

Year End Newsletter

Carmela Davis, CPA, PLLC & Staff

Happy New Year

Office Management -Crystal M & Melissa R

Office Staff- Kathy, Cynthia, Sharon, Melissa, Adrian, Kenton, Ashley, Ben, Damaris , Caitlyn, Angela , Marcus, Amanda R, Doris, Nicole, Amanda F, Kenny, Hailey, Dylan, Sierra, Laura, Trixie and Haylee

Visit our web site throughout the year
www.carmeladaviscpatx.com.

714 NORTH HIGH ST - 903-753-3329
(Across from the Cable Company)

2304 GILMER RD 903-297-5600
(In front of Wal-Mart - across from Whataburger)

CLIENT INFO PACKET

See the note in this newsletter - AGAIN THIS YEAR - You can access the client info packet from a secured site upon receiving an email - or you can still go to our website and complete

TAX SEASON HOURS

Our hours for tax season beginning January 2nd are as follows UNTIL April 15th. We will close our offices at 5pm that deadline day.

Mon - Fri 8 AM - 7 PM Saturday 8 AM - 5 PM

FILING DATE

The first day to electronic file is not yet announced. Even if you mail in your return IRS will not process any tax returns until after the first day of electronic filing most likely not until late January.

IMPORTANT ITEMS

A MUST ALWAYS bring in a valid ID - Driver's License, etc. We cannot complete your return without this. ALSO, if you are adding a new dependent or you have changed your name you MUST bring in a Social Security card for those individuals.

AGAIN THIS YEAR

Again, this year we will be using a new system to help provide an easier and more efficient way to complete your taxes!! This system is

called Soraban. It will allow us to provide SECURE communication in a simple way.

You will be receiving an email from noreply@withsoraban.com PLEASE make sure to mark all future emails from there as "important" This will assure you of getting notifications.

The email will be coming in the next few weeks and allows you to access your online CLIENT INFORMATION PACKET (the one you complete EVERY year) where any required questions, documents, or secure conversations can take place. You will set your preferred login once clicking on the provided link in that email.

This will be a great way to download your documents as well as reminders for any missing information you did not provide us. If you do not complete it before coming to your appointment, you may do so at our office either on your phone or an Ipad we will have.

1099 FORMS

We can prepare any manual 1099s for you. We need the company name, address & ID number issuing the 1099s along with the person you are sending the 1099 to which includes their name, address, social security # or EIN & dollar amount. Please note that if you are sending a 1099 to a company name, they must have an ID number - Companies do not have Social Security numbers - so if they do not have an ID number then that 1099 needs to be sent to that individual instead.

REMINDER OF W2 & 1099 DEADLINES

Remember you must file copies of Form W2 & Form 1099s NEC for payments to independent contractors (contract labor) by Jan 31st. The amt for the penalties for filing 1099s late FOR 2025- \$60 per each up to 30 days late; 31 days late to Aug 1st - \$130 per return; after Aug 1st or Not at All - \$340 per return & Intentional Disregard is \$680 per return.

NOTE - these penalties will be double for not sending it to the IRS and not sending them to the independent contractors - so max penalty could be up to \$1,360 for each.

PAYROLL LAW CHANGES

For 2025 - max cap for social security was \$176,100 & for 2026 the amount will increase to \$184,500. Also, if you are receiving your benefits and you're not 66 you can earn up to \$23,400 in 2025 and \$24,480 in 2026 without having to give up any of your benefits.

REMINDERS FOR 2025 RETURNS

MILEAGE RATE - Qualified business use for 2025 is 70 cents. For 2026 the rate has not been announced yet by the IRS. It is anticipated that the rate will be between 71 and 73 cents per mile.

*For Medical or moving purposes for 2025 will be 21 cents per mile.

*For Charitable purposes - 14 cents per mile for 2025.

EXTENSIONS

ADVANTAGES OF FILING AN EXTENSION:

You get more time to file. This helps taxpayers gather all their documents such as K-1 forms - if you do file an extension make sure you pay at least 90% of the estimated amount of tax you owe by April 15th to avoid the *Late Payment Penalties*.

PERSONAL EXEMPTION/STANDARD DEDUCTION

*For 2019- 2026, personal exemption is zero.

STANDARD DEDUCTION FOR 2025

*Single or Married Separate	\$15,750
*Married filing joint	\$31,500
*Head of household	\$23,625

STANDARD DEDUCTION FOR 2026

*Single or Married Separate	\$16,100
*Married Filing Joint	\$32,200
*Head of Household	\$24,150

SENIOR DEDUCTION

There is also an **ADDITIONAL \$6,000 senior tax deduction**.

New for 2025, seniors who are 65 or older by the end of the year may also be eligible to deduct up to an additional \$6,000 if they meet the modified adjusted gross income limits. Joint filers who both meet the age and income qualifications can double their deduction to \$12,000.

**Single filers and head of household - \$75,000 modified adjusted gross income

**Joint filers and surviving spouses \$150,000 or less modified adjusted gross income

Additional standard deduction for 65+ and blind taxpayers:

*Single \$2,000

*Married filing joint \$1,600

*Head of household \$2,000

PER DIEM MEAL ALLOWANCE 2025

Transportation Industry

Travel inside the U.S.	\$80 day
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Standard per diem rate - M&IE	\$68 day
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Standard per diem rate - Lodging	\$110 day
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The per diem rate will not change for 2026

EARNED INCOME CREDIT

The maximum amount of income a taxpayer can earn and still be eligible for the earned income credit increased. If earned income or AGI exceeds the following amounts, the Earned Income Credit is zero.

2025

**Single - no children	19,104
**Head of Household - 1 child	50,434
**Head of Household - 2 children	57,310
**Head of Household - 3 children	61,555
**Joint - no children	26,214
**Joint - 1 child	57,554
**Joint - 2 children	64,430
**Joint - 3 children	68,675
**Maximum Earned Income Credit -	
One qualifying child	\$4,328
Two qualifying children	\$7,152
Three or more qualifying children	\$8,046
No qualifying children	\$ 649

*The max amount of investment income to get the EIC is \$11,950 for 2025.

*Remember you cannot receive Earned Income Credit if filing Married Filing Separate.

2025 TAX RATES

For 2025, the tax rates are 10%, 12%, 22%, 24%, 32%, 35% and 37%. The tax rates are dependent upon taxable income and filing.

When taxable income is as follows:

22% - Single 48,475 Joint 96,950

24% - Single 103,350 Joint 206,700

32% - Single 197,300 Joint 394,600

RETURN DUE DATES & EXTENSIONS

The PARTNERSHIP & Sub S Corp. filing deadline is March 16th. They both can be extended to Sept 15th.

C Corporations deadline is April 15th deadline & extended six months to October 15th.

DEPENDENTS

For any dependent that file their own tax return we must get a copy of that tax return if YOU are claiming the dependent. The IRS rejects the tax returns if filed incorrectly and can cause other issues – so to ensure that the filing was done correctly by your dependent we must review their return.

You can NOT claim a dependent if 24 or older (unless disabled) if they make more than \$5,200.

Any new dependent we must have a copy of their social security card & birth certificate.

2026 FILING SEASON CHANGES FOR 2025 TAX RETURNS

ANNUAL GIFT TAX EXCLUSION - For 2025 & 2026 the annual amount is \$19,000.

ESTATE TAX EXCLUSION

The estate tax exclusion is \$13,990,000 for 2025 and for 2026 the amount increases to \$15 Million.

SENIOR DEDUCTION

This was stated above regarding the \$6,000 exclusion. Note the One Big Beautiful Bill did NOT make Social Security nontaxable.

CAR LOAN INTEREST DEDUCTION

This new deduction for qualified passenger vehicle loan interest up to \$10,000 per tax year. The deduction does NOT reduce AGI, but it reduces taxable income. It is not an itemized deduction.

Qualified vehicle interest is paid on a loan incurred after Dec 31, 2024, to purchase for personal use NOT business.

The applicable vehicle is one that the final assembly occurred within the US and meets the following:

**Original use commences with the taxpayer

**Manufactured for use on public streets

**Has at least two wheels

**It is a car, minivan, van, SUV, pickup truck or motorcycle – NOT A Golf Cart

**Gross weight is less than 14,000 lbs.

We MUST include the VIN on the tax return

The \$10,000 amount is reduced if the taxpayer's MAGI exceeds \$100,000 if single and \$200,000 if joint.

MAGI if AGI plus excluded foreign income.

TIPS DEDUCTION

New deduction for individuals for qualified tips of up to \$25,000 per year

Applies for 2025 – 2028

This deduction does not reduce the AGI, but it reduces taxable income. It is not an itemized deduction.

QUALIFIED TIPS

**Cash tips received by an indiv in an occupation that customarily and regularly received tips on or before Dec 31, 2024

Includes cash tips/Cash or credit card and Tip sharing – treated as cash tips

****TIP VERSUS SERVICE CHARGE**

Tips are good but Service charges do NOT count. The payment must be made free from compulsion, customer must have the unrestricted right to determine the amount, customer generally has the right to determine who receives the payment.

**Qualified tips must be included on one of these three forms furnished to the individual to be eligible for the deduction

**Form 1099-NEC Nonemployee Comp

**Form 1099-K Payment Card

**Form W2 – Wage and Tax Statement

**Alternatively, employees can report qualified tips on Form 4137

If you have a business loss you can not have a tips deduction.

The deduction is only for tips to the extent that gross income exceeds sum of deductions.

*The tip deduction is limited if your MAGI for single exceeds \$150,000 or joint over \$300,000

*Can NOT FILE if filing married filing separate

*Taxpayers must have SSN valid for employment

*Tip deduction reduces the Sec 199A QBI Inc

OVERTIME DEDUCTION

New deduction for an individual qualified overtime compensation up to \$12,500 if single and \$25,000 if joint

The deduction does not reduce AGI, but it reduces taxable income. It is not an itemized deduction.

*Can not take the deduction if married filing separately

*Applies for 2025 - 2028

*Qualified overtime is the amount paid to an individual required under Sec 7 of the FLSA that EXCEEDS the regular rate. This is not the same as the State overtime.

*Keep in mind that the amount that EXCEEDS the regular rate is the .5 not the 1.5. Starting in the year 2026 this will be reported on W2s. For the year 2025 this amount will need to be reflected by a year end check stub or a payroll report from the employer reflecting the .5.

The total deduction is limited once the MAGI for a single exceeds \$150,000 or a joint return exceeds \$300,000. Also you must have a SSN valid for employment.

STATE AND LOCAL TAX (SALT)

For taxable year 2025 and beyond, the state and local tax deduction (SALT) limitation is increased to the following amounts for each calendar year:

**2025 \$40,000	**2028 \$41,212
**2026 \$40,400	**2029 \$41,624
**2027 \$40,800	**2030 \$10,000

*Married filing separate taxpayers will only be entitled to half of the above limits

*The limitation for MAGI is \$500,000.

*So tell us your large purchases this year - it may make a difference.

HEALTH SAVINGS ACCOUNTS (HSA)

The Big Beautiful Bill Act permanently allows high-deductible health plans to offer telehealth services and other remote care services without a deductible.

EV CREDITS

Credits for electric vehicles acquired after Sept 30, 2025 are unavailable

This includes the pre-owned clean vehicle credit, the new clean vehicle credit and the commercial clean vehicle credit.

OTHER CLEAN ENERGY CREDITS

The following credits will be unavailable for property placed in service after Dec 31, 2025

*Energy efficient home improvement property tax credit

*Residential clean energy credit - home solar credit

ADOPTION CREDIT ENHANCEMENT

Beginning tax years after Dec 2024, up to \$5,000 of the adoption credit may be refundable

Any credit amount carried forward from prior years cannot be used to calculate the refundable portion

BONUS DEPRECIATION

Qualified property placed in service after Jan 19, 2025, may now be eligible for 100% bonus depreciation.

The goal of reinstating bonus depreciation is to incentivize investment in real estate, equipment and other assets, with the intent of boosting the economy and driving growth.

Otherwise the bonus depreciation was going to be only 40%.

CHILD TAX CREDIT

For the year 2025 the max Child Tax Credit is up to \$2,200 per qualifying child with a refundable portion of up to \$1,700 per child. This is subject to income limits. \$400,000 for married filing joint and \$200,000 for other filers.

1099 REPORTING CHANGES

In 2025 the Form 1099K was reinstated to the higher reporting threshold to \$20,000 and 200 transactions

For 1099s for misc. income or non-employee compensation or rent the threshold is still \$600 for the tax year 2025.

However, for 2026 the threshold will be increased from \$600 to \$2,000 and then indexed for inflation beginning in 2027.

RETIREMENT PLAN CHANGES -

In 2025 contributions to retirement plans are as follows:

IRA - \$7,000 below age 50 otherwise \$8,000
401(k); 403(b) - \$23,500 below age 50 - those over age 50 can contribute an additional \$7,500 for a total of \$30,500.

Simple Retirement Accts increased to \$16,500
SEP - Simplified Employee Pension for 2025 capped at 70,000 and for 2026 72,000.

HEALTH SAVINGS ACCOUNT -

In 2025 individual contribution limits are:

**Individual \$4,300

**Family \$8,550

**Catch-up - An additional \$1,000 for those 55 and older

FOREIGN EARNED INCOME EXCLUSION-

In 2025 the foreign earned income increased to \$130,000.

E-FILE REJECTION RE: DEPENDENTS -

In the past, if someone claimed your dep. Before you efiled your return would reject. Starting this year, the IRS will allow you to file you t/r electronically even if someone claimed your dependent BUT you will need to have an Identity Protection Personal Identification Number (IP PIN) for the primary taxpayer. This might still delay your refund.

CARMELA'S MAGICAL SANTA LAND

I want to thank each & every one of you who came through & enjoyed the lights!! Please like us on Facebook - Carmela's Magical Santa Land

ALSO, like Carmela Davis, CPA on Facebook.

ALSO, if you need a venue or an event center check out CARMELA'S MAGICAL VENUE AND EVENT CENTER - it is in front of the Christmas lights and available for rent. Visit our facebook page and website. Like us as well.

So plan your Christmas parties this year & include a hay ride - NO LINES w/a hay ride!!

GETTING PREPARED

We have organizers available upon request - These will also be available through our new software upon your login or email me at cpa@cldcpa.com or come by & get your copy. There is no charge for this & it should help you gather your documents.

We have worksheets that are available for the following schedules: (on our website www.carmeladaviscpatx.com under the "Forms" tab)

Schedule C - Business Income & Expenses

Schedule E - Rental or Royalty Income

Schedule F - Farm Income & Expenses

These forms are helpful when gathering tax data. You don't need to bring in your receipts unless you want us to review them.

MESSAGES

To get ahold of Carmela - the best way is to email her at cpa@cldcpa.com & put in the subject matter "Tax matter". This is the most effective way for her to communicate back as it can be anytime of the day. Most of the time the response will be late in the evening.

OUR STAFF TO ASSIST YOU

We apologize if you are not able to get an appointment with Carmela. However, we have several long time staff members that are available to meet with you & to go over your information. Remember that Carmela reviews every tax return before you are notified of the outcome. We strive to assist you in your tax preparation, tax planning, bookkeeping, payroll, financial statements & of course with the IRS.

Appointments can be made with any of our qualified tax specialists.

Thank you & we are looking forward to a great year in 2026 for the tax season - 2025.

Carmela Davis CPA, PLLC & Staff
Merry Christmas and Happy New Year

