



# Newsletter

DECEMBER 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:**

#### **January 15**

- 4th Quarter Estimated Payments Due

### **Take final year-end actions**

- Charitable contributions, other itemized deductions
- Capital gains/losses
- 401(k) contributions
- Dividend income

There's still time to uncover ways to cut your 2024 tax bill before the end of the year. In this month's newsletter, use our year-end tax savings checklist to help you minimize your annual tax liability.

Also learn about tax policy changes that may be on the horizon in 2025, and read about tax planning tips for your business.

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

## **Beneficial Ownership Information Reporting with FinCEN NOW ON HOLD!**

As you may have heard, a federal district court in Texas has issued a ruling that temporarily puts on hold the requirement that businesses file a beneficial ownership information (BOI) report with the Financial Crimes Enforcement Network (FinCEN) office in the U.S. Department of Treasury.

Over the last year, we've been telling you that all new businesses must file these reports no later than January 1, 2025, or face penalties of up to \$591 per day. As a result of the Texas district court's ruling, this is no longer the case... at least for now.

~ Continued on Page 2 ~



# Newsletter

DECEMBER 2024 - PAGE 2

## Beneficial Ownership Information Reporting with FinCEN NOW ON HOLD! (Cont'd)

The U.S. Department of Justice has appealed the court's ruling, noting that at least two other courts have rejected similar arguments raised in the Texas case. However, at this stage it is anyone's guess as to whether and when the BOI reporting requirements will be reinstated.

FinCEN has stated that businesses do not have to file BOI reports while the court's order is still in effect but has also given businesses the option to continue to file their reports while the issue works its way through the courts.

Bottom line, the choice is yours:

- If you would rather not file the report, no penalties can be imposed against you at this point;
- If you have already filed, there is nothing more you need to do. At this stage we do not have any information as to whether FinCEN will destroy all the previously provided information; or
- If you haven't filed but have all the information ready and would like to file, you are free to do so.

## The 2025 Tax Law Uncertainty

With the changes happening in Washington D.C., there is now some uncertainty about what tax policies we may see in 2025 and beyond. During this time of uncertainty, it is challenging to create a workable tax plan. But not to fear. There are several things that we DO know about tax changes to start 2025. Here are the key highlights as they are currently known.

### What we DO know

- **Tax brackets and rates.** The seven tax rates remain unchanged while the income subject to each rate got a slight bump. After a 5.4 percent increase in 2024, there's an additional 2.8 percent increase in income subject to each tax rate in 2025. This means more of your income will be subject to a lower tax rate.
- **Higher retirement plan limits.** The amount you can contribute to a 401(k) in 2025 is \$23,500, up from \$23,000 in 2024. The 401(k) catch-up contribution limit in 2025 stays at \$7,500 if you're age 50 to 59, and age 64+. New in 2025, if you are ages 60 to 63, the catch-up contribution limit increases to \$11,250. The annual contribution threshold for IRAs remains at \$7,000, as does the IRA catch-up contribution limit of \$1,000.

~ Continued on Page 3 ~



# Newsletter

DECEMBER 2024 - PAGE 3

## The 2025 Tax Law Uncertainty (Cont'd)

- **New cryptocurrency reporting rules.** New reporting rules in effect as of January 1, 2025 means you'll need to be more vigilant with tracking your cryptocurrency transactions and complying with the IRS's digital asset rules. Brokers of digital assets, including cryptocurrency exchanges, custodial services, and certain payment processors, must report sales and exchanges of digital assets to the IRS starting in 2025. Your digital asset transactions will be summarized annually on a new Form 1099-DA. This new reporting of digital asset transactions will be similar to existing reporting for traditional securities such as stocks and bonds.

### Changes on the horizon

- **The 1099-K reporting threshold.** If you use third party payment processors like Venmo or sell tickets on apps like SeatGeek, you're more likely to receive a tax form of your activity that will also be sent to the IRS. The limit requiring your activity to be reported was \$5,000 in 2024. In 2025, this threshold is scheduled to be lowered to \$2,500, and further lowered in 2026 to \$600.
- **Uncertainty over TCJA provisions.** There has been discussion about extending and/or making permanent many of the provisions contained in the Tax Cuts and Jobs Act (TCJA) of 2017. Most of the provisions are scheduled to expire at the end of 2025, so we will pay attention to any legislation forthcoming that could change any of this tax landscape.
- **Proposed decrease in corporate tax rates.** There is also discussion about lowering the corporate tax rate from its current level of 21%, in addition to lowering the effective corporate tax rate from 21% to 15% for domestic manufacturers.

Stay tuned for continuing updates of any tax changes as events unfold in 2025.

## Tax Planning Tips for Your Business

As 2024 winds down, here are some ideas to help you prepare your business for filing your upcoming tax return:

- **Informational returns.** Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers (TINs) for each of these vendors if you have not already done so.
- **Shifting income and expenses.** Consider accelerating income, or deferring earnings, based on profit projections.
- **Be prepared to receive a Form 1099-K.** You may receive a Form 1099-K from each payment

~ Continued on Page 4 ~



# Newsletter

DECEMBER 2024 - PAGE 4

## Tax Planning Tips for Your Business (Cont'd)

processor from whom you've received a payment. In addition to credit card companies and banks, payment processors can include Amazon, Etsy, PayPal, Venmo and Apple Pay. You'll need to include the 1099-K on your tax return.

- **Categorize income and expenses.** Organize your records by major categories of income, expenses and fixed asset purchases. If your accounting records are accurate, then any tax form should be easy to tie out to your books.
- **Separation of expenses.** Review business accounts to ensure personal expenses are not present. Reimburse the business for any expenses discovered during this review.
- **Create expense reports.** Having expense reports with supporting invoices and business credit card statements with corresponding invoices will help substantiate your deductions in the event of an audit.
- **Fixed asset planning.** Section 179 or bonus depreciation expensing versus traditional depreciation is a great planning tool. If using Section 179, the qualified assets must be placed in service prior to year-end.
- **Leveraging business meals.** Business meals with clients or customers are 50% deductible. Retain the necessary receipts and documentation that note when the meal took place, who attended and the business purpose on each receipt.
- **Charitable opportunities.** Consider any last-minute deductible charitable giving including long-term capital gain stocks.
- **Cell phone record review.** Review your telephone records for qualified business use.

While expensing a single landline out of a home office can be difficult to deduct, cell phone use can be documented and deducted for business purposes.

- **Inventory review.** Review your inventory for proper counts and remove obsolete or worthless products. Keep track of the obsolete and worthless amounts for a potential deduction.
- **Review your receivables.** Focus on collection activities and review your uncollectible accounts for possible write-offs.

~ Continued on Page 5 ~



# Newsletter

DECEMBER 2024 - PAGE 5

## Tax Planning Tips for Your Business (Cont'd)

- **Review your estimated tax payments.** Recap your year-to-date estimated tax payments and compare them to your forecast of full year earnings. Then make your 2024 4th quarter estimated tax payment by January 15, 2025.

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

## Year-End Tax Savings Checklist

*Great tax moves you can still make*

Conducting a year-end tax review of your financial situation can uncover opportunities to cut your tax bill or save you from an unpleasant tax surprise. But hurry, the clock is ticking! Here are several areas to consider reviewing in the next few weeks to trim your tax bill.

**Review #1: Retirement Savings Accounts.** The deadline to contribute to a 401(k) plan to help reduce your 2024 taxable income is December 31st. So if your employer's plan allows it, consider making a last-minute lump sum contribution. For 2024, you can contribute up to \$23,000 to a 401(k), plus another \$7,500 if you're age 50 or older. Even better, you have until April 15, 2025, to contribute up to \$7,000 into a traditional IRA, plus another \$1,000 if you're age 50 or older. And as long as your income does not exceed phaseout limits, your traditional IRA contribution can reduce your taxable income on your 2024 tax return.

**Review #2: Investments.** If you own stock outside a tax-deferred retirement plan, you can sell your under-performing stocks by December 31st and use these losses to reduce any taxable capital gains. If your net capital losses exceed your gains, you can net up to \$3,000 against other income such as wages. Losses over \$3,000 can be used in future years.

**Review #3: Appreciated Assets.** Consider selling appreciated assets in the tax year that helps you the most. While this strategy may be hard to accomplish this late in the year, it's still worthy of consideration. To do this, estimate your current year's taxable income and compare it to next year's projected taxable income. Then sell the appreciated asset in the year that will yield the lowest tax. Remember, if appropriate, to account for the 3.8% net investment income tax in your estimates.

**Review #4: Tax-Efficient Contributions.** As you're reviewing your appreciated assets, consider donating one or more of these assets if it helps you pass the itemized deduction threshold. If it does, consider donating next year's contributions as well to maximize the tax savings. Remember when you donate a long-term asset (held for more than one year) you avoid paying capital gains taxes while getting a

~ Continued on Page 6 ~



# Newsletter

DECEMBER 2024 - PAGE 6

## Year-End Tax Savings Checklist (Cont'd)

market value charitable deduction. And don't forget, if you are over age 70 1/2 you can make up to \$100,000 in direct contributions from a qualified IRA account and not pay tax on the withdrawal.

**Review #5: Health Spending Accounts.** If you participate in a Health Savings Account (HSA), try to maximize your annual contribution to reduce your taxable income. Remember, these funds allow you to pay for qualified health expenses with pre-tax dollars. The deadline for contributing to your HSA and still getting a deduction for the 2024 tax year is April 15, 2025. The maximum contribution for 2024 is \$4,150 if single and \$8,300 for married couples. If you're age 55 or older, you can add \$1,000 to your HSA contribution. If you have a Flexible Savings Account, you can carry forward a maximum balance of \$640 from 2024 into 2025 if your plan allows this.

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.*