



## 2025/2026 TAX SEASON UPDATES

### Tax Deadlines

- IRS open electronic filing usually last week in January - CURRENTLY NO SET DATE
- S Corporation (1120S) and Partnership (1065) Returns are due March 16, 2026
- Personal/individual (1040) Returns are due April 15, 2026
- C Corporation (1120) Returns are due April 15, 2026
- Trust and Estate (1041) Returns are due April 15, 2026

### Standard Deduction Amounts 2025 and 2026

Filing status	2025 standard deduction	2026 standard deduction
Single; Married filing separately	\$15,750.	\$16,100.
Married filing jointly; Surviving spouse	\$31,500.	\$32,200.
Head of household	\$23,625.	\$24,150.

### Personal Filing Form 1040 - Tax Bracket Updates for 2025

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$11,925	\$0 to \$17,000
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$11,926 to \$48,475	\$17,001 to \$64,850
22%	\$48,476 to \$137,375	\$96,951 to \$206,700	\$48,476 to \$103,350	\$64,851 to \$103,350
24%	\$137,376 to \$200,000	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$200,001 to \$250,000	\$394,601 to \$501,050	\$197,301 to \$250,525	\$197,301 to \$250,500
35%	\$250,001 to \$626,350	\$501,051 to \$751,600	\$250,526 to \$375,800	\$250,501 to \$626,350
37%	\$626,351 or more	\$751,601 or more	\$375,801 or more	\$626,351 or more

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### Capital Gains Tax Rates

Short-term capital gains are taxed as ordinary income.

Long-Term Capital Gains Tax Rate	Single Filers	Married Filing Jointly	Heads of Household	Married Filing Separately
0%	\$0 to \$47,025	\$0 to \$94,050	\$0 to \$47,025	\$0 to \$63,000
15%	\$47,026 to \$518,900	\$94,051 to \$583,750	\$47,026 to \$291,850	\$63,001 to \$551,350
20%	\$518,901 or more	\$583,751 or more	\$291,851 or more	\$551,351 or more

## HIGHLIGHTED CONCEPTS AND TAX CONSIDERATIONS

**ONE BILL BEAUTIFUL BILL ACT (OBBA):** Recent federal legislation, the One Big Beautiful Bill Act, brings meaningful tax law changes that may directly affect your personal finances and business operations. This legislation preserves several favorable provisions while introducing targeted changes that affect deductions, capital investment incentives and financial planning. Below, we summarize the key provisions you should be aware of as you prepare for the upcoming tax years.

### BUSINESSES CONSIDERATIONS FROM OBBBA

***Please note that this tax deduction has been extended under the One Big Beautiful Bill Act.***

**BONUS DEPRECIATION:** Eligible property purchased after January 19, 2025, can be bonus depreciated at 100%. Property acquired and placed in service before January 19, 2025, can be depreciated at 40% for 2025.

Eligible property includes:

- Property that has a useful life of 20 years or less to include vehicles, equipment, furniture, fixtures, and machinery. It does not include buildings and/or land.
- Qualified improved property that includes improvements to the interior of nonresidential real property and is made after the building has been owned.
- Computer software and hardware.

**SECTION 179 DEPRECIATION:** Section 179 Depreciation permits you to deduct up to \$2.5 million (phase-out begins at \$4 million) for depreciation of a fixed asset purchased and placed into service after December 31, 2024. The deduction and phaseout thresholds will be indexed for inflation in future years.

## 2025/2026 TAX SEASON UPDATES

### BUSINESSES CONSIDERATIONS FROM OBBBA CONTINUED

*Please note these new provisions below concerning payroll and make sure your payroll company follows these guidelines.*

**NO TAX ON TIPS:** OBBBA Section 70201 allows eligible employees in certain occupations to deduct up to \$25,000 of qualified tips from their federal taxable income. The deduction applies to tax years beginning after December 31, 2024, and ending before January 1, 2029.

**NO TAX ON OVERTIME:** OBBBA Section 70202 allows employees to deduct up to \$12,500 (\$25,000 for married taxpayers filing jointly) in overtime pay, effective for tax years starting after December 31, 2024.

### PERSONAL/INDIVIDUAL CONSIDERATIONS FROM OBBBA

**CAR LOAN INTEREST DEDUCTIBLE IF ITEMIZE:** Under this temporary provision, auto loan interest is deductible in tax years 2025-2028 (but only for cars assembled in the U.S. and purchased as of 1/1/2025 or after). This deduction is limited to \$10,000 and subject to phase-outs for individuals with income above \$100,000 for single filers or \$200,000 for married taxpayers filing jointly. Please note we will need the VIN to execute this itemized deduction and this is for personal vehicles only, not those listed in a business.

**SENIOR TAX DEDUCTION:** Individuals aged 65 or older may claim an additional \$6,000 for single filers OR \$12,000 for married taxpayers filing jointly if both spouses meet the age requirement. The new deduction is in addition to the existing standard deduction for seniors. This extra deduction phases out for single filers at income over \$75,000 or joint filers at income over \$150,000.

**SALT DEDUCTION CAP:** The OBBBA introduces a temporary state and local tax (SALT) increase for taxpayers. Increase the deduction cap from \$10,000 to \$40,000 for tax years 2025-2029.

**CHARITABLE DONATIONS:** The OBBBA allows for donations of \$1,000 if single filer or \$2,000 for joint to be used on the return as a deduction if you are not itemizing.

### GENERAL PERSONAL/INDIVIDUAL CONSIDERATIONS

**REPORTING CRYPTOCURRENCY:** IRS considers Virtual Currency as investment property and any transaction involving sale or exchange of virtual currency must be accounted for on the income tax return just as the taxpayer would account for the sale of any other investment. Form 1099-DA has been introduced and it is the form that will be required starting January 2026 for tax year 2025. This form is intended to summarize/report the transactions involving digital assets capturing cost basis, sale proceeds, and dates of those transactions. We would recommend that if you have been dealing in virtual currency for many years, you be sure to have a correct cost basis (original purchase price) to be reported when the time comes.

**REPORTING FOREIGN ACCOUNTS:** Any US person that has a financial interest in or authority in or signature over foreign accounts must file an FBAR if the aggregate value of the foreign account exceeds \$10,000 at any time during the calendar year. Our office does not handle the filing of the FBAR, however, the IRS Form 1040 for an individual return asks if you the taxpayer have any foreign accounts. We receive this answer from you via the completed organizer. This also means you have a responsibility to the Financial Crimes Enforcement Network. (FinCen) if applicable.

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### GENERAL PERSONAL/INDIVIDUAL CONSIDERATIONS CONTINUED

**REQUIRED MINIMUM DISTRIBUTIONS (RMDs):** An IRA owner/participant (other than ROTH IRA) must begin taking distributions for each calendar year beginning with the calendar year in which the participant attains age 73. Please be sure to get with your financial planner to make sure you have completed your RMDs correctly for 2024.

**\*\*\*TAX STRATEGY ADVICE** – Qualified Contribution Donation (QCD)

If you donate to charitable organizations often, you should consider donating within your retirement distribution(s) that are traditional IRAs and/or retirement accounts (not for ROTH distributions). To do so, you would advise your financial planner to schedule the donation to a charitable organization of your choice as part of your distribution from retirement. This would reduce the taxable income from distribution by the donation amount and avoid the limitations of itemizing donations in Schedule A. The maximum donation from a Qualified Contribution Donation is \$105,000. Just be sure that all is tracked and supplied to our office so we can record your return correctly.

**\*\*\*TAX STRATEGY ADVICE** – Take advantage of current tax brackets with rollovers to ROTH.

The current tax brackets of 12%, 22% and 24% are set to change for the 2026 tax year. Because of these current tax rates, 2024 and 2025 are inherently great tax years to convert traditional retirement benefits to ROTH. We recommend working together with our office and your financial advisor to discuss further if this is an option that suits your tax situation.

**\*\*\*Estate/Trust Planning from Inherited IRAs** – A ROTH makes a better trust beneficiary because distributions from an Inherited ROTH IRA to the trust are income tax free. This is true even if funds are accumulated in trust whereas traditional IRAs are bad trust assets since they could leave modest amount of income to be taxed at higher trust tax rates.

### GENERAL BUSINESS CONSIDERATIONS

#### FILE CABINET ACCOUNTING – BEING PREPARED FOR AN AUDIT

WJG's concept of File Cabinet Accounting is recommended so that all the paperwork that is created when processing data with an accounting system is consistently filed/saved centrally and puts it at management's fingertips. Feel free to ask us more about this area if you are not feeling organized!

#### IRS FOCUS AREAS FOR AUDITS – SPECIFIC TO S CORPORATIONS

There are 3 main areas the IRS has been tasked to focus on for audits of S Corporations and their owners. They are highlighted below.

- Equity Position and Losses - The IRS plans to focus efforts towards making sure that S Corporation owners have a positive equity/basis position to take losses on their personal returns from the K-1 produced by filing the business return. If equity is not available to substantiate the loss, the current year's loss will carry forward to the future year(s) to offset that entity's future income that is reported on the personal return.

\*\*\*Please note that a loss from one entity cannot offset another entity's positive income unless there is positive equity/basis position to do so regardless of the other K-1 income from other entities.

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- Capital Gains Treatment of Over Distribution of Equity - Another focus area is making sure that S Corporation owners are recognizing capital gains and paying tax on those capital gains for any amount that has been over distributed past a positive position of equity/basis.
- Reasonable Compensation - An area that has always been subject to IRS scrutiny is owner wages and verifying reasonableness. All S Corporation owners must pay themselves reasonable compensation that is calculated by considering the competitive wage for that position if you were to pay another individual with an increase for consideration that you are the owner and have special qualifications. Additionally, wages should be greater than the owner's distributions of equity.

To assist in this process and understanding, feel free to reach out to our office and be sure to review the basis statement that will now be part of your business return and K-1 package details.

**20% BUSINESS DEDUCTION:** The 20% Business Deduction, officially titled Code Section 199A Deduction, is an available deduction for up to 20% of domestic qualified business income from a Partnership, S Corporation or Sole Proprietorship (pass through entities). This deduction is limited to wages paid or on wages paid plus a capital element and is phased out for taxpayers with taxable income above the certain thresholds (married filing jointly \$326,600; all other types of filers \$163,300). Additional limits will apply to specifically defined types of businesses in the computation of the 20% Business Deduction including health, law, accounting, financial services, and brokerage services.

## RETURN PROCESSING RECOMMENDATIONS AND ADVICE

**TAX DOCUMENT DELIVERY:** Our office asks that clients use the preferred method of uploading your 2025 tax documents through our secure portal offered via ImagineTime (link below). It is the preferred method as it is the most efficient and secure way to make sure we receive all tax-related items. If you would prefer to mail or drop at the office, please make sure to only provide us with **COPIES** and retain the originals for your records. Our office has been working diligently to update the secure portal with most recent returns for all clients as you may have seen some notifications emailed to you. We appreciate your patience and efforts in using the secure portal.

<https://wjjordon.imaginetime.com/>

**ENGAGEMENT LETTERS:** An engagement letter sets forth the professional services provided in the preparation of the tax return(s). They are available via our website's "Resource" page. Please make sure to print, review, and sign/date to return to us with your tax documents. We must have these to begin preparation of your return(s). Please note that a Married Filing Joint return requires both spouse signatures/dates. If you are filing your personal and business returns with us, separate engagement letters are required for each return being filed with our office. Link to resource page below.

<http://www.wjjordon.com/resources>

**CLIENT ORGANIZERS:** The client organizer is used as an extra tool to aid in collecting tax information and updating personal information. We require that ALL clients complete the organizer for 2025. There are questions that are necessary and/or required by the IRS to be answered to complete your tax return. Please make sure you submit the organizer with your other tax documents, or your return will be held up from processing if this key information is not received. The organizers are also available on our website's "Resource" page, link provided above.

## 2025/2026 TAX SEASON UPDATES

### RETURN PROCESSING RECOMMENDATIONS AND ADVICE CONTINUED

**RECOMMENDATION FOR ESTABLISHING TAXING AGENCY PERSONAL ONLINE ACCOUNTS AND OBTAINING IP PIN FROM INTERNAL REVENUE SERVICE:** We would highly suggest setting up personal accounts with the various agencies that are applicable to your personal filings. Additionally, we recommend that all clients obtain an IP PIN via their ID.me account with the IRS. This is a unique identifier that will allow protection from fraudulent returns being filed fictitiously on your behalf.



**THANK YOU!**

**Your business is appreciated!**

**Call us to discuss any of the above and/or any ideas you may have for your 2025 and 2026 tax filing!**

***The finest compliment we can receive is a referral from a satisfied client!***