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Get Ready for Tax Time!

As the year comes to a close, it's almost time for tax documents to start filling your mailbox (or email inbox). As these important documents arrive, you'll want to start gathering them to prepare for our work together on your tax preparation.

Income Documents

- **W2s from employers** – watch for these to arrive by the end of January.
- **1099-R** for distributions from retirement accounts.
- **1099-SA** showing Social Security benefits and Medicare premiums paid.
- **1099-Misc and 1099-NEC** for miscellaneous income and income earned as an independent contractor.
- **1099-INT, 1099-DIV, and 1099-B**—Do you have investment accounts that earn interest or dividends? Did you sell any stock in 2024? Keep an eye out for individual and consolidated statements in mid-February.
- **1099-K** For the 2024 tax year, if you received payments from a third-party payment processor like PayPal or Square that were \$5,000 or more, you may receive Form 1099-K. We will need to ask you some questions to ensure we report this income correctly.
- **1099-S**—If you sold real estate, you may get a 1099-S. If it was your primary residence, we may be able to exclude some or all of the gain from the sale if you meet certain requirements.
- **1099-C and 1099-A** will report foreclosures, debt consolidation, or debt that was forgiven or canceled.
- **W-2G**—If you hit it big at the casino, you may receive W-2G forms to report your winnings.
- **Schedule K-1** from a partnership, S-corporation, or trust. Since the entity issuing the form must file their return before sending your K-1s, you may end up waiting until after the April filing deadline to receive them.

Deduction Documents

- **1098 (Mortgage Interest Statement)** If you refinanced or your loan was transferred, you may have multiple forms to track down.
- **1098-T (Tuition Statement)** This form will help us determine your eligibility for education credits.
- **5498 (IRA Contribution Information)** for Traditional or Roth IRA. Contributions to a Health Savings Account (HSA) or Medical Savings Account (MSA) will be reported on Form 5498-SA.
- **1098-E (Student Loan Interest Statement)** Reports student loan interest you paid during the year.
- **1095-A (Health Insurance Marketplace Statement)**
See Premium Tax Credit on page 2

Not all of your income and expenses will be sent to you on reporting forms, so you may need to gather some additional information.

Medical Expenses

If you pay out-of-pocket medical costs, make sure to total up all your receipts.

Charitable Contributions

- Please provide a list of the cash contributions you made. Keep copies of receipts or acknowledgment letters if you gave more than \$250 in a single donation.
- For non-cash donations, please provide a list of the dates of the donations, a description of the items you donated, and the fair market value of your donations.

Property Taxes

If you own your home, you may pay your taxes through your mortgage impound account, which may be included on your mortgage interest statement. If not, be sure to send along your property tax receipts.

INSIDE THIS ISSUE OF TAX NEWS & TIPS

- Get Ready for Tax Time!.....1
- Premium Tax Credit.....2
- Think Twice Before Opening an LLC2
- Disaster Strikes.....3
- IRS Online Account for Individuals.....3
- Higher Catch-Up Contributions for Certain Taxpayers.....4



Premium Tax Credit

The Advanced Premium Tax Credit (APTC) is a component of the Affordable Care Act (ACA) that helps low-to-moderate-income individuals and families pay for health insurance coverage through state-based marketplaces, also known as exchanges.

This credit helps reduce monthly premium costs, making health insurance more affordable for those who might otherwise struggle to pay their premiums. To qualify for the APTC, you must have an estimated annual income between 100% and 400% of the federal poverty level (FPL), which varies based on household size and is updated annually. For 2025, these thresholds have been set higher than in previous years, reflecting the increased costs of living.

Deadlines for applying for health insurance and receiving the APTC are vital considerations if you are planning to purchase your policy through the health care exchange. Open Enrollment Periods typically occur once a year, during which you can apply for coverage and seek financial assistance. For 2025, the open enrollment period started on November 1, 2024, and runs through December 15, 2024 (for plans beginning on January 1, 2025). It is important to note that outside the open enrollment period, individuals may qualify for Special Enrollment Periods due to certain life events, such as marriage, birth of a child, or loss of other health coverage.

Several factors are considered to determine eligibility for the APTC, including income, household size, and whether you are eligible for other forms of health insurance. Luckily, each state that offers their own marketplace has a website for their health insurance exchange, which will walk you through eligibility. If you live in a state that does not operate its own marketplace, you will use the federal exchange on www.healthcare.gov. If you use the married filing separate filing status for your tax return or your employer offers affordable health insurance coverage, you typically will not be eligible for any APTC.

If you purchase your health insurance through the exchange, you will receive a form 1095-A showing the amount (if any) of APTC you received. When we prepare your return, we will use that form to ensure that you received the correct amount of credit based on your income. If you received too much in advance, you will have to pay some back. If you didn't receive enough, you will get the additional amount as a Premium Tax Credit. We cannot file your return without that 1095-A form, so be sure to keep that with your tax documents.

Think Twice Before Opening an LLC

In this day and age, it seems like everyone is saying that you should form a Limited Liability Company (LLC) for tax purposes. However, opening an LLC without real consideration may lead to headaches and unexpected fees. So, when is it appropriate to form an LLC, and what are the things you need to keep in mind?

Typically, an LLC is formed to hold businesses, investments, or other types of property to protect the owner from legal liability. Most people don't need to form an LLC to receive special tax benefits surrounding their investments or property ownership. The same is true for forming an LLC for a business; however, there are certain cases where holding a business in an LLC will allow the business to make certain elections that may provide tax savings. Call me to see if there may be tax advantages of holding your business in an LLC.

Forming an LLC may be costly, whether you set it up yourself online or hire an attorney to file the paperwork for you. In addition, some states require annual fees to be paid once an LLC is formed. New laws also require LLCs to report all LLC owners to the federal government for 2024 and future years. This is called "Beneficial Ownership Information Reporting," and failure to comply may be very costly.

If you have an LLC, you can find out more about this reporting at www.fincen.gov/boi. If you're thinking about forming an LLC, please reach out to discuss if it's the right fit for your tax situation.

**OPEN
ENROLLMENT**

Nov 1–Dec 15, 2024
(for plans beginning on Jan 1, 2025)



Disaster Strikes

Mother nature has impacted the lives of millions of Americans in 2024. Folks all over the country are dealing with the aftermath of natural disasters. Floods and storms span from coast to coast causing property damage, economic loss and emotional distress.



If you or an immediate family member was impacted by any of the presidentially declared disasters you may be entitled to certain tax benefits. Visit irs.gov/newsroom/tax-relief-in-disaster-situations.

Extended Tax Filing and Payment Deadlines

If a disaster occurred in your state and you were impacted by the disaster, you may have extra time to file and pay your taxes. For example, the most recent hurricanes in Florida will extend the due date for 2024 tax returns for Florida residents from April 15, 2025 until May 1, 2025. This disaster extension will also delay the due date for fourth quarter estimated payments (normally due January 15, 2025) until May 1, 2025. If you have questions about whether you may qualify for extended due dates due to a disaster that occurred in 2024, please call me.

Disaster Distributions from Retirement Plans

If you or an immediate family member was economically impacted by a presidentially declared disaster, you may be entitled to withdraw up to \$22,000 from a retirement account without being subject to early withdrawal penalties. You will still have to pay tax on this distribution if it comes from a pre-tax retirement account, but you will be allowed to pay tax on the distribution over 3 years instead of all at once.

An additional benefit to these disaster distributions is that you have the option to repay the distribution within 3 years. If you put the amounts that you withdrew back into your retirement accounts during the three-year period, we can amend your prior year returns to reduce the tax on your distributions.

Disaster distributions can be complex, so please give me a call before withdrawing money from a retirement account for this purpose.

Disaster Losses

If your property was damaged as a result of a presidentially declared disaster, you may be entitled to write off some of that loss on your tax return. There are lots of restrictions regarding disaster losses including:

- Limiting the deduction to your cost of the property that was destroyed
- Reducing the loss by any anticipated insurance reimbursements
- Allowing a deduction only to the extent that the loss exceeds 10% of your income

If you think that you may be entitled to a disaster loss, call me so we can determine what you may be eligible to deduct on your tax return.

IRS Online Account for Individuals

Have you set up your IRS online account yet? The IRS has been working to improve its online tools and make it easier for you to access your information. You can set up your account using this link <https://www.irs.gov/payments/online-account-for-individuals>. You will verify your identity using ID.me, so make sure you have a photo of your government issued ID and a phone that can take a selfie. If you don't have an ID or the ability to take a selfie, you can do a live video chat with an ID.me agent. Once the verification process is complete, you can use your online account to handle tasks that used to require calling into the IRS and waiting on hold.

What can I use my online account for?

- ✓ Get copies of transcripts, including wage and income, tax return, and account transcripts. Wage and income transcripts show us all of the income that was reported to the IRS, including your wages, 1099 income, and income from interest, dividends, and sales of stock. Account transcripts show basic info like your filing status, taxable income, payments and payment types, and changes made to your return after the initial filing.
- ✓ Check the status of refunds as they are processed
- ✓ Request or update Identity Protection PIN
- ✓ Opt-in to paperless options
- ✓ Complete pending installment agreements
- ✓ and more!

You can also use your online account to approve a Power of Attorney, making it easier for me to assist you with any IRS issues.

Beware of scammers looking to steal your information! Your online account is a great resource for you, but since it contains sensitive information, it is also a target for scammers. Be mindful of "helpful" services offering assistance in setting up your account. Many of these services are covers for identity theft operations. As always, exercise caution before sharing your personal information with anyone.



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Your Tax Calendar

- Jan 15** Q4 2024 Estimated Payment
- April 15** Tax Return / Q1 2025 Estimated Payment
- June 16** Q2 2025 Estimated Payment
- Sept 15** Q3 2025 Estimated Payment

Higher Catch-Up Contributions for Certain Taxpayers

If you are nearing retirement age, maximizing your retirement plan contributions is essential. Starting in 2025, you may be eligible to make special increased catch-up contributions. This increased contribution is only available if you are 60, 61, 62, or 63, and the amount depends on your type of account.

If you have a Simple plan, the increased catch-up amount will be the greater of \$5,000 or 150% of the 2025 catch up amount.

If you don't fall within that age window, you can still make a regular contribution, as well as a catch-up contribution if you are over age 50.

If your retirement account is a 401(k), you may be able to put an additional \$11,250 towards your retirement savings. This is on top of the regular \$23,500 limitation, which means that if you fall within that age group, you could contribute \$34,750 in 2025.

If you have questions about maximizing your retirement contributions for tax savings, give me a call.