



Newsletter

FEBRUARY 2025

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:

February 14

- Valentine's Day

February 17

- Presidents' Day

Reminders

- Organize filing records (1099s, 1098s, W-2s, etc.)

- Begin tax planning for 2025

Some people avoid filing their tax return as long as possible because, well, anything dealing with taxes just isn't fun. Other people don't file right away because they know they owe a lot...and want to postpone making that big payment.

In this month's newsletter, read about several reasons why it might actually make sense to file your tax return early. Also learn what to do if you get a tax document with incorrect information.

Also in this edition are some ideas how teenagers can keep down the cost of their future college tuition.

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

When to Consider Filing Early

The tax filing season for 2024 tax returns is now officially open per the IRS. So when is the best time to file your tax return? Sometimes it makes sense to delay filing as long as possible, but on other occasions an early filing of your return makes more sense. Here are some of the more common reasons to get your return done as soon as possible.

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When to Consider Filing Early (Cont'd)

- **To get your refund.** There's no reason to let the government hold onto your funds interest-free, so if you think a large return is coming your way, file as soon as possible. While legislation delays receiving refunds for tax returns claiming the Earned Income Tax Credit and the Additional Child Tax Credit until after February 15th, the sooner your tax return is in the queue, the sooner you will receive your refund.
- **To minimize fraud risk.** Once you file your tax return, the window of opportunity for tax identity thieves closes. These thieves work early during the tax filing season because your paycheck's tax withholdings are still in the hands of the IRS. If thieves can file a tax return before you do using your Social Security number, they may be able to steal these withholdings via a refund that should have gone to you!
- **To avoid a dependent dispute.** One of the most common reasons an e-filed return is rejected is when you submit a dependent's Social Security number that has already been used by someone else. If you think there is a chance an ex-spouse may do this, you should file as early as possible.
- **To deliver your return to someone who needs it.** If you are planning to buy a house or anticipate any other transaction that will require proof of income, you may wish to file early. This is especially important if you are self-employed. You can then make your filed tax return available to your bank or other financial institution.
- **To beat the rush.** As the April 15th tax filing deadline approaches, the ability to get help becomes more difficult. So get your documentation together and schedule a time to get your tax return filed as soon as you can. It can be a relief to have this annual task in the rearview mirror.

Whatever your situation, ensure your filing experience is a planned event. The closer to the filing date, the more stressful your experience could become. So plan accordingly!

Help! My Tax Form is Wrong!

You may receive a tax document with incorrect information. You may also discover that a tax form you're expecting was never delivered. Here are several situations you may encounter with incorrect information and what you can do about it.

- **Situation:** You receive a tax document with wrong personal information, such as an incorrect Social Security number.

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Help! My Tax Form is Wrong!

What you can do: Immediately contact the company that sent you the tax document and ask that the information be corrected. If it's your Form W-2 with wrong information, ask your employer for a corrected W-2 (Form W-2C, Corrected Wage and Tax Statement).

- **Situation:** You disagree with the amount of wages or income reported on a tax form.

What you can do: Contact your employer and ask for a corrected W-2 (Form W-2C, Corrected Wage and Tax Statement). If you do not receive the corrected W-2, you should report the incorrect amount as noted on the W-2 to avoid an IRS correspondence audit AND then correct the amount on your tax return. This is especially important because if the W-2 information is not corrected, you will not get Social Security credit for any missing wages you earned. If this happens to you, make sure your employee record is corrected as soon as possible.

- **Situation:** The business that issued your tax document went out of business and you can't locate the owner.

What you can do: You are required to report all your income, whether or not you receive information forms (W-2s or 1099s) from the parties who paid you. You'll have to reconstruct your income and income tax withholding based on your paycheck stubs or other documents. Make sure your income is also properly reported on your account with the Social Security Administration, as your future benefits could be negatively impacted if they aren't properly reported by your employer. According to the IRS, you should contact the IRS and a representative will record a W-2 complaint on your behalf.

- **Situation:** You never receive a tax document that you were expecting.

What you can do: If you don't receive a Form W-2 or Form 1099-R (for retirement distributions) by the end of February, you can call the IRS at 800-829-1040 for assistance. Be sure to have your employer's name and address, along with your name, address and Social Security number, before calling.

- **Situation:** You receive a missing or corrected tax document after filing your return.

What you can do: You may need to file an amended tax return to include the missing tax document or if the dollar amount on the corrected tax document is significantly different from what you reported on your tax return.

Remember that when you receive these informational tax forms to immediately review them for accuracy. The best way to get them corrected is early detection.

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High School Students! Here's How You Can Make College More Affordable

With the cost of college rising rapidly, it can be overwhelming to think about how to pay your way through school for either yourself or your kids. Fortunately, saving hundreds, or even thousands, is possible. Teenagers can help keep down the cost of their future college tuition by taking the following classes and exams while in high school:

- **Advanced Placement (AP) classes** and exams provide the opportunity for high school students to take college-level classes at their high school and an exam at the end of the school year. Many colleges will accept AP credits as placement and/or college credit. Most will accept a passing grade of 3, but some universities may require a score of 4 or 5 to earn college credit. (AP exam scores range from 1 to 5.)
- **College Level Examination Program (CLEP) tests** also offer the opportunity to earn college credit by passing an exam. However, instead of taking a class, you must study on your own and schedule an exam at a testing center when you're ready. CLEP exams receive a score between 20 and 80. A score of 50 is typically the passing score to obtain college credit, but each university sets its own requirement. It is important to note that while many colleges accept CLEP credits, some top schools do not.
- **Dual enrollment classes** allow high school students to take college courses at a local college or university and earn both high school and college credit. You must be a high school junior or senior to qualify for the program. Dual enrollment credits are widely transferable.

Cost of Exams and Potential Savings

AP exams cost around \$100, while CLEP tests cost \$93 plus an additional administrative fee while dual enrollment programs pay for tuition, fees and books. According to the College Board, the average cost of a 3-credit class at a four-year college ranges from \$1,200 to \$4,500, meaning for each 3-credit class you test out of, you save hundreds—potentially thousands—of dollars!

Additionally, earning college credit in high school can enable you to finish college in less than four years. Just make sure that when you're choosing a college, you pay attention to whether or not the schools accept AP and/or CLEP exam scores as credit.

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Retirement and Health Savings Limits for 2025

Retirement Plan Contribution Limits	2025	2024
IRA for those under age 50	\$7,000	\$7,000
IRA for those 50 and over	\$8,000	\$8,000
SIMPLE plan for those under age 50	\$16,500	\$16,000
SIMPLE plan for those 50 and over	\$20,000	\$19,500
401(k) plan for those under age 50	\$23,500	\$23,000
401(k) plan for those 50 and over	\$31,000	\$30,500

Health Savings Account (HSA) Contribution Limits	2025	2024
Self only	\$4,300	\$4,150
Family	\$8,550	\$8,300
Additional for 55 and over	\$1,000	\$1,000

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.