

2024/2025 TAX SEASON UPDATES

Tax Deadlines

- IRS open electronic filing 1/29/2025
- S Corporation (1120S) and Partnership (1065) Returns are due March 17, 2025
- Personal/individual (1040) Returns are due April 15, 2025
- C Corporation (1120) Returns are due April 15, 2025
- Trust and Estate (1041) Returns are due April 15, 2025

Standard Deduction Amounts 2024 and 2025

Filing status	2024 standard deduction	2025 standard deduction
Single; Married filing separately	\$14,600.	\$15,000.
Married filing jointly; Surviving spouse	\$29,200.	\$30,000.
Head of household	\$21,900.	\$22,500.

Personal Filing Form 1040 - Tax Bracket Updates for 2024

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 \$103,350	\$96,951 to \$206,700	\$48,476 to \$103,350	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,525	\$197,301 to \$250,500
35%	\$250,526 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

REPORTING FOREIGN ACCOUNTS: Any US person that has a financial interest in or signature authority over foreign accounts must file a FBAR if the aggregate value of the foreign accounts 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 bank accounts. We receive this answer from you via the completed organizer. This also means you have a responsibility to report to the Financial Crimes Enforcement Network (FinCEN) if applicable.

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. Tracking original purchase price and date and sales price and date are just some of the pieces needed to be supplied to our office.

*****COMING IN 2026** - 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. There are also tools we can use to help you determine your costs basis if becomes an issue.

THE CORPORATE TRANSPARENCY ACT

On December 3, 2024, the United States District Court for the Eastern District of Texas issued a nationwide preliminary injunction prohibiting the federal government from enforcing the Corporate Transparency Act. As it stands now, the Court has made it clear that reporting entities **DO NOT NEED TO FILE** the Beneficial Ownership Interest form required under the CTA as previously advised by this office. We will continue to monitor the situation for further developments. An appeal to the Fifth Circuit Court of Appeals could reinstate CTA obligations. **We simply ask that if you have not filed your BOI, expect to be ready to do so quickly once we have a final decision made in the courts.**



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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 the 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.

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. Files should be set up as they relate to the financial statements; the Balance Sheet and the Statement of Net Income. Visualize your filing cabinets as two drawers per financial statement. The first two drawers are used for items from your Balance Sheet such as bank and credit card statements, asset purchase documents, loan documents, etc. The next two drawers are used for items from your Statement of Net Income and can include all vendor-related files for bill payments.

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.
- **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.



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BUSINESS CONSIDERATIONS CONTINUED

- **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.

Please note that this tax deduction is set to expire for the 2026 tax filing year and will not be available.

BONUS DEPRECIATION: Eligible property purchased in 2024 can be bonus depreciated at 60%. 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.

Please note that bonus depreciation will be phased out each tax year moving forward until it is not available (40% in 2025 and 20% in 2026).

SECTION 179 DEPRECIATION: Section 179 Depreciation permits you to deduct 100% of the depreciation of a fixed asset purchased and placed into service in 2024. This remains available in the 2024 tax year but is limited if the business generates a loss due to the deduction.

OHIO BUSINESS TAX LAW CHANGES: There have been 2 recent updates to the Ohio tax laws.

- Effective 1/1/2025, Commercial Activity Tax (CAT) annual minimum tax has been eliminated and the annual exclusion is increased to \$6 million. CAT accounts for Annual Filers and quarterly taxpayers that anticipate \$6 million or less in taxable gross receipts in 2025 should be final effective 12/31/2024.
- Senate Bill 246 was passed and added section R.C. 5748.38, which allows a qualifying pass-through entity, also known as a PTE (S Corporations and LLCs multimember), to elect to be subject to entity level tax. This means that the business/entity would file and pay Ohio State Business tax (5% for 2024) in conjunction with filing the federal return by using the Ohio Form IT 4738. This irrevocable election can be made each tax year and is binding to all owners of the entity when made. The benefit of filing the Ohio PTE Form IT 4738 is that the entity gets to deduct/expense the state taxes paid (meaning reduce business profits) and the owner gets a credit for those taxes in the year of filing towards their Ohio personal return. As with most of our clients, we will assess case by case to advise if this election and filing makes sense for your business.



WJ GORDON & ASSOCIATES
ACCOUNTING FOR ALL SEASONS

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RETURN PROCESSING RECOMMENDATIONS AND ADVICE

TAX DOCUMENT DELIVERY: Our office asks that clients use the preferred method of uploading your 2024 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://wjgordon.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.wjgordon.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 2024. 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.

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 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 2024 and 2025 tax filing!

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