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January 1, 2026

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

As we welcome 2026, we want to extend our sincere thanks for another year of your trust, support, and referrals. Our continued success is a direct reflection of the confidence you place in us, and we do not take that for granted. It has been a privilege to guide you through an ever-changing tax landscape, and we look forward to helping you navigate the new year with clarity and confidence.

This year is especially noteworthy with the passage of the One Big Beautiful Bill Act (OBBA), the most significant tax legislation since 2017. The law prevents several scheduled tax increases and introduces targeted changes affecting both individual and business taxpayers. A dedicated section later in this letter highlights the key provisions and planning considerations under the new law.

Organize Your 2025 Tax Information

As you begin gathering your 2025 tax documents, including W-2s, 1099s, mortgage statements, investment statements, charitable receipts, and other key records, please refer to the enclosed 2025 Client Income Tax Checklist to ensure nothing is overlooked. Early preparation helps us complete your returns accurately and efficiently once filing season opens.

Schedule Your 2025 Tax Appointment

Appointments fill quickly, so we encourage you to contact our office at (480) 783-8870 or admins@capitalacctpc.com to reserve your preferred time. We offer in-person, virtual, and phone consultations to accommodate your schedule. You may also securely upload documents through **TaxDome**, our client portal, designed for easy communication and safe file sharing. For those who prefer a hands-off approach, you are welcome to drop off or mail your materials, and we will take care of the rest. Our goal is to make your filing process as smooth and stress-free as possible.

Tax Deadlines

S Corporation & Partnerships (Forms 1120S/1065) – **Monday, March 16th**
Individual & Corporations (Forms 1040/140 & 1120) – **Wednesday, April 15th**
1099-NEC Reporting – **Friday, January 30th**

Your trust is invaluable to us. Please do not hesitate to contact us with any questions or concerns. We look forward to a prosperous 2026 for you and your business.

Sincerely,

Capital Accounting, P.C.

2025

TAX TIME

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Tax Highlights & Analysis

Staying Ahead of Tax Changes

The tax landscape constantly evolves, and we are dedicated to informing our clients of the latest developments. The following letter outlines significant tax updates, provides Capital Accounting client reminders/updates. You will also find included our 2025 Key Income Tax Figures and Client Income & Expense Help list.

One Big Beautiful Bill Act (OBBA): What Changed and Why It Matters

In July 2025, Congress enacted the One Big Beautiful Bill Act (OBBA), the most significant tax legislation since the original Tax Cuts and Jobs Act of 2017. The primary purpose of OBBA was to prevent widespread tax increases that were scheduled to occur beginning in 2026, while also introducing targeted enhancements for both individuals and businesses.

Below is a high-level summary of the provisions most likely to affect our clients.

Key Individual Tax Changes

Permanent Extension of TCJA Tax Rates and Deductions

OBBA permanently extends the current seven federal income tax brackets and the enhanced standard deduction amounts that were previously set to expire after 2025. This provides long-term stability and avoids an automatic increase in marginal tax rates for most taxpayers.

Expanded Child Tax Credit

Beginning with 2025 returns, the Child Tax Credit increases to **\$2,200** per qualifying child, with up to **\$1,700 refundable**. Income phaseouts remain unchanged. Starting in 2026, both the credit and refundable portions will be indexed for inflation.

Temporary Expansion of the SALT Deduction Cap

The state and local tax (SALT) deduction cap has been temporarily increased to up to **\$40,000**, subject to income-based phaseouts. This change is particularly impactful for taxpayers in higher-tax states but is not permanent, making multi-year planning important.

By removing the uncertainty surrounding expiring provisions, OBBA allows for more confident long-term planning around income timing, capital gains, charitable giving, and retirement strategies.

Key Business and Self-Employed Tax Changes

Restoration of Favorable Depreciation Rules

OBBA restores and extends **100% accelerated depreciation** provisions, including enhanced bonus depreciation and expanded expensing for qualified business property. This significantly improves cash-flow-driven planning for businesses investing in equipment, vehicles, and property improvements.

Full Expensing of Domestic Research & Development Costs

Domestic R&D expenditures are once again eligible for **immediate deduction** rather than mandatory amortization, benefiting businesses in technology, healthcare, engineering, and professional services.

Pass-Through Business Stability

The Section 199A Qualified Business Income (QBI) deduction framework remains intact, and the permanence of individual tax rates enhances the value of strategic wage planning, entity structuring, and compensation optimization.

1099 Reporting Thresholds

Starting with payments made in 2026, the reporting thresholds for Forms 1099-NEC and 1099-MISC will increase from **\$600 to \$2,000**. The threshold for Form 1099-K has been restored to **\$20,000 and 200 transactions** for payments made through third-party networks.

What This Means for You

While OBBB does not affect every taxpayer in the same way, it materially improves planning certainty and preserves many favorable provisions that were at risk of expiring. Our firm is already incorporating these changes into year-end planning, projections, and strategic recommendations, and we will continue to monitor IRS and Treasury guidance as implementation evolves.

2025 General Tax Updates

Tax brackets

The current seven federal income tax brackets of **10%, 12%, 22%, 24%, 32%, 35%, and 37%** remain in place for tax year 2025. While each bracket has been modestly adjusted for inflation, the top threshold continues to apply to income above **\$609,351** for **Single filers** and **\$731,201** for **Married Filing Jointly**.

Standard deduction

The updated standard deductions are **\$15,750** for **Single**, **\$31,500** for **Married Filing Jointly**, and **\$23,625** for **Head of Household**.

Retirement Contribution Limits

For 2025, the employee elective deferral limit for common pre-tax retirement plans, including **401(k), 457(b), and 403(b)** plans, has increased by \$500 to **\$23,500**. Beginning in 2026, this limit will rise by \$1,000 each year. The standard catch-up contribution for individuals aged 50 and older remains **\$7,500**. Depending on your plan, individuals ages 60 through 63 may also be eligible for an enhanced **"SUPER CATCH-UP"** contribution of **\$11,250**, subject to confirmation with your plan administrator.

The combined employee and employer contribution limit is **\$70,000 for 2025**, increasing to **\$72,000 in 2026**.

Traditional and Roth IRA contribution limits remain **\$7,000 for 2025**, increasing to **\$7,500 in 2026**. The IRA catch-up amount for individuals aged 50 and older holds at **\$1,000** for 2025 and rises to **\$1,600** in 2026.

Social Security Tax Limit

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**.

Firm Reminders and Updates

Tax Preparation

To guarantee timely filing, we request the information no later than the dates below. If information is received after these dates, we anticipate filing an extension to allow for adequate time to prepare the tax returns and file.

Business Tax Deadline: Monday, March 16

We need information by Friday, February 13

Individual Tax Deadline: Wednesday, April 15

We need information by Friday, March 6

Monthly Accounting & Bookkeeping Services

Capital Accounting offers ongoing **monthly/quarterly accounting** and **bookkeeping** services designed to provide accurate, timely financial reporting throughout the year. Our services include transaction categorization, bank and credit card reconciliations, and the preparation of monthly financial statements to help ensure your books remain clean and up to date.

Consistent bookkeeping allows for more effective tax planning, reduces surprises at year-end, and helps support informed business decisions. Our goal is to provide clarity and continuity in your financial records while minimizing the administrative burden on business owners.

Corporate Services & Payroll Solutions

Capital Accounting offers a full suite of **Corporate Services**, including new business setup and ongoing compliance support. We assist with the formation and registration of a wide range of entity types, including Corporations, Partnerships, Single-Member LLCs, and S-Corporations.

We also provide **Capital Enhanced Payroll**, a full-service payroll solution designed to meet the needs of growing businesses. This service includes payroll processing for all employees, electronic preparation and submission of payroll tax payments, filing of required payroll tax compliance forms, and all year-end W-2 reporting.

Our goal is to reduce the administrative burden and compliance risk associated with payroll, allowing business owners to focus on operating and growing their businesses with confidence.

Notices

If you receive a notice or letter from the IRS or a state tax authority, please forward it to a member of our team so we can determine the appropriate course of action. We have seen an increase in computer-generated notices, and while some are informational or issued in error, it is important to address them promptly, as notices do not resolve themselves.

We are happy to respond to notices on our clients' behalf. Please note, however, that government agency call volumes and response times may delay resolution in some cases.

Hard Copies

As our firm continues to operate in an increasingly digital environment, we charge a **\$25 fee** for hard-copy packaged tax returns. If you would like to receive a hard copy, please notify us at least one business day in advance for in-office pickup, or at least one week in advance if you prefer delivery by mail.

Meet the Firm

We believe strong working relationships begin with knowing the people behind the work. At Capital Accounting, **our team is central to everything we do.**

The following pages introduce the professionals who support your tax, accounting, and advisory needs.

Tax Team



**James B.
Laubham**
CPA, Partner



**Bat Martinez-
Woolsey**
Director of
Operations, Partner



John Denvir
CPA-MBA, Tax
Manager



Luis Hernandez
Tax Manager



Ana Anchia
Senior Tax
Accountant



James Barten
Tax Accountant



Brandon Decker
Tax Accountant



Larissa Dishman
Tax Accountant



Melissa Johnson
Tax Accountant



Dennis Korpos
Tax Accountant



Lucas Kramer
Tax Accountant



Michael Nowak
Tax Accountant



Anabella Pietri
Tax Accountant

Accounting Team



Alexis Grimes
Accounting Manager



Jadyne Bruce
Lead Staff Accountant



Jose Aburto
Staff Accountant

Payroll Team



Kimberly White
Payroll and Corporate
Services Manager



Mikayla Odell
Lead Payroll Specialist



Jordan Daniel
Payroll Specialist



Karina Calderon
Payroll Specialist

Administrative Team



Elizabeth Martinez
Executive Assistant to
James B. Laubham



Gracie Valenica
Administrative Manager
/ AR



Alexis Ramos
Administrative Assistant



Myia Vega
Administrative & Tax
Assistant



Briana Chavez
Client Intake and
Coordination Specialist

We appreciate the opportunity to work with you and value the trust you place in our team. As tax laws, reporting requirements, and business needs continue to evolve, our goal remains the same: to provide clear guidance, thoughtful planning, and dependable support. If you have questions about any of the updates outlined in this letter or would like to discuss how they apply to your specific situation, please do not hesitate to reach out. We look forward to working with you in the year ahead and continuing to support your tax, accounting, and compliance needs with confidence.

Respectfully,



James B. Laubham, CPA



Tax Year 2025 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	2025	2024
Single & Married Filing Separate	\$15,750	\$14,600
Married Filing Joint & Qualifying Widower	\$31,500	\$29,200
Head of Household	\$23,625	\$21,900
FICA Taxable Wages (Social Security)	2025	2024
	\$176,100	\$168,600
Child Tax Credit	\$2,200	\$2,000
Standard Mileage Rate	2025	2024
Business	70¢	67¢
Medical and Moving	21¢	21¢
Charitable	14¢	14¢
Section 179	2025	2024
Maximum Amount 179	\$2,500,000	\$1,220,000
SUV Limitation	\$31,300	\$30,500
Retirement Plans	2025	2024
IRA - Contribution Limit/Catch up if Age 50	7,000/1,000	7,000/1,000
SIMPLE IRA - Contribution Limit/Catch up if Age 50	16,500/3,500	16,000/3,500
401(k), 403(b),& 457 - Contribution Limit/Catch Up Age 50	23,500/7,500	23,000/7,500
Defined Contribution - Contribution Limit	\$70,000	\$69,000
Health Savings Accounts (HSA)	2025	2024
Individual - Contribution Limit	\$4,300	\$4,150
Family - Contribution Limit	\$8,550	\$8,300
Age 55 Catch Up	\$1,000	\$1,000



Client Income and Expense Help List

This list is intended to help you gather receipts and statements that you should bring for your tax appointment.

INCOME	DEDUCTIONS
W2's/1099's	• Interest Paid
Interest/Dividends	Home Mortgage Interest
Alimony	Points at closing/Refinance
Self Employed Business: <u>Check with us</u>	Investment Interest/Margin
Stock Sales	Student Loan Interest
Social Security, IRA, Pension (Form 1099-R)	• Medical & Dental
Rental Property Income	Doctor/Dentist Visits/RX
K-1's (Partnerships, S-Corporations, Trusts)	Hospital & Emergency
Gambling, Prizes, Awards	Health Insurance Premiums/HSA/LTC
Unemployment	Glasses, Contacts
Sale of Residence	Medical Miles Driven
CREDITS	• Taxes Paid
Plug-In Electric Drive Vehicle Credit	Real Estate Tax
Education Credit	State Income Tax/Refund
Dependent Care Credit	Auto/Boat Registration Fees
Private School Tuition/School Activities (AZ)	• Child Care Information
Foreign Tax Credit	Provider EIN/SSN
Adoption Credit	Provider Name /Address
Solar Credit	Amount Paid
CONTRIBUTIONS (Cash & Non-Cash)	• Casualty Losses
Church, Synagogue, etc.	Accident, Fire & Theft
Red Cross, United Way, Goodwill (Other)	• Other Deductions
TAX PAYMENTS MADE (Fed. & State)	Tuition Payments
Estimated Tax Payments Amount & Date	IRA or Pension Paid
Extension Payments Amount & Date	Alimony
SPECIAL DEDUCTIONS APPLY	
Professional Athletes - <u>Check with us</u>	
Outside Sales Persons - <u>Check with us</u>	
Real Estate Professionals - <u>Check with us</u>	
Business Owners (Schedule C) - <u>Check with us</u>	
CLIENT NOTES / QUESTIONS	