

Davis Accounting Services, LLC

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Happy New Year! Not as many changes on the business side, but still quite a few! Below are the major changes for 2025 and some starting in 2026 along with our policies and some important reminders:

- Attached is a questionnaire for you to complete. **This questionnaire is mandatory this year, so we will need this completed, signed, and returned when sending us your tax information.**
- Please review the depreciation schedule included in your prior year tax return and update any assets you no longer have, noting if they were sold or scrapped.
- If emailing tax documents, please wait and send everything at once in 1 email or print them and put with the rest of your tax documents to drop off. Multiple clients emailing individual documents becomes overwhelming and can be easily missed. Also, please do not text any tax documents. This is not secure, and, in most cases, we are unable to print them clearly.
- One Big Beautiful Bill Act (OBBA) – all effective for 2025 unless otherwise noted:
 - 100% Bonus Depreciation made permanent from 1-20-2025 forward (40% for 1-1 – 1-19-2025)
 - Section 179 annual limit increased to \$2,500,000 (up from \$1,250,000)
 - QBI deduction made permanent
 - Increased 1099 threshold to \$2,000 (up from \$600) – starts in 2026 and inflation adjusted annually thereafter
 - 1099-K threshold \$20,000 **and** more than 200 transactions
 - Meals & snacks provided for the convenience of the employer are no longer deductible by the employer – effective 1-1-2026
 - Energy-Efficient Home Credit expires July 1, 2026
 - Clean Vehicle Credit expired October 1, 2025

Business Meals & Entertainment: No deduction is allowed for any entertainment, amusement, or recreation expense or for any facility used in connection with entertainment, amusement, or recreation. For the 50% meal deduction, taxpayers must be able to prove that 1) the meal was directly related to the active conduct of the taxpayer's business (e.g., business meeting occurred while eating), or 2) the meal directly preceded or followed a substantial and bona fide business discussion or meeting. Meals are subject to the enhanced documentation requirements which require taxpayers to document the amount of the expenditure, time and place of meal, business purpose AND business relationship between the taxpayer and the person having the meal.

Reporting Cash Transactions: Federal law requires a person to report cash transactions of more than \$10,000 (in one lump sum, in two or more related payments within 24 hours, OR as part of a single transaction or two or more related transactions within 12 months) by filing IRS Form 8300 within 15 days after the date the cash was received. By law, a "person" is an individual, company, corporation, partnership, association, trust, or estate. The penalties for failure to file with intentional disregard is quite steep. If you would like more information on this, please call our office.

1099's/Information Returns: The penalties for non-compliance of filing 1099's/information returns are up to \$680 per form, with no maximum penalty. 1099s are a necessity if you own a business and require you send a 1099 to all vendors who were paid \$600 or more in contract labor, rents, repairs, personal services, accounting, attorneys, etc. The 1099s are due to the vendors and the IRS by January 31st. The threshold is increasing to \$2,000 starting in 2026 and will be inflation adjusted annually thereafter.

Have a Blessed Year!

Tax Scams: Never, ever give your information over the telephone or by email/text to anyone. With the current developments in Iran, cyber-attacks on the USA could be an issue and we are urged to be very careful before opening emails. If you receive emails containing links, never click on the link unless you are absolutely positive who the sender is. If you keep a backup drive connected to your computer, we recommend connecting your backup drive only when performing a backup. This will help prevent your backup from being breached. Also NEVER give anyone your Social Security number or pay taxes over phone or thru e-mail. The IRS does not email you or call you regarding or demanding money owed. If you get one of these calls or e-mails; NEVER pay or give them anything, if you're not sure, call us first!! This applies not only to the Federal, but State as well.

We appreciate your trust in our business. Please give us a call if you have any questions or need additional information.

Keli Davis

Have a Blessed Year!