



Sauppé Tax News

Brought to you by
Sauppé Tax Service, LLC
P O Box 245 Trempealeau, WI 54661-0245
Phone/fax 608-534-2122 e-mail admin@sauppetax.com

OBBBA and You

Special points of interest:

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

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Well, we stated in last year's newsletter that the tax laws were going to change, and they did as a result of the One Big Beautiful Bill Act (also known as OBBBA). This bill is approximately 1,000 pages long, and has many tax provisions. This newsletter will address some of the major points in the bill that may affect you and your taxes. Below is a highlight of some of the major changes. Please feel free to contact the office if you wish to discuss.

The individual tax rates put in place as part of the TCJA in 2017 have now been made permanent. It also permanently eliminates the personal exemption.

There is a new senior citizen extra standard deduction. If you are 65 or older in 2025, you may be entitled to an increase in your standard deduction of \$6,000 per taxpayer. So, a married couple could increase their standard deduction by \$12,000.

If you normally receive tip income, you may be entitled to an extra deduction on your return for some of your tip income.

If you receive overtime pay, you may not have to pay federal income tax on the overtime component of this pay.

See page 2 for details on the above items.

The child tax credit was increased from \$2,000 per child to \$2,200.

You may be entitled to deduct loan interest on a new car loan taken out in

2025 if the car was assembled in the US. See Page 3.

There are a few provisions in the bill that do not take effect until 2026. Individuals may take up to a \$1,000 deduction (\$2,000 for a married couple) for monetary donations made to qualified charities. This can be claimed whether the taxpayer itemizes or not. But donations that are used for itemized deductions must first be reduced by 0.5% of adjusted gross income. See Page 3

Savings accounts for children (referred to as Trump accounts) can be set up for children under age 18, but cannot be established until July 2026. See Page 3.

Some issues in the bill not directly tied to your taxes are the following.

It increases the debt ceiling by \$5 trillion.

It cuts Medicaid spending by 12%

It expands work requirements for SNAP benefits (aka food stamps) recipients.

It adds \$150 billion in new defense spending, and \$150 billion for border enforcement and deportations. It increases the funding for ICE from \$10 billion to more than \$150 billion by 2029. This will make it the top funded law enforcement agency in the federal government, and have more funding than the militaries of most countries.

It is estimated that the bill will increase the budget deficit by \$2.8 trillion (yes, trillion) by 2034.

Tip Income

People who normally receive tip income (wait staff, bartenders, hair stylists for example), may be able to deduct up to \$25,000 in tip income that has been reported on your W2 or similar statement from your federal taxable income. This deduction is currently only allowed for the years 2025 to 2028 and will phase out for individuals who make more than \$150,000 a year (\$300,000 for married couples filing jointly). This only applies to cash tips. Non-cash tips are still taxable. All tip income is still subject to Social Security, Medicare, state, and city tax. If you are married, you must file a joint return to claim this deduction. Also if your income is low enough that you are already paying zero taxes because of the standard deduction, the tip income deduction may not save you any federal income tax.



Overtime Income

If you receive overtime pay, some of this pay may no longer be subject to federal income tax, but only the overtime portion. For example, if your normal hourly wage is \$18 per hour, and you get paid \$27 per hour when you work overtime, only the difference in pay (\$27 minus \$18 or \$9) escapes income tax. Your employer may be required to track this and report it in some way on your 2025 W2 or an attached statement. Again, this deduction is currently only for the 2025 thru 2028 tax years. In 2029, your full overtime will once again be taxed. The same income limitations and filing requirements that apply for the Tip Income deduction will apply here. The full amount of overtime will be used when calculating all the other taxes besides federal income tax.

Senior Citizen Deduction

For 2025 thru 2028, any taxpayer who is 65 or older during the year may be entitled to an extra deduction from their taxable income of \$6,000 IF their income is below \$75,000 for a single filer, and \$150,000 for a joint filer. If both taxpayers are 65 or older, they may each be able to claim the additional \$6,000. There is no corresponding amount for married filing separate, as this deduction is disallowed on an MFS return.



Due Diligence Checklist

Some of you received a due diligence checklist in your annual packet and some of you did not. This is based on your filing from 2024. Not every taxpayer must complete this due diligence checklist for our office. We only use this form internally to document whether the taxpayer qualifies for certain filing statuses or credits. If you did not receive this form in your packet, you do not need to go on our website to download this form. In the rare instance where your filing changes for 2025, and the form is now needed, we will send it to you.

EXTRA FEES

Just a reminder that we have to add additional fees to your tax preparation if you fail to do the following:

- 1. Fully complete and sign your annual questionnaire. This includes having both spouses sign, and completing ALL sections and questions, and including all documents noted as required by a YES answer on the questionnaire.**
- 2. Send a copy of your current driver's license if you renewed it in 2024 or early 2025.**
- 3. Send all of your documents, with all pages of all documents, together at the same time, and in the correct format (if scans, then please send in pdf format only).**
- 4. Send your documents in a timely fashion. Do NOT wait until late in the tax season to submit**



Energy Credits – going, going, gone!

The OBBBA discontinued or curtailed many of the energy credits passed in the Inflation Reduction Act. Credits for purchases of electric vehicles ended already in September, 2025. EV charging tax credits will be phased out by June 2026. Home energy efficient upgrades and Residential Clean Energy credits will both be discontinued on December 31, 2025. The energy efficient credit covered exterior doors, windows, skylights, insulation materials, central air conditioners, and heat pumps among other items. The credit amount varied based on the item installed. The Residential Clean Energy credit covered renewable energy for your home (solar, wind, and geothermal to name the most common). Again, the credit amount varied based on the item installed. If you did install one of these energy savings items in 2025, you will need to provide this office with a detailed invoice for the purchase, confirmation that the installation was complete and the item was fully functioning by 12/31/25, and (new for this year) the manufacturer's four digit QM code.



Auto Loan Interest

For years, any interest you paid on auto loans was not allowed as a deduction on your tax return. Starting in 2025, and continuing until 2028, you may once again be allowed to claim auto loan interest even if you don't itemize. However, to claim this deduction, the loan must be on a **new** car purchased in 2025 thru 2028, the car must have been assembled in the US, and the gross vehicle weight must be under 14,000 lbs. The loan must have been taken out at the time you purchased the car, and if you refinance the loan, the deduction is lost. Your income must be under \$100,000 for singles and \$200,000 for married couples filing jointly. If you meet all these criteria, please be sure to include all relevant paperwork on the car purchase and the car loan.

Trump Savings Accounts

The OBBBA added a new type of savings account for children called a Trump Savings Account. This account can only be opened for children under 18, **and cannot be opened until July 4, 2026**. Anyone can contribute to a Trump account for a child, but the maximum that can be added in any one year is \$5,000. The OBBBA includes a provision where the federal government will add one \$1,000 contribution for any child born between Jan 1, 2025 and Dec. 31, 2028. The details on how to get this contribution for your child are still being worked out. This \$1,000 does NOT count towards the \$5,000 annual limit.

These accounts are owned by the child and distributions before age 18 are disallowed except in very limited circumstances such as death of the beneficiary. Once the child turns 18, the account becomes a traditional IRA and follows all the rules of traditional IRAs with non-deductible contributions. This means that the taxpayer must keep good records to prove basis. Taxes and penalties can be imposed on the earnings portion. There are limited exceptions to the penalties but never for the tax.



Charitable Deductions In 2025 and 2026

For 2025, the rules for deducting charitable donations has not changed. Only those who itemize and have the proper documentation for donations (see below) can benefit tax-wise from their philanthropy

Starting in 2026, a taxpayer who makes a monetary donation to a charity (but NOT to a donor advised fund) may be able to deduct the amount of the donation, up to a maximum of \$1,000 (\$2,000 for a married couple filing jointly) directly from their adjusted gross income. They can do this even if they utilize the standard deduction. Of course, if the taxpayer has charitable donations over and above this \$1,000/\$2,000, the donations can instead be included on Schedule A as an itemized deduction. However, any donations that are used on Schedule A will first be subject to a reduction of 0.5% of the taxpayer's adjusted gross income. Only the amount over this reduction will be allowed on Schedule A

The rules for documenting charitable donations has not changed. Any donations (monetary or non-monetary) of \$250 or more MUST be acknowledged in writing by the charity before the return is filed. Any donation more than \$5,000 must have a qualified appraisal.

More changes are coming in 2027, so see next year's newsletter for details.

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— This applies to the new deduction for tips or overtime. Your employer may not be able to provide enough information to determine the amount of these deductions. We may need to review ALL of your pay stubs for the year to accurately determine the amount.

Question 2—For 2025, 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 and you made contributions, you must answer Yes to this question AND complete the charitable recap on page 7 of this newsletter. You will also need all the required documentation from the charity for any donations of \$250 or more. The IRS can, and will, disallow donations without the proper documentation and you must have the documentation before you file the return.

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. 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 2025 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 shows this on your W2. However, you may be able to make contributions 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 the 1099SA form AND 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 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 may allow a deduction. These funds can be used to pay for qualified college education expenses (and in some instances for education costs prior to college). Your return needs to report any distributions even if they are not taxable..

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 2025 payments that would mean 1/31/2026).

Question 15—For either a new or used car, the sales tax paid on a car purchased in 2025 may be used on your return. For 2025, the interest paid on a NEW car loan may be used on your return. Be sure to provide all details on the purchase and the loan.

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 \$19,000 (2025 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 \$19,000 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—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.

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. We will file your city return electronically if that option is available. 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).
- If you request, we will work with you to address questions that arise about your returns. However, you must send us **ALL** the pages 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 (see the valuation guide on our website for assistance with this if needed).
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 1951 or earlier, you should already be taking your required RMDs from your IRA, and must be sure to take your 2025 amount before 12/31/25. If you were born in 1952, you are required to start taking RMDs for 2025, though you can wait until 4/15/26. If you do wait until April of 2026, 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 25% 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.

Brokerage Statements

Please be sure to send us ALL the pages of your brokerage statements. We realize that many statements have either blank pages, or standard disclosure or definition pages. However, when we get a statement that does not contain all the pages, we have no way of knowing if information we need is on the missing pages. The easiest way for all concerned is to simply include the full brokerage statement with your other tax documents.

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**. Email address is 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. 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 do not send pictures (jpeg, png, gif, tif or similar) file formats of your documents as we then have to convert them to pdf before we can process them. Tax questions should be emailed to admin@sauppeta.com**
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 Zoom call. You simply need to contact us to arrange a time for this call.



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2025 Mileage Rate— the business rate is 70.0 cents per mile and medical is 21 cents per mile. The charitable rate for 2025 is 14 cents per mile (this rate is not subject to COLA increases). The business and medical rates for 2026 were not yet available as of the date this newsletter was printed. Check our website at www.sauppeta.com for the latest info.

Useful Apps and websites

Triplt—organizes your travel plans so all your travel details are in one place.

AllTrails—app with an extensive database of trails for hiking and outdoor activities.

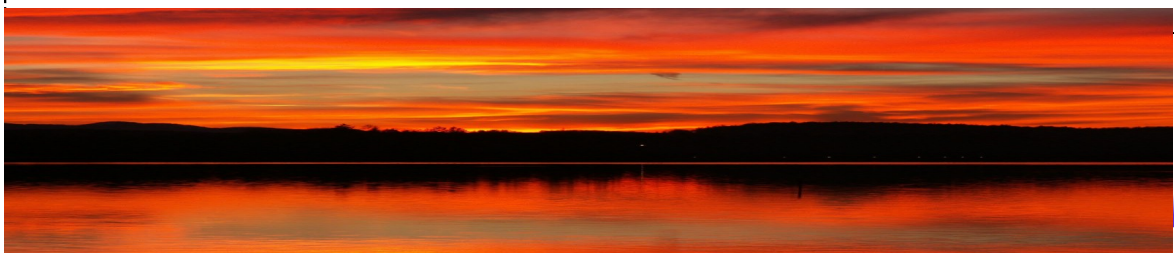
Elevate—brain training games

Canva—design app for graphics, presentations, and social media (may involve a monthly fee)

Tello—a website to help you organize projects visually.

Faxzero.com—send an online fax for free

Urbandictionary.com— definitions of slang and informal words



Taxpayer Name _____

Charitable Donation Recap for 2025

Must be completed for ANY donations you wish to claim on your 2025 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 no matter the amount. 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 \$250 or more? YES/NO	Is this a Qualified Charitable Distribution from an IRA? YES/NO
EXAMPLE: Red Cross	Checks	300.00	NO	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. 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.