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Prepare to File Your 2025 Returns!

In this edition of Tax News & Tips, we'll be discussing a wide variety of topics from a review of the items we'll need to file your 2025 return to the new tax law changes you need to be aware of under the so-called "One Big Beautiful Bill" Act (referred to in this newsletter as "OB3"). Let's get the basics out of the way by talking about items that will be hitting your mailbox, email, or online accounts soon.

Income Documents

- **W2** from employer—watch for these to arrive by the end of January
- **1099-R** for distributions from retirement accounts
- **SSA-1099** showing Social Security benefits and Medicare premiums paid. If you were formerly a government worker, note that this may be the first year you receive this document!
- **1099-Misc** and **1099-NEC** for miscellaneous income and income earned as an independent contractor. If you have a side hustle or work regularly as an independent contractor, you may receive a 1099-NEC reporting income earned. We'll need those forms, as well as details of your expenses. *Please contact me if you have questions about organizing your business income.*
- **1099-INT**, **1099-DIV**, and **1099-B**—Do you have investment accounts that earn interest or dividends? Did you sell any stock in 2025? You may get individual forms for each kind of income, or you might get one consolidated statement from your investment accounts. Keep an eye out for these in mid-February.
- **1099-K** reporting requirements have caused quite a bit of confusion in the past few years. For the 2025 tax year, if you received payments from a third-party payment processor like PayPal or Square and the total was more than \$20,000 AND you had more than 200 transactions for the year, you may receive Form 1099-K. This could be business income, hobby income, or even non-taxable personal transfers. We will need to ask you some questions to ensure we report that 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. *Ask me if you have questions about this.*
- **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**—Have you invested in any partnerships or S corporations? If so, you'll be receiving a K-1 to report your share of income and expenses. 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)**
 - Did you refinance during the year? You may have to track down more than one form to show all the interest you paid this year.
 - Was your loan sold or transferred to another lender? Please include statements from the old and the new lender to ensure we don't miss any deductions.
 - **1098-T (Tuition Statement)**
 - Did you or anyone in your household have expenses for higher education? This form will help us determine your eligibility for education credits.
 - **5498 (IRA Contribution Information)**
 - If you contributed to a Traditional or Roth IRA, this form will show us the total you invested in those accounts for the year.
 - 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)**
 - If you purchased health insurance through the health insurance marketplace, you will receive Form 1095-A to show the premiums you paid and any Advance Premium Tax Credit that was paid on your behalf. We cannot file your return without this form, so make sure to keep an eye out for it.
- Other Records**
 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. *If you have questions about how to categorize your expenses, please reach out to me.*

Charitable Contributions

- If you donated cash (or wrote a check or paid with a credit card), you may be eligible for an itemized deduction for your contributions. Please provide a total of the amounts that you donated. 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.

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Updated Information on Tips!

Many of you may be looking forward to claiming a deduction for tips you received in 2025. The IRS recently released some proposed rules surrounding the tips deduction that may change who is eligible to claim the deduction. In this article, we won't bore you with every detail, but we do want to show you what the rules look like now.

Certain Businesses Ineligible

The IRS stated that employees of so-called "Specified Service" businesses may not claim the deduction. Generally speaking, this will include anyone who works in the following fields:

- Health
- Law
- Engineering
- Architecture
- Accounting
- Actuarial Science
- Performing Arts
- Consulting
- Athletics
- Financial Services
- Brokerage Services

Note: This is a general list, and the determination can be very complex. If you received tips, we may have to ask additional questions pertaining to the work you and your employer do.

The IRS also stated that any tips received from illegal activities (yes, you are supposed to report income from illegal activities), prostitution, or pornography are ineligible for the tips deduction. The IRS did not define pornography in its proposed rules, and there can be grey areas when it comes to online content creation, so we will have to wait for more guidance from the IRS on this issue.

Please keep in mind that these proposed rules are very nuanced and may require additional questions when preparing your tax return to determine whether or not you are eligible to claim the deduction.

Reminder about the Senior Deduction

If you are 65 or older by the end of 2025, you may be entitled to take up to a \$6,000 deduction on your tax return (up to \$12,000 if you and your spouse are both 65 or older). The amount of deduction you will be able to claim is based on your income, so not everyone will qualify. Despite what some of the news said, there is still a tax on Social Security benefits. You also don't have to be receiving Social Security to take advantage of this deduction. All of this to say, we still need the Social Security Benefits document (SSA-1099) to prepare your tax return.



Updated Information about Clean Energy Credits

EV Credits. The IRS updated their rules about Clean Vehicle credits for 2025. Originally, it was understood that you had to drive the vehicle off the lot by September 30, 2025 to qualify. The IRS changed this rule so that you just had to have entered into a contract to buy the vehicle and made a down payment by *September 30, 2025*, to qualify.

Solar Credits. If you are in the process of getting solar installed on your home, make sure the installation is completed and that the panels are working by *December 31, 2025*, or you will not be able to claim the credit for any amounts you paid.

Vehicles Purchased in 2025

In the last edition of the newsletter, we discussed the Car Loan Interest deduction (new for 2025 through 2028). If you purchased a vehicle that had final assembly in the US, you might be able to deduct up to \$10,000 of your car loan

interest on your tax return. Whoever holds the loan on your new vehicle must issue you a special tax document, Form 1098-VLI. We need this document to be able to prepare your tax return if you intend to claim this deduction.





Electronic Payment Mandate

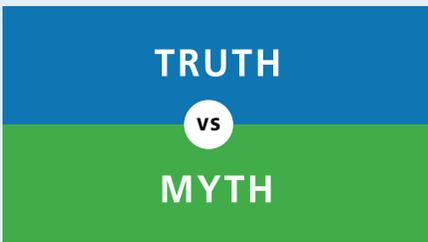
Earlier in 2025, an Executive Order was issued to mandate that payments going into and out of the IRS after September 30, 2025, be made electronically. The logic behind the order was to reduce the costs and time it took to process paper checks and to avoid issues of checks being lost or stolen in the mail. The problem is that many taxpayers have always paid their tax bill or estimates using a check and are unfamiliar or uncomfortable with online payment methods.

The executive order makes reference to exceptions for individuals who live in rural areas, do not have access to a bank account, or who cannot make electronic payments for religious reasons. Unfortunately, the IRS has not released any guidance addressing these exceptions.

In light of this change, it is extremely important that we discuss the option to set up direct deposit for IRS refunds and electronic withdrawals for estimated payments or tax due. When filing your tax return, we can include your bank account and routing number so the IRS can automatically process the payments.

We know that many taxpayers don't want to provide their banking information to the government, but here's the thing: the Federal government already has access to your routing and account number, whether you want them to have it or not. Including that information on your return is one of the most secure ways to ensure that refunds are received and payments are made (aside from logging directly onto the IRS website to make a payment). In light of this new mandate, it is highly recommended that you include bank information on your tax return.

When filing your tax return, please check that the routing and account numbers are correct multiple times before you approve the return to be filed. Inputting an incorrect routing or account number may lead to a refund being deposited into an account that is not yours and it can be very difficult to recover those lost refunds. If you mailed in your extended tax payment or made an estimated payment by check, don't worry. The IRS has said that they will give us guidance for the upcoming tax season, and in the meantime, we can continue using current methods.



MYTH: Social Security is not taxable anymore.

TRUTH: The new Senior deduction is often confused with "no tax on Social Security." While this new deduction may lead to reduced or eliminated tax on Social Security benefits, the taxability of those benefits hasn't changed, and you don't have to be receiving SSI to claim the deduction.

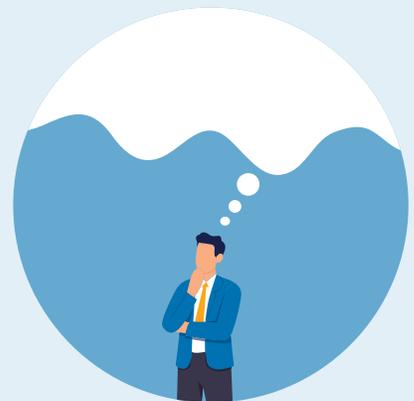
MYTH: None of my overtime is taxable.

TRUTH: If you have overtime income for the year and you meet certain income thresholds, you may be able to take a deduction for your qualified overtime. The deduction only applies to the overtime pay that is above your base rate, so if you make \$20 per hour and your OT rate is \$30 per hour, the overtime deduction applies to the \$10 overtime premium, not the \$30 overtime pay rate.

MYTH: If I have to dress nicely for work, I can deduct the cost of my suits.

TRUTH: When we look to see if clothing can be deductible, the test the law applies is "suitable for everyday use." This doesn't mean that you *would* wear it, it means that you *could* wear it.

For this reason, most clothing won't be deductible. If your job requires you to wear a hotdog costume that you have to purchase on your own, well then, you may have a deductible expense.





What Government Shutdowns Mean for Taxes

Contrary to popular belief, when the government shuts down for a period of time, it does not mean that all government work grinds to a halt. Most agencies continue to operate, though at a vastly reduced rate. In the most recent shutdown, the IRS saw a reduction in its workforce from almost 80,000 employees to less than 40,000. So, what does this mean for taxes?

If you were under audit, it is likely that your agent was furloughed which means it may take longer to resolve the issue. Once the government reopens (which it may have by the time you receive this newsletter), the backlog of work that piled up will cause issues to be resolved at an even slower rate than prior to the shutdown.

When filing returns for 2025, it is likely that the start of the filing season may be delayed as a result of the shutdown. This means that while you may have all of your documents together by the end of January, we may not be able to file your return until closer to the end of February.

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Your Tax Calendar

- Dec 31** Last day to have solar completely installed on your home and get a federal tax credit
- Apr 15** Last day to file your tax return or an extension. Due date of Q1 Estimated Payment.
- Jun 15** Due date for Q2 Estimated Payment
- Sept 15** Due date for Q3 Estimated Payment

*There are often postponements for deadlines for federally declared disasters. **If you live in an area where a disaster has occurred, or if you're unsure whether this applies to you, please call me.***

Important Change to Premium Tax Credit

If you've been getting your health insurance through the marketplace, you may already be familiar with the Premium Tax Credit. This credit is used to offset the costs that are paid out-of-pocket for insurance premiums. You can wait and get the full credit when you file your tax return, or you can do what most taxpayers do and receive that credit throughout the year as the Advanced Premium Tax Credit. In this case, when we file the tax return, we reconcile the Premium Tax Credit you are eligible for with the amount you received. If you didn't get enough, you get the additional amount as a credit. If you got too much, you have to repay the excess.



Here's the catch: in the past, there were limits on the amount that would have to be repaid, but those limits are gone starting in 2026. If you are insured through the marketplace, you may want to take extra care in reporting your income to the exchange to determine your advance payments; otherwise, you may end up with a larger repayment than you're used to. **Please reach out if you have questions.**