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Greetings! It's Tax Season!

Tax laws continue to evolve and grow increasingly complex. Many CPAs, EAs, and tax professionals remain frustrated by limited guidance from the IRS and Congress, as well as a shortage of skilled professionals in the field.

As we approach the end of 2025, the newly enacted **One Big Beautiful Bill (OB3)** introduces several key provisions and extensions that create significant opportunities for both individuals and businesses to reduce taxes and strengthen their financial positions.

This letter is designed to help make your tax filing process as smooth and stress-free as possible. Please remember to **save all tax documents and any other tax-related items** you receive.

2025 Tax Season Appointments

If you do not need an in-person meeting, you may submit your documents directly to our office without an appointment via the **client portal (TaxDome)** or drop off your tax file during normal office hours. Access the portal through our website under the **"PORTAL"** tab. TaxDome also offers a secure mobile app for uploading documents from your device(s). You may also mail your information to our office.

This schedule is effective from January 1, 2026 through April 15, 2026. Most tax questions can be answered via email or TaxDome chat, which many clients prefer for clarity and reference. However, if you have new or unusual circumstances that require a phone discussion, please ensure we have your most current contact information.

To keep your tax preparation on track:

- Respond promptly to follow-up chats/emails.
- Provide **100% of your tax support documents** before your return enters the preparation queue.
- If you have questions or need clarification, please reach out early so we can assist you.

Returns are completed in the order received. Submitting all required documents as soon as possible secures your place in the queue.

Fees

Our tax preparation fees are based on the complexity of your return and the time required to prepare and file it. Beginning with the 2026 tax season, **a deposit of \$225 will be required for each tax Individual Tax return & \$350 for each Business Tax return** before preparation begins. We currently accept e-check payments through our website, as well as cash or check in our office.

Client Portal: TaxDome

All tax support documents and returns will be available through our secure portal **TaxDome** if you choose electronic signing instead of paper copies. The portal provides 24/7 access to your tax returns and confidential documents. Personalized organizers and questionnaires will also be sent through TaxDome.

Important: Due to the FTC's **Safeguard Rule** (effective June 9, 2023), we cannot accept sensitive information via email. All documents must be submitted through your TaxDome portal for compliance and security.

Our Privacy Policy

We comply with the Gramm-Leach-Bliley Act (Public Law 106-102) and maintain strict confidentiality standards. We collect nonpublic personal information only as necessary to provide professional services and do not disclose it except as permitted by law. Access is restricted to team members who need the information to serve you. We employ physical, electronic, and procedural safeguards to protect your data.

Your trust is important to us. If you have any questions about our privacy practices, please contact us.

Key Takeaways for 2025 Tax Law Changes

Here's a quick overview of the most important updates:

- **Tax brackets** increased for all filing statuses due to inflation.
 - **Standard deductions** increased.
 - New deductions for **seniors, qualified tips, overtime wages, and auto loan interest**.
 - **SALT deduction** temporarily increased to \$40,000 through 2029.
 - **Child Tax Credit** rose to \$2,200 per child (under age 17 for the full tax year).
 - **Adoption Credit** is now partially refundable up to \$5,000.
 - **Estate and lifetime gift tax exclusions** permanently increased.
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Individual Tax brackets 2025

2025 taxes will be April 15, 2026, or October 15, 2026, with an extension.

Tax rate	Single filer	Married filing jointly (or surviving spouse)	Head of household	Married filing separately
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000	\$0 to \$11,925

Tax rate	Single filer	Married filing jointly (or surviving spouse)	Head of household	Married filing separately
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$17,001 to \$64,850	\$11,926 to \$48,475
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$64,851 to \$103,350	\$48,476 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 \$250,500	\$197,301 to \$250,525
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,501 to \$626,350	\$250,526 to \$375,800
37%	\$626,351 or more	\$751,601 or more	\$626,351 or more	\$375,801 or more

Standard Deduction

- Single is \$15,750 + \$2,000 for Blind & age 65 or older + \$4000 IF \$75,000 or less (MAGI)
- Married is \$31,500 + \$2,000 for Blind & age 65 or older + \$4000 IF \$150,000 or less (MAGI)
- Head of Household is \$23,625 + \$2,000 for Blind & age 65 or older + \$4000 IF \$75,000 or less (MAGI)

2025 long-term capital gains tax rates and brackets

Tax rate	Single	Married filing jointly	Married filing separately	Head of household
0%	\$0 to \$48,350	\$0 to \$96,700	\$0 to \$48,350	\$0 to \$64,750
15%	\$48,351 to \$533,400	\$96,701 to \$600,050	\$48,350 to \$300,000	\$64,751 to \$566,700
20%	\$533,401 or more	\$600,051 or more	\$300,001 or more	\$566,701 or more

Short-term capital gains are taxed as ordinary income according to federal income tax brackets.

Key Provisions Under the One Big Beautiful Bill (OB3) For more details, see [One Big Beautiful Bill: What It Means for You](#).

Senior Deduction

Individuals aged **65 and older** are eligible for an **additional \$6,000 deduction** for tax years **2025 through 2028**. This benefit can significantly reduce taxable income for seniors. For more details, see [One Big Beautiful Bill: What It Means for You](#).

Qualified Tips Deduction

OB3 introduces a **deduction for qualified tips up to \$25,000** for tax years **2025–2028**. This applies to both itemizers and those taking the standard deduction.

Action: Please provide your **year-end pay stub** for verification.

Overtime Deduction

An **above-the-line deduction** for qualified overtime income is now available:

- **\$12,500** for single filers
 - **\$25,000** for joint filers
- Applicable for tax years **2025–2028**.
- Action:** Submit your **year-end pay stub** if you regularly exceed base hours.

Auto Loan Interest Deduction

You may deduct up to **\$10,000 annually** in qualified auto loan interest for tax years **2025–2028**.

SALT Deduction Cap

The **SALT cap** has been temporarily increased to **\$40,000** through **2029**. After that, it reverts to **\$10,000** under the TCJA.

Bonus Depreciation

OB3 reinstates **100% bonus depreciation** for tax year **2025**, as originally outlined in the TCJA.

Other Adjusted Tax Credits

- **Adoption Credit:** Maximum credit is **\$17,280 per adopted child** for 2025.
 - **EV Credit:** Purchasers of new EVs by **September 30, 2025** may qualify for credits up to **\$7,500** (subject to stricter sourcing rules).
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Contribution & Exclusion Limits for 2025

- **Lifetime gift & estate tax exclusion:** \$13.99 million
 - **Annual gift tax exclusion:** \$19,000
 - **401(k) elective deferral limit:** \$23,500
 - **HSA contribution limits:** \$4,300 Individual | \$8,550 Family (+\$1,000 catch-up at age 55)
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Standard Mileage Rates

- **Business:** 70¢ per mile
 - **Medical:** 21¢ per mile
 - **Charitable:** 14¢ per mile
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Section 179 & Bonus Depreciation

- **Section 179 limit:** \$2.5 million
 - **Property limit:** \$4.0 million
 - **Assets purchased after Jan 19, 2025:** Fully deductible in the first year
 - **Research & Experimental (R&E) expenditures:** Fully deductible
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New Children's Savings – "Trump Accounts"

For children born **2025–2028**, OB3 introduces a custodial savings account with:

- **\$1,000 federal contribution** (one-time)
 - Up to **\$5,000 annual after-tax contributions**
Ensure your child has a **Social Security number** and follow IRS election procedures to claim the contribution.
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IRS Compliance & Audit Readiness

The IRS has increased **data analytics and correspondence audits**.

Recommendations:

- Maintain **digital copies of receipts and mileage logs**
 - Retain documentation for charitable gifts and major deductions
 - Use accounting systems that **timestamp and archive transactions for 5 years**
Failure to substantiate deductions may trigger **accuracy-related penalties up to 20%**.
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Minnesota-Specific Changes

- **Paid Family & Medical Leave** begins **2026**, funded through payroll deductions (.44% premium rate).
 - **Social Security subtraction increased**; **public pension subtraction** requires reporting contribution months.
 - **Mandatory retirement plans** for employers with 5+ employees phase in during 2026.
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Life Events

- **New dependents**: Bring SSN, DOB, and daycare year-end statement.
 - **Marriage**: Notify Social Security of name changes; bring marriage certificate, SS card, and driver's license for spouse.
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1099 Reporting

Complete **1099s and W-2s by January 31**. Anything received after **January 22** may not be guaranteed for timely filing. Keep **W-9s** for all payees requiring a 1099.

Important Upcoming Due Dates

- **January 31, 2026**
 - All **1099s** must be filed with recipients and the IRS.

- **W-2s** and payroll tax returns are also due.
Note: There is no extension for these forms.
 - **January 15, 2026**
 - Optional **estimated tax payment** for farmers to extend filing deadline to April 15, 2026.
 - **March 1, 2026**
 - **Farm tax returns** due (unless estimated payment made by January 15).
 - **March 15, 2026**
 - **Partnership and S-Corporation returns** due.
 - To ensure timely filing, submit all tax information by **February 23, 2026**.
 - Information received after February 23 may result in an extension.
 - **April 15, 2026**
 - **Individual and C-Corporation returns** due.
 - Submit all tax information by **March 27, 2026**, for timely filing.
 - Returns received after March 27 may be extended.
 - *Reminder: An extension to file is not an extension to pay taxes. Any tax due must be paid by April 15.*
 - Rushed returns can be arranged for an additional fee.
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Additional Planning Considerations (Before December 31, 2025)

- Notify us of major life changes: marriage, divorce, births, deaths, job changes, starting a business, or significant expenditures (real estate, college tuition, etc.).
- Consider **capital loss harvesting** to offset gains and minimize taxes.
- Review **estate and gift tax planning** strategies (annual gift exclusion: \$19,000 per donee; \$38,000 for married couples).
- Explore **529 plans** for education savings (MN tax benefits may apply).
- Review projected **2025 & 2026 income** for acceleration or deferral strategies.
- Place qualifying business assets in service before year-end to capture **bonus depreciation**.
- Ensure compliance readiness with organized digital records.
- Complete **home energy improvements** before year-end for credits.
- Discuss **Roth IRA conversions** and tax implications.
- Maximize **HSA contributions** for triple tax advantages.

- Leverage retirement accounts fully.
 - Consider donating appreciated assets or making **Qualified Charitable Distributions (QCDs)** if age 70½ or older.
 - **Let us coordinate** with your financial planner to align tax and financial goals.
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Helpful Tips

- Please use our tax organizers to streamline the preparation process. This is especially critical if you are filing Schedule C, E, or F. **Failure to use the organizers will result in additional tax preparation fees.**
- Round all worksheet numbers to the nearest dollar (.49 and under round down; .50 and above round up).
- Organized and timely submissions help us serve you better.

We appreciate your continued trust and patience during the upcoming tax season. Our goal remains to provide **timely, accurate service while minimizing your tax burden within the law.**

Thank you for your business!

Sincerely,

Parkers Prairie Tax Service – Jessica