TaxUpdate

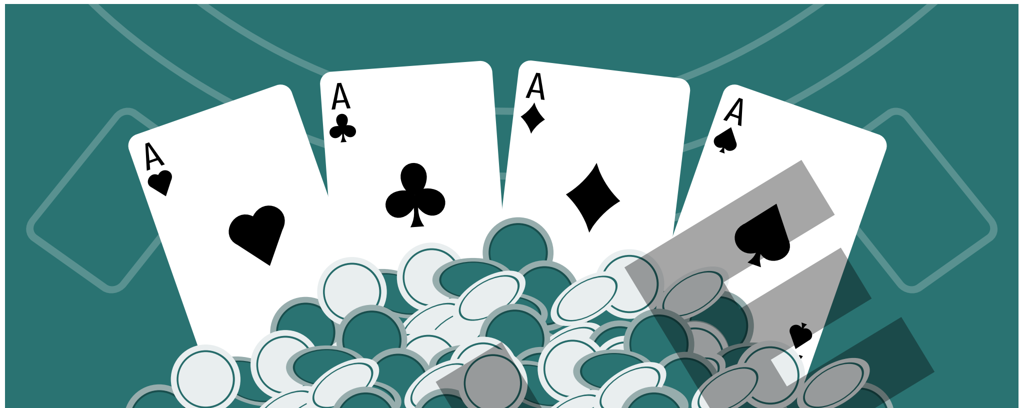
2025 MID-YEAR NEWSLETTER

The Year of Uncertainty

As a reminder, unless Congress acts, a number of tax rules will be changing at the end of this year. So planning your tax obligation this year AND next year is more important than ever. That doesn't mean Congress will not extend some or all of the current temporary tax laws, but why take the chance? Here are some of the larger changes to consider:

- Tax rates will go up, with very different income brackets
- Many more will itemize deductions and have them subject to phase outs
- More will be impacted by the alternative minimum tax
- The child tax credit will be reduced
- There will be different capital gains tax rules
- Exemptions will be re-introduced
- Small businesses may lose their 20% QBI deduction

If you think you may be impacted by these changes, now is the time to create your strategy.



Common Overlooked Taxable Events

The best time to avoid tax surprises is when there is still time to plan for the tax obligation. That time is now. Here are common tax topics that, if identified, can be planned for accordingly.

1. **Gambling winnings.** Whenever you gamble at a casino or win the lottery and receive a tax form for your winnings, that information is sent to the tax authorities. Since the form typically only contains the amount you won, save copies and records of any gambling losses.

2. **Retirement distributions.** Take note of any distributions from your retirement accounts, note the type of account, and the date it was distributed. You will receive Form 1099s for the distributions and need to be prepared to make estimated tax payments on a timely basis or prepare to pay potential penalties. Depending on your age and the type of retirement account, a number of tax surprises could occur if not properly recorded. This includes early withdrawal penalties and income tax on the withdrawals.

3. **Gifts over $19,000.** If you provide gifts in excess of $19,000 ($38,000 for a couple) to any one person during the year, you must fill out a gift tax return.

4. **Contemporaneous documentation.** The time to put together proper documentation to support your deductions is when the activity takes place. Common areas where this is important are with charitable contributions, mileage logs, and other itemized deductions.

5. **Unemployment income.** Unless specifically excluded by the federal government, unemployment income is taxable. Many taxpayers become surprised by an unwanted tax bill if federal withholdings are not taken out of these payments.

6. **Digital assets.** If you have any transactions during the year using digital assets (cryptocurrency), you have a taxable event. This is because digital assets are seen as property in the eyes of the IRS. This means long and short-term capital gains come into play. And if you use digital assets to purchase other capital goods, then you may have two potential taxable transactions!

Now is the time to plan for these taxable events and reach out to plan your tax obligation long before a surprise sneaks up on you.

Post-Tax Filing Tips

Before you close this year's tax file there is still some work to do. If the IRS or state revenue department selects your return for review, you will need to be prepared. Here is what you need to do now:

1 Keep a copy of your Form 1040 indefinitely

You may need them to correct historic Social Security earnings statements or to prove that you filed a tax return.

2 Supporting documents need to be retained for three years

Records to support your tax return (i.e., W-2s, 1099s, K-1s, receipts, canceled checks, bank statements and mileage logs) should be kept for a minimum of three years from the later of the tax filing due date, the date you filed your taxes, or the date you paid your tax in full.

3 Property and investment records need to be held longer

To prove your cost/basis and taxable gain or loss, all records relating to property that you own (your home, rental properties, stocks, bonds and other investments) need to be kept for at least three years after it's sold or disposed.

4 Be mindful of other record retention requirements

The three-year period is the federal guidance for standard returns. There are other factors that should be considered, including:

- State record retention requirements (often six months to one year longer)
- Requirements for insurance, banking or estate management
- Additional federal requirements for tax returns including unreported income (six years), worthless securities (seven years) or bad debt (seven years)
- No audit time limit for fraudulent returns

Tax Age Limits and Thresholds

Age	Tax Code	Impact
0+	New birth	Creates a new dependent.
13	Dependent Care Credit	This credit is gone for those age 13.
17	Child Tax Credit	This popular $2,000 per child credit is no longer available for those age 17 or over.
19	Earned Income Credit and some Education Credits	These credits disappear when your qualified dependent or taxpayer is 19 or older (also see age 24, below).
24	(See age 19 limits)	If your qualified taxpayer is 19 or older, but still a qualified student, the extended age limit becomes under age 24.
50+	Qualified Retirement Account Catch-up Contributions	You may add to your annual contribution to IRAs, 401(k)s, 403(b)s, SEP IRAs, SIMPLE IRAs and others through this catch-up provision.
55+	Health Savings Account Catch-up Contributions	Donate additional funds to your HSA using a catch-up provision.
59½	Retirement Accounts	Begin withdrawals from qualified retirement accounts without a pre-payment penalty.
62+	Social Security Begins	Social Security retirement benefits may begin depending on your date of birth.
70	Social Security Maximized	The age where Social Security retirement benefits are maximized if you delay starting Social Security benefits.
73	Qualified Retirement Account Distributions	Minimum distributions are required from select retirement accounts like traditional IRAs, 401(k)s, SEP IRAs, SIMPLE IRAs, and more.

Note: *This is not a full list of age-related tax requirements, but rather a summary of the most common.*

5 A specific filing system is not required, but organization is key

The ability to easily find your documents in the event of an audit will make the process much simpler. Here are some tips:

- File records by year rather than income or deduction type.
- Within the file, order your records to match the flow of the Form 1040.
- Consider scanning your files to create a digital file as a backup.
- Create 2025 files now to save documents for the current year.

If you are unsure whether to retain or shred something, keep it unless you know the document can be replaced.

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.