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HAPPY 2025! We hope this letter finds you and your families healthy and happy. This letter aims to provide an understanding of new changes and guidance as you prepare for the upcoming tax season. To assist in compiling your tax information, attached please find our tax organizer. **THIS IS OPTIONAL AND NOT MANDATORY!** If you prefer a detailed organizer reflecting your prior-year information, please call or email us. Organizers for Schedule C (sole proprietorship) and/or Schedule E (rental properties), can be found on our website (www.vwe-ltd.com).

When providing us with your tax information, please do so by using the drop-off box located next to the entrance of our office; via trackable delivery service (USPS Priority Mail, FedEx or UPS); or by uploading your information to our secure portal (<https://vweltd.securefilepro.com>) through the Guest Exchange (sign-up is not required). Using the portal is also mobile friendly and can be used to upload files directly from your phone or tablet, including pictures. **Please refrain from texting pictures of any document containing personal information as we cannot ensure its security and confidentiality.** Regardless of method, please be sure to keep copies of all documents.

* * * Taxes are due **TUESDAY, APRIL 15th** * * *

MINIMAL TAX CHANGES FOR TAX YEAR 2024

Form 1099-K From Third-Party Payors (e.g., Venmo/PayPal/Square): For 2024, payment card companies, payment apps, and online marketplaces will be required to issue a Form 1099-K when the amount of business transactions during the year exceeds \$5k. In calendar year 2025, the threshold will lower to \$2,500 and 2026 and subsequent years \$600. Whether or not you receive Form 1099-K, you are required to report income on your tax return for payments received for any goods you sell (including personal items such as clothing or furniture), services you provide and property you rent. If you accept payments on different platforms, you could get more than one Form 1099-K. Personal payments from family and friends should not be reported on Form 1099-K because they are not payments for goods or services. If you receive a Form 1099-K that shows payments that were included in error or for personal items sold at a loss, we will enter those amounts on Schedule 1 as they are not taxable.

Clean Vehicle Credit: Please contact us if you purchased a qualified clean vehicle (plug-in electric, fuel cell electric or, plug-in hybrid) during 2024, as you may be eligible to claim non-refundable credit. AGI limitations for 2024 are \$300k married filing joint, \$225k head of household and \$150k single.

New Exceptions To 10% Penalty For Early Retirement Distributions: Emergency personal expenses for purposes of meeting participants' unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses, although extremely limited with a max withdrawal of \$1k. Victims of domestic abuse can self-certify and qualify to withdraw the lesser of \$10k or 50% of the balance of the account. Penalty also does not apply to distributions from a qualified retirement plan before the age of 59½ to an individual connected with a qualified federally declared disaster, is terminally ill or is a public safety officer aged 50 or, with 25 years of service.

Social Security/Medicare: Social security benefits will receive a cost-of-living increase of 2.5%. Medicare Part B deductions increased 6% for 2025.

Standard Deduction Increase: For 2024, the standard deduction amount has been increased for all filers -- \$14,600 (single or married filing separately); \$29,200 (married filing jointly or qualifying widow(er); and \$21,900 (head of household).

Mileage Rates: For 2024 mileage rates are 67¢ business, 21¢ medical and 14¢ charitable. For 2025 mileage rates are 70¢ business, 21¢ medical and 14¢ charitable.

Maryland Taxes: The Maryland standard deduction is \$2,700 (single) and \$5,450 (married filing joint/head of household/qualifying widow); compared to Federal amounts of \$14,600 (single/married filing separately), \$29,200 (married filing joint/qualifying widow) and \$20,800 (head of household) respectively – and could result in additional state tax. As in the past, personal exemptions are still allowed and there is no income phase-out for itemized deductions. *Reminder – subtraction for union dues added in 2023 is still in effect!*

Maryland Credits/Subtractions for Tax Year 2024 – new subtractions for individuals injured or killed in the Key Bridge collapse or tuition assistance provided to fallen transportation worker. Other subtractions include – increased pension exclusion age 65 or older; military retirement subtraction up to \$12,500; pension exclusion for qualified retired correctional/law enforcement officers or, fire, rescue, and emergency services personnel up to \$5,000 (under age 55); and up to \$15,000 (ages 55 and older), including death benefits; subtraction up to \$10,000 for organ donors and adoption expenses; \$250 subtraction for full-time school teachers (K–12 classrooms). MD college savings plan subtraction up to \$2,500 per account. Subtraction and credit for childcare expenses; subtraction up to \$5k for earned income of law enforcement officers depending on crime rate; Anne Arundel local tax rate remains at 2.81% for MD taxable income more than \$50k and 2.7% if less than \$50k.

REMINDERS FOR INDIVIDUALS

Energy Efficient Home Improvement Credit: Energy efficient improvements to your home may qualify for annual tax credits up to \$3,200 which are non-refundable and cannot be carried forward. The previous lifetime credit no longer applies. Credit is generally 30% of qualified expense which includes exterior doors, skylights exterior windows, insulation, heat pumps, heat pump water heaters, biomass stoves/boilers and home energy audits. **IMPORTANT** – each category has specific maximums per year.

Qualified Charitable Distribution One-Time Election: Taxpayers can elect to make a one-time distribution of up to \$50,000 from an individual retirement account to charities through a charitable remainder trust, a charitable remainder unitrust or, a charitable gift annuity funded only by qualified charitable distributions.

RMD Age Increase: Taxpayers who turn 73 in 2024 must take their RMD for 2024 by April 1, 2025.

Residential Clean Energy Credit: Nonrefundable credit remains at 30% cost of solar electric panels, solar water heaters, wind turbines, geothermal heat pumps, fuel cells and battery storage technology.

Digital Assets (virtual currency) & Foreign Assets: If you own a foreign asset or receive virtual currency as a reward, award or payment for property or services; or sold, exchanged, gifted or otherwise disposed of a digital asset, you must notify us! This is very important and must be disclosed on your return.

Child Tax & Dependent Care Credits: The child tax credit remains at \$2k per child under age 17 (\$1,700 max refundable). Other dependent credit remains at \$500. Dependent care tax credit remains at 35% for 2024. The credit is non-refundable and allowed for up to \$3k in expenses for one child and \$6k for more than one, resulting in max credit of \$1,050 and \$2,100. Full credit is allowed for families making less than \$15k and begins to phase out over that amount. If AGI is over \$43k, max credit is \$600 and \$1,200.

529 Plans: Distributions for private schools and registered apprenticeships are now allowed, and up to \$10k in certain student loan repayments.

Estate & Gift Tax: 2024 exemption increased to \$13.61 million and annual gift tax exclusion INCREASED to \$18k per recipient. 2025 annual gift tax exclusion INCREASED to \$19k per recipient.

Long-term Capital Gains and Qualified Dividends: Tax rates remain unchanged for 2024.

Medical Deduction: Remains at 7.5% through 2024.

Health Insurance: You must provide Form 1095-A if you receive benefits through the marketplace.

Standard vs. Itemized Deduction: Due to the higher Federal standard deduction, not reciprocated by Maryland, it is important to calculate each return using the new standard deduction, as well as the prior itemized deduction method, to optimize tax savings. *Therefore, please continue to send us all itemized deduction supporting documents.*

HSA Contributions: The limit for 2024 is \$4,150 individual, \$8,300 family (plus \$1k catch-up if age 55) and can be made until April 15, 2025. 2025 contribution limits increased to \$4,300 individual, \$8,550 family.

IRA Contribution: The limit for 2024 is \$7,000k (\$8,000 if at least 50 years old), and can be made until April 15, 2025. 2025 contribution limit remains \$7k (\$8k if at least 50 years old). IMPORTANT-both Traditional and Roth IRA Contributions are subject to income limitations! Please consult with us before funding.

IMPORTANT REMINDERS

Donations: Any cash/check donation receipt over \$250 must include language noting “no goods or services were provided in exchange for the donation.”

Estimated Taxes: If you pay federal and/or state estimated tax payments, please include accurate dates and amounts paid (cancelled checks, if available). 4th quarter payments must be paid by January 15, 2025.

Identification Required: If your license expired/renewed in 2024, please provide a copy of your license (front only) or ID card.

SCAM WARNING! – PLEASE BE AWARE

There are numerous scams designed to obtain sensitive personal/financial information

The IRS will only communicate via US Mail. Should you receive an IRS notice, please send us a copy immediately

** Do not disclose personal/financial information to any person over the phone or email **

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A Big Thank You for Your Business

We Look Forward to Catching Up!

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