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January 1, 2025,

Happy New Year from Capital Accounting, P.C.!

As we prepare to welcome 2025, we want to express our sincere gratitude for your continued trust and partnership. Your confidence in our services and the referrals you've shared mean the world to us. Thank you for being such an integral part of our journey—we couldn't achieve our success without your support.

Reflecting on 2024, we find ourselves approaching the sunset of key provisions introduced by the 2017 Tax Cuts and Jobs Act (TCJA). This legislation brought significant changes to the tax landscape, including nearly doubled standard deductions, lower tax rates, 100% bonus depreciation, and Qualified Business Income (QBI) deductions. As these favorable provisions are set to expire, the outcomes of the 2024 election provide hope that Congress may extend, reinstate, or introduce new tax legislation entirely. Rest assured, we remain committed to informing you of any changes and how they might affect your tax strategy.

With 2025 poised to bring substantial shifts to the tax landscape, early tax planning will be more important than ever for achieving optimal results. By scheduling your tax planning meeting earlier this year, we can dedicate more time to understanding your unique situation and tailoring strategies to ensure the best possible outcome.

Gather Your Tax Documents and Receipts

As you collect your tax documents—such as W-2s, 1099s, mortgage statements, and other important paperwork—please refer to the attached 2024 Client Income Tax Checklist for your convenience.

Schedule Your Tax Appointment Today!

To schedule your tax appointment, call us at **(480) 783-8870** as soon as possible! We continue offering flexible options, including in-person meetings, Zoom, and conference calls. For added convenience, we also provide **Tax Dome**, our secure client portal, for communication and document sharing. If you'd rather not schedule a formal meeting, you can drop off your documents at our office or send them by mail. We're here to make the process as seamless as possible!

Tax Deadlines

S Corporations & Partnerships (Forms 1120S/1065) – **Monday, March 17th**

Individual & Corporations (Forms 1040/140 & 1120) – **Tuesday, April 15th**

Sincerely,

Capital Accounting, P.C.

2025



Tax Highlights & Analysis

Key Individual Deductions and Other Information

Tax brackets

The seven brackets of 10%, 12%, 22%, 24%, 32%, 35%, and 37% remain the same for 2024, but each rate has slightly increased to adjust for inflation (Please see attached 2024 Checklist and Key Income Tax Figures Table). The highest bracket has been pushed to **\$609,351** for single filers, and joint filers will increase to **\$731,201**.

Standard deduction

Like the tax brackets, the standard deduction for 2024 will be raised to adjust for inflation. For single filers, it will increase to **\$14,600**. For head of household (HOH), it will increase to **\$21,900**. And for married filing joint, it will increase to **\$29,200**

Retirement Contribution Limits

For tax year 2024, the traditional IRA contribution limit has increased to **\$7,000** with an additional \$1,000 catch-up contribution limit if you are age 50 or older. The limit for employee elective deferrals to traditional 401(k) has also increased to \$23,000 with an additional \$7,500 catch-up contribution if you are age 50 or older. The limit for employee elective deferrals for 2025 increases to **\$23,500**.

Social Security Tax Limit

Social Security is the only tax with a base wage limit, meaning earnings above this threshold are not subject to Social Security taxes. In 2023, the wage base limit was \$160,200, but in **2024**, it increased to **\$168,600**. This change reflects annual adjustments for inflation and rising average wages. Employees and employers will each continue to pay the **6.2% Social Security tax** on earnings up to this new limit, while earnings above \$168,600 will not be taxed for Social Security purposes. Self-employed individuals who pay the employee and employer portions of Social Security tax will owe **12.4%** on income up to this limit. The social security wage base limit for 2025 increases to **\$176,100**.

Child tax credit

The Child Tax Credit (CTC) will remain at \$2,000 per qualifying child under the age of 17 in 2024, but the refundable portion has increased to **\$1,700**. The CTC begins to phase out at an adjusted gross income (AGI) of **\$200,000** for single taxpayers and **\$400,000** for those who file jointly.

Electric Vehicle Credit

While the \$7,500 clean vehicle credit remains unchanged from 2023, President-elect Donald Trump appears to intend to reform much of the previously instated Inflation Reduction Act, which includes the EV credit. If you plan on purchasing an EV, 2025 might be the year to do it while the credit's fate remains uncertain.

Alternative Minimum Tax (AMT)

The Alternative Minimum Tax (AMT) is a parallel tax system designed to ensure that higher-income taxpayers pay a minimum amount of tax, regardless of deductions or credits. For 2024, the AMT exemption amount has increased to **\$85,700** for single filers and **\$133,300** for married couples filing jointly. The phase-out thresholds, where the exemption begins to decrease, are **\$609,350** for single filers and **\$1,218,700** for married couples. These amounts are slightly higher than in 2023, when the exemptions were \$81,300 and \$126,500, with phase-outs beginning at \$578,150 and \$1,156,300, respectively.

Gift tax

The annual gift exclusion for 2025 gets bumped up \$1,000 to \$19,000 for an individual donee (joint filers may gift \$19,000 each), allowing a married couple to give a combined total of **\$38,000 per recipient** without incurring gift tax. This increase will enable individuals and families to transfer more wealth tax-free each year, helping to reduce the size of taxable estates over time.

Additionally, the **lifetime gift and estate tax exclusion** is set to increase to approximately **\$13.61 million per individual** in 2025, up from \$12.92 million in 2024. This allows individuals to transfer even more wealth over their lifetime without facing federal gift or estate taxes, making it a valuable tool for estate planning and wealth preservation.

Key Business Deductions and Other Information

Standard Mileage Rates

The standard mileage rate for business miles increased to **67 cents** per mile in 2024, up from 65.5 cents in 2023. Miles driven for charity and medical purposes remain at 14 and 22 cents, respectively. We recommend that our business clients keep a mileage log for easy record-keeping. The standard mileage rate increases to **70 cents** per mile in 2025.

Section 179 Limits

For 2024 taxes, the section 179 deduction limit for heavy trucks or SUVs over 6,000 pounds increases to **\$30,500 per vehicle**. The maximum Section 179 deduction is now \$1,220,000. This limit begins to phase out when the cost of section 179 property placed in service during the year exceeds \$3,050,000. Section 179 can be combined with bonus depreciation to give you an even larger tax deduction, but cannot reduce your net business income to below \$0.

Bonus Depreciation

Bonus depreciation continues its phase-out in 2024, where new assets placed in service are limited to 60% of the purchase price, a steady decline from the 100% we saw in 2022 and prior. The Trump Administration may seek to make the Tax Cuts and Jobs Act permanent, possibly reinstating 100% bonus depreciation. If this does not happen, bonus depreciation will be 40% for 2025.

Clean Energy Credits

The Clean Energy Tax Credits for businesses in 2024 offer significant incentives for investments in renewable energy and energy efficiency. These credits include the Investment Tax Credit (ITC), which provides up to 30% of eligible costs for projects such as solar panels, wind turbines, energy storage systems, and geothermal technologies. Businesses producing clean energy can also benefit from the Production Tax Credit (PTC), which rewards electricity generation from renewable sources like wind, solar, and hydropower. Additionally, incentives

for energy-efficient commercial buildings and clean vehicle purchases further encourage businesses to adopt sustainable practices.

Small-scale projects in low-income communities, Indian lands, or federally subsidized housing may qualify for bonus credits, increasing the value of the ITC. Businesses investing in clean vehicles or manufacturing clean energy components can also leverage credits for significant tax savings. These incentives reduce tax liabilities and support long-term operational savings and environmental goals.

Note: These provisions are subject to change depending on legislative priorities under the new administration.

1099-K thresholds

For **tax year 2024**, the IRS has delayed implementing the lower **\$600 reporting threshold** for **Form 1099-K**, which applies to third-party payment platforms like PayPal, Venmo, and Stripe. Instead, the reporting threshold remains at **\$20,000 and 200 transactions** for the year. This means businesses and individuals receiving payments through these platforms will only receive a 1099-K if they meet both the transaction count and income thresholds.

Business meals/entertainment

You can still only deduct 50% of the total cost for business meals, as long as the expenses are **ordinary and necessary** for carrying out your business. This includes meals with clients, customers, or employees where business is discussed. To qualify, the meal cannot be considered lavish or extravagant, and detailed records, including receipts and the purpose of the meal, should be kept to substantiate the deduction. Entertainment expenses, such as event tickets or recreational activities, remain **non-deductible** under current tax law.

QBI Remains the Same

In 2024, the Qualified Business Income (QBI) deduction remains substantial for self-employed or small business owners. The taxable income limit for 2024 is **\$383,900** for joint filers and **\$191,950** for all other filers. Different limits apply if you run a specified service trade or business (SSTB). Your tax preparer will ensure you take full advantage of the QBI deduction. Under current law, the QBI deduction will sunset effective 12/31/2025.

IRS Notices

Over several months, we have noticed an influx of computer-generated IRS notices. If you receive a letter or notice from the IRS or any state taxing authority, please do not hesitate to send us a copy. Our dedicated team of enrolled agents is eager to assist clients in communicating with the IRS on their behalf, abating penalties, and, most importantly, stopping further notices. **Do not ignore an IRS notice – it will not go away!**

Capital Updates

Accounting

Ensure your financials are accurate and up-to-date with our comprehensive bookkeeping services. Our **Monthly Accounting** service tracks and reconciles transactions regularly, providing timely insights into your business's financial health. **Quarterly Accounting** offers periodic reviews, ideal for businesses that require less frequent reporting. We also provide **QuickBooks Review** to review your setup, ensure accurate data entry, and streamline financial management, along with **QuickBooks Training** to empower your team with the skills needed for effective use. Trust us to handle your bookkeeping needs, so you can focus on growing your business with confidence.

Corporations, Payroll, and BOI

Capital Accounting offers comprehensive services, including Corporation & LLC Setup, Payroll Services, and **Beneficial Ownership Information Reporting**, tailored to meet your business needs. The Capital Enhanced Payroll service provides a personalized, efficient solution to payroll management, handling tasks such as payroll tax payments, compliance, and W-2/1099 preparation while alleviating the time and liability burdens associated with payroll processing. Additionally, they assist businesses in complying with the new Beneficial Ownership Information Reporting (BOIR) requirements under the Corporate Transparency Act, effective January 2024, which mandates LLCs and corporations to disclose beneficial ownership details to FinCEN. For a fee, Capital Accounting ensures accurate preparation and timely filing of these reports, helping businesses avoid federal penalties while staying compliant.

Billing Information

To streamline our processes and ensure a smooth experience for all clients, we will now require direct deposit or credit card information from all new clients prior to beginning work. This policy allows us to maintain efficiency and focus on delivering the highest quality service while simplifying billing and payment procedures. By providing this information upfront, you'll enjoy a hassle-free payment process, ensuring uninterrupted progress on your tax or financial needs.

Engagement Letters

To ensure clear communication and mutual understanding, we will now require all clients to sign an engagement letter prior to beginning work. This letter outlines the scope of our services, responsibilities, and expectations, providing transparency and helping us deliver the best possible experience. It's a simple step to ensure everyone is on the same page and that your needs are met effectively.

Tax Dome

Tax Dome will remain our primary platform for document sharing to protect your privacy and ensure the security of your information. Please avoid emailing sensitive information, such as Social Security numbers or financial details. Tax Dome provides a secure, efficient way to upload and access your documents, helping us keep your data safe while streamlining the sharing process.

Digital Copies

To enhance efficiency and reduce waste, we will now provide **digital copies of tax returns** as our standard practice. If you prefer a hard copy, we're happy to accommodate your request; however, please note that a fee may apply. This change allows us to streamline our processes while supporting environmentally friendly practices. If you have any questions or need assistance accessing your digital copies, don't hesitate to reach out—we're here to help!



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Tax Year 2024 Key Income Tax Figures

Individual Income Tax Rates	10%, 12%, 22%, 24%, 32%, 35%, 37%	
Additional Medicare Tax Rate	0.90%	
Net Investment Income Tax Rate	3.80%	
Standard Deductions	2024	2023
Single & Married Filing Separate	\$14,600	\$13,850
Married Filing Joint & Qualifying Widower	\$29,200	\$27,700
Head of Household	\$21,900	\$20,800
FICA Taxable Wages (Social Security)	2024	2023
	\$168,600	\$160,200
Child Tax Credit	\$2,000	\$2,000
Standard Mileage Rate	2024	2023
Business	67¢	65.5¢
Medical and Moving (First 6 months 18¢)	21¢	22¢
Charitable	14¢	14¢
Section 179	2024	2023
Maximum Amount 179	\$1,220,000	\$1,160,000
SUV Limitation	\$30,500	\$28,900
Retirement Plans	2024	2023
IRA - Contribution Limit/Catch up if Age 50	7,000/1,000	6,500/1,000
SIMPLE IRA - Contribution Limit/Catch up if Age 50	16,000/3,500	15,500/3,500
401(k), 403(b), & 457 - Contribution Limit/Catch Up Age 50	23,000/7,500	22,500/7,500
Defined Contribution - Contribution Limit	\$69,000	\$66,000
Health Savings Accounts (HSA)	2024	2023
Individual - Contribution Limit	\$4,150	\$3,850
Family - Contribution Limit	\$8,300	\$7,750
Age 55 Catch-Up	\$1,000	\$1,000

Meet the Firm

We understand how important it is to connect with the people you work with and put a face to a name. At Capital, we value fostering strong relationships, both within our team and with our clients. As we gear up for an exciting year ahead, we're thrilled to introduce some new faces who have joined us and share our current team roster heading into 2025.

This roster represents the talented individuals who drive our mission forward, each bringing unique skills, experiences, and perspectives that make Capital what it is today. From seasoned professionals to fresh talent, our team is ready to tackle new challenges, embrace opportunities, and continue delivering exceptional service.

Partners & Managers



James Laubham



Bat Martinez-Woolsey



Todd Smith

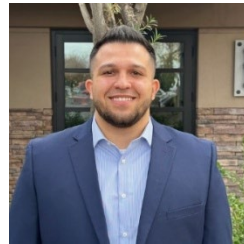


Luis Hernandez

Tax Team



Ana Anchia



Brandon Decker



Michael Nowak



Larissa Dishman



Anabella Pietri



Melissa Johnson

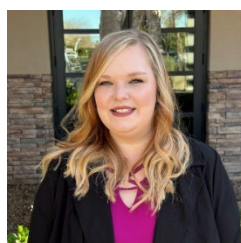


Lucas Kramer

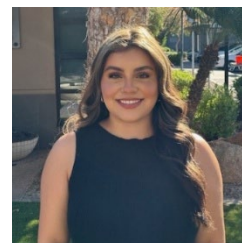
Payroll & Corporations



Kimberly White



Mikayla Odell



Karina Calderon

Accounting



Alexis Grimes



Jady Bruce



Jose Aburto

Admin Team



Elizabeth Martinez



Gracie Valencia



Alexis Ramos



Myia Vega



Briana Chavez