



Certified Public
Accountants

Elliott Advisory Group

Presents

2025 Tax Talk

Agenda

- Overview of the 1040 & Schedule C
- Filing Status
- Tax Rates
- Various Tax Deductions & Credits
- Filing Due Dates
- Tracking Income & Expenses
- Deductible Self-Employment Expenses
- Ways to Reduce Self-Employment Taxable Income
- Tax Changes Related to the One Big Beautiful Act (OBBA)
- Misc
- Questions

Form 1040 – Individual Tax Return

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 31			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions). Enter type and amount: _____			1h	
i	Nontaxable combat pay election (see instructions)		1i		
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a		b	Taxable interest
3a	Qualified dividends	3a		b	Ordinary dividends
c	Check if your child's dividends are included in 1 <input type="checkbox"/> Line 3a			2	<input type="checkbox"/> Line 3b
4a	IRA distributions	4a		b	Taxable amount
c	Check if (see instructions)	1	<input type="checkbox"/> Rollover	2	<input type="checkbox"/> QCD
5a	Pensions and annuities	5a		3	<input type="checkbox"/>
c	Check if (see instructions)	1	<input type="checkbox"/> Rollover	b	Taxable amount
6a	Social security benefits	6a		2	<input type="checkbox"/> PSO
c	If you elect to use the lump-sum election method, check here (see instructions)		<input type="checkbox"/>	3	<input type="checkbox"/>
d	If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here		<input type="checkbox"/>	b	Taxable amount
7a	Capital gain or (loss). Attach Schedule D if required			6b	
b	Check if: <input type="checkbox"/> Schedule D not required <input type="checkbox"/> Includes child's capital gain or (loss)			7a	
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your total income			9	
10	Adjustments to income from Schedule 1, line 26			10	
11a	Subtract line 10 from line 9. This is your adjusted gross income			11a	

Form 1040 – Individual Tax Return *(continued)*

Tax and Credits	11b	Amount from line 11a (adjusted gross income)		11b
	12a	Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent		
	b	<input type="checkbox"/> Spouse itemizes on a separate return c <input type="checkbox"/> You were a dual-status alien		
	d	You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind		
		Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind		
	e	Standard deduction or itemized deductions (from Schedule A)		12e
	13a	Qualified business income deduction from Form 8995 or Form 8995-A		13a
	b	Additional deductions from Schedule 1-A, line 38		13b
	14	Add lines 12e, 13a, and 13b		14
	15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income		15
16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>		16	
17	Amount from Schedule 2, line 3		17	
18	Add lines 16 and 17		18	
19	Child tax credit or credit for other dependents from Schedule 8812		19	
20	Amount from Schedule 3, line 8		20	
21	Add lines 19 and 20		21	
22	Subtract line 21 from line 18. If zero or less, enter -0-		22	
23	Other taxes, including self-employment tax, from Schedule 2, line 21		23	
24	Add lines 22 and 23. This is your total tax		24	
Payments and Refundable Credits	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	
	b	Form(s) 1099	25b	
	c	Other forms (see instructions)	25c	
	d	Add lines 25a through 25c		25d
	26	2025 estimated tax payments and amount applied from 2024 return		26
		If you made estimated tax payments with your former spouse in 2025, enter their SSN (see instructions):		
	27a	Earned income credit (EIC)	27a	
	b	Clergy filing Schedule SE (see instructions)	<input type="checkbox"/>	
	c	If you do not want to claim the EIC, check here	<input type="checkbox"/>	
28	Additional child tax credit (ACTC) from Schedule 8812. If you do not want to claim the ACTC, check here <input type="checkbox"/>	28		
29	American opportunity credit from Form 8863, line 8	29		
30	Refundable adoption credit from Form 8839, line 13	30		
31	Amount from Schedule 3, line 15	31		
32	Add lines 27a, 28, 29, 30, and 31. These are your total other payments and refundable credits		32	
33	Add lines 25d, 26, and 32. These are your total payments		33	

Standard deduction for—

- Single or Married filing separately, \$15,750
- Married filing jointly or Qualifying surviving spouse, \$31,500
- Head of household, \$23,625
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

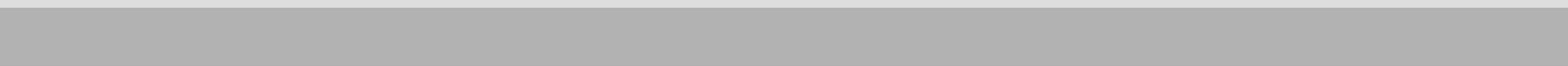
If you have a qualifying child, you may need to attach Sch. EIC.

Form Schedule C – Profit or Loss From Business

Part I		Income	
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	
Part II		Expenses. Enter expenses for business use of your home only on line 30.	
8	Advertising	8	
9	Car and truck expenses (see instructions)	9	
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest (see instructions):		
	a Mortgage (paid to banks, etc.)	16a	
	b Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
	a Vehicles, machinery, and equipment	20a	
	b Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
	a Travel	24a	
	b Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Energy efficient commercial bldgs deduction (attach Form 7205)	27a	
27b	Other expenses (from line 48)	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27b	28	
29	Tentative profit or (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31	Net profit or (loss). Subtract line 30 from line 29.		

Fun Facts!

In Fiscal Year 2024, the IRS collected over ___ trillion in gross taxes, which accounted for about 96% of the funding for federal government operations. This revenue supports everything from national defense to Social Security and Medicare.

- A. \$4.4 Trillion
 - B. \$7.0 Trillion
 - C. \$5.1 Trillion
 - D. \$8.2 Trillion
- 

Fun Facts - Answer

C. \$5.1 Trillion

The current government budget is \$7.1 Trillion



What's Your Filing Status?

- Single
 - Individuals who never married, divorced or legally separated individuals during the tax year, and widows/widowers
- Head of Household (HOH)
 - Must have paid more than half of the cost of having a home for a qualifying dependent such as children, grandchildren, stepchildren, nieces and nephews, or younger siblings under 19 (24 if a full-time student) who lived with you for over half the tax year. Dependents can also include adults supported by you, such as your parents and adult children.

*****Filing status is determined on your status at December 31 of the tax year*****

What's Your Filing Status? *(continued)*

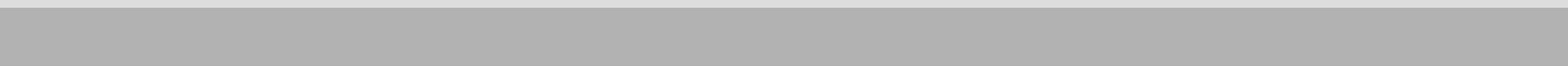
- Married Filing Jointly (MFJ)
 - Must be legally married by the end of the tax year
- Married Filing Separately (MFS)
 - Often happens when you live apart from your spouse for an extended period of time (but not legally separated), when one spouse has a financial situation that would result in a bigger refund if they file separately, or when it's preferred to keep finances separate from each other.
- Qualifying Widow(er)
 - Lost a spouse during the tax year
 - Can use this status for the next two tax years if you have a dependent child & are not remarried.

Married Filing Separately – Why?!

MAY make sense to file MFS if:

- You're on a student loan income-driven repayment plan. Could reduce your bill since it would be based on your income alone, instead both household incomes.
- You have a large amount of out-of-pocket medical expenses. It may be easier to reach the 7.5% threshold of your adjusted gross income to qualify for medical deductions.
- You're in the process of getting divorced or separated and want to avoid any shared liabilities.

Cons:

- You lose the higher standard deduction
 - No childcare credit allowed
 - Cannot claim education credits or tuition interest
 - Could end up in a higher tax bracket (ex: \$75k, MFJ 12% and MFS 22%)
- 

What Taxes Do We Pay to the IRS?

Federal Income Taxes

- See tax brackets on next slide (minimum is 10%)

Social Security & Medicare Taxes (7.65% for employee & 7.65% for employer)

- Social Security @ 6.2% + Medicare @ 1.45% = 7.65%
- ***Self-employed individuals pay both side of this tax for a total of 15.3%, BUT “employer portion” is tax deductible***
- Social Security Tax capped at \$176,100 for 2025
 - was \$168,600 in 2024
 - will be \$184,500 in 2026

What Taxes Do We Pay to the IRS? *(continued)*

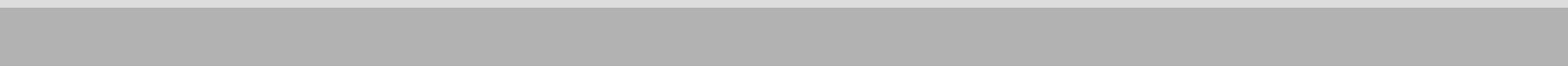
Capital Gain Taxes – based on your income

- Taxes on LT gains range from 0-20%
- Taxes on ST gains range from 10-37%

Investment Income Tax – based on your income

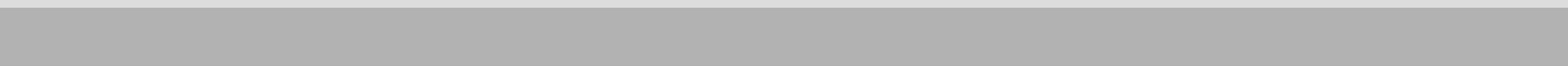
- Tax rate is 3.8%
- Modified Adjusted Gross Income
 - Single/Head of Household - \$200,000
 - Married Filing Jointly - \$250,000
 - Married Filing Separately - \$125,000

Types of Investment Income

- Interest
 - Dividends
 - Capital Gains
 - Rental Income
- 

Fun Facts!

In FY 2024, the IRS processed more than 266.6 million tax returns and other forms, how many were individual income tax returns?

- A. 161 million
 - B. 175 million
 - C. 90 million
 - D. 110 million
- 

Fun Facts - Answer

A. 161 million



2025 vs 2026 Federal Income Tax Brackets

	2025	2026	2025	2026	2025	2026	2025	2026
Tax rate	Single Filers		Married Filing Jointly		Married Filing Separately		Head of Household	
10%	\$11,925 - less	\$12,400 - less	\$23,850 - less	\$24,800 - less	\$11,925 - less	\$12,400 - less	\$17,000 - less	\$17,700 - less
12%	\$11,926 - \$48,475	\$12,401 - \$50,400	\$23,851 - \$96,950	\$24,801 - \$100,800	\$11,926 - \$48,475	\$12,401 - \$50,400	\$17,001 - \$64,850	\$17,701 - \$67,450
22%	\$48,476 - \$103,350	\$50,401 - \$105,700	\$96,951 - \$206,700	\$100,801 - \$211,400	\$48,476 - \$103,350	\$50,401 - \$105,700	\$64,851 - \$103,350	\$67,451 - \$105,700
24%	\$103,351 - \$197,300	\$105,701 - \$201,775	\$206,701 - \$394,600	\$211,401 - \$403,550	\$103,351 - \$197,300	\$105,701 - \$201,775	\$103,351 - \$197,300	\$105,701 - \$201,750
32%	\$197,301 - \$250,525	\$201,776 - \$256,225	\$394,601 - \$501,050	\$403,551 - \$512,450	\$197,301 - \$250,525	\$201,776 - \$256,225	\$197,301 - \$250,500	\$201,751 - \$256,200
35%	\$250,526 - \$626,350	\$256,226 - \$640,600	\$501,051 - \$751,600	\$512,451 - \$768,700	\$250,526 - \$375,800	\$256,226 - \$384,350	\$250,501 - \$626,350	\$256,201 - \$640,600
37%	Over \$626,350	Over \$640,600	Over \$751,600	Over \$768,700	Over \$375,800	Over \$384,350	Over \$626,350	Over \$640,600

Note "marriage penalty" at the 35% bracket

Standard Deduction

	2024	2025	2026
Single	14,600	15,750	16,100
MFS	14,600	15,750	16,100
HOH	21,900	23,625	24,150
MFJ	29,200	31,500	32,200

Additional \$6k for Seniors (65+), 2025 - 2028

Itemized Deduction

	SALT Taxes	Charitable Donations	Mortgage Interest *	Medical Expenses
2024	\$ 10,000	Up to 60% of AGI	\$750k Debt Limit, MFJ	7.5% of AGI
2025	\$ 40,000	Up to 60% of AGI	\$750k Debt Limit, MFJ	7.5% of AGI
2026	\$ 40,000	Up to 60% of AGI after .5% Floor **	\$750k Debt Limit, MFJ	7.5% of AGI

SALT = State & Local Tax (includes state income tax, local sales tax, property tax)

* For loans taken out after 12/15/2017 and \$1M for loan prior

** Can take an "above the line" deduction of \$1k/\$2k Single/MFJ

Where do the Standard or Itemized Deductions go on the Tax Return?

11b	Amount from line 11a (adjusted gross income)	11b	
12a	Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent		
b	<input type="checkbox"/> Spouse itemizes on a separate return	c	<input type="checkbox"/> You were a dual-status alien
d	You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind		
	Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind		
e	Standard deduction or itemized deductions (from Schedule A)	12e	
13a	Qualified business income deduction from Form 8995 or Form 8995-A	13a	
b	Additional deductions from Schedule 1-A, line 38	13b	
14	Add lines 12e, 13a, and 13b	14	
15	Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income	15	
16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	

Child Tax Credit & Child Care Credit

Child Tax Credit

For 2025 & 2026:

\$2,200 per qualifying child under 17

(refund of up to \$1,700 per child)

Credit phases out based on income

- \$200,000 for single/MFS/HOH
- \$400,000 for MFJ

Child Care Credit

Can claim up to \$3,000 for one child, or \$6,000 for two or more children.

Generally results in a \$600 credit for one child and \$1,200 credit for two or more children.

Credit phases out based on income

- \$438,000

Earned Income Credit

2025

Number of children	Maximum earned income tax credit	Max income: Single or head of household filers	Max income: Married joint filers
0	\$649	\$19,104	\$26,214
1	\$4,328	\$50,434	\$57,554
2	\$7,152	\$57,310	\$64,430
3 or more	\$8,046	\$61,555	\$68,675

2026

Number of children	Maximum earned income tax credit	Max income: Single or head of household filers	Max income: Married joint filers
0	\$664	\$19,540	\$26,820
1	\$4,427	\$51,593	\$58,863
2	\$7,316	\$58,629	\$65,899
3 or more	\$8,231	\$62,974	\$70,224

Fun Facts!

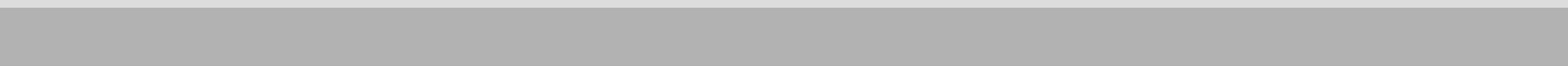
What President enacted the first income tax, which then started the first known IRS?

A. George Washington

B. Theodore Roosevelt

C. Abraham Lincoln

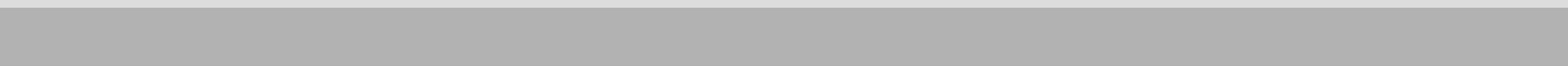
D. James Garfield



Fun Facts - Answer

C. Abraham Lincoln

The IRS traces its roots to 1862, when he established the Office of the Commissioner of Internal Revenue to fund Civil War expenses.



Selling Your Primary Home?

Gain Exclusion on Sale of Primary Home

- Single/MFS/HOH - \$250,000
- Married Filing Jointly - \$500,000

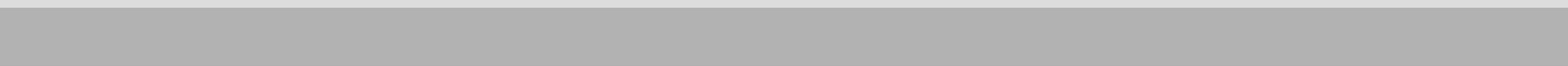
Requirements

- Must have been your primary home 2 out of the last 5 years

Calculating Gain:

Sales Price – Cost Basis

Cost Basis = Original Purchase Price + Closing Costs on Purchase & Sale + Major Improvements

- Must have receipts for major improvements
 - Always keep a copy of your Closing/HUD statements to know closing costs
- 

Due Dates for 2025 Tax Filing

- **December 31, 2025**

- Charitable Donations
- 401(k) Contributions
- Required Minimum Distributions

- **January 31, 2026**

- W-2/W-3 or 1099/1096 for employers

- **March 15, 2026**

- Partnership & S-Corporation Tax Returns Due

- **April 15, 2026**

- Individual, Trusts, & Corporation Tax Returns Due
- HSA & IRA Contributions

- **October 15, 2026**

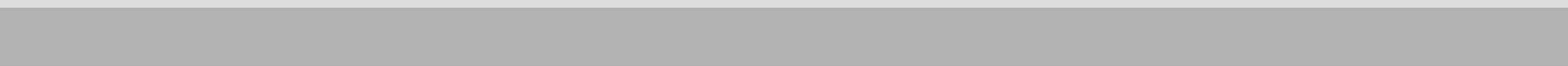
- SEP IRA & Simple IRA Contributions, if tax return is extended

Additional Due Dates for 2025 Tax Filing

- **Extension Due Dates**

- September 15, 2026 for Partnership & S-Corporation Tax Returns
- October 15, 2026 for Individual & Corporate Tax Returns

- **Estimated Tax Payment due dates to apply to your 2026 tax return**

- April 15, 2026
 - June 15, 2026
 - September 15, 2026
 - January 15, 2027
- 

As a Business Owner, When are you Required to File a 1099-NEC or 1099-MISC?

1099-NEC

- You paid a non-employee for services (e.g., a graphic designer, consultant, accountant, plumber etc).
- Paid an aggregate of \$600 or more in 2025
- Due by January 31, 2026 (Feb 2 since weekend)
- **Aggregate changes to \$2k in 2026 w/ OBBBA**

1099-MISC

- You paid for something other than services, such as renting office space from a landlord, giving a cash prize, or royalties.
- Paid an aggregate of \$600 or more in 2025
- Due by February 28, 2026 for paper filing and March 31, 2026 if filing electronically.
- **Aggregate changes to \$2k in 2026 w/ OBBBA**

As a Business Owner, Do I Have to File a 1099-NEC or 1099-MISC Electronically ?

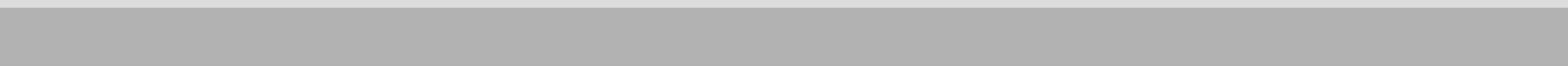
- If you have 10 or more returns (combined W-2s, 1099-NEC, 1099-MISC, etc.), you must file electronically.
- Can file for free on the IRS Information Returns Intake System (IRIS).
- To use IRIS, you need an IRIS Transmitter Control Code (TCC). This 5-digit code identifies your business when you e-file forms.
- Typically takes 45 days to obtain
- Can also file via 3rd party sites for a fee

The Importance of Tracking Income & Expenses

As a S/E individual, knowing:

- Your income
- If you're growing
- If you're making money
- If there are unnecessary expenses
- Areas for improvement

As a taxpayer:

- Reporting all income received – IRS matching
 - Taking all allowed deductions to offset income
 - Preparing for self-employment taxes @ 15.3%
 - Having information ready to file your taxes
- 

Ways to Track Income & Expenses

- Excel Worksheet
- Wave Accounting (\$0-16 per month)
- Xero Accounting (\$25-90 per month)
- Quickbooks (multiple cost options)
 - Desktop Premier Plus \$1,600, annually - sunsetting
 - Online Self-Employed version \$0-20, per month

Fun Facts!

How many pages is the current U.S. federal tax code?

A. 26,000

B. 85,000

C. 55,000

D. 70,000

Fun Facts - Answer

D. 70,000



Deductible Expenses

- Accounting & Legal Fees
- Advertising/Marketing
 - Billboards/Signs/Banners
 - Business Cards/Printed Material
 - Gifts/Flowers/Cards
- Bank Fees
- Business Insurance, if applicable
- Cell Phone, **Reasonable** Business Use %
- Dues & Licenses
 - License Renewals
 - Membership Dues
- Education/Training Fees
 - Course Materials
 - Registration Fees
 - Seminars/Training Classes
 - Travel – Lodging/Car Rental/Flights
- Equipment
 - Camera
 - Computer/Laptop/Accessories
 - Machinery
 - Printer/Copy/Fax Machine
 - Tools/Gadgets
- Health/Dental/Vision Insurance

Deductible Expenses (*Continued*)

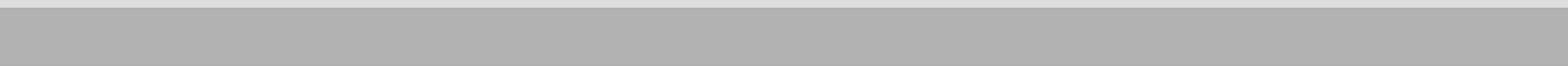
- Interest Expense
- Internet - **Reasonable** Business Use %
- Materials/Supplies
- Meals – 50-100% deductible in 2025
 - Who/What/Where/When/Why
- Mileage OR Gas/Car Maintenance
 - \$0.70 per mile in 2025
 - Mileage Log/Apps
 - MileIQ
 - Everlance
 - TripLog
 - Hurdlr
- Home Office Furniture - Reasonable Business Use %
- Home Office Supplies - Reasonable Business Use %
- Office Utilities (outside of home)
- Parking Fees
- Postage
- Rent/Lease Payments (Office/Vendor Space/Equip)
- Repairs & Maintenance
- Software Expenses
 - Accounting Software
 - Mileage Apps
 - Square/Stripe/Payment Apps

Meals

- 100% Deductible
 - Social activity primarily for the benefit of non-highly compensated employees.
- 50% Deductible
 - Meals for business purposes
 - Food or beverages provided for employees on the employer's premises and for the convenience of the employer. (ND after 2025)
 - Meals provided to help employees work overtime. (ND after 2025)
- Meal and beverage expenses cannot be "lavish" or "extravagant".
- While there is no clear definition of what is lavish or extravagant, a Supreme Court Justice was quoted saying "I know it when I see it".
- If considered lavish or extravagant, they are non-deductible.

Fun Facts!

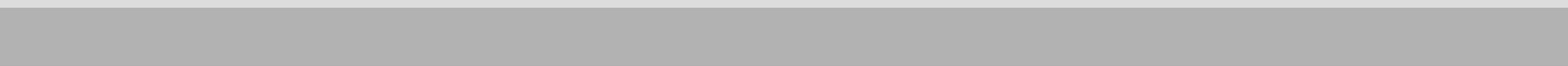
Which tax is NOT real:

- A. Professional athletes are taxed by the states they visit for games.
 - B. In Texas, cowboy boots are tax-free.
 - C. Nevada gives a free deck of cards to taxpayers upon filing.
 - D. Indiana charges a 18% tax on the purchase of purebred animals.
- 

Fun Facts - Answer

D. Indiana charges a 18% tax on the purchase of purebred animals.

Other Tax Reduction Options for Self Employed

- Home Office Deduction
 - Paying Your Child to Work
 - Qualified Business Income Deduction
 - Contribute to an HSA
 - Contribute to a SEP IRA
- 

Home Office Deduction

This tax deduction is allowed if you have a designated space in your home that is used for your business.

Home Expenses Used in Calculation:

- HOA Dues
- Home Insurance
- Home Rent or Mortgage Interest
- Lawn Care & Pest Control Fees
- Property Taxes
- Repairs & Maintenance
- Utilities (water, waste, electric)

Additional Information Needed:

1. Square Footage of Home Office
2. Square Footage of Entire Home

Home Office Deduction

Two Calculation Options

Simplified Calculation:

- Does not require total of annual home expenses
- Allows \$5 per square foot of office space
 - Maximum of 300 square feet

Example:

Home Office = 100 sq ft

Home Office Deduction = \$500 (100 * \$5)

Regular Calculation:

- Requires total of annual home expenses

Example:

Home Office = 100 sq ft

Home Total = 1000 sq ft

$100/1000 = 10\%$

Total Home Expenses = \$8,000

Home Office Deduction = \$800 (8,000 * 10%)

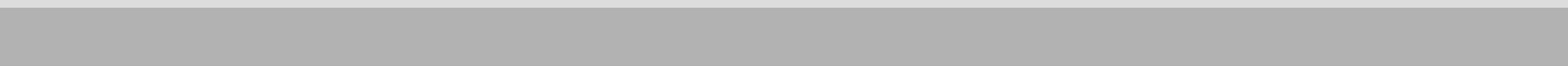
Paying Your Child to Work

The Fair Labor Standards Act's minimum age requirements do not apply to minors employed by their parents or a person acting as their guardian.

Requirements:

- Documented job description
- Child must be able to perform the specified job requirements
- Proper timesheets
- Payments must be made to child

But wait, there are more rules!!



Paying Your Child to Work - *continued*

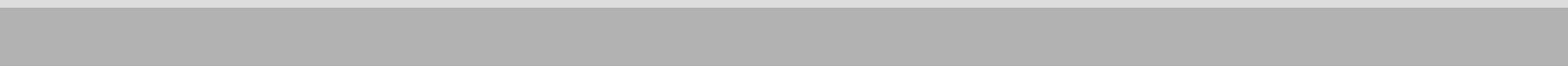
For a Sole Proprietor, Single Member LLC, or Partnership:

(must be wholly owned by only the child's parents)

- Payments to a child **under** age 18, as long as their total income is below the single standard deduction (\$15,000 for 2025), are not subject to federal withholding, Social Security, or Medicare taxes.

C-Corporation, S-Corporation, or Partnership:

(where one partner is not the parent)

- The child is subject to the same withholding rules that apply to all other employees.
- 

IRS Fun Facts!

The IRS issued refunds in FY 2024, totaling about \$552.7 billion. The average individual income tax refund was:

A. \$7,140

B. \$3,143

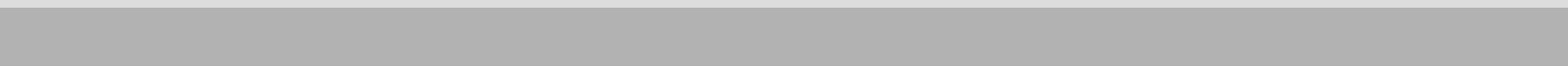
C. \$2,368

D. \$5,295

Fun Facts - Answer

B. \$3,143

Getting a refund isn't always a good thing. Don't give the IRS a free loan!

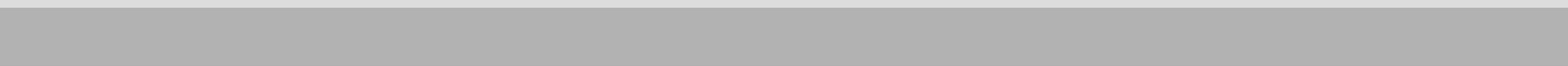


Qualified Business Income (QBI) Deduction

Tax deduction that allows eligible self-employed individuals to deduct up to 20% of qualified business income

Net Income	\$100,000
QBI	(20,000)
Taxable Income	\$80,000

2025 Phase Out Limits based on Taxable Income

- For Single Filers – starts at \$197,300 - \$247,300
 - For MFJ Filers – starts at \$394,600 - \$494,600
- 

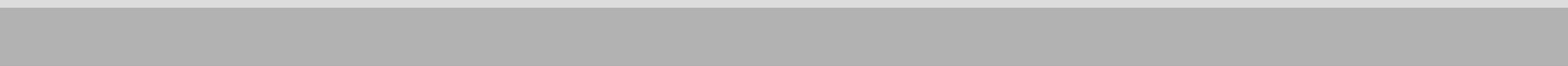
HSA (Health Savings Account)

- Tax-advantaged way to save money & “prepay” for health-related expenses
- Reduce taxable income – dollar for dollar
- Investment growth in the account is tax-free
- Qualified withdrawals are tax-free

Contribution limits for self-only vs family

- \$4,300 / \$8,500 for 2025
- Contributions must be made by April 15th of the following tax year

To Qualify:

- Not enrolled in Medicare
 - Enrolled in an HSA-eligible health plan
 - Not claimed as a dependent on someone else’s tax return
- 

Simplified Employee Pension (SEP) Contributions

- Self-employed individuals can contribute to a SEP retirement plan based on net self-employment income
- Can contribute up to about 20% of self-employment income
- Contribution limits are \$70k for tax year 2025
- Contribution will reduce your federal tax owed
 - Your tax rate multiplied by the contribution amount equals the reduction in taxes owed (\$70k x 22% tax rate = \$15,400 reduction in taxes)
- If you have employees – you must contribute for them as well. Excluding employees under 21 years old and any with less than 3 years of service out of 5 years.

Contributions can be made up to October 15th of the following tax year if you extend your tax return. Funding required when you file.

One Big Beautiful Bill Act (OBBBA)

No Tax on Tips

- Up to \$25,000 deduction for income tax purposes for tip income
- Phase out begins at \$150k/\$300k of Adjusted Gross Income
- Deduction is available from 2025 through 2028

No Tax on Overtime

- Up to \$12,500 deduction for income tax purposes for $\frac{1}{2}$ overtime rate of pay
- Phase out begins at \$150k/\$300k of Adjusted Gross Income
- Deduction is available from 2025 through 2028

Childcare Credit

- Increases to \$1,500 for one child or \$3,000 for two or more children
- Phase out begins at \$75k/\$150k of Adjusted Gross Income
- Deduction available 2026 through 2028

OBBBA *(continued)*

Itemized Deduction Changes

State and Local Tax Deduction (SALT)

- \$40,000 cap for 2025 to 2029, with 1% increase each year
- \$40,000 cap is phased down, but not below \$10,000 when AGI > \$500,000
- Reverts back to \$10,000 after 2029

Educator Expenses

- For admins & coaches/athletics
- Must work 900 hours during school year
- \$350 per teacher deduction to taxpayers even if not itemizing did not change

Notes

- After 2025, new 0.5% AGI floor on charitable contributions (ex \$100k AGI will lose first \$500 of contributions)
- After 2025, a \$1,000/\$2,000 charitable contribution deduction available to taxpayers even if not itemizing

OBBBA Update (*continued*)

Bonus Depreciation

- 100% for assets placed into service after 1/19/2025

Auto Loan Interest Deduction

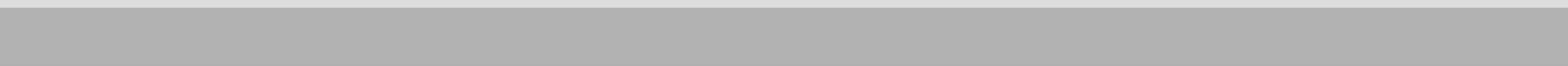
- Up to \$10,000 of interest on US autos (final assembly)
- No requirement to itemize
- Phase out begins at \$100k/\$200k
- Deduction is available for years 2025 through 2028

Trump Accounts

- Tax advantaged tax savings account for minors
- Similar to IRA with complex rules and long-term holding period requirements
- 10% penalty if distributions made prior to turning 59 ½ years old (exceptions apply)
- Up to \$5,000 per year may be funded into a child's account until 19 years old
- Deferred income growth, not tax-exempt income growth

Fun Facts!

Which Tax is NOT Real?

- A. **New York Sliced Bagel Tax:** A plain bagel is tax-exempt, but if it is sliced, toasted, or served with cream cheese, it is considered a prepared food and taxed
 - B. **Illinois Candy vs. Food Tax:** Candy is taxed at 6.25% while food is 1%
 - C. **Colorado Coffee Lid Tax:** Non-essential packaging, such as coffee cup lids and straws, is taxed at an extra 2.9%
 - D. **California Organic Deduction:** Taxpayers can get a deduction of up to \$3,000 buying organic fruits & vegetables
- 

Fun Facts - Answer

D. **California Organic Deduction:** Taxpayers can get a deduction of up to \$3,000 buying organic fruits & vegetables

Sounded real, right?!



Using Payment Applications Like CashApp, Paypal, Venmo, or Zelle?

Payment app providers must issue a 1099-K for “good or service” transactions paid to you once certain thresholds are hit.

Starting January 1, 2025, it was planned to issue a 1099-K for \$600 or more, but the OBBBA changed it to \$20k in gross annual payments AND at least 200 transactions!

- Business accounts seem to be automatically tagged as good or service transactions.
- Personal accounts seem to be automatically tagged as a family/friend transactions.

Do you have your current mailing information in the apps to receive the 1099K?

Good/Service Or Family/Friend Payment?

Turn on for purchases



Get a **full refund** if an eligible purchase isn't what you paid for. Seller pays a small fee.

MOUNTAIN COMMER...
Bank •• 4069

Send

Determines if the transaction is for a "Good or Service"

Not reported to IRS as income

Type of transaction

Payments between friends

Payment info

Completed

From

AMEX Credit Card
••••1021

\$514.80

Details

Amount

\$500.00

Fee

\$14.80

Total

\$514.80

For

Friends & Family

Transaction ID



Hulu

-\$7.65

Split

Share

Status

Complete

Payment method



Bank •

Personal Checking

Transaction details

Private

Type of transaction

Purchase

Reported to IRS as income

Becoming a Single Member LLC

- Potential liability coverage
- Are you truly an “entity”?
 - Point of view from a judge
 - Separate bank/credit card accounts
 - Maintaining financials
- Fees associated with a Single Member LLC
 - Attorney/legal formation fees
 - Annual Secretary of State filing
 - Annual TN Franchise & Excise Tax Return
 - Tax Preparation Fees
- Option of purchasing liability insurance

****We are not attorney's and suggest discussing this issue further with a legal professional****

IRS Staffing Issues

- Began with about \$102k employees in 2025
- Significant reduction to about \$74k in Fall 2025
- The reduction followed directives aimed at downsizing the federal workforce, which included layoffs, firings of probationary staff, and voluntary departures.
- What does this mean?
 - Longer wait times to call in
 - Amended returns not being looked at
 - Slow responses on audits

Taxpayer Advocate Services

- Independent organization within the IRS that provides free, confidential assistance to individuals and businesses facing unresolved tax problems or significant hardships.
- Ensures fair treatment, helps with IRS delays, and advocates for taxpayer rights.
- Currently “triaging” cases due to a high number of requests and staffing shortages.
- Some cases are taking 20 or more months to resolve

Other Comments

- Low audits – in-person & desk
- Keep up with mileage log
- Keep proper documentation/receipts
- Try to stay organized throughout the year so you aren't back tracking
- Ask yourself – “Could I reasonably explain my expense deduction to an IRS Agent?”

Comments or Questions? I'm here to help!



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