \$17,000 for 2026 plus an additional \$4,000 if you are 50 or older.

CONTRIBUTE TO YOUR IRA

The contribution limits for 2025 for traditional and ROTH IRAs is the smaller of \$7,000 or your total earned income. Using the special catch-up provision, you may contribute an additional \$1,000 if you are 50 or older. The contribution deadline for 2025 is April 15, 2026. The contribution limit will be \$7,500 for 2026 plus \$1,100 if you are 50 and over. **BE AWARE**, there are income limits for the deductibility of traditional IRAs.

ROTH ELIGIBILITY

The ROTH contribution limits are the same as traditional IRA's though ROTH contributions are not deductible. Be sure to let us know if you are contributing to a ROTH, **there are** income limits for the Roth contributions. Better still let's talk before you contribute if there is any doubt as to whether you are eligible. There is **no income limit for converting** traditional IRA's into ROTH IRA's.

REQUIRED MINIMUM DISTRIBUTIONS - RMD

Your minimum required distributions from your IRA accounts start in the year you reach age 73. You can delay the first year's distribution until April 1st of the following year but you have to take a second RMD in that same year. Although you should be notified by your plan trustee, you have the responsibility for arranging the distributions. The penalties for not taking your RMD's are severe.

SOCIAL SECURITY - www.SSA.gov (great site!)

The earnings limit before having to repay social security benefits if you have not reached full retirement age in 2025 is \$23,400 and increases to \$24,480 for 2026. Full retirement age is 66 for those born in 1943-1954. The amount of earnings subject to Social Security taxes for 2025 is \$176,100 and increases to \$184,500 for 2026. The Lansing Social Security Office can be reached at (800) 772-1213. Other information can be found at www.socialsecurity.gov.

THINGS YOU NEED TO BRING TO YOUR APPOINTMENT

Common documents you will need for your tax appointment or drop off

Personal Information: Be sure to let us know if any pertinent information since last year has changed. ie Filing Status, Address, Dependents, or Bank Info. A Client Information Form is available on our website that you can print and complete with new details. This should be included with the tax material you turn into us. If you are a new client this form is required as well as a copy of last year's tax return.

Income Information:

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|--------------------------------------|--|
| *W-2 Forms | *1099R Forms (pension or retirement) |
| *1099G Form (unemployment) | *1099SSA (social security) |
| *1099Int/Div (interest or dividends) | *1099B (brokerage sales, stocks/bonds) |
| *W-2G (lottery or gambling winnings) | *1099C (cancellation of debt) |
| *IRA Contribution Amounts | *Alimony Paid or Received |
| *Commissions Received | *1099DA (digital assets) |
| *Tip breakout (if not on W2) | *Overtime breakout (if applicable) |

Business Information:

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|--|-----------------------------------|
| *1099MISC (self employment income) | *List of self employment expenses |
| *Commissions Paid | *Income/Expenses from Rentals |
| *Schedule K-1 (S-Corp, Partnership, Trust or Estate) | |
| *Estimated Tax Payments (amounts and dates) | |

Personal Expense Information:

- *Child Care expenses & Provider Information
- *Form 1098 Mortgage Interest Paid
- *Real estate and Personal property taxes paid
- *Form 1098T (tuition and education fees)
- *1098E Form (student loan interest)
- *Large medical/eye/dental expenses
- *Educator expenses
- *Charitable contributions

IRS, State or City Correspondence : If you receive a notice/letter regarding changes or requests for more information, please provide us with a copy. We strongly suggest you consult us before responding. We are happy to assist with these year round.

**FEEL FREE TO DROP OFF TAX PREP MATERIAL AT ANY TIME
THE EARLIER THE BETTER**