



A Message From Your Accountant

Another year is upon us. With all the disarray we face in the world I wish our tax system was free from confusion. However, we live in a time where change is greater than many of us can remember. There are more important things to worry about than taxes. I can say that with confidence because our office will help you complete your filing requirements as worry-free as possible.

This tax season comes with many changes due to the recent tax policies passed in July 2025. I received specialized training in the fall to help implement those new tax laws. Your utilization of the Tax Toolkit will help prepare for a lot of these changes. Keep it as a reference and guide when putting together your tax documents whether you drop them off at the office or upload them to our portal.

Our tax portal is the same as it has been and is conveniently linked from my website. With the tax portal and our digital work flow you can complete your return without having to step out of your home. Any questions you have of my staff, or they of you, can be communicated via the workflow.

The final step will be reviewing and signing your tax return after receiving a call from my staff. You'll get an alert by email with a link that securely allows you to download your tax return. However, if you prefer to come down to the office or require an appointment, then please do so. If you need an exit review, please request one at any time. If I feel I need to see you, I will have my staff make an appointment with you. I look forward to another year working through and completing your federal and state income tax requirements.

Michael



MICHAEL MELLBERG CPA
1755 East Plumb Lane
Suite 216
Reno, NV 89502

P) 775-323-8131
F) 775-337-1550
E) michael@mellbergcpa.com
W) www.mellbergcpa.com

Guidance For This Year's Tax Changes

Specified Passenger Vehicle Loan Interest: A specified passenger vehicle loan refers to debt incurred after December 31, 2024, for purchasing and secured by a first lien on an applicable passenger vehicle used for personal reasons. An applicable passenger vehicle includes cars, minivans, vans, SUVs, pickup trucks, or motorcycles with a gross vehicle weight under 14,000 pounds, assembled in the United States.

To deduct this expense your CPA will need the following:

- Total interest received on a passenger vehicle loan reported on Form 1098-VLI. If you did not receive tax form provide an annual statement, monthly statement or other means showing interest paid.
- Provide the auto VIN to your tax preparer

No Tax on Tips: For tax years 2025 through 2028, there is a special above-the-line deduction for “qualified tips” available to employees in occupations where tipping was customary and regular as of December 31, 2024.

Background information for taking deduction

- Use amount in box 7 of W2 for claiming the deduction
- The taxpayer must work in an occupation that customarily and regularly received tips before 2025 (e.g., servers, bartenders, hair stylists).
- Tips must be voluntary (not mandatory service charges) and paid in cash or cash equivalents (cash, check, credit/debit card, gift card).
- Non-cash items (like tickets or services) do not qualify.
- Tips received in a “specified service trade or business” (SSTB) are generally excluded, but for 2025, there is transition relief for employees in eligible occupations.
- Married taxpayers must file jointly to claim the deduction.
- A valid Social Security Number (SSN) is required on the return
- The deduction phases out by \$100 for every \$1,000 of modified adjusted gross income (MAGI) above \$150,000 (single) or \$300,000 (joint).
- For self-employed individuals, the deduction cannot exceed the net income from the business in which the tips were received
- The maximum deduction is \$25,000 per taxpayer per year.
- The deduction phases out by \$100 for every \$1,000 of modified adjusted gross income (MAGI) above \$150,000 (single) or \$300,000 (joint).
- For self-employed individuals, the deduction cannot exceed the net income from the business in which the tips were received

No Tax on OT: How the Deduction Works: The “no tax on OT” (overtime) provision refers to a temporary federal income tax deduction for the “premium” portion of overtime pay required under the Fair Labor Standards Act (FLSA) for tax years 2025–2028. Here’s how it works and what documentation a taxpayer should provide to their CPA

- The deduction applies only to the “premium” portion of FLSA-required overtime pay (the “half” in “time-and-a-half”). For example, if your regular rate is \$20/hour and you work 10 hours of overtime at \$30/hour, only the extra \$10/hour for those 10 hours (\$100 total) is deductible. The maximum deduction is \$12,500 per year (\$25,000 for joint filers), with a phaseout for modified adjusted gross income (MAGI) above \$150,000 (single) or \$300,000 (joint).
- The deduction is available to non-itemizers and must be claimed on your federal tax return.
- For 2025, employers are not required to separately report qualified overtime on Forms W-2 or 1099, but this will change for later years
- You should provide to your CPA year-end pay stubs or payroll statements showing total overtime pay and, if available, a breakdown of the overtime premium.
- Any employer-provided statements or letters specifying the amount of FLSA-mandated overtime premium paid.

DISCLAIMER

The material for this newsletter is derived from sources believed to be reliable, but its accuracy and the opinions based thereon are not assured. The articles and opinions in this publication are for general information only and are not intended to serve as specific financial, accounting or tax advice.

Michael Mellberg CPA is a registered Investment Advisor in the State of Nevada.

IRS Update

The IRS is in the midst of a significant modernization initiative to transition both tax refunds and payments to fully electronic methods. This shift is driven by Executive Order 14247, “Modernizing Payments To and From America’s Bank Account,” signed on March 25, 2025, which mandates the phase-out of paper checks for all federal disbursements, including tax refunds, by September 30, 2025. The order also requires, “as soon as practicable,” that all payments made to the federal government (such as tax payments) be processed electronically, subject to limited exceptions for hardship or lack of access to banking services.



For tax refunds, the IRS will begin phasing out paper checks for individual taxpayers starting September 30, 2025. Most refunds will be delivered by direct deposit or other secure electronic methods, with limited exceptions for individuals without access to banking services or in cases of undue hardship.

Alternatives such as prepaid debit cards or digital wallets will be available for those who cannot use direct deposit or payments to the IRS, including tax payments and deposits, the transition to electronic payments is also mandated, but the timeline is “as soon as practicable.” Taxpayers are instructed to continue using existing payment options until further notice, with additional guidance expected before the 2026 filing season. The IRS already requires most business tax deposits (such as payroll and corporate taxes) to be made electronically via the Electronic Federal Tax Payment System (EFTPS), and this requirement is being extended and reinforced under the new policy. The IRS is also updating its technical guidance and forms to support electronic filing and payment, including enhancements to the Modernized e-File (MeF) system and related publications.

You can set up an individual account and business account with the IRS which I highly recommend that you do.

Individual Online Account

As the IRS focuses on online access, it is their intention to develop and expand the tools available with the online account for individuals (<https://www.irs.gov/your-account>) The following tools are available when a taxpayer establishes an individual online account (Note: Signup requires an ID.me registration):

- View data from most recently filed tax return, including AGI and transcripts
- Check refund status
- Make and view payments
- View five years of payment history
- Schedule and cancel future payments
- View or Create Payment Plans
- Get an Identity Protection Pin (IP PIN)
- Direct file is now available for taxpayers that qualify

Business Tax Account Online

Business taxpayers can access information through a single point of entry with a Business Tax Account (BTA). (<https://www.irs.gov/businesses/business-tax-account>) The types of business taxpayers that can use the BTA are— Sole Proprietors, LLCs and S-Corporations. If you sign up as a ‘designated official’ you can register for full access. These taxpayer types can access the following:

- View balance due
- Make payments and federal tax deposit payments
- View tax transcripts
- View tax certificate for award use

IMPORTANT TAX FILING DATES

- March 16, 2026; S-Corporations & Partnerships (Monday)
- April 15; Individuals, C-Corporations & Trusts/Estates (Wednesday)
- September 15; S-Corporations & Partnerships extension deadline (Tuesday)
- September 30; Trusts/ Estates with Calendar year (Wednesday)
- October 15; Individual extension deadline, Calendar year C-Corporations (Thursday)

2025 Tax Preparation

You can rely on our team to help you prepare your taxes. But we do need your help. Below is a list of items you can put together to provide you with the most tax deductions possible.

Personal Taxes Checklist

Client documentation

- * Signed engagement letter or electronically signed engagement letter
- * Completed 2024 Client Organizer. A fillable Digital Custom Organizer is available on request by contacting our office.
- * Notice CPO1A-Identity PIN. Should create online so no paper in mail 'ID.me account'
- * Recommend you create an id.me account
- * Recent IRS correspondence letters
- * Federal EIN# letter-CP575, S-Corporation acceptance letter-CP261,
- * Operating agreement with stated ownership-For new business
- * Completed Organizer. Go to our website at MellbergCPA.com and click on the link. Call us if you need assistance.
- * Settlement statement from title company; shows sale/purchase price & possible deductions
- * New clients of our firm should bring a minimum of prior two federal/state income tax returns and identification with social security card
- * Changes in dependent status. If new dependent(s) we need copy of social security card and Date of Birth.
- * Issuing Form 1099NEC is required if payment for services (including part/materials) in course of business (including rentals) -
 - a. 2025 - \$600
 - b. 2026 - \$2,000
- * Form 1099K for 2025 (new rules) will be received if transactions are more than:
 - a. 2025 and later years - \$20,000/200 transactions

Income

- * W2, W2Gs, Tips not reported to employer
- * Form 1099-NEC for Self-employment income
- * Form 1099-Misc for rents paid in course of business
- * Investment income on Forms 1099-Int, 1099-OID, 1099-Div, 1099-B
- * Pension Forms 1099-R, 1099-SSA, RRB-1099 (railroad)
- * Form 1099-S for sale of real estate
- * Rental Income and expenses
- * K-1s from partnerships, S-Corporations, Estate & Trusts
- * Other 1099 Form types; 1099-A, 1099-G(unemployment-request amendment from State of NV Employment Security Division if fraud), 1099-Q(529dist.)
- * New Form 1099-DA-if broker used to effect sale of digital assets
- * Damage awards or other taxable legal settlements
- * Alimony-Only Amounts received as alimony for agreements on or before 12/31/2018
- * Stock options; ISOs
- * Any other income including Bitcoin gains, hobby income, prizes, Air BNB, foreign source
- * Restricted Stock Units can have a 5 year deferral option
- * Primary indebtedness exclusion down to \$750K from \$2M through Dec. 31, 2025
- * Digital Assets; virtual currencies (crypto, stablecoins), NFTs (may be ordinary income-IRS code 8v on Form 1040)
- * Zero tax rate still applies up to following thresholds for capital gains.

Deductions

- * Retirement plan contributions: Trad IRA, Roth IRA, SEP IRA (Form 5498)
 - * Education loan interest
 - * Teachers classroom or professional development expense up to \$300
 - * Out of pocket medical expenses (need 7.5% of AGI).
 - Self-employed get premiums paid
 - * Form 1098 Qualified mortgage interest, points paid
 - * HELOC interest must be used for use on qualified home for improvements or home acquisition if it is to be deductible (limitation is still \$750K for purchase of home secured by mortgage + HELOC used for improvements or home acquisition). A qualified residence is a principal residence and one other residence the taxpayer uses as a second home.
 - * Points charged for the use of money are deductible as qualified residence interest expense if associated with qualified residence acquisition indebtedness or home equity indebtedness.
 - * Property taxes paid on primary residence, second residence and investment properties up to \$10,000.
 - * Local sales tax paid on specified items and any state or local income tax for non-NV residents.
 - * SALT deduction increased to \$40,000 (property taxes and state income taxes)
 - * Charitable contributions, gifts (cash or property) of \$250 or more at one time require contemporaneous receipt with: 1. Donnee's name and address 2. Amount, description, date and location 3. Whether goods or services were received from the organization, and if they were FMV. Less than \$250 require only 1. & 2. Above
 - * Miscellaneous itemized deductions are permanently eliminated
 - * QCD-qualified charitable distribution up to \$111,000 for those 70.5 yrs old(er)-counts toward RMD
 - * Qualified Disaster Losses; 1/1/2020 – 9/2/2025. Lower limit and additional standard deduction. You may apply the loss to the prior year-IRC Sec 165(i). Reduce by insurance
 - * Federal Casualty Losses now attributed to State declared disaster
 - * Form 1098-VLI for qualified passenger vehicle loan interest deduction
- #### Credits
- * Dependent care expenses for working parents for children under 13 (increased credit for 2026 and later-35%-50%.)
 - * Education expenses paid out of pocket on Form 1098-T
 - * Residential Clean Energy Credit can still be claimed for qualified expenditures made before 2026 for property placed in services after 2021. Effective July 4, 2025, the RCEC is terminated early. Taxpayers may not claim the credit with respect to any expenditures made after December 31, 2025. (Reconciliation Act of 2025 § 70506).
 - * The Clean Vehicle Credit may not be claimed for vehicles acquired after September 30, 2025 (Reconciliation Act of 2025 § 70502).
 - * New Opportunity zone investments made after December 31st, 2026
 - * Nonbusiness Energy Property-furnaces, boilers, biomass stoves. Effective July 4, 2025, the EEHC is repealed and any property placed in service after December 31, 2025, is ineligible for the credit (Reconciliation Act of 2025 §70505).
 - * EIC investment income limitation is raised to \$11,950
 - * Premium Tax Credit; Taxpayer AGI > 400% FPL will continue eligibility for PTC based on % of AGI