

Benson Tax Notes

www.bensontaxservice.com

860-429-1001

December 2025

Tax Changes Summary

Enclosed is my brief summary of important tax changes passed into law in 2025.

Some changes may affect your 2025 taxes. Please take the time to look at this update and my summary before 2026.

Appointments

Please contact me early to set up a time for us to meet. You are welcome to mail your paperwork, too.

Do not e-mail me tax information, unless we have agreed together ahead of time. I do not trust e-mail security.

Please contact me well before the end of March for appointments.

Correct Withholding

Please bring recent paystubs, and an idea of any major changes to income for 2026.

This will help us estimate correct withholdings from your various income sources.

Business Owners

File 1099-NEC and 1099-MISC

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

If you would like me to prepare these for you, please let me know well before the January 31 deadline for filing.

In 2026, the threshold goes to \$2,000 from \$600. This means fewer 1099s!

Business Organizer This is available on my website. Business owners, please use it, or use something equivalent, like a Quickbooks report.



Nitsa's Notes:

My Tax Notes are early this year so that you can be aware of significant changes, and do some tax planning before 2026 arrives.

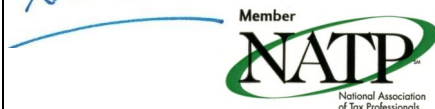
This will be an interesting time, as we incorporate the One Big Beautiful Bill (OBBA or OB3) tax changes that came into effect earlier in 2025. Overall, most of you will be paying lower federal income taxes for the next few years.

On the negative side, 2025 is the last year for energy credits. Plus, we are dealing with expiring marketplace insurance subsidies. These subsidies increased substantially during the pandemic, but revert back as of January 1, 2026.

Enclosed is my very brief summary of the relevant OB3 tax changes for you. Please look at this to see how it may affect you and your family.

Feel free to call or e-mail me with questions or clarification.

My wishes for all God's blessings on you,



No More Checks

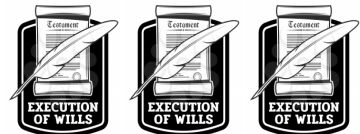
The IRS is no longer using or accepting checks. Most of you pay or get refunds electronically, but we need to get the rest of us up to speed.

We will have to be extra careful regarding bank routing numbers.

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.



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?

Does someone have access to all your passwords and media presence in case you get sick, or pass away?

- ◆ 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?

E. Nitsa Benson, EA, MS

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

Benson Income Tax Service

860-429-1001

18 Ridgewood Rd, Willington, CT 06279

Nitsa@BensonTaxService.com

Social Security/Medicare

For 2026:

- Wages subject to Social Security: \$184,500/yr.
- Wages subject to Medicare tax: No ceiling
- Earnings needed/quarter of coverage: \$2,040/quarter
- Max earnings before full retirement: \$24,480/yr.
- Medicare B premiums: \$202.90/month, minimum
\$689.90/month, maximum
- Additional Medicare taxes:
0.9% on wages over \$250,000
3.8% on investment income

If your retirement income will drop substantially, apply to the SSA to lower your Medicare premiums.



Retirement Contributions

Elective limits:

	<u>2025</u>	<u>2026</u>
Traditional IRAs	7,000	7,500
Roth IRAs	7,000	7,500
Catch-up for 50+	1,000	1,100
401k & 403b	23,500	24,500
Catch-up for 50+	7,500	8,000
Catch-up 60-63	11,250	11,250
Simple plans	16,500	17,000
Simple catch-up	3,500	4,000
Simple c-u 60-65	5,250	5,250

IRA contributions are limited by income. Excess withdrawals must be made by April 15th, 2026.



Mileage Allowance

Note year-end odometer readings.

Self employed individuals: please bring your business mileage logs.

Mileage allowances (cents/mile):

	<u>2025</u>	<u>2026</u>
Business	70.0	?
Medical	21.0	?
Charity	14.0	14.0

Business Meals

List the cities and nights spent for business so that we can use the 50% meal allowance. Starting in 2026, coffee and office snacks in the office are no longer deductible.

Health Savings Account (HSA)

Contribution limits :

	<u>2025</u>	<u>2026</u>
Single	4,300	4,400
Family	8,500	8,750
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 (FSA)

Employee contribution limits :

	<u>2025</u>	<u>2026</u>
Health FSA	3,300	3,400
Dependent Care	5,000	7,500

Marketplace Insurance

Subsidies are set to go down to the pre-pandemic levels. Our governing bodies are still dealing with this matter, but if nothing changes, we are looking at the additional subsidies expiring January 1st.

Form 1095-A: If you obtained health insurance from the Marketplace in 2025, we must have Form 1095-A, otherwise the IRS will reject returns.



Tax on Tips or Overtime

Tips and Overtime that qualify will have to be identified, somehow, to you. This may be on a W-2 accompanied with a letter from your employer.

These provisions phase out if your adjusted gross income reaches \$150,000 for Single \$300,000 Married.

Please note that you will still have to pay social security, Medicare tax, and state tax on these incomes. They are only excluded from federal tax.

Effective for 4 years only, 2025-2028.

TIPS: If tips are identified by your employer as eligible, then up to \$25,000 can be removed from taxable income.

OVERTIME: If overtime is identified by your employer as eligible, then up to \$12,500 Single/\$25,000 Married can be removed from taxable income. Only the premium part is not taxed.

Senior Deduction

From 2025 through 2028, each senior (65+) gets an increase of \$6,000 in the standard deduction. This phases out with incomes above \$75,000 Single, \$150,000 MFJ.

For example, a couple with adjusted gross income of \$145,000 will have a standard deduction (i.e. no tax paid) of \$46,700 instead of \$34,700.

This is a huge tax savings for seniors below these thresholds.

Retirement Incentives

- ♦ 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.

Required Min. Distributions

- ♦ RMDs: start at 73 for anyone born in 1951 on, at 75 if born after 1959.
- ♦ Inherited IRAs: must be emptied 10 years after year of death. How it is done depends on the age of the deceased.
- ♦ Donations from IRAs: After 70.5 years old, you can donate up to \$111K in 2026 to charities of your choice and save on taxes.



Gift & Estate Limits

The person donating any money or possessions worth more than \$19,000 is responsible for filing a gift tax return.

This includes quit-claiming a home.

Please let me know if you have gifted any one person more than \$19,000, so that we can file a gift tax return for you.

Federal Gift and Estate Limits:

	<u>2025</u>	<u>2026</u>
Gifts	19 K	19 K
Estates	13,990 K	15,000 K
CT Estates	13,990 K	15,000 K

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 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

If your employer offers dependent care benefits through payroll, strongly consider signing up. The exclusion to income jumps to \$7,500 in 2026.

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

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, for kids and grandkids. Other states may have similar plans.

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

Teachers, Firefighters, etc.

In January 2025, Congress repealed the Windfall Elimination Provision (WEP), retroactive to 1/24.

Some retired teachers and firefighters are now receiving more benefits monthly, plus one large retroactive payment earlier in the year.

This income WILL affect your taxes. I had suggested you opt for 22% federal withholding. When we meet we will be able to adjust it, if necessary.

Auto Loan Interest

For new purchases, auto loan interest of up to \$10,000 is deductible if the vehicle was assembled in the US, and you provide a VIN number.

This benefit phases out at income of \$100,000 Single, \$200,000 Married.

State and Local Taxes (SALT)

For 5 years starting in 2025, we can deduct up to \$40,000 of state and local taxes (SALT). This means many more families will benefit from itemizing expenses (mortgage interest/insurance, charitable giving, taxes).

This benefit reverts to \$10,000 for incomes above \$250,000 Single, \$500,000 Married.

Charitable Donations

Starting in 2026, taxpayers who itemize deductions cannot deduct 100% of their charitable donations. They first have to deduct 0.5% of their adjusted gross income.

Again, starting in 2026, taxpayers who do not itemize can deduct up to \$1,000 for Singles, \$2,000 for Marrieds for donations of money to eligible charities.

SALT & Donations Pooling

Legally, you may want to increase your itemized deductions every other year, by paying 3 real estate tax payments and pooling donations into that year. Then take the standard deduction on alternate years.

Gambling Win/Loss

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

Starting 2026, gambling losses will be restricted to 90% of winnings.

Energy Issues, 2025 only

Home energy, end 12/31/25.
Vehicle credits, end 9/30/25.



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

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

2025, 75% not CT taxable
2026, 100% not CT taxable

If income exceeds these limits, there is a phase-out:
Singles get no benefit when they reach \$100,000 income, Marrieds no benefit when they reach \$150,000.

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

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.

Property Tax Deduction

For 2025, the property tax deduction is \$350, and is available to everyone, subject to income limitations. Once Singles reach \$130,000 and Marrieds reach \$160,000, there is no property tax credit.

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 e-mails or phone calls. Do not forward them to the office.

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

Nitsa Benson
Benson Income Tax Service
18 Ridgewood Rd, Willington CT 06279
860-429-1001

www.bensontaxservice.com,
Nitsa@BensonTaxService.com