



# Newsletter

NOVEMBER 2024

*Freddi Eberhart & Associates Inc. would like to thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We truly appreciate your referrals.*

## **This Month:**

### **Upcoming dates:**

**November 28**

- Thanksgiving

### **REMINDERS:**

- **File Beneficial Ownership Information Report with FinCEN by 01/01/2025**
- **Conduct year-end tax and financial planning**

A number of myths about the IRS and the tax code have been gaining traction online. Believing these misconceptions could unfortunately lead to a bigger tax headache for you. In this month's newsletter, learn about several tax myths and how you can avoid them.

Also find out how much Social Security benefits are increasing in 2025.

Please pass this information on to anyone that may find it useful and call if you have any questions or concerns.

## **SMALL BUSINESS ALERT: New Federal Reporting Required**

### ***Especially important for new business startups***

Beginning in 2024, many small businesses will have to report information about their owners to the Financial Crimes Enforcement Network (commonly referred to as FinCEN), a bureau of the U.S. Department of the Treasury that collects and analyzes information to help fight financial crimes. Here is what you need to know.

**Determine if your business must comply with the new reporting rules.** Any company created in the United States that has registered with a secretary of state or any similar office under the laws of a state or

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## SMALL BUSINESS ALERT: New Federal Reporting Required (Cont'd)

Indian tribe, or foreign companies registered to do business in the U.S., must comply with these new reporting requirements.

Many small businesses that are C corporations, S corporations, partnerships, or LLCs (including single-member LLCs) must comply. There are, however, nearly two dozen types of businesses that are exempt from these new reporting requirements, including sole proprietors, accounting firms, insurance companies, banks, certain large businesses, and tax-exempt entities.

**Know when you MUST report.** The reporting deadline varies depending on when your business was created or registered:

**Created before January 1, 2024.** For existing companies that were created before January 1, 2024, you must file your FinCEN report, commonly referred to as a Beneficial Ownership Information (BOI) report, sometime this year (before January 1, 2025).

**Created during 2024.** Companies formed this year have 90 days to file their FinCEN BOI report after they are created or registered.

**Created in 2025 and beyond.** The BOI report must be filed within 30 days of being registered or legally created.

**Immediately report any changes.** After your initial BOI report is filed, an updated BOI report must be filed within 30 days following any change in information previously filed with FinCEN. Any inaccuracies discovered on previously-filed reports must also be reported within 30 days.

**Why they want to know.** The Federal government wants to know who owns or is a beneficial owner of businesses in the U.S. This information is meant to protect national security by making it easier to find corruption, money laundering operations, tax evasion, and drug trafficking organizations. They will be sharing this information with approved agencies including Federal and State law enforcement and Federal tax authorities.

**There are penalties for noncompliance.** You may be liable for up to \$5,000 or more in fines for each defined violation for non-compliance or false information provided on the form. There are also daily fines for potential errors and omissions.

**Where to register and learn more.** When filing, be prepared to not only identify owners and beneficial owners of your business, but also be prepared to submit visual proof of each owner's identity (i.e. Driver's license, passport, etc.) Click here to learn more: [www.fincen.gov/boi](http://www.fincen.gov/boi)

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## **SMALL BUSINESS ALERT: New Federal Reporting Required (Cont'd)**

Remember, existing companies have until the end of 2024 to complete their BOI report, and FinCEN just put the reporting system live in early January 2024.

## **2025 Social Security Changes**

### **2025 Social Security**

Find out how your benefits have changed

### **Average Retirement Benefits**

#### **Starting January 2025**

Average Benefits - All Workers

- 2025: \$1,976/mo (+\$69)
- 2024: \$1,907/mo

Maximum Benefits for Workers Retiring at Full Retirement Age

- 2025: \$4,018/mo (+\$196)
- 2024: \$3,822/mo

An 2.5% cost of living increase for Social Security retirement benefits and SSI payments begins with December 2024 benefits (payable in January 2025).

Increase your Social Security retirement benefits by 5-8% per year when you delay applying until you're age 70.

### **Social Security Revenues & Expenditures**

Revenue Sources = \$1.35 trillion

- 3.7% - Taxation of benefits

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## 2025 Social Security Changes (Cont'd)

- 5.0% - Interest
- 91.3% - Payroll taxes

Expenditures = \$1.39 trillion

- 0.4% - Railroad Retirement financial interchange
- 0.5% - Administrative expenses
- 99.1% - Benefit payments

*SOURCE: 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Table ILB1.*

### 2025 Social Security & Medicare Tax Rates

Your employer pays **7.65%**

As an employee, you pay **7.65%**

If you're self-employed, you pay **15.3%**

*NOTE: The above tax rates are a combination of 6.2% for Social Security and 1.45% for Medicare. There is also a 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.*

| Item   | 2025             | 2024      | Change   |
|--|------------------|-----------|----------|
| Maximum earning amount subject to Social Security tax      | <b>\$176,100</b> | \$168,600 | +\$7,500 |
| Maximum amount you may pay in Social Security taxes (6.2%) | <b>\$10,918</b>  | \$10,453  | +\$465   |

- **184+ million** people work and pay Social Security taxes
- Social Security has provided financial protection for Americans **since 1935**

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## 2025 Social Security Changes (Cont'd)

### Social Security Payments Explained

- **Social Security (SS)** retirement benefits are for people who have paid into the Social Security system through taxable income.
- **Social Security Disability (SSD or SSDI)** benefits are for people who have disabilities but have paid into the Social Security the system through taxable income.
- **Supplemental Security Income (SSI)** benefits are for adults and children who have disabilities, plus limited income and resources.

### Maximum SSI Payments

| Filing Status | 2025       | 2024       | Change |
|---------------|------------|------------|--------|
| Individual    | \$967/mo   | \$943/mo   | + \$24 |
| Couple        | \$1,450/mo | \$1,415/mo | + \$35 |

### How does Social Security work?

- When you work, you pay taxes into Social Security.
- The Social Security Administration uses your tax money to pay benefits to people right now.
- Any unused money goes into Social Security trust funds and is borrowed by the government to pay for other programs.
- Later on when you retire, you receive benefits.

### How to qualify for retirement benefits

When you work and pay Social Security taxes, you earn **credits** toward benefits. The number of credits you need to earn retirement benefits depends on when you were born.

- If you were born in **1929** or later, you need **40 credits** (10 years of work) to receive retirement benefits
- You receive one credit for each **\$1,810** of earnings in **2025**

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## 2025 Social Security Changes (Cont'd)

- 4 credits maximum per year

### Did you know you can check your benefits status before you retire?

- You can check online by creating a *my* Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.
- It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.

If it doesn't show earnings from a state or local government employer, contact them. The work may not be covered within Social Security.

Sources: *SSA.gov*

## Watch Out for These Tax Myths

*MYTH: /mĪTH/ (noun) – a widely held but false belief or idea*

Many myths about the IRS and the tax code have been amplified online in recent years. Here are several myths that if you believe them, could leave you with an expensive tax surprise.

### **Myth #1: Retirement money is always tax free.**

You have retired and withdraw from a 401(k) fully expecting that you won't owe income taxes. Unfortunately, money withdrawn at any age from a 401(k) – or your traditional IRA – incurs income taxes at your current tax rate.

*Lesson Learned: Understand how money in each of your retirement accounts is taxed when withdrawn. Some will have income taxes, some could incur early withdrawal penalties, while some incur no tax at all!*

### **Myth #2: The government won't find out about a big gambling win.**

Gambling winnings are considered taxable income to the feds and most states. The IRS generally wants about a quarter of your winnings from sweepstakes, casinos, bingo, keno, online sports betting, and the like. Casinos and other betting entities also inform the IRS of your winnings over certain thresholds. So it is always best to keep track of your winnings.

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## Watch Out for These Tax Myths (Cont'd)

**Lesson Learned:** *Gambling winnings fall under tax rules just like other forms of income. Deducting gambling losses is possible, but it has limits that are subject to strict rules. For example, you must itemize deductions on your tax return if you don't declare yourself a self-employed professional gambler.*

### **Myth #3: Government benefits like unemployment and Social Security aren't taxable.**

Unfortunately, unemployment and Social Security benefits are usually taxable. Unemployment benefits are taxed at your normal tax rate as income at the federal level and in some states. Social Security is taxed, but in a much more confusing way. Supplemental Security Income payments, on the other hand, are not taxable.

**Lesson Learned:** *Plan ahead to mitigate the tax shock. You can have taxes withheld from your unemployment benefits so you don't have to pay a lump sum when you file your return. With Social Security benefits, understand when and how they can be taxed, since up to 80% of these benefits could be subject to income tax by the federal government.*

### **Myth #4: I work from home and can write off my office expenses.**

You can only deduct home office expenses if you operate a business out of your home. If you're an employee, you're out of luck. If you do run a business exclusively out of your home, there are still hurdles to clear before you qualify to use the home office deduction.

**Lesson Learned:** *Tax rules can be complicated, even for something that seems as simple as a home office deduction.*

If there's one common theme here, it's that tax laws can be complex even when they seem simple on the surface. When in doubt ask for help.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

*This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.*