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Dear Client:

Happy New Year **2026**.

I am providing **brief highlights and details** in the "What's Important for 2025 & 2026" section which follows on the next pages. I have **posted on my website under the Client's Corner additional important tax forms, tax code updates, tax strategies, and pertinent regulatory information. The website will be helpful for more details of the tax legislation passed for 2025 and 2026.**

REMINDER: The building where I had my dropbox has been sold and **my dropbox is no longer welcomed**. If you are used to dropping your tax information, we will have to work on other arrangements for securing your information. Tax documentation can be mailed to my post office box address.

Below, are also some of the **important tax strategies and compliance issues** which are of concern to you. Please take a few minutes to read this information. It will help expedite the preparation of your 2025 income tax return.

I have enclosed your **personalized organizer/questionnaire** for your use as a guide in gathering information for preparation of your income tax return. Many **questionnaires** are not being returned or returned unanswered. I need these questions answered to accurately prepare and file your returns. **If your questionnaire is not completed, I will need to return it to you prior to my starting work on your return(s).** This organizer is used to provide detailed information of your income and expenses/deductions for the year as well as other pertinent data as it relates to your individual situation. I have found the organizer to be a valuable tool for focusing attention on your unique needs.

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Please provide me with copies of the following information (When possible, I have included some of the 2024 information for your reference):

- ✓ Form(s) W-2
- ✓ Schedule(s) K-1 showing income or loss from partnerships, S corporations, estates, or trusts
- ✓ Copies of compensation or pension documentation (Form 1099-NEC or 1099-R for example)
- ✓ Form(s) 1099 or statements reporting dividends and interest income
- ✓ Brokerage statements showing transactions for stocks, bonds, etc.
- ✓ Form(s) 1098 reporting interest paid
- ✓ Copies of closing statements regarding the sale, refinancing, or purchase of real property

What's Important for 2025 and 2026:

- **NEW TAX BILL PASSED in JULY 2025:** Many of the provisions from the 2017 Tax Act were made permanent. Other provisions have a sunset of two or three years. There are many provisions and I will highlight many here which I have **posted a more detailed article to my Client's Corner.**

- **Permanent:** A top individual tax rate of 37 percent (lowered from 39.5%);
 - **New SALT deduction limit:** For years 2025 through 2030, a provision allowing taxpayers to aggregate (1) local property and vehicle taxes, and (2) state and local income taxes (or sales taxes in lieu of income taxes) toward a **maximum itemized deduction cap of \$40,000 for state and local taxes** (prior cap was \$10,000); The deduction amount is gradually phased out starting at adjusted gross income of \$500,000 and reverts to original \$10,000 cap at \$600,000.
 - **New qualified TIPS deduction:** For years 2025 through 2028, a provision allowing eligible taxpayers up to \$25,000 annually deduction for qualified tips. Qualified tips must meet specific criteria including being received in a qualifying occupation and reported properly. Taxpayer does not need to itemize deductions to receive this deduction. Once again, there is an income phase out for this deduction.
 - **Repeal of the personal exemption deduction** and an **increase in the standard deduction amounts** to **\$31,500** (\$32,200 for 2026) for **joint filers** and surviving spouses, \$23,625 for heads of household, and **\$15,750** (\$16,100 for 2026) for **unmarried taxpayers (single)** and married filing separately (additional amounts for the elderly (65 and older) and the blind);
 - **New Senior “Bonus Deduction:** for years 2025 through 2028, individuals 65 or older may claim an **additional \$6,000 deduction**. This is available even to those who itemize deductions, but there is a phase out for single filers with adjusted gross income over \$75,000 and joint filers over \$150,000.
 - **Permanent repeal of miscellaneous itemized deductions** subject to the 2 percent of adjusted gross income floor;
 - **Increase in the alternative minimum tax (AMT) exemption** amounts and the adjusted gross income thresholds at which the exemption amount begins to phase out;
 - A lowered \$750,000 limit on the loan amount for which a mortgage interest deduction can be claimed by individuals, with existing loans grandfathered;
 - Repeal of the deduction for alimony paid and a corresponding inclusion in income by the recipient, effective for divorces beginning in 2019. Alimony paid under agreement entered prior to 2019 is grandfathered as a tax deduction.
- **The SECURE ACT 2.0:** Highlights of the **NEW** provisions that affect IRA and retirement plans include: (full detailed discussion **on my website under the Client’s Corner**):
 - Increase in Age for Mandatory Required Minimum Distributions (**RMD**) depending on your birthdate (pushed to 73 and starting in 2033 pushed to 75)
 - **Requires high-earning participates** (wages greater than \$150,000) to make **after-tax ROTH catch-up contributions for those aged 50 or over** starting in 2026
 - **Higher Catch-up Limits to Apply at Age 62, 63, and 64 starting 2026**
 - **529 Rollovers:** unused 529 funds can be rolled into ROTH IRAs with limits
 - Expanded Automatic Enrollment in Retirement Plans
 - Saver's Match
 - Expanded Credit for Small Employer Pension Plan Startup Costs
 - **ENERGY EFFICIENT HOME IMPROVEMENT CREDIT EXPIRES AFTER 2025:** The energy efficient home improvement credit had increased with an annual credit of generally up to \$1,200. BUT Beginning January 1, 2026, the credit will expire and no credit will be available for your energy efficiency improvements. Credit is still available for those improvements made in 2025.
 - **VEHICLE-RELATED CREDIT EXPIRED AFTER SEPTEMBER 30, 2025:** The vehicle-related credits (the qualified plug-in electric drive motor vehicle credit and the alternative fuel refueling property credit) were significantly expanded by the Inflation Reduction Act, generally beginning after December 31, 2023. BUT these credits are now expired.

- **INDIVIDUAL HEALTH INSURANCE:** Most taxpayers will still receive either Form 1095-B and/or Form 1095-C. Those covered **by the health exchange will still receive Form 1095-A**. But please continue to **provide one of these forms 1095-A, 1095-B, or 1095-C**, since I still use the Form 1095s for another purpose such as to document that children are dependents for the child credit. Therefore, I would still NEED a copy for my records.
- **PREMIUM ASSISTANCE CREDIT (PTC):** This credit is only available to those individuals who purchased their health insurance from the **Exchange**. The credit can be used to subsidize monthly premiums or to receive as a tax credit when filing your tax return. The change allows more individuals to be eligible for the PTC. Credit is based on a sliding scale of taxpayer's household income. Exchanges will issue **Form 1095-A** to report taxpayer coverage and advance credit payments used to pay health insurance premiums. **I MUST receive this form.**
- **IRA CHANGES for 2025 and 2026:** The maximum allowable IRA contribution will be **\$7,000 (\$8,000 for taxpayers 50 or older)** for 2025; change for 2026 (**\$7,500 (\$8,600 for taxpayers 50 or older)**). This IRA contribution is applicable for Roth IRAs, traditional IRAs, and nondeductible IRAs. Those wishing to contribute to a ROTH IRA are subject to income limitations. You have until April 15, 2026 to make a 2025 contribution.
- **PENSION CONTRIBUTIONS FOR 2025:** The **employee elective deferral for 401(K) plans** was **\$23,500 (24,500 in 2026)**; employees age 50/older an additional \$7,500 deferral/total of \$31,000; for 2026 the additional deferral increases to \$8,000 for a total of **\$32,500**. A new wrinkle is that taxpayers between the **ages of 60-63 may add a catch-up of \$11,250**. Regardless, taxpayers should make sure that they contribute at least up to the employer match. The ceiling on **SIMPLE PLANS** is **\$16,500** (employees age 50/older can put in an additional \$3,500/total of \$20,000). SIMPLE deferrals will increase for 2026 to **\$17,000** and age 50/older can put in an additional \$4,000/total of \$21,000.
- **UPDATED BUSINESS MILEAGE RATES for 2025/2026:** For 2025, the standard mileage rate for business driving is **70.0¢**. The rate for **2026 will increase to 72.5¢**. The medical mileage rate is 21¢ for 2025. The medical mileage rate will decrease to 20.5¢ for 2026 remains the same. The rate for charitable driving will stay at 14¢ because the amount is determined by Congress, not by the IRS.
- **EDUCATION CREDITS OR TUITION DEDUCTION REQUIREMENT:** Taxpayers will need **Form 1098-T** from their student's educational institution before claiming the education credit or tuition deduction on their return. This is a **DOCUMENTATION REQUIREMENT** to claim either the American Opportunity Tax credit or Lifetime Learning Credit.
- **ESTATE and GIFT TAX CHANGES: INCREASE for 2025 Federal estate and gift tax exemption to \$13.99 million dollars (\$15M for 2026)**. Also, the **"portability"** of exemptions between spouses has also been retained. However, to use the portability of the estate tax exemption, the IRS requires the executor of the deceased spouse to file a Federal Estate Tax Return (FORM 706).
- The **annual gift tax exclusion for 2025 is \$19,000** per donee; **no change for 2026**. **Connecticut's lifetime estate and gift tax exemption now matches the federal exemption.**
- **The SECURE ACT 1.0:** Some of the provision's highlights that affect IRA and retirement plans include:
 - **Repeals the prohibition on contributions** to a traditional Individual Retirement Account (IRA) by an individual **who has reached age 70-1/2**. But contributions can be made only if the taxpayer has **earned income**.
 - **Updated Uniform Life Table** will be used which should decrease your RMD distributions.
 - **Modifies required minimum distribution (RMD) rules** with respect to defined contribution plans and IRA balances upon the death of the account holder. **All**

distributions must be made by the end of the 10th year after death for distributions made to **non-spouse designated beneficiaries**; **rules dependent on whether account holder had started RMD.**

- **QUALIFIED RETIREMENT PLANS:** Employers may adopt a new retirement plan after the tax-year end but before the due date of that tax return.
- The ability to use a “stretch IRA” was eliminated by repeal of the life expectancy for most beneficiaries. Life expectancy has been replaced with a ten-year distribution period. Only **eligible designated beneficiaries** including surviving spouse, minor child of participant/owner, disabled/chronically ill beneficiaries, and beneficiaries less than ten years younger than the deceased IRA account holder may use the life expectancy tables.
- **“KIDDIE TAX”:** **Net unearned taxable income for children** (above \$2,700; same for 2026) will now be taxed according to the brackets applicable **to parent’s rate. The first \$1,350 of unearned income will not be taxable.** But parents should consider **Section 529 plans for college savings.** Taxpayers may deduct up to \$10,000 annually on their Connecticut personal returns for contributions **ONLY to the Connecticut Section 529 Plan (CHET).** This deduction is only available for investments in CHET 529 Plans. Any excess contribution can be carried over to the next year. Earnings from all Section 529 plans are not subject to Federal or State income tax when withdrawals are used for college tuition.
- **IDENTITY VERIFICATION:** The tax-related identity theft problem has abated to a minor problem now. New York State individual returns still require **drivers’ licenses** information to file the return. If your driver’s license expired in 2025 or early 2026, would you please update your information.
- **CT Pass-Thru Entity Tax (PET):** The Pass-Thru Entities (PTE) include S-corporations, partnerships, limited partnerships, and limited liability companies (LLCs). The CT PET is intended to shift the tax on PTE income from the owner to the PTE; therefore, circumventing the limitation on state taxes on the owner’s personal return. The PTE tax imposes a 6.99% entity-level income tax. Owners of PTEs are entitled to a credit against their Connecticut personal income tax equal to 87.5% of the PTE owner’s pro rata share of the PTE-level tax paid. PTEs subject to the Connecticut PTE-level tax are **required to make quarterly estimated tax payments** by their PTE.

Effective January 1, 2024, the CT PET was made elective rather than mandatory. Making the election to be subject to the CT PET may still be advantageous for Connecticut taxpayers; an analysis of the tax benefits needs to be done.

- **BUSINESS OWNERS:** It is important to **file Form 1099-NEC** for all your **independent contractors** so that you will not be penalized. The IRS is trying to eliminate non-reporting of income. All business returns now ask if your business made any payments that required them to file Form 1099 (Yes or No?). If “Yes”, did or will the business file all required Form 1099s (Yes, or No?). For 2025, filing Form 1099 is due January 31, 2026. **Form 1099-NEC replaces Form 1099-MISC.**

I wish you the best in 2026.

Jeffrey A Bernstein CPA

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2025

QUESTIONNAIRE: The following questions help identify items of tax consequence that should be accounted for in your return.

	<u>YES</u>	<u>NO</u>	
			Client: _____.
1.	_____	_____	Did your marital status change during 2025? If yes, what was your marital status as of December 31, 2025? _____.
2.	_____	_____	Will the address on your 2025 Federal return be different from the one shown on your 2024 return? New Address: _____.
3.	_____	_____	Did your occupation(s) change from the prior tax year?
4.	_____	_____	Were you notified by the IRS or a state taxing authority of changes to a prior year's return? (If yes, enclose the related correspondence)
5.	_____	_____	Did you provide financial support to a person other than your spouse and dependent children during the year?
6.	_____	_____	Were there any changes in number of dependents from the prior year? Any child born in 2025 will require SS# _____. DOB _____.
7.	_____	_____	Did any of your dependent childre5 under age 18(age 24 if student) have total gross income over \$1,350 including unearned investment income? KIDDIE TAX RULES
8.	_____	_____	Did you pay for CHILD OR DEPENDENT CARE EXPENSE to allow you to work? Daycare Name/address _____. Amount Paid \$ _____. Daycare SS/Tax ID# _____.
9.	_____	_____	**** Do you and/or your family have HEALTH INSURANCE COVERAGE? Is your coverage from? <u>EMPLOYER</u> , <u>MEDICARE</u> , <u>EXCHANGE</u> , <u>Individual policy</u> . If from exchange, provide Form 1095-A . from employer, Form 1095-B or 1095-C
10.	_____	_____	Did you have college educational expenses? If yes, MUST provide FORM 1098-T from college. Form always addressed and mailed to student.
11.	_____	_____	Did you have any distributions from 529 plans? Yes No. If yes, provide Form 1099-Q .
12.	_____	_____	Did you make any Connecticut (CHET) Section 529 contributions in 2025? Provide year-end CHET account statement.
13.	_____	_____	Did you pay any loan interest in 2025 on qualified student loans?
14.	_____	_____	Did you pay/receive ALIMONY? Must be divorced prior to 2019. If yes, paid to: SS# _____. Amount Paid \$ _____. Amount Received \$ _____. Date of divorce _____.
15.	_____	_____	**** At any time during 2025, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any VIRTUAL CURRENCY?
16.	_____	_____	Did you receive any type of prize, award or gambling winnings during the year? If yes, provide Form W-2G or Form 1099-MISC.
17.	_____	_____	Did you receive any state or local income tax refunds during the year?
18.	_____	_____	Did you receive any unemployment compensation this year? Provide FORM UC 1099-G (can be obtained CT online site) .
19.	_____	_____	Did you receive FORM 1099-K which is used to report payment card and 3 rd party network transactions? This may indicate HOBBY INCOME .
20.	_____	_____	Did you have any indebtedness discharged /forgiven (Form 1099-C) such as a home foreclosure? Did you have any bankruptcy filing?
21.	_____	_____	Did you receive any disability payments this year?
22.	_____	_____	Did you receive grants of stock options from your respective employers or dispose of any stock acquired under a qualified employee stock purchase plan? Provide Form 1099-B if exercised options and sold stock.
23.	_____	_____	Did you receive any tax-exempt interest income? Provide statement.
24.	_____	_____	Did you surrender (redeem) any U.S. savings bonds during 2025?

YES **NO**

Client: _____.

25. _____ Did you **sell stock or other investment securities**? Provide brokerage statement.
26. _____ Are you a **teacher** working in the classroom? If yes, there is a \$300 deduction for school supplies and/or professional development courses.
27. _____ Did you or your employer contribute to an **HSA (Health Savings Account)**?
28. _____ Did you take any **distributions from your HSA account**? If yes, **MUST provide Form 5482-SA and Form 1099-SA** documentation.
29. _____ Did you make any **IRA withdrawals in 2025**? If yes, provide Form 1099-R. Do you have any prior **nondeductible IRA** contributions? Yes No
30. _____ Are you the **beneficiary of an IRA** whose owner is deceased?
31. _____ Have you started **required minimum IRA (RMD)** withdrawals?
32. _____ Did you make any **ROTH IRA CONVERSIONS in 2025**?
33. _____ Did you make any **Roth IRA CONTRIBUTIONS in 2025**? If yes or have made any in prior years, provide schedule of amounts and dates.
34. _____ Did you receive any **distributions from a pension** or profit-sharing plan? If yes, provide **Form 1099-R**.
35. _____ Did you receive any lump-sum payments from a pension or profit-sharing plan? If yes, did you roll-over part or all of the payment into an IRA or other qualified plan within 60 days? Yes No
36. _____ Did you **buy or sell a home or other real estate**? If yes, provide: (1)description of property, (2)date of purchase, (3) date of sale, (4)purchase price, (5)selling price, (6)selling expenses, (7)improvements and (8)**closing statements** for sale and re-purchase if any.
37. _____ Do you own a 2nd or vacation home?
38. _____ Did you **refinance your mortgage** in 2025? If yes, provide closing statement.
39. _____ Did you have any casualty loss during 2025? Must be in a declared Federal disaster area.
40. _____ Did make any **energy efficient improvements** to your home in 2025. If yes, provide details.
41. _____ Tax law and IRS regulations allow for expenditures for **travel and meal expenses** if adequate records can be presented. Information must include: (1) Amount; (2) Time and Place; (3) Date; (4) Business Purpose; and (5) Business relationship of recipient.
Do you have records, as described, for expenses?
42. _____ Did you have exclusive business use of a portion of your home?
43. _____ Did you buy or lease a vehicle for business purposes?
44. _____ Did you make **charitable contributions**? Do you have **adequate documentation** or receipts? **More complex rules in new IRS regulations.**
45. _____ Did you make **property** contributions over \$500 or **individual** check/cash contributions of \$250 or more to a charitable organization? **Need receipt/acknowledgement from charitable organization.**
46. _____ Did you make any **gifts over \$19,000** (singly) or \$38,000 (jointly) during the year (**annual exclusion amounts**)? If so, provide details.
47. _____ ******** At any time during the tax year, did you have an interest in or signature rights (or other authority) over a bank account, or other **FINANCIAL ACCOUNT(S) IN A FOREIGN COUNTRY**? Approximate value in accounts: _____. **If yes, FORM FINCEN 114 Report of Foreign Bank and Financial Accounts must be filed.**
48. _____ Did you receive any income during the year that has not been addressed in this Organizer?

Electronic Filing and Direct Deposit of Refund(s)

49. _____ The IRS is able to deposit refunds directly into taxpayer's accounts. If you receive a **REFUND**, would you like **DIRECT DEPOSIT**? If yes, **provide voided check** if you haven't provided previously (not deposit slip).
50. _____ For **payment of tax due**, would you like to make **DIRECT DEBIT**?