

# EWH 2025 TAX UPDATES

## MISCELLANEOUS UPDATES

### Mileage

	<u>2024</u>	<u>2025</u>
Optional standard mileage rate for business use of a personal vehicle.	67.0¢	70.0¢

### Annual Gift Exclusion

Annual gift exclusion amount.	\$18,000	\$19,000
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### Social Security Wage Base Limit

The FICA wage limit for Social Security.	\$168,600	\$176,100
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### IRA, Pension & HSA Limits

#### Simple IRA

	<u>2024</u>	<u>2025</u>
Regular Contribution	\$16,000	\$16,500
Over Age 50 Contributions	\$ 3,500	\$ 3,500
Total	\$19,500	\$20,000

#### Traditional & Roth IRA

Regular Contribution	\$ 7,000	\$ 7,000
Over Age 50 Contributions	\$ 1,000	\$ 1,000
Total	\$ 8,000	\$ 8,000

#### 401(k)

Regular Contribution	\$23,000	\$23,500
Over Age 50 Contributions	\$ 7,500	\$ 7,500
Total	\$30,500	\$31,000

#### HSA - Individual

Regular Contribution	\$ 4,150	\$ 4,300
Over Age 55 Contributions	\$ 1,000	\$ 1,000
Total	\$ 5,150	\$ 5,300

#### HSA - Family

Regular Contribution	\$ 8,300	\$ 8,550
Over Age 55 Contributions	\$ 1,000	\$ 1,000
Total	\$ 9,300	\$ 9,550

### Virtual Currency

The IRS has added a new question on Form 1040 asking whether you have bought, sold, traded, or spent any virtual currency. We must ask you to verify this for us to avoid IRS penalties.

### Refundable Tax Credits

The IRS has made the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit permanent. However, the IRS has expanded its due diligence requirements for tax preparers whose clients wish to claim these. Therefore, your tax preparer may have additional questions if you wish to claim any of these credits.

A taxpayer claiming these credits may experience additional delays in receiving tax refunds.

### New Federal Reporting Requirement for Beneficial Ownership Information (BOI) - Corporate Transparency Act

Beginning on January 1, 2024, many companies in the US will have to report information about their **beneficial owners**, i.e., the individuals who own or control the company. They will have to report the information to the Financial Crimes Enforcement Network (FinCEN). FinCEN is a bureau of the U.S. Department of the Treasury. Follow-up reporting is required within 30 days if any changes of originally reported information.

*Be sure to review FinCEN's Small Entity Compliance Guide, which provides information to help small businesses comply with this reporting requirement.*

We as Accounting Professionals highly recommend that you seek legal counsel on this matter because EWH does not offer this service. The website [www.fincen.gov/boi](http://www.fincen.gov/boi) is a link that can help you understand this new requirement.

## MORE UPDATES AND REMINDERS

### Multi-state Sales & Use Tax Compliance

In 2018, the Supreme Court upheld states' rights to subject businesses outside its physical jurisdiction to sales and use tax. Since the ruling, most states have adopted the Court's minimum level of economic activity of 200 transactions or \$100,000 of in-state sales. At this point, businesses are required to collect and remit sales tax to that state.

**As a small business, the burden has now fallen on the business owner to understand and comply with all state's filing requirements in which you do business.**

For more information on how this will affect you and your business, please contact your CPA.

### Sales Tax Exemption Certificate

If you sell goods or services to companies that are claiming an exemption from sales tax, be sure to obtain an exemption certificate and keep it on file. The Wisconsin Department of Revenue will require this form if you are audited. If an exemption form cannot be produced in an audit, the Department of Revenue will charge you the sales tax, plus interest and penalties.

### Use Tax

If, in the past year, you have purchased equipment or supplies from an out-of-state supplier and were not charged sales tax, you will have to pay a use tax of 5.0% - 5.5%. This does not include inventory purchases or resale items. Please inform us if this is the case.

### Vehicle Logbooks

If you have a vehicle that you use in your business, you must support what percentage is used for business versus personal use. The best way to do this is to maintain a daily record of all business and personal miles. If there is no logbook, the IRS may disallow some or all vehicle expense

### 1099 Reporting Requirements

If you have a "non-employee" that performs a service for you, and they are not incorporated, a Form 1099 must be issued **for all payments over \$600**. The law requires that you obtain a form W-9 before you issue a payment. **If you do not receive the W-9, you are required to withhold taxes from the payment amount.** If you do this, please notify our office of the amounts withheld at once so we can report it to the IRS. Additionally, if 1099s are not issued when they should be, the IRS could charge you with all withholding taxes due upon audit. **Penalty for non-compliance range from \$100 to \$540 per unfiled Form 1099 with a maximum penalty of \$1,094,000.** W-9 forms are available for download from our website, [www.ewhsba.com](http://www.ewhsba.com), or from our office.

### Receipts & Documentation

Records and receipts must be kept for all purchases. A cancelled check or credit card statement is not proof of the expense to the IRS. You must have a detailed receipt to substantiate the business purpose of what you purchased. You must also keep all year end documentation, e.g., inventory valuation, accounts payable, and/or receivable detail, etc. Without the receipt or supporting documentation, the deduction will be disallowed.

Record Retention Guidelines & other popular forms are available for download from our website, [www.ewhsba.com](http://www.ewhsba.com), or from our office.

### 1099K

Beginning Jan. 1, 2022, the \$20,000/200 transaction rule comes to an end. Instead, a 1099K must be filed by any Third-Party Payment processor if a recipient is paid \$600 or more during the year for goods or services with no minimum number of transactions. This would include any payments received from PayPal, eBay, Craigslist, Marketplace, Uber/Lyft drivers, etc. Thus, even a single transaction for \$600 or more will require a 1099K. Also, starting in 2022, eBay, PayPal, etc., will ask for your taxpayer identification number (SS# or FEIN#). If you fail to provide this, they will have to withhold 24% of the amount over \$600 for backup tax withholding.