EDWARDS GROUP, CPAS, S.C.

December 2025

Merry Christmas and Happy New Year

As has become standard, the IRS will be having a late start to the tax season. They are estimating they will start accepting returns around February 16th, which is almost two weeks later than normal. This will compress this season even tighter than in prior years.

If we receive your documents after March 15th, you should make the presumption that you will be on extension. Going on extension is not a red flag. In fact, a lot of taxpayers file for an extension and then file their taxes as late as possible as it decreases the chance of an audit. Of course, if you owe taxes, the money is still due on April 15th, so we will be calculating an estimated payment if that is the case. If you have a refund coming obviously you would like your money as soon as possible, especially if it is sizeable at all, and we will get to it as soon as we can. The earlier you get your documents to us, the less chance you will have of being placed on extension.

If you are on extension, please remember that even though tax season is "over" on April 15th, we have other deadlines that loom throughout the year. May 15th is the nonprofit tax return deadline. We will start working on that right after April 15th, which pushes individual extensions past that date. Also, as of April 15th we will have been working close to 100 days straight without a break, so it is unlikely you will catch anyone here on a weekend for quite a while.

Tips to Make Tax Season Flow Easier

1. Please collect your tax documents in a tax envelope or folder. Please open your individual envelopes and place the documents flat in the envelope. Please do not use staples.
2. Adobe Scan App - If you are going to use your phone to take pictures of documents to send to us, please use the Adobe Scan app to do so. It is difficult, at best, for us to work with so many different file types and individual files.
3. Please understand that we have an order for the documents to input into the tax return. That order may not be the order you deliver your documents to us. We will not spend time trying to put your tax documents back into your order.
4. We accept cash, checks, or credit cards. For credit cards there will be a charge of just over 3% per transaction (subject to change). You will be able to either present your card at the time of pickup and we will run the charge, or you will be able to enter your card in the online portal to make payment.
5. For anyone that has paid late in the last year (90 days or later) we will be asking for prepayment before working on your tax return.

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6. Everyone's tax return will be available on the portal. This way you have a PDF file of the tax return in case the bank or someone else needs a copy of your tax return. If you do not see your return on the portal, please let us know and we will double check the access. If you want a physical copy, please check the box on the engagement letter requesting a physical copy. If you need a physical copy or PDF version of your tax return sent to someone, we will be charging $22.00 for that service as you have access via your portal.
    a. Our client portal is available here: edwardsgroupcpas.client.myfirm360.com
        i. We must have a current email address and mobile number on file for you to utilize the portal.
        ii. To log in, enter your email address and last 4-digits of your SSN. You will receive a 6-digit security code to your mobile number to complete the login process.
7. If you receive a 1099-K we will need that. If it is received in the normal course of business, all we need is the 1099-K. If you received it in an individual capacity (selling items online, or from Venmo or one of the other cash transfer apps) we will need a listing of what the money was for as it may or may not be taxable. If you ignore the form and do not report the money, even if it is not taxable, you are likely to get a nastygram from the IRS.

As in past years, we recommend setting up an online account with the IRS. The benefits are many. You can do so at the link below. It will require setting up an ID.me account which requires a picture ID and a cell phone. Once you have an account and login you can explore the many features of the account.

https://www.irs.gov/your-account

Another thing we have discussed in prior years is the IP PIN program to prevent someone else from filing a fraudulent return using your social security number. This program is available to anyone who wants an IP PIN. Each year you will get a new IP PIN and will need to obtain it by going online to your IRS account and retrieving the number each year. We will need that number to file your tax return and it will prevent anyone else from filing a tax return using your social security number.

https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin

Tax Law Highlights & Changes

Between President Trump's Executive Orders and the One Big Beautiful Bill (OBBB) there are many tax changes to tax law as well as procedure. I will highlight those below that I believe have immediate impact on our client base. Many (most) of these have not yet been adopted by WI.

No More Paper Checks: Technically this was supposed to end on September 30th, but one of the trainings said it will be enforced as of January 1st. Therefore, if you have a refund coming you will have to give us bank routing and account numbers to receive the refund. If you owe, you will have to make a payment online. We will have an information sheet available that will tell you how to make these payments for both Federal and Wisconsin and will include that with your tax return if you owe.

Digital Assets: Although this may only apply to a small subset of our client base, there have been some substantial changes in this area. Crypto brokers will now be required to track basis. This will be tremendously helpful at tax time for filing gains and losses. Full reporting for this begins on 1/1/2026. Digital assets will now also be treated as cash. Therefore, if there is a transfer of $10,000 or more of digital assets in one transaction there will be a reporting requirement on Form 8300. You have two weeks to file the form after the transfer. If you accept digital assets as a form of payment in your business, you will need a lot of information in order to fill out and file that form if you receive over $10,000 or more in

a single transaction. The time to get that information is before they transfer the $10,000 or more to you, not after.

2025 Bonus Deduction for Seniors: There is a new, temporary, $6,000 bonus deduction for seniors for the 2025-2028 tax years. This is in addition to the normal standard deduction or itemized deductions. Must be 65 or older by year-end and MAGI must be below $75,000 for single filing status and $150,000 for married filing joint filing status. Both spouses are entitled to the extra $6,000 but there is no deduction on a married filing separate tax return. The deduction is reduced 6% for MAGI that exceeds the income limits noted.

Child Tax Credit: Increased from $2,000 to $2,200. Income limits still apply.

Qualified Vehicle Loan Interest Deduction: For tax years beginning after December 31, 2024 and before January 1, 2029, taxpayers can deduct interest to purchase a qualified vehicle. The maximum deduction is $10,000 and income phaseouts for modified adjusted gross income above $100,000 (single) and $200,000 (joint) apply. Loan must originate after December 31, 2024 for a new, personal use vehicle. Vehicle must be qualified, meaning weight less than 14,000 pounds with final assembly in the United States. NHTSA has a feature on their website where you can enter the automobile's VIN, and it will tell you where final assembly took place.

State and Local Tax Deduction Limitation: This itemized deduction category was limited to $10,000 in the last major tax bill. This bill increases the limitation to $40,000. A 30% phase out will begin for taxpayers with modified adjusted gross income over $500,000. **Practical Considerations**: 1) Instead of using the standard deduction, which has been the case in the last several years, itemized deductions could be higher again. So even though we have always continued to need charitable contributions, and medical information as it may have applied to Wisconsin, now it could likely apply again in Federal. 2) Some taxpayers can go back to bunching itemized deductions. For most this means paying real estate taxes and charitable contributions twice in one year so itemized deductions apply and then skipping the next year, so the standard deduction applies. For RE Taxes, you accomplish this by paying in January and July as scheduled and then the full next year bill in December. But be careful, you lose the $300 RE Tax Credit in WI if you do this, so the bunching must make up for that loss. For charitable contributions, you make payment in December for the next year and typically let the charity know that that is a contribution for the following year.

Charitable Contribution Deduction: For 2026 charitable contributions will be subject to a limitation, much like medical. The limitation will be .5% of adjusted gross income. As an example, if your adjusted gross income is $100,000, .5% of that number is $500. Charitable contributions will then only be deductible to the extent they are greater than $500. **Practical Considerations:** You may want to bunch charitable contributions into 2025 to get the full benefit of the contribution.

Charitable Contribution Deduction Corporations: For 2026 Corporations will only be able to deduct charitable contributions to the extent that they exceed 1% of their taxable income for the year.

New Charitable Deduction: For those that do not itemize deductions, starting in tax year 2026 you will have the ability to deduct up to $1,000 (single) or $2,000 (married filing joint) in charitable contributions. The contribution must be cash and to a public charity. GoFundMe campaigns are not a public charity; those are a gift to the recipient of the funds.

Itemized Deduction Limitation: Beginning in 2026 itemized deductions will be reduced by 2/37 of the lesser of your itemized deductions or your taxable income over the start of the 37% bracket. If that limitation makes sense to you, you are doing better than I am with it. In essence, this will only apply to

high income taxpayers in the 37% bracket, which is taxable income over $626,350 (single) or $751,600 (joint).

Gamblers: For 2026 and forward wagering losses are limited to 90% of your losses during the year and allowed only to the extent of your gains/winnings.

Tax on Tips: Up to $25,000 of qualified tips will be tax free from 2025-2028. The deduction will be reduced by $100 for every $1,000 of MAGI over $150,000 (single) and $300,000 (joint). Qualified Tips are cash tips received in a business which customarily and regularly received tips on or before 12/31/2024. The tips must be paid voluntarily without any consequence in the event of non-payment. This brings into question whether or not the standard application of a "service fee" of 15% or 20% for groups of six or eight or more legally qualifies as a tip in this case. Most do not believe that those are qualified tips thus creating a nightmare from a compliance standpoint. In August the IRS published a list of 68 occupations that it will recognize as ordinarily receiving tips for the tips deduction. Your occupation must be on that list in order to take the deduction. This is to prevent industries that do not normally receive tips from changing the way they do business and charging $20 for services rendered with a "voluntary (wink wink)" tip of $150. The deduction is income tax only; you still pay social security tax on the tips.

No Tax on Overtime: You will be able to deduct up to $12,500 (single) and $25,000 (joint) for qualified overtime compensation. The deduction will be limited by $100 for every $1,000 of income over $150,000 (single) and $300,000 (joint). Overtime is defined as only the extra ½ of time and a half for overtime. For 2025 if you have overtime, you must provide that number to us. Employers are not required to report that number in 2025. Any reasonable method to calculate it will be accepted for 2025.

Trump Accounts: Trump accounts are non-ROTH accounts for the benefit of someone under the age of 18. No distributions are allowed before the calendar year where the beneficiary attains the age of 18, except under very limited circumstances. Investments are limited to index funds; contributions are non-deductible and limited to $5,000 annually. Employers can contribute up to $2,500. They are reported on Form 4547. For children born in years 2025-2028, a check the box option is available to receive a $1,000 contribution from the government to the Trump account. Those amounts will be available sometime after July 4, 2026 and it is unclear at this time exactly how those deposits will be made.

Section 529 Plans – Broader list of Qualified Expenses: Expenses now qualifying under the Section 529 Education plans include: Tuition and fees, required books, supplies and equipment, room and board up to the school's published costs for room and board, computers and internet access needed for coursework, student loans up to $10,000 lifetime limit per beneficiary, K-12 tuition up to $10,000 in 2025 and up to $20,000 in 2026, apprenticeships, certifications and licenses for professional credentials, and tests for AP, SAT, ACT and other college entrance exams.

Remember there is an interplay between paying expenses from the Section 529 account and the education credits. You can have one or the other, but not both on the same dollars. We are set to optimize that interplay for you and it can have some very beneficial outcomes as the American Opportunity Credit is up to a $4,000 tax credit.

Gain from Qualified Farmland Property: Gain on the sale of qualified farmland property may be elected to be paid over 4 years. Qualified farmland property is property that was used by the taxpayer as a farm or leased to a farmed during substantially all of a 10-year period ending on the date of sale.

Estate Tax Exemption: Permanently (until they change it again) increased to $15 million, including annual inflation adjustments.

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1099 (NEC, MISC) Reporting Threshold: This is the amount paid that would require a 1099 to be issued by a business. In the past it was $600. It has now been increased to $2,000 and will be adjusted for inflation. This begins tax years after December 31, 2025.

1099-K Reporting: We have been discussing this for the past few years. This will apply to Venmo, PayPal, and other services. The newly adopted rule is for calendar years beginning after December 31, 2024, the requirements for reporting are $20,000 and more than 200 transactions. If you get a 1099-K please get it to us, there will be reporting even if the amounts on the 1099-K are not taxable.

Sales Tax: Effective in April of 2025, Racine County now has the added .5% sales tax so the total rate now in Racine County is 5.5%

Credit Card Fees & Sales Taxes: If you charge a fee for the use of a credit card, that fee is subject to sales tax if the underlying sale would be subject to sales tax.

WI Retirement Subtraction: WI now has a $24,000 retirement subtraction from income. To qualify you must be at least 67 years old at the end of the taxable year. If both spouses are over 67, they both get the subtraction. Eligible income is basically any retirement plan income that is not excluded from WI income under a separate provision. This is pro-rated for part-year residents. Non-residents do not qualify.

Health Insurance and the ACA Subsidies: The Covid expansion of the premium tax credit no longer applies for tax years after December 31, 2025. Obamacare, or marketplace insurance, provides a premium tax credit for health insurance. The premium tax credit is a government payment on your behalf to the insurance company for part of the health care premium. The original premium tax credits were available to anyone who had a marketplace insurance policy and had income below 400% of the Federal poverty limit. For a household of two that limit was $21,150 in 2025, so four times that is $84,600. If your income was over $84,600 for a household of two, you did not get any government assistance towards the premium. You had to pay the full amount. During Covid that limit was changed from 400% of the Federal poverty limit to 8% of your adjusted gross income. This meant you would not pay more than 8% of your adjusted gross income for health insurance. Anything over that amount the government would pay on your behalf. That 8% limit is now gone and we are back to the straight 400% of Federal poverty limit.

Practical Pointer:
What this means for our clients is we are back to the "cliff" that we had to navigate prior to the 8% rule. If your income is $1 over the 400% Federal poverty limit for your household size, you will have to pay back 100% of any premium tax credits you received that year. When this rule was in place prior to the Covid adjustment, we saw paybacks of up to more than $10,000, for very small amounts over the 400% income limit. **This means if you are receiving premium tax credits you must monitor your income very very carefully and if you have any surprises, please let us know immediately as there are a few things that can be done to lower income, but if you wait too long those options are lost.** Some of those options are lost on December 31st of the tax year and others on the April 15th filing date.

You can also find the above tax information at our website: www.egroupcpas.com

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Minimum Fee List

This is only a small sampling, so if you do not see something listed that pertains to you, please feel free to reach out.

- Form 1040 New Client: $325.00 (basic return, one state)
- Form 1040 Existing Client: $250.00 (basic return, one state)
- Form 1040 Prior Years: $350.00 (basic return, one state)
- Dependent Child: $135.00 (basic return, one state)
- Minimum to determine that you do not have a filing requirement: $50.00

Hours, Personnel, and Emails

Edwards Group CPAs S.C. –Any of the following employees might be calling you for information we need to complete tax returns, payroll tax forms, 1099 forms, bookkeeping, record-keeping, and financial statements.

Hours:
January 19th to April 15th
Monday – Thursday: 8:00am-6:00pm
Friday: 8:00am-4:00pm
Saturday: 9:00am-1:00pm

April 16th to Jan 15th(ish) of the following year
Monday – Thursday: 9:00am-4:00pm
Possibly by appointment at other times, if there is a real need.

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