



Jack Skehan & Associates

TAX PREPARATION

Enrolled Agents • Tax Experts Since 1963

## Winter 2024 / 2025 Newsletter

Dear Friends:

Happy New Year! We hope you've had a good year, and that 2025 will be as good or better. Our goal is to help you easily navigate your way through the income tax part of your lives. We look forward to working with you again this year.

After preparing tax returns for 62 years, Jack has retired. He's had the pleasure of meeting many people, following their lives and those of their children. He has provided thoughtful guidance, crunched a lot of numbers, and seen too many changes to the tax code. We expect him to stop in to visit from time to time. Now led by Daniel Parkinson, we will continue to provide the same great service you have come to expect.

**Your Tax Appointment** - Clients who have preferred meeting with their tax professional in person will find a prescheduled appointment on the cover page of this mailing. We can easily reschedule if the time/date is not convenient. If you haven't needed an in-office appointment in the past, but prefer that option, please call soon for the best choice of open slots.

If more convenient, we can meet virtually, instead. We will need your tax forms ahead of your appointment. We can receive documents by mail, fax, drop off (for existing clients only), or secure email (contact us for a secure link). **Please do not send documents with sensitive information in a non-secure email.** We can pick up tax information from clients who have transportation issues and live within a reasonable distance of our office, and deliver the tax return, at no extra charge. We are not set up to prepare returns offsite. When confirming your appointment, please let us know which type of meeting you prefer.

**Appointment confirmation** - Clients who confirm their tax engagement by Saturday, February 1, 2025 are entered into our drawing to win one of two \$250 prizes. Call (207) 582-1040 or email [Info@JackSkehan.com](mailto:Info@JackSkehan.com). Congratulations to last year's winners!

We appreciate your help in growing the business. We are accepting a limited number of new clients and continue to offer a referral reward. You will earn a \$50 credit toward your 2025 tax preparation (the tax return we will prepare in 2026) for each new client referred, who has us prepare their tax return; some restrictions apply.

**Tax Appointment Checklist & Questionnaire, and the Engagement Letter** - Completing the questionnaire before your tax appointment is encouraged. Within each section of our form is a list of documents/records needed to prepare that section of your tax return. It is a reminder to gather records, and note questions to ask your preparer; it may help us uncover areas for potential tax savings. Your effort may reduce delays and fees for additional time. Also, please read and sign the Engagement Letter. This contract between you and our firm describes each party's responsibilities and explains how we charge for our services.

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## Reminders

After reviewing the Tax Appointment Checklist and our Engagement Letter, you may need:

**Form 1095-A** - Applies to taxpayers who purchase health insurance through the Health Insurance Marketplace, known as "CoverME" in Maine. The information on form 1095-A has to be included on your federal tax return.

**Form 1098-T** - Provided by a college or university is needed for each student, for claiming education credits, as is an account history of financial transactions (available from the school), listed by semester. Please bring any 1099-Qs from 529 Plan distributions and external expenses, such as books.

**Consent Form** - Even when we know a caller, the IRS requires us to have a very specific, signed consent form on file before honoring your request to allow us to share your tax information with anyone else. This could be someone picking up your return for you, including parents picking up a child's tax return, or vice-versa, or for us to send a copy of your tax return to a financial institution. We can provide you with the Consent Form, or you can find it on our website.

**Identity Theft / Fraudulently Filed Tax Returns** - If you are a confirmed victim of tax-related identity theft and the IRS has resolved your tax account issues, they will mail you a CP01A Notice with your new IP PIN in December or January each year. The PIN prevents someone else from filing a tax return using your Social Security number or Individual Taxpayer Identification Number. The IP PIN is known only to you and the IRS. It helps the IRS verify your identity when you file your electronic or paper tax return. Please bring the letter to your appointment as we must enter the PIN on your tax return. Additionally, to cut down on identity theft, we need to see a current driver's license, military, state ID, or Passport.

**Online statements** - If you signed up to receive paperless statements from financial institutions, investment houses and virtual currency reporting companies such as Robin Hood, Acorn and Schwab, your tax forms may be delivered to you by that method rather than in the mail. This is for reporting interest income, dividends, capital gains or losses. For those with digital assets (such as Bitcoin), we need the annual gain/loss report and transaction summary from the company where you purchased (Robinhood Crypto, Coinbase).

**Forms 1096, 1099-MISC, 1099-NEC** - For those in business (including owners of rental property) who

pay a person or non-incorporated entity \$600 or more, both Forms **1099-MISC and 1099-NEC** are due to the recipient by January 31. These are used to report payment for services, rent, some medical payments and more.

## Things you need to know - Federal Taxes

We don't expect many changes affecting 2024 income taxes. With the new administration taking office on January 20, 2025, income tax adjustments could be made right away, or there may be lengthy time for research and introspection before changes are agreed to and implemented.

**Tax Cuts and Jobs Act (TCJA)** - TCJA is set to expire at the end of 2025. Many tax provisions are scheduled to revert to the pre-2018 laws. However, there is speculation Congress and the next administration may make several aspects of TCJA permanent.

**Beneficial Ownership Information (BOI)** - This past year was the first year for filing Beneficial Ownership Information with the Financial Crimes Enforcement Network (FinCen). A company that files a document with a secretary of state is required to file a report on their beneficial owners. This means most Corporations and LLCs. The new rule has come under court scrutiny and at the beginning of December was declared unconstitutional by a district court in Texas, temporarily suspending mandatory reporting. The Department of the Treasury is working to overturn the court ruling and has had the reporting reinstated, only to have it suspended again days later. Penalties for failure to file are severe. Stay vigilant as this case may have more twists before it is finally settled.

**Energy Credits** - Energy Credit provisions remain. Qualified energy efficiency improvements include energy efficient insulation, exterior windows, skylights, and exterior doors that meet various energy standard requirements. The credit varies depending on the improvement. Windows are capped at \$600. The allowance for exterior doors is capped at \$250 each, not to exceed \$500 credit in total. There is a \$150 credit for having an energy audit done. Qualifying heat pumps, pellet stoves and boilers have up to a \$2,000 credit. If you made any energy efficient improvements, we need a list of applicable purchases, the amount paid for the item, and the cost for installation, when permitted.

**Electric Vehicle Credit** - For 2024 the EV credit was available on select models of new and used electric vehicles. To apply for the credit we need the Vehicle Identification Number, the date placed in service,

whether the credit was transferred to the dealer, and the seller's report.

**Certain Retirement Plan Catchup Contributions** - 401k/403b/457, SARSEPs, and Simple IRAs have an increased catchup contribution for those age 60-63. They are able to contribute an additional \$11,250 (401k) or \$5,250 (Simple) over the set limits of \$23,500 and \$16,500.

**Required Minimum Distribution (RMD)** - The starting date of Required Minimum Distributions of retirement plans was moved to age 73. The current law is set to move the age to 75 for those born after 1959.

**Qualified Charitable Deductions (QCD)** - QCDs remain the best option for receiving a tax benefit for your charitable contributions. If you are 70 ½, a distribution made directly from your IRA to a qualifying charity is nontaxable and counts toward your RMD.

**1099-K** - This form is to report transactions processed through a third-party settlement organization (payment apps and online marketplaces such as credit card, Venmo, PayPal). As of November 26, 2024, the rules state that these companies will be required to report transactions when the amount of total payments for those transactions is more than \$5,000 in 2024; more than \$2,500 in 2025; and more than \$600 in calendar year 2026 and after. It is possible to receive the form for non-business activity (i.e., transferring money to your roommate to cover rent). If a 1099-K is received, the taxpayer will need to include it on the tax return, as it's been reported to the IRS. The tax return can then be used to show whether it counts as income or not.

Note: We prepare payroll, W-2 and 1099 Forms for interested clients, and can file the forms electronically.

**FAQ - Selling a home** - Do I owe capital gains taxes on the sale of my home? Our answer is almost always, "It depends." How long has it been your main residence? To qualify for the home sale exclusion, the property had to have been your primary residence for two of the previous five years. Was the home ever depreciated due to having an office or a business in the home? What is the exclusion? A single person can exclude up to \$250,000 of profit. A married couple can exclude up to \$500,000 of profit. What about the rule about rolling the gain on one property into another property? In most instances, that provision died when the Section 121 Exclusion became effective

in May of 1997. Special rules apply for other exceptions.

If you are intending to sell rental property, please meet with us before the sale. The rules for selling rental property are different than above.

**FAQ - What happens with income taxes when someone passes away?** Income tax filings don't necessary stop altogether when a person passes. A final 1040 tax return may need to be filed for the decedent, which will cover the tax year up to the date of death. Refunds expected for a person's final tax return can take many weeks/months to arrive.

Another consideration is that an estate return may need to be filed. Which one, form 706/706ME, Form 1041, or both? There is confusion between these two forms.

- **Estate taxes, Form 706/706ME.** This is the estate return that gets coverage by the news media. You may read that Candidate A is proposing eliminating the federal estate tax. They are referring to form 706. It's a snapshot of a person's assets and liabilities on the date they pass (or six months later, if desired). For 2024, this form is required when a person's assets exceed \$13,610,000 for federal purposes. For Maine purposes, the amount is \$6,800,000 for deaths occurring on or after January 1, 2024. It is a tax paid on the overall value of the estate and is not an income tax.
- **Form 1041/1041ME** - Somewhat like form 1040, form 1041 is used to report an estate's income tax. When a person passes away, their financial relationships don't necessary end right away. Bank accounts continue to earn interest, hopefully investments earn dividends, there may be capital gains or losses, an IRA may pay out to the estate, renters pay rent, the Personal Representative of the estate may sell a house, car, jewelry, antiques, investments, household goods, etc. These accounts or relationships can generate income or losses, which can create the need to file an income tax return for the estate. Those situations are reported on Form 1041. There is a filing requirement when estate income exceeds \$600. Within IRS guidelines, the Personal Representative can decide whether to have an estate pay any income tax due or distribute the taxable income (or loss) to beneficiaries instead, because sometimes that makes more financial sense. However, every situation is different. This can be a complicated matter, better suited to an in-person discussion rather than via newsletter.

**FAQ - Is my inheritance taxable?** The initial answer to this question is also, "It depends." Whether inheritance is taxable depends on what was inherited, whether that item was sold by the estate at a gain or a loss, whether the Personal Representative chose to distribute the gain or loss to the beneficiaries, whether it's a traditional IRA that has never been taxed, or a Roth IRA that has been taxed. More discussion is needed to arrive at an answer that fits the circumstances.

### **Things you need to know - Maine Taxes**

**Pension income deduction.** The pension income deduction is increased to the maximum annual Social Security benefit that an individual is eligible to receive at full retirement age. For 2024, the amount is \$45,864, less social security income. Benefits received under a military retirement plan, including survivor benefits, continue to be fully exempt from Maine income tax.

**Property Tax Fairness Credit (PTFC)** - The PTFC may be available to people whose rent or property tax is a large percentage of their income. In addition, veterans who are rated 100% permanently and totally disabled receive an increased benefit. Please bring a copy of your VA Rating Decision Letter or VA Benefit Summary Letter. Even if not required to file a Maine tax return, you may choose to, to get this benefit.

**Dependent exemption tax credit** - The dependent exemption tax credit, currently \$300 per dependent, is refundable. For tax years beginning after 2024, the credit is adjusted for inflation.

**College-Related Tax Savings** - If you are a college graduate with a degree, including graduate school, obtained after 2007 and are paying student loans, you are eligible for the Maine Student Loan Repayment Tax Credit.

Contributions to 529 college savings plans are once again a deduction on the Maine return, of up to \$500 per beneficiary.

### **Around the Office**

**Record Retention** - In 2023 we revised our policy regarding how long we keep clients' tax returns on file. We will retain your file for a minimum of 6 years; we reserve the right to destroy the file after that time-period. We will continue to return all original documents to you and give access to a copy of your file up until that time.

**Complementary Consult** - This very popular, one-hour consult is a benefit of doing business with Jack

Skehan & Associates, and is offered to all clients during the off-peak season. We believe it is important for you to understand how potential events and/or transactions will affect your taxes, investments, or retirement. Maybe you are considering selling your home, an investment, withdrawing funds from an IRA, or selling rental property. You may need to adjust withholding or make estimated tax payments. Knowing the tax consequences ahead of time can be very helpful.

**Staffing** - We have such a great crew! Kim Davis is moving back to the preparer side of the office and will be meeting clients this year. We're happy to add Karen Towle to our support staff. We are pleased to have her join the team.

We hope you find this letter helpful as you prepare to see us in 2025. Call for more information or clarification of any tax matter. Thank you for entrusting our firm, operating since 1963, to provide income tax, accounting, and other financial services. You have a choice of income tax providers in the area. We are pleased you selected a firm whose staff live, work, and shop locally.

We wish everyone a healthy and happy new year!

Sincerely,

Jack Skehan & Associates



Jack Skehan & Associates subscribes to the tenets of Circular 230 which refers to Treasury Department Circular No. 230. This publication establishes the rules governing those who practice before the IRS, including attorneys, Certified Public Accountants (CPAs) and Enrolled Agents (EAs).

The information given does not cover every situation and is not intended to replace the law or change its meaning. It is intended to inform, not replace legal advice.