

Benson Tax Notes

www.bensontaxservice.com

860-429-1001

January 2025

LLC Owners

Note: Presently, a federal district court has put on hold the requirement to register Beneficial Owners.

However, it is probably best not to ignore the requirement, in spite of the pause.

Corporate Transparency Act (CTA) requires:

- Existing LLCs to register by 1/1/2025
- New LLCs have 90 days from creation.
- Changes to a registered LLC has 30 days.

Registration forms are available on www.fincen.gov. Look for Beneficial Ownership Info.

Business Owners:

File 1099-NEC or 1099-MISC

If you would like me to prepare 1099-NECs or 1099-MISCs, please let me know well before the January 31 deadline for filing.

A 1099-NEC for services, and a 1099-MISC for rent must be issued to anyone you pay \$600 or more, excluding corporations.

A Business Organizer is available on my website, for all business owners.



Correct Withholding

Withholding correct amounts from your paychecks and retirement incomes is always a challenge.

Please bring recent paystubs, and an idea of any major changes to your filing status or income, so we can estimate wisely.



Nitsa's Notes:

Filing for 2024 and 2025 should not bring big surprises, but getting ready for 2026 will be a challenge. Many provisions of the present tax system expire this December.

If nothing changes, most of you will revert back to paying higher taxes in 2026 (see partial list in next column). Tax changes are coming. Let us see what comes into law, then plan accordingly.

The stock market did very well in 2024. Retirees may see higher RMDs as a result.

As our population ages, I find we spend more time with retirement issues and the tax ramifications of saving/withdrawing/inheriting, etc. Do you know how much you will need in retirement? How ready are you for your future?

Finally, if you never received your Stimulus money in 2021 to help with the pandemic, you may receive it automatically this month from the IRS.

God's blessings to you and yours,



Teachers, Firefighters, etc

In December 2024, Congress repealed the pension offset and windfall elimination provision retroactive to 1/24.

Some of you retirees will see more social security benefits in 2025, plus payments retroactive to 1/1 2024.

This income WILL affect your taxes. Please opt for 22% federal tax withholding until we have had a chance to plan your specific situation.



All Income is Reportable

- ◆ Deal with virtual currency?
- ◆ Started a new business?
- ◆ Renting out a room?
- ◆ Driving passengers for pay?
- ◆ Landscaping for neighbors?
- ◆ Sell anything on-line?

All income is reportable, and taxable unless the law says it is not. You must report all income to me.

Expiring Provisions, 12/31/25

- ◆ Lower tax rates
- ◆ Higher standard deductions
- ◆ Higher child tax credit
- ◆ Suspension of misc. itemized deduct.
- ◆ Suspension of moving expenses
- ◆ Suspension of personal exemptions
- ◆ Limitation on state & local taxes
- ◆ Casualty loss limit on fed declarations
- ◆ 20% Qualified Business deduction
- ◆ Estate & Gift tax limit increases

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(Enrolled to Practice before the IRS, Master of Science)

Benson Income Tax Service

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Social Security/Medicare

For 2025:

- Wages subject to Social Security: \$176,100/yr.
- Wages subject to Medicare tax: No ceiling
- Earnings needed/quarter of coverage: \$1,810/quarter
- Max earnings before full retirement: \$23,400/yr.
- Medicare B premiums for new enrollees: \$185.00/month, minimum, \$628.90/month, maximum.
- Additional Medicare taxes:
0.9% on wages over \$250,000
3.8% on investment income

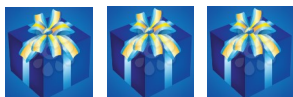
If your retirement income will drop substantially, contact Social Security to fill out paperwork to lower your Medicare premiums.

Retirement Contributions

Elective limits:

	<u>2025</u>	<u>2024</u>
Traditional IRAs	7,000	7,000
Roth IRAs	7,000	7,000
Catch-up for 50+	1,000	1,000
401k & 403b	23,500	23,000
Catch-up for 50+	7,500	7,500
Catch-up 60-63	11,250	7,500
Simple plans	16,500	16,000
Simple catch-up	3,500	3,500
Simple c-u 60-63	5,250	3,500

IRA contributions are limited by income. Excess withdrawals must be made by April 15th, 2025.



Gift & Estate Limits

The person donating anything (including a home) that is worth more than \$18,000 is responsible for filing a gift tax return.

Please let me know if you have gifted any one person more than \$18,000, so that we can file a gift tax return for you.

Federal Gift and Estate Limits:

	<u>2025</u>	<u>2024</u>
Gifts	19 K	18K
Estates	13,990 K	13,610 K
CT Estates	13,990 K	13,610 K

Gambling Win/Loss

All gambling winnings must be reported on your tax return, even if you were not issued a statement.

Please bring your gambling logs and casino win/loss statements.

Mileage Allowance

Please note year-end odometer readings.

Self employed individuals: please bring your business mileage logs.

Mileage allowances (cents/mile):

	<u>2025</u>	<u>2024</u>
Business	70.0	67.0
Medical	21.0	21.0
Charity	14.0	14.0

Business Meals

List the number of nights spent in each city for business. Noting arrival and departure times from home. I will find the meal allowance for that city. Business meals are 50% deductible.

Health Savings Account (HSA)

Contribution limits :

	<u>2025</u>	<u>2024</u>
Single	4,300	4,150
Family	8,500	8,300
Catch-up for 55+	1,000	1,000

If you personally contribute additional money to your HSA, please let me know and we will make it non-taxable.

Please print and bring both forms:

Form 5498-SA
Form 1099-SA

Flexible Spending Arrangements (FSA)

Employee contribution limits :

	<u>2025</u>	<u>2024</u>
Per employee	3,300	3,200

Marketplace Insurance

Form 1095-A: If you obtained health insurance from the Healthcare Marketplace, we must have your Form 1095-A, otherwise the IRS will reject your return.

Appointments

- ♦ meet me in person, or
- ♦ drop off all your tax materials, or
- ♦ mail your complete packet to me.

Fill out the organizer as best you can. Include all your investment statements.

No E-mail of documents: For security purposes, please give me hard copies.

Deadline: Contact me before the end of March. I like to avoid extensions.

Foreign Accounts

FinCEN Form 114, FBAR.

Foreign bank accounts that exceed \$10,000 must be disclosed on Schedule B, and on FinCEN Form 114 (FBAR), or pay penalties.

Form 3938. Foreign assets over \$50,000 must be disclosed on Form 3938 to avoid a \$10,000 penalty.

Retirement Savings Incentives

Congress keeps making it easier to save for retirement. Financial advisors can fill you in on opportunities. Some new ones are:

- ♦ Additional Catch-ups for 60 to 63 year olds into deferred plans.
- ♦ QLAC (Qualified Longevity Annuity Contract) allows taxpayers 65 and over to take up to \$200,000 of retirement money and set up an annuity for 85 and older.
- ♦ ROTH Conversions and backdoor ROTHs. Be careful with backdoor ROTHs because all your Traditional IRAs must come into the calculation.
- ♦ 529 to ROTH accounts. Any 529 college plan open for at least 15 years can be rolled into a ROTH IRA, up to \$35,000 max. The beneficiary must have eligible earned income.



Required Minimum Distributions (RMD)

RMDs: must start at 73 for anyone born in 1951 on, and at 75 if born in 1960 and later.

Inherited IRAs: must be emptied 10 years after the year of death. How it is done depends on the age of the deceased.

Donations from IRAs: At 70.5 years old, you can donate up to \$108K to your charities of choice. Qualified Charitable Distributions (QCDs) are great for supporting church and charities, and saving on taxes.

Form 1099-A and 1099-C

Credit card forgiveness, repossession and other loan forgiveness may result in taxable income. You may receive 1099-A and/or C. Include these in your tax documents.

Custodial Parent

The custodial parent is the parent with whom the child spends more than half the nights in a year, not what the divorce decree says.

Proof Needed Yearly

Please provide me with written proof with your papers for the following:

◆ Child Tax Credit

For children under 17 year old, current document showing child's name and your address.

◆ Earned Income Tax Credit

Current document showing child's name and your address, and list dates child lived with you.

◆ Head of Household

Who else lives in your home, their income, how support is provided.



Dependent Care Credit

Please bring printed copies of all daycare statements if you are claiming childcare expenses.

If your employer offers dependent care benefits through payroll, do look into it since it can save on taxes, social security and Medicare.

Schedule K-1, K-2, K-3

Schedule K-1: You may receive Schedule K-1, K-2 & K-3 forms from estates, trusts, partnerships, S Corps. I need the complete packet.

Preparation for your Future

Please make sure you receive all tax documents by paper. If you become debilitated, will your beneficiaries know what is necessary for filing?

Next issue: does someone have access to all your passwords so that they can help in case you become debilitated, or pass away? Someone needs access to all your accounts.

- ◆ Do you have a current will?
- ◆ Have you checked that every account has clear, up to date beneficiaries?
- ◆ Do you have clear medical directives?
- ◆ Have you assigned an executor and given them a list of all assets with account numbers?

College Expenses

The two credits below phase out by \$90,000 Single, \$180,000 Married.

*** Bring 1098-Ts and tuition bills ***
You may have to ask your student to supply these for you.

American Opportunity Credit up to \$2,500 per student for tuition, fees, books, for first four years of college.

Lifetime Credit of up to \$2,000 per tax return, for tuition and fees.



College Savings (529s)

Connecticut residents can reduce CT taxable income by \$5,000 for Singles and \$10,000 for Marrieds by contributing to CHET, the CT 529 program.

Other states may have similar plans.

529 money can be converted to Roth IRAs for the beneficiary after 15 years of ownership. Limits apply.

Student Loan Forgiveness

CT students who stay and work in CT can apply to the Student Loan Reimbursement Program for \$5,000 per year. It calls for volunteer hours.

Other states may have similar plans.

Identity Protection Pin

All taxpayers can apply to the IRS for a free IP PIN number. Once you have one, you cannot file without it, so please provide it to me each year.

Apply at: www.irs.gov/GetAnIPPIN.



Form 1099-Ks

You may get 1099-Ks reporting money you received through a third-party processor such as E-Bay, PayPal, Venmo, Apple.

Please add all 1099-Ks to your tax papers. Note: your 1099-Ks may be online. Look for "Tax Documents" on your online accounts.

If these are for personal expenses, we need to show the IRS that they are not taxable.

If the payments are for business purposes, we need to show the IRS we are reporting all your business income.

ENERGY CREDITS

EVERY ITEM MUST MEET SET QUALIFICATIONS

MUST HAVE FEDERAL TAX LIABILITY TO GET ENERGY CREDITS

Energy Efficient Home Improvement Credit, 30%

1. \$1,200 Credit Limit

Section A - Efficiency Improvements

- Primary, owned residence
- Windows, skylights (max \$600), doors (max \$500), insulation
- Insulation & air sealing
- Labor not included

Section B - Property Expenditures

- Any residence
- Energy audits (max \$150)
- Natural gas/propane/oil furnaces and water heaters, central air, panelboards, (max \$600 each item)
- Labor included

2. \$2,000 Credit Limit

- Any residence
- Biomass stoves & boilers
- Electric/natural gas heat pumps/hot water heaters
- Labor included

Residential Clean Energy

No limit to this 30% credit
(Unused credit carries over)

- Any residence
- Solar electric & water heating
- Wind energy
- Geothermal heat pumps
- Battery storage

Clean Vehicle Credits

A vehicle report must be given to you by the dealer before we can take a maximum credit of \$7,500.

Price Limit: STICKER PRICE:
Max \$80,000 on vans, SUVs, pickups. Rest \$55,000.

Income max, 2023 or 2024:
\$300,000 Married
\$150,000 Single

The credit can be given to the dealer. Be sure your income is below max, or you must pay back the IRS.

Previously Owned Clean Vehicles
also have a credit but with more stringent requirements to qualify. Max \$4,000.

CONNECTICUT NEWS & REMINDERS

Keeping Retirees in CT

ONLY FOR Singles with AGI of less than \$75,000
Couples with less than \$100,000:

1. Social Security benefits

100% not CT taxable

2. Pensions & Annuities (not IRAs)

100% not CT taxable

3. IRAs 2024, 50% not CT taxable

2025, 75% not CT taxable

2026, 100% not CT taxable

If income exceeds these limits, it is no longer a cliff to the benefit. There is a phase-out: Singles get no benefit when they reach \$100,000 income, Marrieds no benefit when they reach \$150,000.

Retired Teachers (not subject to income limit)

50% of pensions from the CT Teachers Retirement system are not CT taxable. Teachers can use either this or the 100% non-taxable if within earning limit.

Retired Soldiers 100% of military retirement income continues to be tax exempt for CT.

Property Tax Deduction

For 2024, the property tax deduction is \$300, and is available to everyone, subject to income limitations. Once Singles reach \$109,500 and Marrieds reach \$130,500, there is no property tax credit.

Tax Rate Reduction 1/1/24

CT lowered tax rates in 2024. The 3% rate in 2023 was reduced to 2%, and the 5% was reduced to 4.5%. This is subject to phase-outs once Singles reach \$50,000 income and Marrieds reach \$100,000.

Sales Tax for Out-of-State Purchases

All states require you to pay sales tax on anything purchased out-of-state that has not already been taxed. This is handled on your state return. Please supply a list of such purchases.



Please: Call Early for Appointment ~ Read Newsletter
Complete Organizer and include with your papers
Do not send sensitive documents by e-mail
Print and bring/mail all documents



E-mail and Phone Scams

The IRS never initiates contact with you via e-mail or by telephone.

Any e-mail, however sophisticated, informing you of a refund or seeking any personal information is a scam.

Any telephone call from the 'IRS' is suspect unless you are already in dialogue with the IRS due to previous authentic correspondence from the IRS.

Do not open or respond to any such emails or phone calls.

Never click a link in any email. If you are not sure, call the office first to see if your IRS communication is genuine.

At the IRS's website, www.irs.gov, there is information on how to handle such scams.

Privacy Policy

The policy of Benson Income Tax Service is to handle all information you provide us with utmost care, and to hold it in the strictest of confidence. We do not disclose any nonpublic personal information about our clients or former clients to anyone, except as permitted or required by law.

If you wish any such information to be disclosed to anyone, such as a financial advisor, bank representative or relative, a signed

Disclosure Form, available on our website, must be received by the office ahead of time.

IRS: 800-829-1040 www.irs.gov
CT DRS: 800-382-9463 www.ct.gov/DRS

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