



# Sauppé Tax News

Brought to you by  
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## Ticking Tax Bomb



### Special points of interest:

- Charitable Donation Recap Required
- IRA Withdrawals
- Annual Questionnaire Explained

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This is being written just after the election is complete and we know that Donald Trump has been elected again. But no matter the election outcome, there is a ticking tax bomb awaiting for all of us. It is called the TCJA (Tax Cuts and Jobs Act) which was passed into law on 12/22/17 and effective on 1/1/18. This law was a major overhaul of the tax code eliminating personal exemptions, increasing the child tax credit, reducing the tax rates and brackets, and more than doubling the standard deduction among its many changes to individual taxes. These changes will expire 12/31/25 unless Congress acts to revise this. If Congress does not act, the individual tax law changes will automatically revert back to the 2017 rules. Some corporate tax law changes are permanent and others expire in 2028. Since none of us has a crystal ball, we cannot predict what Congress will or won't do. But we should plan for the worst case scenario and assume the laws will revert to the 2017 rules. With this in mind, everyone should be reviewing their personal tax situation for the balance of 2024 and for 2025 to determine if something should be done proactively before any changes take effect.

For example, you should review your 2023 tax return to determine your marginal tax bracket. *The 2023, 2024, and 2025 tax brackets can be found on page 3 of this newsletter.* Then you should look at your 2024 and 2025 income to determine if you will remain in the same bracket. If you have sufficient leeway before you go into the next

tax bracket, you may want to consider increasing your taxable income to maximize that bracket. An excellent way to do this is to convert some or all of a traditional IRA to a Roth IRA.

Here is an example. You are a married couple filing jointly. Your 2023 taxable income (line 15 on your 2023 1040 form) is \$75,200. Per the tax bracket table, you are in the 12% tax bracket and won't go into the 22% bracket until your taxable income reaches \$89,450. You anticipate that your 2024 income will increase by \$5,000 so your 2024 taxable income may be \$80,200. However, the 2024 top amount for the 12% bracket is \$94,300 so you would be \$14,100 below that amount. You could request that your IRA plan sponsor convert up to \$14,000 of your traditional IRA to a Roth. You **will** pay tax on this conversion amount, so you will need to determine how you will pay the tax on this. The federal tax would be \$1,680 based on our example. If you usually receive a substantial refund, this may be sufficient to cover the tax, or you may wish to increase your withholding from some other source, or make an estimated tax payment. Please keep in mind that this conversion **must** be completed by 12/31 to be effective for 2024.

A Roth conversion is not the only way to maximize your tax bracket. If you are self-employed, you can bill clients so that payment is received in 2024 instead of 2025.

Call the office if you wish to discuss.

## IRA Distributions and Charities

In last year's newsletter, we discussed the various rules for taking required minimum distributions from an IRA. This year we will discuss another potential option for taking distributions from your IRAs but NOT paying any tax on those distributions. This can be accomplished using a Qualified Charitable Distribution (QCD). To use this option, you must have reached age 70 1/2.

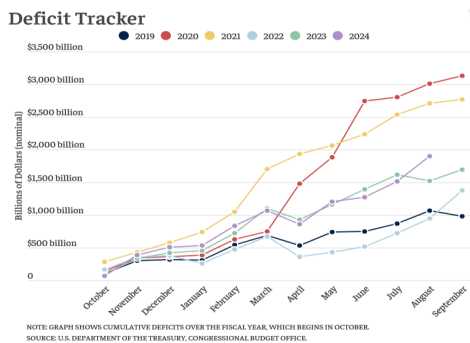
Here is how it works. You would like to make a contribution to a charity. It must be a recognized 501c3 charity which you can confirm directly with the charity itself. Instead of withdrawing funds from your IRA, depositing it into your bank account, and then writing a check to the charity, you can simply instruct your IRA sponsor to send funds directly to the charity. Every IRA sponsor has their own set of rules for these QCDs so please check directly with them for the actual requirements. You will still get a 1099R at the end of the year showing the amount distributed, so be sure to keep paperwork to show that this distribution went directly to a charity, and send both the 1099R and the QCD acknowledgement to this office with your other tax documents. As with any charitable donation, you must have a written acknowledgement from the charity confirming the donation.

On your tax return, the 1099R amount will be shown on Line 4a, but only the amount NOT sent to the charity will be shown on Line 4b (this is the taxable amount). Keep in mind that you cannot also use this donation to claim a charitable deduction on your tax return as that would be "double-dipping".

Using a QCD to give to your favorite charity helps you in other ways also. Because the funds are not taxable it should not push you into a higher tax bracket, it can count towards your required minimum distribution, and it will not make more of your social security benefits taxable if that situation applies to you.

The maximum that each person can contribute in 2024 is \$105,000, so a married couple can contribute up to \$210,000 (if they **both** meet the age requirement mentioned above). Please do not wait until the end of the year to initiate this as your IRA sponsor may require extra time to complete this transaction and it may end up being completed in the next year.

If you would like to get more information about a particular charity before you donate, try [www.charitywatch.org](http://www.charitywatch.org) for information.



For August 2024, the federal deficit was \$381 billion dollars. This means the expenses or money going out of the federal government is \$381 billion more than the revenues or money coming into the federal government. As of August 2024, the overall running deficit is \$1.898 trillion. There was still one month to go in the fiscal year of the federal government so the number probably went higher. In comparison, the overall deficit for fiscal 2023 was \$1.695 trillion. The annual interest costs of the public debt is now over \$1 trillion.

## Keeping Fees Low

Our fees have always been very reasonable. To help us keep them that way please note the following.

If you do not complete the annual questionnaire in its entirety and return it with your tax documents, we have to charge \$25. The questionnaire must be signed (by both taxpayers in the case of a married couple), all the questions answered, and all documents requested must be included. If you have questions about what to send, please ask us before sending your documents.

Failure to complete the estimated tax portion of the annual questionnaire will incur another \$25 charge per taxing agency. This includes any federal, state, or city estimated taxes you paid during 2024 or the first few months of 2025. So if you pay city estimated taxes to two cities but fail to complete that information on the questionnaire, there will be a \$50 extra charge.

Because we need to have your current driver's license data on file to electronically file your return, there will be an additional \$25 fee if your driver's license has expired and you do not send us a copy of the new license with your tax documents. It only takes a moment to open your wallet to determine when your driver's license was issued. If it was issued during 2024 or early 2025, the license on file with this office has probably expired.

No matter what method you use to send us your tax documents (see page 6 for a list of the recommended methods), please be sure to send them in an efficient manner. For example, if you are sending them electronically, please be sure to send as few scans as possible and to send them all at the same time. If you send documents over multiple days or weeks, or scan each document separately, we have to spend extra time to log in, download, review, and enter those documents. That extra time will now be added to your bill. Be sure to include both pages of a form that has information on both sides as oftentimes the back page does contain vital information. **Please send the documents as PDF scans as it takes extra time for us to convert these files when sent in another format.**

The later in the tax season that your documents are received, the higher the overall tax preparation fee will be. We cannot insert more hours into the time period available before the tax filing deadline.

# Hardship Distributions

With finances tight for many taxpayers, taking money from your IRA or 401k before you reach retirement age may be the only option.

Normally distributions taken early are subject to both income tax (federal and state) and a 10% penalty. There have always been exceptions to this penalty such as for a first time homebuyer, total and permanent disability of the IRA owner, or large medical bills in excess of 7.5% of your adjusted gross income to name a few.

Starting in 2024, the IRS will now waive the penalty (but NOT the taxes) for hardship distributions of up to \$1,000 from your IRA or 401k if you need to cover personal emergency expenses. Some of these emergency expenses could be for car repairs, an accident, a funeral, or medical expenses (no need to meet the 7.5% adjusted gross income cap on this one).

If you were a victim of domestic abuse and find yourself in need of financial assistance, the amount you can withdraw penalty free increases to \$10,000 for the year.

If you take one of these hardship distributions, please be sure to let this office know so we can report the distribution properly.

# Energy Credits

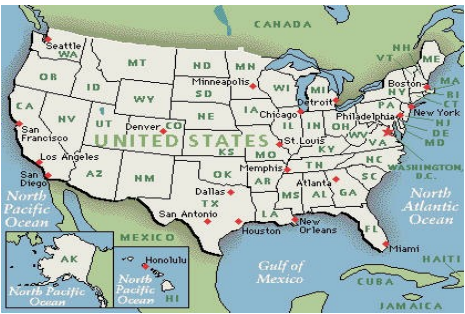


Like many other areas of tax rules, energy credit rules are in a constant state of flux. Starting in 2023, the previous lifetime cap has been replaced by an annual cap of \$1,200 per year for energy efficient property costs and certain energy efficient home improvements. Different items may have their own caps such as windows that max out at \$600 based on 30% of the product cost. So if you put new windows in your home at an overall cost of more than \$2,000, you should spread this out over a number of years as you will be limited to \$600 per year. In other words, put a few windows in this year, a few more next year, and more the following year.

You have always been required to certify that the energy item meets or exceeds the Energy Star requirements for the item involved. In other words, the windows you install must have a certain SEER rating depending on where you live to qualify. The manufacturer of the item is supposed to supply you with a certification statement, so be sure to ask for it if you are not provided one. Starting in 2025, you will also be required to submit a product ID number for the item purchased. Hopefully, the manufacturers will display this ID number prominently on their paperwork.

# State Filing Requirements

Just a reminder that you may have a state filing requirement in more than one state. Many states are becoming more aggressive in their tax laws, and can tax people who perform any work in their state, OR who have a residence in their state even if they don't spend much time there. If you travel for work, you may have inadvertently crossed a threshold whereby the income you earned when you traveled is subject to tax in that state. Of course, you shouldn't have to pay double tax on the same income as you should be entitled to a credit on your home state return for the taxes paid to the travel state. But you must timely file the return for the travel state. You must also take into consideration any city taxes in cities where you travel for work as they may also impose a tax on your earnings. Please note that we only prepare your home state return, unless you have discussed with us the possibility of a filing requirement in another state, and have provided all pertinent details.



“A tax loophole is something that benefits the other guy. If it benefits you, it is tax reform.” - Russell B. Long

TAX BRACKETS	SINGLE		2023	2024	2025
	10%	≤	\$11,000	\$11,600	\$11,925
	12%	≤	\$44,725	\$47,150	\$48,475
	22%	≤	\$95,375	\$100,525	\$103,350
	24%	≤	\$182,100	\$191,950	\$197,300
	MARRIED JOINT		2023	2024	2025
	10%	≤	\$22,000	\$23,200	\$23,850
	12%	≤	\$89,450	\$94,300	\$96,950
	22%	≤	\$190,750	\$201,500	\$206,700
	24%	≤	\$364,200	\$383,900	\$394,600



## Annual Questionnaire Explained

To assist you with accurately completing the annual questionnaire, below is a recap of some of the questions and the information about those questions. If this does not help you determine the correct way to answer any question, please contact this office so we can assist you directly.

Question 1— You may answer married if you and your spouse are still legally married as of 12/31/24 AND your spouse is either still alive or died during 2024. All others should answer single.

Question 2—For 2024, you **MUST** itemize if you wish to take a charitable deduction. If you know you won't be itemizing, you may answer no to this question. But if you believe you may have enough itemized deductions to exceed the standard deduction (\$14,6000 for a single individual under age 65 or \$29,200 for a married couple who are both under 65) you must answer Yes to this question AND complete the charitable recap on page 7 of this newsletter.

Question 3—Most states impose a USE tax as well as a SALES tax. If you purchase an item online that is normally subject to sales tax in your state, and do not pay sales tax on the purchase, you must pay use tax on this item or items. Failure to report this information means you are underpaying your tax and can be subject to penalties and fines. Most states require that your return indicate if you did or did not make purchases subject to use tax.

Question 4—You **MUST** have kept a contemporaneous log of your business trips if you wish to deduct business mileage. When completing the mileage log at the bottom of the page, you would fill out all appropriate blocks including the personal miles driven during 2024 so that the last box (Total Miles) is equal to the total of all the previous boxes for that time period. All this information is required for your tax return even if it does not show directly on the tax forms sent to you upon completion of the return.

Question 5—The IRS position is that ALL income is taxable unless a specific exemption keeps it from being taxable. If you received income from any source that did not provide you with documentation such as a W2 or 1099, please provide all relevant information here so we can determine its tax status.

Question 8—Most people who have a Health Savings Account (HSA) have it through their employer and make contributions to the account via payroll deductions from their paycheck. The employer is then supposed to show this total deduction on your W2. However, contributions can be made outside of your work and you must provide us with all this information so that we can get you all the deductions to which you are entitled. If you withdrew any money from your HSA during the year, you **must** provide copies of the medical bills paid via the distribution.

Question 9—A 529 plan is a savings tool for college costs and can also be referred to as a qualified tuition plan or a Coverdell Savings Account. Many parents start one of these plans when the child is young and contribute to it over the years. There is no deduction allowed on the federal return for contributions, but many states do allow a deduction if state requirements are met. When the child attends college, these funds can be used to pay for qualified education expenses. The key here is to utilize these funds in such a way that you can still take full advantage of any Education Credits that may be available for that year.

Question 14—When you operate a business (and a rental property may be considered a business), you are required to send a 1099 form to any individual to whom you paid \$600 or more from your business during the year. If the total paid was under \$600, no reporting is required. There are penalties for not filing the form if required to do so. This office can assist you with filing these forms but note that the due date for these forms is 1/31 of the year following the year of payment (for 2024 payments that would mean 1/31/2025).

Question 17—The IRS does not limit the amount of gifts you can give each year. However, if you give any one person a gift **or gifts** that have a total value for all combined of \$18,000 (2024 limit) or more in one year, you are required to report that gift to the IRS. There is rarely any tax consequence to that gift but it must still be reported. Keep in mind that gifts are not just cash gifts but can include stock, real property, or personal property. An accurate value must be assigned to all non-monetary gifts to determine if the \$18,000 limit has been reached.

Question 19—Virtual currency includes Bitcoin, Ethereum, Litecoin, Chainlink, Stellar and others. All these types of virtual currency can have tax consequences on your tax return depending on what you have done with them. The IRS has a question on the tax return about virtual currency which must be answered before the return can be filed. Virtual currency issues can be a relatively complex area of tax laws, so if you are involved in this, please contact our office to discuss in detail.

Question 20—Foreign bank account. This question does NOT refer to any funds you may have invested in foreign corporations through a US brokerage firm. For example, if you own shares of Barclays Bank (which is a United Kingdom company) via your US brokerage account with Morgan Stanley, you can answer NO to this question. But if you own shares of Barclays Bank that are NOT held by a US brokerage firm (for example, you physically hold the stock shares), you should answer yes. By the same token if you have money in Barclays Bank in the UK or any other country besides the US, you would also have to answer yes. There are foreign financial reporting requirements that will need to be met if you answer yes, and there are stiff fines for not complying.

Question 21—Admittedly this question is a bit of a catch all. However, if any of these items apply to you, you may be entitled to credits or deductions, or be required to complete additional forms and schedules. Be sure to include as much information as you can if you answer yes to any part of this question. For the domestic service in your home, this would only be answered yes if you do **NOT** use a service such as Molly Maid or Visiting Angels, but instead hired the providers directly.

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# OUR PLEDGE

- We will provide you with top notch tax preparation service.
- We will prepare your federal, primary state, and primary city (if applicable) returns based on the information you provide.
- We will file your federal and state returns electronically as required. If you prefer to mail a paper return, you must notify us of your intent when you submit your tax paperwork, and you will be required to include a waiver request with your mailed return (which we will provide).
- We will answer questions for you throughout the year regarding tax situations you may encounter. Please keep in mind that tax season is a very busy time for us. If you have questions, it may be better to ask them outside of tax season so we can give a full and complete answer.
- If you request, we will work with you to address questions that arise about your returns. However, you must send us copies of any notices you receive from the IRS, the state, or city regarding your returns in a timely manner. We do not automatically receive copies of these notices and cannot assist you with them, without first reviewing the information in the notice.
- We will explore every available tax break for which you may be eligible and keep up with all the new tax laws to see how they may impact you.

However, keep in mind that there are some limitations to the services we can offer. We CANNOT do the following:

1. File any extension request form without the required authorization from you.
2. Maintain your tax paperwork indefinitely in our files (we only keep 4 years of records).
3. Track cost basis on your portfolio investments. However, for an additional fee we will try to calculate cost basis if you provide us all pertinent data in a timely fashion.
4. Prepare returns other than those mentioned above unless you have requested this in writing.
5. Give you financial or legal advice except indirectly as it relates to your tax situation.
6. Place a value on non-monetary items donated by you to a charity.
7. Discuss your tax information with anyone without your express written permission. The IRS requires a very specific disclosure notice be completed anytime a disclosure is requested. A verbal request or written note from you is NOT sufficient. This includes a request to fax or e-mail information to a third party.

**Don't forget your Required Minimum Distribution (RMD)**—If you were born in 1950 or earlier, you should already be taking your required RMDs from your IRA, and must be sure to take your 2024 amount before 12/31/24. If you were born in 1951, you are required to start taking RMDs for 2024, though you can wait until 4/15/25. If you do wait until April of 2025, you will need to take two years of distributions in that year. Failure to comply with the requirements can cause you to incur a penalty of 50% of the amount that should have been withdrawn. You may also need to take RMDs from inherited IRAs as well if they came from someone other than your spouse. Contact your financial advisor or this office if you need to discuss this further.

Do you have missing or unclaimed funds in an old 401k plan? It is estimated that over 29 million accounts were left behind when employees changed jobs, holding over \$1.65 trillion in assets.

It will soon be easier to track that money thanks to a searchable database that is supposed to be up and running on the Department of Labor website by the end of this year.

Of course, this database will only be for 401K plans. There are many other sources of unclaimed funds such as insurance accounts, unpaid wages, pensions, tax refunds, savings bonds, and account with banks or credit unions that fail. For these types of accounts, we recommend that you go to missing-money.com and do a search. Only you can decide if the time necessary to claim any items on the website is worth the value of the unclaimed funds.

## PAYMENT METHODS

As in the past, your payment is due when we receive your signed 8879 form. You can use any of the following methods for sending your payment to us.

1. Write a check and return it with your signed form.
2. Use PayPal but be sure to use the Friends and Family option.
3. We now offer Zelle for payments as well. You only need to have our email address (admin@sauppetax.com) to send payments via your bank either online or thru their app. Contact your bank if you are unsure how to do this.

## Sending Your Paperwork

Our mailing address is

P O Box 245 Trempealeau, WI 54661-0245

Our phone (voice or fax) is 608-534-2122. The email address is [admin@sauppeta.com](mailto:admin@sauppeta.com)

Please send your tax documents by one of the following methods:

1. Use the US Postal Service—we recommend using Priority Mail so that you can track the package and confirm it was delivered.
2. Use UPS SurePost or FedEx Smart Post—both of these services start at UPS or FedEx but use the US postal service to complete the delivery process. Again you may want to look into tracking options. You must use one of these services as regular UPS and FedEx deliveries cannot deliver to a post office box.
3. Use our encrypted storage service (Verifyle) to send **pdf** scans of your documents. If you used the service in previous years, you should still have access and can simply use it again. If you wish to use this service for the first time, simply send us an email and we will set you up on this end. You will then receive an email which will direct you to a web page to establish your Verifyle account. You will get a randomly generated password (or you can change it to one of your choosing). Once in, you can upload any files you wish and we will get an email notifying us that the files are waiting. This service is through the National Society of Accountants. Every message, thread, and document has its own encryption key for maximum security unlike many other cloud-based storage services which use a master key to encrypt information in bulk. Please note Verifyle has been updated to reflect our main email address of [admin@sauppeta.com](mailto:admin@sauppeta.com). This is a change from previous years.
4. We do **NOT** recommend it, but you can send **pdf** scans of all your documents via Dropbox or Google drive. Keep in mind this method is not very secure. If using this method, you **must** be sure you send all pages of every document, send **all** the documents at one time, and be sure all the pages are legible and complete before you send them. You must include our annual questionnaire. **Be sure to send us an email letting us know you are sending your documents this way.** For security reasons, we **never** click on a link in an email that is from an unknown or corporate sender so don't use an email inside the cloud storage to contact us. We won't open it!

**Please do NOT send your documents as an attachment to an email as this is unsecured and your attachments often contain sensitive personal data.** It is too easy for this information to be waylaid on its way from your computer to ours.

As always, we will send your completed returns back to you for your review and signing of the 8879. We cannot electronically file your return until we have the signed 8879 in our possession.

If you wish an "in person" meeting, we can do a Skype call. You simply need to contact us to arrange a time for this call.

If you would like a checklist of the documents you submitted to our office for last year's taxes, please let us know and we will provide one if it has not already been included in your year end packet.



**2024 Mileage Rate**—the business rate is 67.0 cents per mile and medical is 21 cents per mile. The charitable rate for 2024 is 14 cents per mile (this rate is not subject to COLA increases). The business and medical rates for 2025 were not yet available as of the date this newsletter was printed. Check our website at [www.sauppeta.com](http://www.sauppeta.com) for the latest info.

### Useful Apps and websites

CleanPNG.com—website with free quality PNG images (no backgrounds).

Skyscanner.com—website that can help you save money on flights. Also available as an app

Downforeveryoneorjustme.com—allows you to see if a website itself is down, or if the problem accessing the site is on your end..

PDFEscape.com—lets you tweak a pdf file without extra software

ManualsLib.com—find that manual for your device that you accidentally threw out thinking you would never need it

Flipp—gathers up sales flyers in your region so you can compare them on your phone

ZEDGE (IOS and Android) - personalize your ringtones

Waterful (IOS and Android) - helps you remember to stay hydrated

Cookpad (IOS and Android) - stores recipes and helps you determine how to use up the items in your fridge

Letterboxd (IOS and Android)—similar to Goodreads but for movies

Taxpayer Name \_\_\_\_\_

## Charitable Donation Recap for 2024

Must be completed for ANY donations you wish to claim on your 2024 tax return.

### Monetary donations

You may combine donations made to the same organization in this section. For example, if you gave three checks of \$100 each to the Red Cross, you may simply list the total. In this case, since each donation was under \$250, you do not need to provide any receipts from the charity and may enter NO in the last column. For method of payment, indicate check, bank debit, payroll deduction, or cash. If cash, you must include the receipt from the charity recognizing the donation. Please note that any purchase of raffle tickets from a charity does NOT represent a charitable donation. Also, if you receive something of value in return for your donation, your donation must be reduced by the fair market value of that item. The charity will normally provide you with this information.

Name of Charity	Method of Payment	Amount	Any single donation greater than \$250? YES/NO
EXAMPLE: Red Cross	Checks	300.00	NO

### Non-Monetary Donations

List each donation separately. In **all** cases, a receipt from the charity and a list of the items donated with the value assigned to each item **must** be included with your paperwork. For car donations, a 1098-C should also be included. If the **total** of all your non-monetary donations is greater than \$500, you **MUST** complete the last three columns for **all** donations. A valuation guide can be found on our website at [www.sauppeta.com](http://www.sauppeta.com). The value assigned to any item must be the **smaller** of fair market value or your basis (usually your cost). For example, if you found an item on the street and then donated it, your deduction for tax purposes would be zero because you had no basis.

Name of Charity	Date of Donation	Total Fair Market Value of Items Donated	How Acquired by Donor	Date Acquired by Donor	Donor's Basis
EXAMPLE Goodwill	12/15/22	\$75	Purchased**	12/5/03**	\$600**

\*\* Not needed if the total of **all** non-cash donations are less than \$500.