CHILDS Accounting Group

Dear Client,

We hope you had a joyful holiday season and that 2026 is off to a great start. As we begin the 2025 tax filing season, we'd like to remind you that the deadline for filing federal individual income tax returns is April 15, 2026.

There are a few notable updates to be aware of this tax season. The One Big Beautiful Bill passed in mid-2025 and introduced several taxpayer-friendly provisions aimed at simplifying compliance and increasing take-home pay for workers. Among the most impactful changes for the 2025 tax year are:

- Overtime pay up to $12,500 ($25,000 for married couples filing jointly) is now exempt from federal income tax for individuals with a phase-out of the deduction for taxpayers with modified adjusted gross income less than $150,000 annually (or $300,000 for married couples filing jointly).
- Qualified tips up to $25,000 are no longer subject to federal income tax for workers in specified professions subject to a phase-out of the deduction for taxpayers with modified adjusted gross income less than $150,000 (or $300,000 for joint filers), provided tips are properly reported.

These updates are part of a broader effort to reduce tax burdens on wage earners and service industry professionals. Additional changes from the bill include additional taxpayer benefits such as the deduction for seniors and enhancements for small business deductions.

If you purchased a new or used electric vehicle in 2025, or made energy-efficient improvements to your home, you may still be eligible for substantial credits under the Inflation Reduction Act of 2022. Be sure to keep documentation for any purchases related to:

- Home energy improvements (e.g., windows, insulation, HVAC systems)
- Residential solar or battery installations
- Electric or plug-in hybrid vehicles

IRS has announced the service will start accepting electronic filing of tax returns on **January 26, 2026**.

As of the writing of this letter, Massachusetts has not indicated a date when the state will start accepting returns. In prior years, the state generally starts accepting returns within a week of when the IRS starts accepting returns.

A tax organizer will be uploaded to our client portal for you shortly. If you do not receive an email notification with sign-in instructions, and would like an organizer, please contact us at info@childsaccounting.com or call us at 774.215.0042. In addition, you can review this checklist to help ensure that we have all or most of your tax information. The checklist can also be downloaded by visiting our website.

We appreciate your continued trust in our firm and look forward to assisting you this tax season.

Sincerely,

Rick Childs, EA

Tax Documentation Checklist

- If you would like your refund direct deposited to your checking/savings account, we need the name of your bank, routing number and account number.
- Contact information – Phone number, email address
- Driver's License – If you renewed your drivers' license in 2025, we will need a copy of your updated driver's license.
- Filing status including your date of birth
- Full name, social security number and date of birth of all dependents. We also need a copy of the dependents' social security cards if we do not already have them on file.
- **If your filing status is Head of Household, we need proof that the dependent you are claiming lived with you for at least 6 months at your residence. Proof of residency can be school records, medical records, daycare records or a letter from one of these organizations.**
- **If you qualify for the Earned Income Tax Credit (EITC) please include proof of residency for each dependent. Proof of residency can be school records, medical records, daycare records or a letter from one of these organizations. Additional information in regard to appropriate documentation can be found on Form 866-H-EIC.**
- **W-2's**
- **1099-INT** – Interest received from financial and other institutions
- **1095 A/B/C** – Health Insurance Marketplace Statement
- **1099-Div** - Dividend interest
- **1099-R** - Pension or IRA withdrawal
  - Were these disbursements rolled over? If yes, please provide the date of withdrawal, and the date of deposit to the new account.
- **1099-G** - State refunds from your 2024 individual tax returns if you itemized deductions on your 2024 federal return. This form is also used to report on any unemployment income received during 2025. Please check online if you have not received the 1099-G in the mail.
- **SSA-1099** - Social security benefits received during 2025
- **W-2G** - Gambling winnings. **Gambling winnings can be offset by losses if you itemize your deductions**. You must have proof of losses such as betting slips, scratch tickets, and statements from gambling facilities.
- Alimony received in 2025 if your divorce was finalized prior to 2019.
- Alimony paid, social security number and name of recipient if your divorce was finalized prior to 2019.
- Sole Proprietorship 2025 – self employed
  - Income from business
  - Expenses for business
  - Vehicle expense for business **- Mileage log is required** - Total miles driven during 2025, and business miles driven, mileage rate for 2025 is $.70 per mile.
  - Estimated federal and state income taxes paid - Date paid and amount paid.
- **1099-B** - Capital gains or losses from investments including detailed report on all stock and fund trades
  - Crypto trades and swaps will be reported by exchanges on this form as well.
    - All crypto sales or swaps during 2025 must be reported as capital gains transactions.
- Rental real estate
  - Income and expenses
  - If you acquired the real estate in 2025 – please provide the HUD-1 or Closing Disclosure from the closing.

  - Amount of major repairs, renovations or improvements during 2025. Please be prepared to provide the date and value of each improvement made during 2025.
- **Sale of residence** – You must include date of purchase, cost of purchase, major improvements you made while owning the residence, and the HUD-1 or Closing Disclosure from the closing of the sale of the residence.
- IRA contributions – Amount of contributions for 2025, and the type of IRA account the contribution was made to.
- **Form 1098-T** - Tuition paid to a college or university on behalf of a 2025 dependent. **It is important to have the <u>exact</u> amount you paid in 2025. Please obtain the details of payments from the college or university.**
- **Form 1099-Q –** Distributions from Qualified Tuition Programs (529 Plans, ABLE Plans, etc.). Please provide the information for any funds used from the plan for educational purposes.
- **Form 1098-E** - Student loan interest paid in 2025
- Self-employed health and dental insurance premiums paid in 2025.
- Self-employed retirement contributions to a **SEP or SIMPLE IRA** plans for 2025.
- Amount of residential **RENT** paid in 2025 if you were a Massachusetts resident.
- If you commute using the Mass Transportation System, how much did you pay out of pocket expenses?
- Solar Power SREC Credits - SREC credits sold separately from electricity produced by solar renewable energy. Please supply the amount of SREC credits/amount sold to the energy company in 2025.
- Septic system replacement. We need the total cost, the approval date from the town where you reside, the certificate number of approval, and the approving authority. This date must be in 2025.
- Childcare Expenses – Name of childcare facility, address, federal ID number, and the amount you paid.
- Home Energy Credits – Please provide the date, cost, and type of improvement made in 2025.

THE FOLLOWING CAN BE INCLUDED IF YOU ITEMIZE YOUR DEDUCTIONS USING SCHEDULE A.

- Out of pocket medical expenses paid. The deduction is subject to 7.5% of your adjusted gross income. Ex: AGI = $75,000 - medical deduction exists for out-of-pocket expenses that exceed $5,625.
- Real estate taxes paid, including second homes and vacation homes.
- State taxes paid via estimated tax payments made in 2025.
- **Form 1098** - Mortgage interest paid.
  - Interest paid on motorhomes and campers qualify for this deduction.
- **Form 1098** - Line of Credit Interest - This deduction can be taken only if you have proof that the funds were used for improvements to your main residence.
- **Form 1098** - Mortgage insurance premiums paid.
- Excise tax paid for automobiles, boats, or planes.
- Charitable Contributions
  - Cash - Cash donations require a receipt (cancelled check or documentation from the charitable organization that shows the amount donated)
  - Non-cash - Date of contribution, organization, federal identification number of the organization, description of donation, estimated value along with method of determining the value. All household items must be in good or better condition.

There are many instances where additional types of income, deductions, or credits will affect your individual tax return. This checklist is not intended to be all encompassing, but rather a guideline in helping you gather the necessary documentation. If you have any questions, regarding the tax information required to complete your 2025 tax return, please feel free to call our office at 774.215.0042, or email us at info@childsaccounting.com.