TRONCONI SEGARRA & ASSOCIATES

Build Together, Win Together | Small Business Newsletter 2025 Q4 Issue

2025 Year-End Tax Planning Considerations

By Mitchell R. Podgorny, Staff Accountant

There have been a multitude of dramatic changes affecting individual taxpayers for 2025 following the enactment of the One Big Beautiful Bill (OBBB).

Tax Rates & Deductions

- The standard deduction has been further increased and indexed for inflation. It is now $15,750 for singles, $31,500 for married filing jointly, and $23,625 for head of household.
- The child tax credit has been increased to $2,200 per child, indexed for inflation. The $500 credit for other dependents has been made permanent.

Expanded & New Tax Breaks

- Individuals in occupations where tipping is customary will be able to deduct up to $25,000 in qualifying tips. This is available to both itemizers and non-itemizers.
- Individuals may deduct up to $12,500 in qualified overtime pay, subject to higher income phase-outs and other rules.
- From 2025 to 2028 interest paid on loans for new vehicles with final assembly in the U.S. may be deductible up to $10,000 per year.
- The adoption credit is now refundable up to $5,000, indexed for inflation.
- The new Trump Accounts for children will include a $1,000 federal seed contribution for newborns through 2028.

Permanent & Modified Deductions

- The Pease Limitation on itemized deductions has been repealed and replaces it with a smaller 2 percent reduction for high-income taxpayers.
- The SALT deduction cap is increased to $40,000 for 2025 with phased annual increases through 2029.
- Miscellaneous itemized deductions remain suspended except for the unreimbursed educator expenses deduction.

Other Notable Changes

- Personal exemptions are permanently eliminated, except for a new temporary senior deduction for those age 65 and older in the amount of $6,000 through 2028, subject to income phase-outs beginning at $75,000 for singles and $150,000 for married filing jointly.
- Casualty loss deductions are permanently limited to losses from federally declared or certain state-declared disasters.
- The mortgage interest deduction, including mortgage insurance premiums, is now permanently capped at $750,000.

Accelerated Expiration of Home Energy Credits

By Mitchell R. Podgorny, Staff Accountant

The One Big Beautiful Bill significantly accelerated the expiration dates for claiming tax credits related to energy-efficient and clean energy improvements made to your personal residence. These credits were previously part of the Inflation Reduction Act of 2022 and initially had a much longer shelf life. With 2025 being the last year, below is a quick synopsis of the credits you may wish to consider before they disappear.

Energy-Efficient Home Improvement Credit

This credit covers 30 percent of the cost for qualified energy-efficient home improvements such as energy efficient windows and doors; home insulation and air sealing systems; central air conditioners, natural gas, propane or oil water heaters, furnaces and hot water boilers, with a maximum credit up to $1,200. This credit only covers the cost of the improvement components and does not apply to installation costs. The deadline for taking this credit was December 31, 2032, but is now ending after December 31, 2025, so this will be the final year.

Residential Clean Energy Credit

This credit covers 30 percent of the cost for certain clean energy improvements. The credit applies to the sum of expenditures related to qualifying clean energy equipment such as solar panels, fuel cells, wind turbines, geothermal heat pumps, and battery storage. Unlike the previously mentioned credit, installation and labor costs can be included. These improvements must now be installed and operational by December 31, 2025, making the 2025 tax year the final year to take this credit.

If you plan to make any qualifying home improvements before the end of the year, do not delay so that you can take full advantage of the available tax credits before they expire.

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New Form 1099-DA: Digital Assets

By Melissa S. Roshong, CPA, Principal

As the popularity of crypto and NFT trading continues to rise, the IRS aims to ensure that investors are properly reporting their crypto-related transactions. Starting with the 2025 tax year, brokers who facilitate digital asset trades for U.S. customers must issue a Form 1099-DA reporting digital assets transactions.

Brokers, digital trading platforms, digital asset payment processors, and certain digital asset hosted wallet providers must issue this form for all digital assets sales or exchanges that take place on or after January 1, 2025. This new form provides a more accurate, standardized, and streamlined process for reporting crypto transactions which will help improve reporting accuracy and compliance. Investors who receive a Form 1099-DA will need to report the information on their tax return, which may include gains or losses from digital asset transactions, as well as any other income reported on the form. There is no specific threshold that triggers the issuance of a 1099-DA, as digital asset brokers are required to issue regardless of the value of the assets involved.

"What is Christmas? It is tenderness for the past, courage for the present, hope for the future. It is a fervent wish that every cup may overflow with blessings rich and eternal, and that every path may lead to peace."

Agnes M. Pharo, 1904 – 1985, Artist, Writer, Musician and Grandmother

Changes to Gambling Loss Reporting

By Evan B. Davidson, Staff Accountant

The OBBB made significant changes to the rules governing gambling and wagering losses. Starting with tax filings for 2026, gambling losses remain deductible, however:

- Gambling loss deductions are limited to 90 percent of gambling winnings;
- The limitation is applicable to every taxpayer, regardless of their level of gambling activity; and
- Any losses exceeding 90 percent of the total amount are disallowed and cannot be carried forward.

For example, if you win $100,000 and lose $100,000 in 2026, you can only deduct $90,000 of your losses and the remaining $10,000 becomes taxable income.

Reportable gains include not just cash winnings but also non-cash benefits such as complimentary meals, hotel stays, or other perks received from casinos. Wagering losses account for not only the direct financial losses from bets but also include any other deductible expenses tied to gambling activities, such as travel or lodging. Furthermore, losses from one type of gambling activity can be used to offset gains from another kind of gambling. As an example, losses from horse racing can be used to offset winnings from slot machines.

Individuals who treat gambling as a trade or business, such as professional gamblers, are not exempt and are subject to the same 90 percent limitation on losses and business expenses. Professional gamblers report their gambling income and deductible losses on Form 1040, Schedule C with net earnings being subject to both income tax and self-employment tax.

Tools, Tips and Tidbits – Tax Year 2025 Key Amounts

Standard Deduction

- Married filing jointly: $31,500
- Single/Married filing separately: $15,750
- Head of household: $23,625
- Additional for persons 65 or older:
  - Married filing jointly: $1,600 per qualifying individual
  - Single: $2,000
- Age 65+ bonus deduction ("No Tax on Social Security")
  - Married filing jointly: $12,000 (phaseout beginning at an income level of $150,000)
  - Single/Married filing separately: $6,000 (phaseout beginning at an income level of $75,000)

Child Tax Credit

- Base credit: $2,000; maximum refundable: $1,700 (phaseout beginning at $400,000 for Married filing jointly and $200,000 for Single)
- Other dependents: $500 nonrefundable credit

Standard Mileage Rates

- Business: 70¢ per mile
- Medical: 21¢ per mile
- Charitable: 14¢ per mile

Tools, Tips & Tidbits – Tax Year 2026 Key Amounts

401(k) Plan Contribution: $24,500
- Age 50 and older catch-up contribution: $8,000

IRA (Traditional & Roth)
- Maximum contribution: $7,500
- Age 50 and older catch-up contribution: $1,100

Health Savings Accounts (HSA)
- Individual contribution limit: $4,400
- Family contribution limit: $8,750
- Additional $1,000 if age 55 or older

Health Flexible Savings Accounts (FSA)
- Individual limit: $3,400
- Carryover allowed: $680

Social Security Wage Base: $184,500

NYSSUI Wage Base: $13,000

Gift Tax Exclusion: $19,000

IRS Ends Paper Refund Checks

By Melissa S. Roshong, CPA, Principal

The IRS has recently announced the phase-out of paper tax refund checks for individual taxpayers. The move away from paper checks is aligned with President Trump's executive order for the Treasury to move towards electronic disbursements. Most individual taxpayers already receive their refunds by direct deposit with only 7 percent of individual refund recipients receiving a check by mail. Paper checks are more likely to be lost, stolen, altered, or delayed than electronic payments. Electronic refunds are deposited more quickly, are more cost efficient than paper, and less likely to be returned as undeliverable. Most refunds will be delivered by direct deposit or other secure electronic methods such as prepaid debit cards or digital wallets. The executive order provides for some exceptions, including a lack of access to banking services or electronic payment systems and for emergency payments where electronic disbursement would cause undue hardship.

OBBB Updates to Charitable Contribution Rules

By Joseph M. Becht, CPA, Senior Manager & Sheetal Padhya, Senior Accountant

The OBBB introduces several permanent changes to charitable contribution deductions for both individuals and corporations, beginning with tax years after December 31, 2025. For taxpayers who do not itemize deductions, the law permanently reinstates and expands the above-the-line charitable deduction for cash gifts. The allowable deduction increases to $1,000 for single filers, and $2,000 for married couples filing jointly.

Individuals

For individuals who itemize, the new law adds a 0.5 percent floor on charitable deductions. This means contributions are only deductible to the extent that the total amount exceeds 0.5 percent of the taxpayer's adjusted gross income. The law establishes a specific ordering sequence for applying contributions against this floor and modifies carryforward rules to ensure that disallowed contributions can be carried into future years only when the limitation has been exceeded.

For example, if an itemizing taxpayer has AGI of $120,000 and makes $600 in charitable contributions during the year, the new 0.5 percent floor would equal $600. Because the taxpayer's total contributions do not exceed the floor, none of the charitable contributions would be deductible in the current year. Alternatively, if the same taxpayer made $2,500 in charitable contributions, the 0.5 percent floor would still be $600, resulting in an allowable deduction of $1,900.

Corporations

Corporations are also affected by the introduction of a 1 percent floor, meaning charitable contributions must exceed 1 percent of taxable income to qualify for a deduction. The deduction remains limited to a maximum of 10 percent and the existing five-year carryforward rules continue to apply.

For example, if a corporation has taxable income of $1,000,000 and makes charitable contributions of $120,000, a 1 percent floor and 10 percent ceiling applies. First, the 1 percent floor reduces the contributions eligible for deduction by $10,000 (1 percent of $1,000,000), leaving $110,000. Next, the 10 percent ceiling limits the deduction for the year to $100,000. The excess amount of $10,000 above the

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Taxation of Executive Compensation

Personal Financial Planning with Lisa Mrkall, CPA, MBA, PFS, Partner

We are pleased to provide a follow-up to the first article on executive compensation entitled "Making the Most of Stock Options & Executive Compensation." Here we will outline the basic components of the taxation of executive compensation. We are seeing a growing number of clients seeking guidance on stock-based compensation from planning around the exercise and sale of options to navigating the increasingly complex tax implications of these arrangements.

As one's career advances, the range of executive compensation opportunities available often expands as well. While these benefits can be valuable incentives, they also introduce complex tax planning considerations. The following summarizes the primary types and tax planning considerations of executive compensation.

Many companies offer key executives the option to participate in a non-qualified deferred compensation (NQDC) plan, allowing them to defer a portion of future pay and better manage their taxable income. These plans, often elected annually and paid out in future years, supplement traditional retirement plans like 401k's by enabling additional long-term savings opportunities. A contributory NQDC plan allows you to defer taxable income such as salary, bonuses, or commissions until a future date when your tax rate may be lower, though the deferred amounts remain unsecured and subject to the company's financial risk.

Many employers, both public and private, offer employees the ability to invest in company stock through their 401k or other qualified retirement savings plan as part of their overall benefits package. When the company stock grows in value, there are strategies available that may let you move that stock to a regular investment account, pay lower long-term capital gains tax on its growth, and reduce future required minimum distributions from your retirement plan.

Our firm frequently works with clients who receive stock options, which give employees the right to buy company shares at a set price after meeting certain vesting requirements. These options usually match the stock's fair market value when granted, so the real financial benefit comes only if the stock's value increases over time. These are typically issued in two forms, non-qualified stock options (NQSOs), and incentive stock options (ISOs). With NQSOs you are subject to ordinary income tax rates on the appreciation of your shares at exercise. With ISOs, if you hold the shares long enough to meet the required holding period, any profit on sale may qualify for lower long-term capital gains tax rates, while selling too soon generally triggers higher ordinary income taxes.

Lastly, restricted stock awards are a common way for public and private companies to retain and reward key employees by granting shares that vest over time or once specific performance goals are met. Unlike stock options, they do not require an exercise price, so they can still hold value even if the company's stock declines. Most are issued as restricted stock units (RSUs) or, less commonly, restricted stock awards (RSAs). RSUs, when received, generally do not result in ordinary income tax until they become vested and delivered, and is based on the stock's value at the vesting date. A subsequent sale of the shares is then taxed in accordance with IRS capital gains tax rules.

Decisions and planning around executive compensation can be complex. Your tax advisor along with your financial advisor can help you understand and evaluate your choices to find the right balance between today's needs and tomorrow's goals.

OBBB Updates to Charitable Contribution Rules

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ceiling, together with the $10,000 disallowed by the floor, may be carried forward for up to five years. Thus, Corporation X can carry forward a total of $20,000, which will be applied on a first-in, first-out basis in future years after first deducting contributions made in the then-current taxable year.

Other Provisions

Lastly, the OBBB includes a deduction cap for higher income taxpayers. Those taxpayers that are in the 37 percent tax bracket are limited to a charitable deduction benefit cap of 35 percent. The bill also makes permanent the 60 percent AGI limit for cash gifts made to public charities.

Overall, these changes are intended to encourage more meaningful levels of charitable giving while providing permanent tax benefits to non-itemizing taxpayers.

New York State Inflation Refund Checks

By Mitchell R. Podgorny, Staff Accountant

New York State residents may be eligible to receive a one-time inflation refund check between $150 and $400, depending upon income level and filing status. These payments are intended to provide relief to New Yorkers who have paid increased sales tax due to rising inflation. Refund checks are being automatically issued to qualifying taxpayers that filed a 2023 NYS resident tax return; reported income within certain AGI thresholds; and were not claimed as a dependent on another taxpayer's return.

The maximum income threshold is $300,000 for those taxpayers filing married filing jointly or qualified surviving spouse and $150,000 for all other filing statuses. If a taxpayer is eligible, they will be mailed a check automatically to the most current address on file. While there is no specific delivery schedule, most taxpayers should receive their checks sometime in October or November of this year.

The inflation refund is not taxable or reportable on your 2025 New York State income tax return. However, taxability for Federal income tax purposes depends upon whether the taxpayer itemized their deductions and received a tax benefit from the state tax deduction in 2023. For those taxpayers that claimed the standard deduction in 2023, the refund is not taxable income.

Caution! NYS is warning taxpayers that there are scammers looking to capitalize on the issuance of these refunds by contacting taxpayers asking for additional information to process the refund check. Taxpayers will not be contacted by NYS and are not required to submit any information to receive their refund.

Streamline, Automate and Thrive: The New QBO Experience

By Katherine Little, Accounting Analyst

You may have noticed recent upgrades to QuickBooks Online (QBO), and it now has a drastic new look! Here is a quick overview of some of those changes:

1. The overall look of QBO has been enhanced:
   - A new **My Apps** button has replaced the left side navigation bar. By hovering over the new **My Apps** button, you can navigate to different Apps including Accounting, Expenses & Bills, Sales & Get Paid, etc.
   - Integrated Apps can be found under **Accounting/ Integration transactions** or via the **My Integrations** icon in the top right corner near the Notifications or Settings gear icons.
2. Reporting now uses **Modern View** with enhanced grouping and filtering. For now, users still have the option to switch back to Classic View.
3. The biggest change is on the **Bank Transactions** page where QBO's new bank feed offers a cleaner layout, in-row editing, smarter AI suggestions, customizable views, improved vendor management, and collaboration tools.
   - In-row editing lets you edit key fields such as vendor or payee, class, and memo directly from the transaction row without opening a separate window.
   - Click a transaction row to see AI-generated suggestions based on your previous transaction history and vendor information which can make categorizing transactions easier and faster.
   - Attach receipts within a bank transaction row by clicking on the + in the paperclip column.

These new QBO enhancements will help facilitate the use of AI to streamline workflows, automate categorization, enhance reporting, improve security, reduce manual entry, and enable proactive cash-flow management.

Recent Developments in Estate Planning

By Mitchell R. Podgorny, Staff Accountant

The OBBB has settled the fear of many taxpayers and estate planners that the exemptions created in the Tax Cuts and Jobs Act (TCJA) would expire on January 1, 2026. The OBBB permanently sets the estate, gift, and generation-skipping tax (GST) exemption amounts to $15 million per individual and $30 million total for married couples. Some key inflation adjustments to mention include the annual gift tax exclusion which increased from $18,000 to $19,000.

Although the use of the word "permanent" implies long-term certainty, caution is advised. In February 2025, the Death Tax Repeal Act was introduced which proposes to eliminate both estate and GST taxes. The focus for clients should be on implementing long-term wealth transfer strategies as delaying this planning due to the anticipation of legislative changes may result in several missed opportunities.

The audit rate for estates and gift tax returns has continued to decline, reaching as low as 0.7 percent for estates in 2022. However, we emphasize the importance of documentation and compliance, especially for large estates and complex transfers. Regardless of estate size, we urge clients to review and update their core estate planning documents such as wills, trusts, power of attorney, health care directives, and beneficiary designations.

New York State Secure Choice Savings Program: Registration is Now Open!

By Melissa S. Roshong, CPA, Principal

The New York Secure Choice Savings Plan has finally launched, and employers must register in phases according to the following timetable:

- 30 or more employees – by March 18, 2026
- 15 to 29 employees – by May 15, 2026
- 10 to 14 employees – by July 15, 2026

Who's Eligible?

The Secure Choice mandate applies to an employer that:

1. Has 10 or more employees in New York State;
2. Has been in business for at least 2 years; and
3. Does not offer a qualified retirement plan.

How do Employers get started?

New York Secure Choice will notify employers via mail or email when it is time for their business to register. You will need your company's EIN and a unique Access Code to set up your online account.

How does Secure Choice work?

- Accounts are Roth IRAs, subject to income and contribution limits
- Employees will be automatically enrolled, but can opt-out within 30 days
- Employer contributions are not permitted
- Outside financial advisors cannot be used
- Integrates with and can be facilitated by most payroll providers

What if Employers do not Comply?

There will be a $250 fee per employee for the first offense, with future offenses potentially exceeding $1,000 per employee.

Already Offer a Retirement Plan?

If you receive a notification from Secure Choice but already offer a qualified retirement plan for your employees, use your unique Access Code and EIN to certify your exemption from the program.

For more information, visit the New York Secure Choice website at: [Program Details - New York Secure Choice Savings Program]

In the Spotlight

We are pleased to welcome to our Accounting Analyst team Shelley Bonaventura. Shelley graduated from Canisius College (now University) with a degree in accounting and has worked in both public accounting and industry. For the past several years, while raising her family, Shelley began a successful home-based bookkeeping business. Recently, she decided she wanted to rejoin public accounting and found the perfect spot at Tronconi Segarra & Associates to work with several colleagues who all provide a wide range of accounting and bookkeeping services to our clients. Despite her extensive business experience, Shelley's favorite job is being a mom!

Shelley describes herself as an avid outdoorswoman, watching and playing almost any sport or activity including hiking, biking, running, pickleball, tennis and gardening. She is loyal to "her teams" – the Sabres, Bills, Burnley FC (Premier League Soccer) and Williams Formula 1 racing. Shelley's family also keeps her very busy, and she loves living in Buffalo (although she wishes the winter season was shorter and looks forward to being a Buffalo "snowbird" one day).

Annual Payroll Update

Prepared by Michael P. Zeoli, Jr., CPA, MBA, Senior Manager, and Joseph Napoli, MBA, Senior Accountant

New York State Paid Sick Leave

New York's paid sick leave law requires employers to provide up to 56 hours (7 days) of paid sick leave to employees. This requirement is based on the employer's number of employees and net income. For example, employers with 5 to 99 employees must provide up to 40 hours of paid sick leave per calendar year. Additional details available on the NYS website at: https://www.ny.gov/programs/new-york-paid-sick-leave

Overtime Rules for Exempt Employees

New York State salary thresholds for exempt employees are as follows: Administrative and executive employees located outside of New York City and downstate counties must earn **$1,161.65** per week to be exempt from overtime pay, in 2025. The exempt salary provisions provide scheduled annual increases for New York employees. More information can be found at: https://dol.ny.gov/minimum-wage-frequently-asked-questions

New York State Paid Family Leave

In 2025, eligible employees can take up to 12 weeks of paid family leave (PFL). These benefits extend to domestic workers who were hired directly by private homeowners. These employees must be working 20 or more hours a week and have been employed by the private homeowner for 26 consecutive weeks. Employees taking paid family leave will receive 67% of their average weekly wage (AWW), up to a cap of 67% of the current New York State Average Weekly Wage (NYSAWW) of $1,757.19. The maximum weekly benefit for 2025 is $1,177.32. For 2026, the NYSAWW is $1,833.63, which means the maximum weekly benefit is $1,228.53.

In 2025, the contribution is 0.388% of an employee's gross wages each pay period. The maximum annual contribution is $354.53. Employees earning less than the current NYSAWW of $1,757.19 will contribute less than the annual cap of $354.53, consistent with their actual wages.

For 2026, the contribution rate goes up to 0.432% of employees' gross wages, capped at an annual maximum of $411.91. Employees earning less than the NYSAWW of $1,833.63 will contribute less than the annual cap of $411.91, consistent with their actual wages. Additional details available on the NYS website at: New York Paid Family Leave Updates for 2026 | Paid Family Leave.

Due Dates for W-2s

The due date for filing 2025 Forms W-2 and W-3 with the Social Security Administration (SSA) is February 2, 2026. This is the same date that W-2 forms are due to the employees. Extensions of time to file Form W-2 with the SSA, for a period of 30 days, can be obtained by filing Form 8809. However, the IRS will only grant this extension in extraordinary circumstances or catastrophe.

The IRS has also increased penalty amounts for failing to file and furnish correct W-2 forms by the due date. Instructions for Forms W-2 and W-3 are available on the IRS website at: www.irs.gov/pub/irs-pdf/iw2w3.pdf.

Additional Payroll Reminders

- It is very important to ***NOT IGNORE*** any information received from your payroll processing company regarding year-end processing. This will help them to prepare complete and accurate W-2s for your employees. It is costly to prepare the W-2 and year-end reports a second time.
- When preparing 2025 W-2 forms or providing your payroll company with W-2 information, be sure to include all the taxable income and benefits an employee earns. Examples are:
  - Personal use of a company vehicle.
  - Health insurance and dental and long-term care premiums paid on behalf of a greater than 2% S-corporation shareholder (exempt for FICA and FUTA).
  - PS-58 cost for group term life insurance benefits in excess of $50,000.
  - Dependent care benefits.
  - Employee pension information.
- Be sure to include disability income (third-party sick pay) an employee earns. It is important to report this information to your payroll processing company before year-end to be included in fourth-quarter reports and W-2s.
- FICA (Social Security) withholding rates remain unchanged at 7.65%, comprised of 6.2% for Social Security and 1.45% for Medicare. The employer is required to contribute a matching amount when making the tax deposit. The self-employed rate also remains at 15.3%, comprised of 12.4% Social Security and 2.9% Medicare. The maximum amount of taxable annual earnings subject to the Social Security tax and self-employment tax is **$176,100** for 2025, increasing to **$184,500** for 2026. All earnings are subject to the Medicare tax.
- Additional Medicare Tax: Employees are also subject to a 0.9% additional Medicare tax on all wages and self-employment income in excess of **$200,000** for single filers and **$250,000** for joint filers.
- The minimum wage rate for New York State employees, outside of NYC and Long Island, for 2025 is **$15.50** per hour, increasing to $16.00 effective January 1, 2026.
- The minimum wage for tipped food-services workers is **$10.35** per hour if they earn $5.15 per hour in tips.
- Overtime for tipped workers is calculated at time-and-one-half the minimum wage rate, less the applicable tip credit. For example, the overtime rate for tipped food services workers is **$18.25** [($15.50 x 1.5) – $5.00] per hour.
- Effective January 1, 2025, minimum wage for home care aide employees outside of New York City is **$18.10** per hour ($2.60 above basic minimum wage). This will increase to $18.65 on January 1, 2026.
- More information on New York minimum wage rates can be found at: https://dol.ny.gov/minimum-wage-0.
- The amount that can be deducted per week for disability insurance remains at .005% of gross wages with a maximum of $0.60 per week.
- The Federal unemployment base wage will remain at **$7,000** for taxable wages. The federal unemployment tax rate is 6%.
- The New York State unemployment wage base is **$12,800** and **$13,000** for 2025 and 2026, respectively. New York will notify you of your unemployment rate on an annual basis starting in mid-February. If you use a payroll service such as ADP or Paychex, be sure to send them this notification.
- All new employees will need to complete and return to you:
  - **W-4** form for federal withholdings.
  - **IT-2104** form for New York state withholdings.
  - **Form I-9** –Employment Eligibility Verification. Be sure that you are using the current revision of this form with an expiration date of May 31, 2027. Current versions can be obtained at https://www.uscis.gov/i-9.
- You are also required to provide all new employees with the **New York State Notice and Acknowledgement of Pay Rate and Payday**.
- Federal tax deposits: If you are NOT using a payroll service for payroll tax deposits, you will need to enroll your business and make payments electronically. Information on Electronic Federal Tax Payment System (EFTPS), including how to enroll, can be found at https://www.eftps.gov/eftps or by calling EFTPS Customer Service at 1-800-555-4477.

Annual IRS Form 1099 Update

Prepared by Michael P. Zeoli, Jr., CPA, MBA, Senior Manager, and Joseph Napoli, MBA, Senior Accountant

E-Filing Threshold for Information Returns

The e-file threshold for certain information returns remains at 10 or more returns in aggregate. The new regulations eliminated the non-aggregation rule for the e-file threshold. Prior to calendar year 2023, the 250-return threshold was based on 1099 form type (i.e., 1099-INT, 1099-DIV). For the calendar year 2025, the 10-return e-file threshold is met when filing 10 or more information returns in total, regardless of the number of each specific form type filed.

Form 1099-K Requirements

Payments of more than $20,000 AND more than 200 total transactions, made with a credit card or payment card and certain other types of payments, including third-party network transactions, must be reported on Form 1099-K by the payment settlement entity. Note that these payments are not subject to reporting on Form 1099-MISC.

Money received through third-party payment applications from friends and relatives as personal gifts or reimbursements for personal expenses is not taxable.

New Form 1099-DA for "Digital Assets"

A new Form 1099-DA for digital assets (cryptocurrency, NFTs, etc.) is being introduced for the 2025 tax year.

Brokers and digital asset trading platforms are required to issue this form to investors for sales or exchanges of digital assets beginning January 1, 2025. For each digital asset sale that a broker has affected for a customer in 2025, the broker must complete Form 1099-DA, reporting gross proceeds information, but is not required to report basis information. However, the broker may voluntarily report this basis information.

Form 1099 Due Dates

Form 1099-NEC must be filed with the IRS on or before February 2, 2026, using either paper or electronic filing procedures. Form 1099-MISC should be filed with the IRS by March 2, 2026, if paper filed, or March 31, 2026, if filed electronically.

Note: All 1099s are due to the recipients by February 2, 2026.

Additional Form 1099 Reminders

The Internal Revenue Service requires anyone engaged in trade or business to file Form 1099.

Please confirm that all ID numbers and Social Security numbers are accurate before completing your 1099s.

The IRS can charge a penalty from $60 to $340 per form, depending on the time period past the deadline for issuing the form. If the non-filing or incorrect filing is intentional, the IRS can levy a minimum penalty of $680 per form or up to 10% of the income reported on the form.

You must file Form 1099 for each person to whom you have paid during the year:

- At least $10 in royalties or broker payments in lieu of dividends or tax-exempt interest.
- At least $600 in rents, prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, section 409A deferrals, nonqualified deferral compensation, and generally, the cash paid from a notional principal contract to an individual, partnership, or estate.
- Any fishing boat proceeds.
- Gross proceeds of $600 or more paid to an attorney; or
- **Reportable Payments to Corporations –** In general, payments to corporations do not need to be reported on a 1099. However, the following payments made to corporations generally must be reported:

  – Cash payments for the purchase of fish for resale;
  – Medical and health care payments;
  – Gross proceeds paid to an attorney; and
  – Substitute payments in lieu of dividends or tax-exempt interest.

Tronconi Segarra & Associates offers e-file services for Forms 1099. Let us know if you would like us to e-file your Forms 1099.

As always, we are available to answer any questions you may have. Please do not hesitate to contact us.