

Dear Clients,

As we begin the 2025 tax season, please review this letter carefully. It includes key tax changes, important deadlines, and our office procedures to ensure a smooth process.

New Tax Changes

New Temporary Deductions (2025-2028)

Tips: Up to \$25,000 per taxpayer per year of qualified tips.

Eligibility:

- Applies to both employees and self-employed individuals in occupations that customarily and regularly received tips before 2025. IRS has published a list of nearly 70 qualifying occupations, including food and beverage, beauty and personal care, entertainment, home services, and transportation.
- Tips received in specified service trades or businesses as defined under IRC 199A(d)(2) are excluded.
- Married taxpayers must file jointly to claim the deduction.

Requirements:

- Only voluntary tips (not mandatory service charges) qualify.
- Tips must be properly reported to the IRS. Employees will be on the W2 or from employers. For self-employed or non-employees, tips must be included in income reported on Form 1099-MISC, 1099-NEC, or 1099-K.

Overtime: Up to \$12,500 (\$25,000 joint) of overtime premium pay (the “half” in “time and a half”). Your employer should provide you with the amount that qualifies for this deduction. Make sure to bring this supplemental information in.

Car Loan Interest Deduction:

You can deduct up to \$10,000 of interest on loans for new, U.S. assembled vehicles,

Requirements for deduction:

- The vehicle must be new (not used or leased) and includes cars, minivans, vans, SUVs, pickup trucks, or motorcycles with a GVWR under 14,000 pounds.
- Vehicle must have undergone final assembly in the United States
- The original use of the vehicle must begin with the taxpayer (first owner) and be a personal vehicle, not a business asset (business deduction applies elsewhere).
- Loan must be secured by a first lien on the vehicle. If loan is refinanced, interest on the refinanced amount may still qualify.
- There is a deduction phase out for taxpayers with higher incomes.
- You must report the VIN on the tax return for any year the deduction is claimed.
- Lenders must provide annual interest statements to both the IRS and the taxpayer.
- The deduction cannot be combined with other business interest deductions for the same vehicle.

Senior Deduction: deduction of up to \$6,000 if you are age 65 or older per qualifying individual.

Each of these deductions are subject to income phase-outs and specific eligibility rules.

State and local tax deduction

The cap on the deduction for state and local taxes is temporarily increased to \$40,000 (\$20,000 for married filing separately) for 2025 through 2029, with a phase-down for higher incomes. The cap reverts to \$10,000 after 2029. This may affect whether it is beneficial for you to itemize deductions.

Digital assets and virtual currency

Digital assets are defined as any digital representation of value that are recorded on a cryptographically secured distributed ledger or any similar technology. For example, digital assets include non-fungible tokens (NFTs) and virtual currencies, such as cryptocurrencies and stablecoins.

Beginning with transactions occurring in 2025, the IRS has implemented new reporting requirements. For certain transactions through a broker or certain digital asset platforms, you may receive a new Form 1099-DA in early 2026. It is important to note that you are responsible for accurately reporting all taxable digital asset transactions on your tax return, even if you do not receive a Form 1099-DA. It is important to maintain detailed records of all digital asset purchases, sales, exchanges and related transactions to substantiate that reporting. The IRS continues to increase its scrutiny and reporting requirements in this area.

Charitable contribution planning

Changes coming in 2026 to the charitable deduction, it will be important to review your 2026 plans to discuss the best timing and structure for your charitable giving.

Energy tax credits and green incentives

Many federal energy credits, including those for new and used clean vehicles, solar panels and energy efficient home improvements, have expired or are set to expire soon. If you have purchased any energy efficient items, please let us know and provide the receipts.

Electronic payments to and from the IRS

In March 2025, President Trump signed an executive order requiring all federal disbursements, including IRS tax refunds to be made electronically rather than by paper check, effective Sept. 30, 2025. Although payments to Treasury can still be made using the current acceptable methods until guidance is released to provide a timeline for electronic payments, we are encouraging ALL payments (tax due and estimates) be paid electronically. This will ensure payments are made on time, avoiding significant delays with the mail and the new post mark changes. We will need banking information when you submit your tax information. Submitting a voided check/deposit slip with your bank information will suffice.

Arntzen & Ruckman requirements, processes and procedures

1. **Engagement Letter:** This letter states the terms of our agreement and will need to be signed prior to the start of tax preparation. Watch for this email to you in SafeSend with the organizer!
2. **Tax Information & Submission:** Submit all tax documents at **one time**. We will not start on your tax return until we have ALL information. Please do not submit multiple pieces at different times. It actually takes us longer to prepare.
 - a. We are still using SafeSend for our clients to send us documents securely and keep them organized in one place. It will create a portal where we can send documents back and forth, allowing you to always have access to it.
 - b. The link is on our website at www.centralmt.cpa, look for the Send Files Button.
 - c. We will be using SafeSend for **e-signing**. Please let us know at drop off what your preferred method is.
 - d. We will be emailing a **tax organizer** again this year. This is provided for your convenience and is meant to be helpful in gathering pertinent information from previous tax year. This will also come through SafeSend.
3. **Deadline:** We kindly request that you provide us with all relevant documents and details by **March 15th**. An automatic extension will be filed if we don't have information by that date. While we strive to complete your return by April 15th, we cannot guarantee it will be and may still require an extension due to the continuing complexity of returns and time required for their preparation.
4. If you anticipate needing tax returns sent to banking institutions, we will need a **signed release form** from you for us to release them. This is a requirement of the IRS. Please let us know at the time of tax return signing or when dropping information off.
5. We will need current banking information for electronic refunds/payments. Please provide a voided check or a deposit slip at time of tax documentation submission.
6. **Quarterly Estimates:** If we set you up for quarterly estimated tax payments in 2025, please submit the exact amounts and dates when you made the payments. You can submit the worksheet we provided to you. If you did not make the estimates, please tell us that as well.
 - a. For clients who typically owe or expect to owe, we request that you **pay quarterly estimates**. We will set you up for them if we feel you should. This is an IRS requirement and avoids potential penalties. It also benefits you if you are on extension.
7. **Bookkeeping:** If you use a bookkeeping program, such as QuickBooks or Quicken, it is important that your books are **reconciled** through January 2026 and any outstanding 2025 checks or deposits are reflected in your books. The books should be balanced with our last year's end balances.
 - a. Please note that if we need to spend time cleaning up your books, your tax return could be delayed and completed after April 15th.
 - b. Don't forget we need **your login and file password** when you drop off the files!

- c. For Entity returns such as Partnerships/S Corporations/Corporations we are required to report a balance sheet on your tax return. These reconciled books help ensure accurate reporting. We need 12/31/25 ending bank and loan balances.
- 8. For **issuing 1099s**: We require complete information from your vendors, including W-9 forms. It is your responsibility to obtain the W-9 at the time of hiring or when making payments for services such as rent, services, and custom hire. The W-9 helps obtain the correct information for filing 1099s – how they are taxed, address, and EIN/SS#. Try to obtain them throughout the year. This information is due to our office by 1/21/2025 or there will be an added late fee.
- 9. Due to the rising costs such as continuing education, required technology and maintenance, and other business costs we will be increasing our fees; our minimum tax preparation fee will be starting at \$350.
- 10. If you anticipate dealing with more complex transactions such as sales, 1031 exchanges, establishing new businesses, buying/selling a business and/or estate and tax planning discussions, we ask that you schedule an appointment outside of tax season, if possible. This will allow us to devote the time and attention needed to gather all the necessary information and adequately prepare for the complex topics, while still meeting our deadlines.
- 11. Our office hours will be Monday – Friday 8:00-5:00. Accountants are available by **appointment only**.
 - a. You can drop off, mail, or securely upload your information through SafeSend on our website at www.centralmt.cpa.
 - b. You can also reference our website for important information on tax, payroll, forms, websites, and due dates.

We understand that these changes may be significant for you, just as they are for us. Our intention is to continue providing the same high-quality professional services you have come to expect. With the ever-changing landscape of tax laws, workforce dynamics, and technology, and these adjustments will allow us to better serve you while providing our staff with good well-being and work-life balance.

We appreciate your understanding and continued trust in our firm. We look forward to nurturing our great relationship and providing exceptional service. Should you have any questions or require further clarification, please do not hesitate to reach out to us.

Sincerely,

Arntzen & Ruckman CPAs, PLLP