

January 2025

Hello and Happy 2025

I hope that the New Year started well for you and that you have a great year.

With the election and the change of administrations, the expectation is that there will be some radical changes to the tax code. While President-Elect Trump has voiced his plans and intentions, he must get approval from Congress to make the changes official.

The expectation is that the tax brackets and rates will change but at this time, we can only speculate.

The one thing that MUST be kept in mind is that the IRS as well as the states have increased the penalties and interest on unpaid balances, so it is ESSENTIAL that if you think you will owe taxes, you prepay them and not wait to pay when you file.

We got some relief this year with the Hurricane related extensions to file, but the extension only eliminates the Late Filing Penalty and NOT the Late Payment or Underestimation Penalties.

If you have not made any Estimated Tax Payments for 2024 you should make one ASAP and if you don't file by the due date, you should make a payment with your extension.

If you are using a Secondary Corporation as part of your tax savings strategy, you should pay the IRS every time you move money to it. If your tax payments are made when the income is shifted, you will eliminate most if not all penalties.

As was expected last year, the IRS is ramping up the review of all Crypto transactions. If you are buying to accumulate, mining, trading, or selling crypto, you MUST report the transactions.

If you are using a company hold your crypto, like Coinly or Coinbase, they have annual summaries and when appropriate, a year-end 1099. Since all transactions need to be listed, these summaries will save us time and you, money. If you do not have a summary, we need to match and enter each transaction, which can be very time consuming.

Going into tax season, we are gearing up for a busy one.

Ramona, Aida and Charlene are still my key team leaders and we are adding a few new accountants in the next few weeks.

Gregory is our new bookkeeper and has already interacted with many of our clients.

One of my team members will reach out to you when they prepare your file(s) for me to complete. I am the only one who finalizes and files the returns so they cannot give you final numbers but they can share with you the preliminary figures. Please provide them with any information requested so that the process can run smoothly and we can get the returns out, ASAP.

There have not been a lot of changes to the Tax Code and while the news says that the rates have not changed, the IRS did adjust the tax brackets and reinstated some penalties. The big change is that, there are more reporting requirements. My take on it is that since the IRS did not get the massive funding that was expected, they pushed a lot of the work off to the accountants.

Some of the key issues are the same as last year:

- 1) Foreign Accounts. If you have signature power of a foreign bank account or brokerage account, with a value of over \$10,000.00 (even for 1 day) the account MUST be reported to the government, or you could be subject to a huge penalty.

I need the name and address of the bank or brokerage firm, the account number and the maximum value of the account during the year.

This also applies to foreign based on-line gaming sites. If your winnings exceeded \$10,000.00 during the year, you MUST report the account.

If you have given or received a foreign gift or inheritance of over \$100,000.00, it needs to be reported, also.

- 2) Beneficial Ownership Information-This is one of the new mandatory compliance issues.

If you are the primary owner of or have "significant control" of a C Corporation, an S Corporation, a Partnership or an LLC (other than a Sole-proprietorship), you MUST report the owner's information to the government or you will face mandatory fines and penalties. This is separate from the IRS filings and is non-negotiable as you MUST file.

There have been some court cases regarding the filing of the BOI and the deadlines have been changed a few times but the expectation is that these will become mandatory.

One of the requirements is proof of identity. From what we have been told, a copy of your Driver's License will comply with this, so when you send me your tax info, make a copy of your Driver's License and send it with the documents. If we need additional information, we will ask for it.

- 3) Officers Draw/Management Fees-Most of my clients, who are business owners, pay themselves an Officer's Draw or Management Fee based on the "Core" cost of living. The "Core" cost of living is basically the base cost of the home, food, clothing and basic essentials. Medical costs, vehicle costs, internet and other non-essentials are not included in the "Core" costs.

With the annual Cost of Living increasing due to inflation, it is important to examine the "Core" costs and adjust the income, accordingly.

If this applies to you, I will need the following information to calculate the required amount:

Annual Mortgage payments or Rent

Real Estate Taxes (if not paid through the mortgage escrow)

Home Owner's or Renter's Insurance

Utilities

HOA fees (if applicable)

Water and Sewage fees

Food

Clothing

Home Security

Lawn Care and Snow Removal

4) 1099's

This is a hot issue, again this year, because of all of the "side gig" work and supplemental income. If you paid an individual over \$600.00, you must issue a 1099 to them and they are due earlier this year than in the past.

If you don't issue a 1099, you could be subject to penalties, so think twice before doing someone a favor and not issuing one.

5) Electronic Payments

The government has implemented Identity Security measures and even if you have an EFTPS account, you must register with IDMe. I suggest going to IDMe and setting up your account.

We cannot make electronic payments, other than when we file, without this new identity verification, so please take care of this as soon as you can.

Well, I think I have covered everything, for now. As in the past, the best philosophy is "If you don't know, ask." Tax law is a moving target that changes every year, so what worked in the past may not work now and if you make a mistake, it could cost you.

Last year, Pres. Biden made some retroactive changes, too, so it is important to not rely on what was allowed before as it may not apply, now.

if you have a question, reach out to me or my team and minimize the risks.

I want to thank you for your continued patronage and hope that you have a Happy, Healthy and Prosperous 2025.