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**Digital asset reporting rules expand for 2025 tax season**

*IRS now requires brokers to report virtual currency transactions*

APPLETON, Wis. (Jan. 1, 2025) – With virtual currency becoming mainstream, the IRS is stepping up its oversight of digital asset transactions. Beginning in 2025, brokers of digital assets must report sales using the newly introduced Form 1099-DA as part of the IRS’ efforts to ensure income from virtual currency transactions is taxed.

The IRS defines digital asset brokers broadly to include operators of trading platforms, hosted wallet providers and digital asset kiosk owners. Form 1099-DA will be sent to both the taxpayer and the IRS to increase transparency.

Although the new reporting requirement applies to sales in 2025, taxpayers must report virtual currency income on their 2024 tax returns even if they do not receive Form 1099-DA. This includes income from selling digital assets, exchanging them for goods or services or earning them through mining or staking.

Additionally, all taxpayers must answer a digital asset question on their 2025 tax return, indicating whether they received, sold or otherwise disposed of digital assets in 2024.

Taxpayers using virtual currency in business transactions must follow standard information reporting rules, such as filing Form 1099-MISC for payments made in the course of trade or business.

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**Clean energy vehicle credit: avoid IRS penalties this tax season**

*Claiming the credit again could lead to costly errors*

APPLETON, Wis. (Jan. 1, 2025) – Taxpayers who purchased a clean energy vehicle in 2024 and transferred the tax credit to a qualified dealer at the time of purchase should not claim the credit again on their 2024 return. Doing so could result in IRS penalties.

The clean vehicle tax credit of up to $7,500 applies to new, qualified plug-in electric and fuel cell vehicles used primarily in the U.S. Eligibility depends on modified adjusted gross income (MAGI) limits, and taxpayers can use their MAGI from the year of delivery or the previous year, whichever is lower.

For used clean vehicles purchased from licensed dealers for $25,000 or less, a tax credit of up to $4,000 is available, equal to 30% of the sale price. Similar MAGI limits apply.

Businesses and tax-exempt organizations may qualify for a commercial clean vehicle credit of up to $40,000, depending on the vehicle’s weight.

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**Canceled debt may be taxable income for many taxpayers this season**

*Certain exclusions can help reduce tax burden*

APPLETON, Wis. (Jan. 1, 2025) – As taxpayers prepare their 2024 returns, many will face tax consequences for canceled debt. While canceling debt such as a mortgage or credit card can provide immediate financial relief, it can also result in taxable income.

When debt is canceled, taxpayers typically receive Form 1099-C from the lender. The amount of canceled debt must generally be reported as ordinary income on Schedule 1 (Form 1040), Line 8c. However, taxpayers who qualify for exclusions, such as insolvency, may be able to reduce or eliminate the taxable amount.

To claim an exclusion, taxpayers must report the canceled debt income on Form 982, specifying the applicable exclusion and the amount excluded from gross income. Taxpayers must also adjust their tax attributes but cannot reduce them below zero.

Canceled student loans offer an exception. Between 2021 and 2025, gross income does not include debt forgiven for certain types of student loans, including:

* Loans for postsecondary education expenses made, insured or guaranteed by the U.S., a state or an eligible educational institution.
* Private education loans.
* Loans from educational organizations as described in §170(b)(1)(A)(ii).
* Loans from tax-exempt organizations under §501(a) used to refinance student loans.

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**More taxpayers to receive Forms 1099-K this year**

*Lower reporting thresholds could lead to increased filings*

APPLETON, Wis. (Jan. 1, 2025) – This tax season, more taxpayers will receive Form 1099-K from third-party payment processors and online marketplaces due to a reduced reporting threshold of $5,000 for payments received in 2024. Taxpayers must report these amounts on their 2024 returns to avoid fines and penalties.

The reporting threshold has been gradually reduced from $20,000 in 2023 to $5,000 for 2024. It will drop to $2,500 in 2025 and reach the final threshold of $600 in 2026. While the delay in fully implementing the $600 requirement is intended to reduce confusion and paperwork, organizations may still issue Forms 1099-K at the lower threshold automatically.

Sellers on platforms like eBay, Etsy and Vrbo should note that the IRS receives copies of all Forms 1099-K, and income must be accurately reported.

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**Baby boomers’ legacy: beneficiaries face complex tax rules for inherited IRAs**

*Wave of wealth transfer brings challenges, risks to younger generations*

APPLETON, Wis. (Jan. 1, 2025) – As the U.S. experiences one of the largest wealth transfers in history, millions of beneficiaries inheriting IRAs from baby boomers face complex tax rules and steep penalties for errors. Beneficiaries must understand required minimum distribution (RMD) rules to avoid penalties of up to 25%, which could cost families thousands of dollars.

**Key rules for inherited IRAs**

* **Non-spouse beneficiaries:** Heirs must withdraw the entire balance within 10 years of the account holder’s death. If the account holder began RMDs, annual distributions are required for the first nine years, with the remainder withdrawn in year 10.
* **Eligible designated beneficiaries (EDBs):** Spouses, minor children or individuals with disabilities can take distributions over their life expectancy, significantly reducing tax burdens.
* **No designated beneficiary:** If an IRA has no named beneficiary, heirs must withdraw the entire balance within five years if the account holder had not started RMDs.

**Why this matters now**

With baby boomers passing an estimated $70 trillion in wealth, retirement accounts make up a significant portion of inherited estates. Without proper planning, heirs risk triggering substantial penalties or facing unexpected tax bills.

Recent legislation reduced the RMD penalty from 50% to 25%, with further reductions to 10% for quick corrections. However, timely action and understanding the rules are critical for avoiding costly errors.

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**Each year, millions of taxpayers miss out on valuable tax credit refunds**

*EIC helps low- to moderate-income families get a tax break*

APPLETON, Wis. (Jan. 1, 2025) – The earned income tax credit (EIC) continues to offer critical financial assistance to low- and moderate-income taxpayers, but millions fail to claim it because they do not file a tax return. The EIC can provide substantial refunds, even to those with no tax liability or federal income taxes withheld.

**Eligibility for EIC**

To qualify for the EIC, taxpayers must meet these criteria:

* **Income limits:** Adjusted gross income (AGI) must fall within limits based on the number of qualifying children.
* **Valid Social Security numbers:** Required for the taxpayer, spouse and qualifying children.
* **Filing status:** Married taxpayers generally must file jointly unless one parent qualifies as head of household.
* **Residency:** Must be U.S. citizens or resident aliens for the entire year.
* **Other restrictions:** Investment income must be $11,600 or less for 2024, and Form 2555, Foreign Earned Income, cannot be filed.

Taxpayers without children may also qualify if they are between ages 25 and 64, are not claimed as a dependent or qualifying child on another return, and have their principal residence in the U.S. for more than half the year.

Special rules apply for:

* **Military members:** Nontaxable combat pay may be included in earned income for EIC calculations.
* **Clergy members:** Housing allowances and rental value of provided housing may count as income.

**Why filing matters**

To receive the EIC, eligible taxpayers must file a return, even if they are not required to file. The IRS does not automatically issue this credit. Taxpayers can expect EIC-related returns to be processed after Feb. 15 each year.

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**U.S. taxpayers see benefits for energy efficient home improvements**

*Inflation Reduction Act of 2022 extends and enhances tax credits to incentivize homeowners to make clean energy improvements through 2034*

APPLETON, Wis. (Jan. 1, 2025) – Homeowners can reduce their tax liability while upgrading their homes with enhanced clean energy tax credits under the Inflation Reduction Act, available on 2024 returns. These credits support renewable energy and energy-efficient improvements for residential properties.

The **residential clean energy credit** offers 30% of eligible costs for items like solar panels, wind energy systems, geothermal heat pumps and energy storage batteries. This credit remains at 30% through 2032, phasing down to 26% in 2033 and 22% in 2034. The credit is nonrefundable, but unused amounts can be carried forward indefinitely.

The **energy-efficient home improvement credit** covers 30% of qualified costs, with a maximum annual credit of $3,200. Limits include:

* $1,200 annually for energy property costs like exterior windows and skylights ($600 cap).
* $500 annual limit for exterior doors ($250 per door).
* $2,000 annual limit for heat pumps, water heaters and biomass stoves or boilers.

Other eligible improvements include home energy audits (credit up to $150) and upgrades to panel boards or branch circuits with a capacity of at least 200 amps.

Qualified energy property must be new and installed on the taxpayer’s principal residence or vacation home in the U.S. This credit is nonrefundable and cannot be carried forward. However, there is no lifetime limit, meaning taxpayers can claim the maximum credit annually through 2033 if improvements are made each year.

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**Military personnel may receive additional tax benefits for 2024 returns**

*Deductions and exemptions can help reduce taxable income*

APPLETON, Wis. (Jan. 1, 2025) – Members of the U.S. armed forces and their families may qualify for tax benefits on their 2024 returns, including deductions and exemptions designed for active-duty personnel and reservists.

**Key tax benefits**

* **Travel expenses:** Unreimbursed travel costs for reserve duties more than 100 miles from home can be deducted, even by taxpayers using the standard deduction. The standard mileage rate is 67 cents per mile for 2024.
* **Uniforms:** Costs for maintaining uniforms that cannot be worn off duty, such as battle dress or utility uniforms, are deductible.
* **Moving expenses:** Active-duty members and their surviving spouses can deduct costs related to permanent station changes, including moving, storage and travel. The mileage rate for moving is 21 cents per mile for 2024.
* **Retirement plan distributions:** Reservists called to active duty for at least 180 days may avoid the 10% early withdrawal penalty on IRA, 401(k) or 403(b) distributions. These funds can be repaid within two years of ending active duty.
* **Combat pay:** Pay earned in a combat zone is not taxable but can be added to earned income when calculating the earned income tax credit if it provides a greater tax benefit.

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**Taxpayers must itemize to claim most charitable deductions made in 2024**

*Certain rules must be met to claim deduction for donations helping victims of hurricanes Milton or Helene*

APPLETON, Wis. (Jan. 1, 2025) – Taxpayers can only deduct charitable contributions for 2024 if they itemize their deductions, as the standard deduction excludes this benefit. Deductible contributions include donations to churches, nonprofit educational or medical institutions, public charities or other qualified organizations, with a limit of 60% of a taxpayer’s adjusted gross income (AGI).

Before donating, taxpayers should verify the organization’s charitable status using the IRS’s tax-exempt organization search. A record, such as a written receipt showing the organization’s name, the date of the gift and the donation amount, is required for all deductible contributions – even small donations like cash dropped into a collection bucket.

**Limits and exclusions**

Not all donations are deductible. Contributions to political organizations or funds directly benefiting specific individuals, such as families affected by natural disasters, cannot be deducted. However, donations to recognized disaster relief organizations are fully deductible.

If a benefit is received in return for a contribution, only the portion of the donation exceeding the value of the benefit is deductible. For example, if a taxpayer donates to an event and receives tickets in return, the value of the tickets must be subtracted.

**Noncash contributions**

Taxpayers donating items like clothing, household goods or food must establish their value based on fair market value or cost. Detailed records of the item’s condition and valuation method are required. Contributions of stock, real estate or other capital assets have special rules, as they may avoid capital gains tax if donated directly.

Out-of-pocket expenses related to volunteer work, such as gas, tolls or parking, are deductible at a standard rate of 14 cents per mile. Volunteers must keep records of all costs incurred.

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**Child tax credit is still not keeping up with inflation**

*Child-related costs continue to rise while child tax credit amount stays stagnant*

APPLETON, Wis. (Jan. 1, 2025) – The child tax credit (CTC) provides parents with up to $2,000 per qualifying child under age 17, helping to offset the high costs of raising children. However, the credit is not indexed for inflation and remains unchanged for 2024, despite rising child care and household expenses.

The CTC begins to phase out when a taxpayer’s modified adjusted gross income (MAGI) exceeds $400,000 for married couples filing jointly or $200,000 for other filing statuses. Taxpayers can only claim the CTC up to the amount of taxes they owe.

For taxpayers who cannot use the full CTC due to low tax liability, the additional child tax credit (ACTC) offers a refundable amount of up to $1,700 for 2024 – $100 more than 2023. Refund eligibility depends on earned income exceeding $2,500 and is limited to 15% of the taxpayer’s earned income above that threshold. Taxpayers with three or more qualifying dependents are exempt from the $2,500 minimum income requirement.

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**Dependent care credit remains the same, despite rising costs**

*Rates for* *child care, dependent care soared; no changes made to tax credit*

APPLETON, Wis. (Jan. 1, 2025) – Despite rising child and dependent care costs, the dependent care credit remains unchanged for 2024, leaving many working families with limited financial relief. On average, households now spend 24 percent of their income on child care, far above the 7 percent threshold considered affordable.

The credit allows eligible taxpayers to claim up to $3,000 in expenses for one qualifying individual or $6,000 for two or more. However, only a percentage of these expenses can be claimed. Taxpayers with an adjusted gross income (AGI) of $15,000 or less may claim 35% of qualifying costs, resulting in a maximum credit of $1,050 for one individual or $2,100 for two or more.

As AGI increases, the credit amount decreases by one percentage point for every $2,000, or fraction thereof, above $15,000, phasing down to 20% for taxpayers with an AGI over $43,000.

To qualify, care must be provided for a dependent child under age 13 or someone physically or mentally incapable of self-care, such as a spouse or another dependent living with the taxpayer for more than half the year. The care must be needed while the taxpayer, and spouse if applicable, works or looks for work. Married taxpayers must file jointly to claim the credit.

Certain relatives may qualify as caregivers if they are not dependents of the taxpayer. However, spouses, the child’s other parent or dependents under age 19 cannot serve as caregivers.

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**New retirement contribution limits could affect taxpayers in 2025**

*Proper planning is key to maximizing benefits*

APPLETON, Wis. (Jan. 1, 2025) – The SECURE 2.0 Act is giving older Americans a chance to boost their retirement savings with new catch-up contribution limits. Starting in 2025, taxpayers aged 60 to 63 will be able to make larger contributions to certain retirement plans, including 401(k), 403(b) and governmental 457(b) plans.

For these taxpayers, the catch-up contribution limit will increase to the greater of $10,000 or 150% of the regular catch-up limit in 2024, which is $7,500. This raises the 2025 limit to $11,250, allowing eligible taxpayers to contribute up to $34,750 ($11,250 plus the regular $23,500 contribution limit) if their plan allows.

For SIMPLE IRA plans, taxpayers aged 60 to 63 will see their limit increase to the greater of $5,000 or 150% of the 2024 catch-up contribution limit of $3,500, resulting in an additional contribution of $5,250. These taxpayers can contribute up to $21,750 ($5,250 plus the regular $16,500 limit). For those ages 50 to 59 or 64 and older, the catch-up limits remain $7,500 for standard plans and $3,850 for SIMPLE IRAs.

While Congress authorized these changes, not all employer-sponsored plans allow for catch-up contributions. Taxpayers should confirm with their employers whether their plans offer these options.

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**Natural disaster losses in 2024 may result in tax deductions**

*Taxpayers and businesses impacted by storms could reduce tax bills*

APPLETON, Wis. (Jan. 1, 2025) – The severe storms and natural disasters of 2024 caused record property losses across the U.S., leaving many Americans struggling to rebuild. As the 2025 filing season begins, individuals and businesses affected by these disasters may be eligible for casualty loss deductions to offset their costs.

A casualty loss includes damage, destruction or loss of property caused by sudden, unexpected events such as storms, floods or wildfires. For businesses, smaller-scale disasters such as fires, theft or vandalism may also qualify.

**Claiming a casualty loss deduction**

For individual taxpayers, the loss must result from a federally declared disaster and requires notifying the IRS of any insurance reimbursements. Casualty loss deductions can be claimed even if the taxpayer uses the standard deduction.

Individual taxpayers cannot deduct the full amount of a casualty loss. They must reduce the loss by $100 and subtract 10% of their adjusted gross income (AGI). For example, a taxpayer with a $20,000 loss and a $60,000 AGI could claim a $13,900 deduction ($20,000 minus $100, then minus 10% of $60,000). Form 4684, Casualties and Thefts, is used to calculate the deduction.

Businesses face fewer restrictions. They can typically deduct the full cost of uninsured disaster-related losses, and the event does not need to be in a federally declared disaster area.

**Choosing the tax year to claim the deduction**

Taxpayers can claim casualty losses on their 2024 return or an amended 2023 return, depending on which year provides the greater tax benefit. For example, a taxpayer suffering a loss in 2024 could elect to deduct the loss in 2023 if it offers more savings.

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**Canceled debt may be taxable income for many taxpayers this season**

*Certain exclusions can help reduce tax burden*

APPLETON, Wis. (Jan. 1, 2025) – As taxpayers prepare their 2024 returns, many will face tax consequences for canceled debt. While canceling debt such as a mortgage or credit card can provide immediate financial relief, it can also result in taxable income.

When debt is canceled, taxpayers typically receive Form 1099-C from the lender. The amount of canceled debt must generally be reported as ordinary income on Schedule 1 (Form 1040), Line 8c. However, taxpayers who qualify for exclusions, such as insolvency, may be able to reduce or eliminate the taxable amount.

To claim an exclusion, taxpayers must report the canceled debt income on Form 982, specifying the applicable exclusion and the amount excluded from gross income. Taxpayers must also adjust their tax attributes but cannot reduce them below zero.

Canceled student loans offer an exception. Between 2021 and 2025, gross income does not include debt forgiven for certain types of student loans, including:

* Loans for postsecondary education expenses made, insured or guaranteed by the U.S., a state or an eligible educational institution.
* Private education loans.
* Loans from educational organizations as described in §170(b)(1)(A)(ii).
* Loans from tax-exempt organizations under §501(a) used to refinance student loans.

This article contains general information for taxpayers. Each tax situation is different, so do not rely on this information as the sole source of authority.

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