Freddi Eberhart & Associates Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Newsletter

DECEMBER 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:

Important dates:

December 25

- Christmas Day

Take final year-end actions

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

Reminder

- **Conduct year-end tax and financial planning**

Plenty of new tax laws are set to land in 2026. This issue gives you an easy way to size them up, along with several practical moves to help make filing your 2025 tax return feel a whole lot easier.

Also read how year-end is a good time to handle a few financial tasks that can trim taxes and set you up for a steady start to the new year.

As always, should you have any questions, please call. And feel free to forward this information to someone who could use it!

Getting Ready For Taxes

This year AND next!

Plenty of tax changes are lining up as the calendar turns toward 2026, and knowing what's coming can help you stay a step ahead. Before then, there's also several moves to make filing your 2025 tax return as easy as possible.

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Getting Ready For Taxes (Cont'd)

Preparing to file your 2025 tax return

- **Gather records to support deductions for *no tax on tips* and *no tax on overtime*.** Review the approved occupations for qualified tips and confirm the amount of this benefit you expect to claim in 2025. You will need proof of these claimed amounts. The same holds true for overtime pay. Employers are not required to issue W-2s or 1099s with this information in 2025, but they should provide you with the necessary confirmation of the dollar amounts. Compare these employer-provided amounts with your records to ensure they match prior to filing your tax return.

- **Look for new Form 1099-DA.** If you own cryptocurrency or other digital assets, you may see this new form. Starting with the 2025 tax year, exchanges and brokers must report certain cryptocurrency and digital asset transactions, so you should track cost basis, sale dates, and wallets used to avoid mismatches or questions from the IRS.

- **1099-Ks may still be issued.** You shouldn't see a Form 1099-K from a payment processor such as PayPal or Venmo unless you have 200 or more transactions amounting in more than $20,000 in payments from the processor. But because of the many tax law changes in this area you may still receive a Form 1099-K in error. If you receive one, don't throw it away! Include it with your other tax documents for proper reporting on your 2025 tax return.

- **Review IRA and HSA accounts.** If you have an IRA or HSA account, you can make 2025 contributions up until either April 15, 2026 or the date you file your return, whichever is earlier.

What's new in 2026

- **Above-the-line charitable contributions.** You can deduct $1,000 of charitable contributions if single or $2,000 if filing jointly. This is available to you whether you use the standard deduction or itemize your deductions. There's also the introduction of a 0.5% floor for itemizing charitable contributions.

- **Itemized deduction phaseout is back.** If you're in the top 37% tax bracket, your itemized deductions could be reduced. This phaseout of deductions is being re-introduced beginning in 2026.

- **Gamblers take a loss.** Losses from wagering transactions are now limited to 90% of such losses. Under the previous law you could claim deductions up to the amount of your winnings. For example, if you won $10,000 and incurred $15,000 in losses over the course of a tax year, you could deduct $10,000 using the previous law. Under the new law you can only deduct 90% of your losses, or $9,000 in this example.

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Getting Ready For Taxes (Cont'd)

- **Mortgage insurance premiums** can be reported as an itemized deduction.
- **Elimination of many energy credits.** This includes the credit for purchasing electric vehicles after September 30, 2025 and the elimination of many residential energy efficient purchase credits at the end of 2025. So plan accordingly.

Your Year-End Tax & Financial Checklist

Year-end is more than just wrapping gifts and planning celebrations – it's the last chance to make smart money moves that can reduce taxes and set the stage for a confident start to the new year. Use this checklist to help cover the essentials.

- **Check tax withholdings.** Do a quick check to see if your paycheck withholdings will match your tax liability. If you had a big refund or owed a large amount last year, you can anticipate the same will happen this year. So if you have not already done so, adjust your W-4 so you're closer to even. Then after filing your 2025 tax return, revisit your withholdings and make any fine tune adjustments for the 2026 tax year.
- **Max out tax-advantaged accounts.** If you have a Health Savings Account, try to max out your annual contribution limits. This serves a dual purpose: paying for health expenses with pre-tax dollars PLUS any unspent contributions can be invested and used for future needs. Next take a look at retirement accounts like 401(k)s, 403(b)s, or IRAs before the year closes and contribute as much as possible up to the annual limits.
- **Use up FSAs.** Flexible Spending Accounts often have use-it-or-lose-it rules. So check your balance and submit reimbursements for eligible medical or dependent care expenses. Some plans offer a short grace period or a limited carryover, so know your deadlines to avoid forfeiting money.
- **Plan for life changes.** Marriage, divorce, a new child, or a change in employment can all alter your tax situation. Be prepared for any changes these life events may cause.
- **Clarify dependency claims.** If family members provide or receive support, coordinate who will claim dependents on tax returns. This helps prevent IRS mismatches and ensures valuable credits like the Child Tax Credit go to the right filer.
- **Harvest investment losses (or gains).** Review your portfolio to realize losses that can offset capital

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Your Year-End Tax & Financial Checklist (Cont'd)

gains. If your income is low this year, you might even be able to harvest gains at a lower tax rate (maybe even 0%!). Be careful to avoid wash-sale rules.

- **Review your budget and spending.** Look back over your expenses for 2025 to spot trends. Did you meet your savings goals? Were there surprise costs that could be planned for next time? Adjust your budget now while memories are fresh.

- **Check your emergency fund.** Aim to keep three to six months of living expenses in a readily accessible account. If you've dipped into it this year, make a plan to replenish it, and review whether inflation or lifestyle changes mean you need a larger cushion.

- **Review insurance coverage.** Health, life, home, and auto policies all deserve a fresh look. Confirm coverage levels still fit your needs, compare premiums, and check that beneficiaries are current.

- **Update beneficiaries and legal documents.** Wills, trusts, and powers of attorney can become outdated quickly. Confirm that beneficiaries listed on retirement accounts and life insurance policies align with your estate plans

- **Talk as a family.** Finally, gather around the table for an open conversation about finances. Discuss goals, responsibilities, and plans for the coming year. Shared understanding builds financial strength, which is the best gift you can give each other before the year ends.

NEW! Bonus Contributions no Longer Tax Deferred

Need to know change if 50 or over

As part of the scheduled changes to tax beneficial retirement plans as part of the Secure 2.0 Act, beginning in 2026 higher earning employees may no longer place bonus contributions in a tax deferred retirement account. Here are the details.

Background

Most retirement plans provide the ability to deposit additional funds called catch-up contributions if you are age 50 for over. In 2025 this amount is:

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New! Bonus Contributions no Longer Tax Deferred (Cont'd)

401(k): $7,500

New in 2026

Beginning in 2026, if your income is $145,000 or more, these catch-up contributions may only be placed in a Roth 401(k). This means the "catch-up" contributions can only be made after paying the tax on the funds.

The good news: These funds and their related earnings will not be subject to tax upon withdrawal.

The bad news: If you employer does not offer a Roth 401(k) you may not take advantage of the catch-up contributions. In addition, you must plan to pay the income tax on these contributions if they are placed in a Roth version of the account.

As an aside, the rule was meant to go into place in 2024, but was delayed to allow plan administrators to make the necessary adjustments.

Action

1. Determine if this change impacts you.

2. Determine if your employer offers a Roth 401(k) to identify your options.

3. Make plan contribution adjustments to account for the additional income OR adjust your plan contributions to avoid the complications presented by this rule change.

Charitable Contributions and the One Big Beautiful Bill Act of 2025

Here's how your donations will look different for tax purposes beginning in 2026

The One Big Beautiful Bill Act of 2025 contains several changes to charitable contributions. Here's a quick summary of these changes.

- **There's a boost to charitable donations** for taxpayers who don't itemize deductions. Everyone can deduct up to $1,000 in donations ($2,000 for married couples) even if you don't itemize.

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Charitable Contributions and the One Big Beautiful Bill Act of 2025 (Cont'd)

- **Deducting donations is now more challenging** if you do itemize deductions. You can only deduct the portion of your charitable contributions that's over 0.5% of your income. For example, if you make $100,000 in 2026, donate $20,000, and itemize deductions, the first $500 (which is 0.5% of your income) doesn't count. So you can deduct $19,500 of your contributions. This floor is similar to the limitation of 7.5% of AGI for medical expense deductions.

- **Itemized deduction limitation.** If you're in the top 37% tax bracket, your itemized deductions will only save you up to 35% on taxes. So this affects not only charitable contributions, but all other itemized deductions as well.

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.