

“THE NEWSLEDGER”

WE MADE IT! ZIMMERMAN & ASSOCIATES HAS SURVIVED THE COMPLEX TENUOUS BUSINESS WORLD FOR “50” FANTASTICALLY SUCCESSFUL YEARS! OUR HARDWORK AND UNLIMITED DEDICATION HAS ALLOWED US TO STAND TALL IN THE TOUGH COMPLICATED UNIVERSE OF TAX AND PUBLIC ACCOUNTING. YES – WE ARE SPECIAL AND PROUD!

A GAME OF MONOPOLY POKER – 2025 FEDERAL TAX CHANGES

- The zero tax rate on long-term capital gains and qualified dividends thresholds increase to \$97,700 for joint filers, \$64,750 for household heads and \$48,350 for singles for 2025.
- Alternative Minimum Tax exemptions rise in 2025 to \$137,000 for joint filers and \$88,100 for singles.
- The standard deduction for joint filers increases to \$30,000, plus \$1,600 for each spouse 65 or older; \$15,000 for singles; and \$22,500 for head of households.
- The maximum 401(k) contribution increases to \$23,500; and SIMPLE plans increase to \$16,500.
- Participants in flexible spending plans can now defer up to \$3,300.
- The cap on employer provided parking increases to \$325 per month.
- No kiddie tax on first \$1,350 of unearned income.
- The lifetime estate and gift tax exemption increases to \$13,990,000. The annual gift tax exclusion rises to \$19,000 per donee.
- The Social Security annual wage base increases to \$176,100.
- The new nanny tax threshold is \$2,800.
- First year bonus depreciation of business assets with lives of 20 years or less is reduced to 40% of cost.
- Regular “C” corporations can use the cash method of accounting if they have average gross receipts of \$31 million or less over the last three years.
- The standard mileage rate for business driving increases to 70 cents per mile.

JOIN US ON A TAX TRIP AROUND TRUMPS WORLD!

- The sale of a partnership generally results in a capital gain or loss; however if the partnership has inventory or unrealized receivables then that portion is subject to ordinary income.
- IRS is presently attacking “S” corporations that lack basis to deduct losses. Losses can only be taken by stockholders up to

their actual stock basis and loans made directly to the company. Any distributions made in excess of basis and loans is subject to capital gains taxes.

- If you voluntarily pay down the Federal National Debt – Uncle Sam will say thank you by allowing you to qualify for a charitable contribution; which you can only use if you itemize deductions! Believe it or not donors chipped in over \$3.5 million during 2024!
- Income taxes paid on taxable Social Security benefits is purposed for the trust funds that pay out Social Security and Medicare benefits.
- College student athletes who generate income from their sports activities, whether in the form of free products, services or cash, are subject to self-employment and income taxes.
- Start-up businesses can elect to expense the first \$5,000 of start-up costs incurred during the initial year that they are actively engaged in business; with any excess amount amortized over 180 months. Expenses incurred prior to active operations must be capitalized.
- The last time that the federal budget was balanced was during the Clinton administration.
- IRS can now foreclose on a jointly owned home to pay tax owed by one spouse. If an innocent spouse is not on the title the IRS can take the entire proceeds!
- A criminal can not deduct losses from money seized by the government as part of his punishment – even if the funds belonged to his corporation. ‘
- If you take distributions from your retirement plan, be aware that income taxes withheld at any point in the year are treated as if they were evenly paid throughout the year.
- The Trump administration wants to reduce IRS funding by about 20%.
- The Inflation Reduction Act gave IRS \$80 billion in additional funding. Congress has since rescinded \$42 billion of the funding.
- Proceeds received from lawsuits relative to damages or settlement awards are tax free if for physical and emotional injuries or illnesses.
- When you convert a regular IRA to a Roth be careful – the IRA custodian will by default withhold 10% for federal income taxes from the converted funds – which is subject to the 10% early withdraw penalty.
- A couple can not deduct as medical costs expenses relative to the use of a surrogate. The IRS ruled that only medical expenses directly attributed to an existing dependent qualify as deductible medicals.
- Only U.S. Olympians who medaled in the games that have adjusted gross income exceeding \$1 million are taxed on their medal and cash prizes.
- IRS has proclaimed that owners of IRA's that are terminally ill are not subject to the 10% early withdraw penalty.
- It is estimated that extending the expiring tax provisions will add \$4.6 trillion to the now \$36 trillion federal debt.
- Federal policies that reduced Social Security benefits for workers who receive a public pension have been repealed. This change will extend benefits to more than 3 million deserving retirees.
- The Trump administration wants to eliminate the IRA's Direct File program.
- For 2025 1099-K information reporting forms will have a \$2,500 reporting threshold.

- For the 2025 tax year the following states will not impose state income taxes: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming.

EMPLOYEE RETENTION CREDIT CONTINUES TO CAUSE PROBLEMS!

Businesses, tax professionals, as well as the IRS's National Taxpayer Advocate, continue to be frustrated by the IRS processing delays on employee retention credits. The 2020 federal payroll tax break credit program was designed to help businesses whose operations were disrupted causing reduced business receipts during the pandemic. The IRS claims that the program is rife with fraud! They halted processing of the refund claims in late 2023. Although the IRS has recently restarted processing the 1.2 million claims, many businesses are still waiting to receive their refunds and continue to suffer financial and economic hardships.

NONSENSE NEWS THAT STIMULATES MY LABITO!

- When is a business not a business? When the IRS decides it's a "hobby"! According to Uncle Sam a hobby is pursued for pleasure first, and profits are incidental; a business is aimed at making a profit. Either way the profits are taxable – however any hobby losses are not deductible.
- Beginning in 2025 out-of-pocket drug costs covered by Medicare are capped at \$2,000 per year.
- IRS will approve abatement of late-filing and late-payment penalties for taxpayers who arrange to pay the tax due and have been tax-compliant over the past three years.
- The Federal Aviation Administration remains 3,000 people below target staff; forcing current controllers to work 60-hour weeks. Hiring and training air traffic controllers can take up to seven years!

- U.S. tariffs on China are now resulting in shipping fees that translate to about \$9,000 per container.
- Because of high labor rates it costs three times as much to build a large shipping vessel in the United States as it does in Asian yards.
- If Japan's Nippon Steel proposed merger with U.S. Steel occurs it would result in Japan owning the third largest steelmaker in the world.
- Americans are budgeting their summer vacations by choosing cost effective conservative hotel accommodations and covering travel expenses using credit cards that award them travel miles and airline miles.
- Domestic locales are the dominant preference for 2025 summer vacations; while outdoor adventures are quickly rising in popularity.
- Gas prices are on pace to hit a summer five year low!
- Expect to see 2025 inflation end the year near 3.6%.
- Prices for medications can be up to three times higher in the United States than in other nations.
- Fake meat sales decreased by 7% last year.
- Humanoids are being built to live and work alongside people; however experts say they are still in the earliest stages of pilot projects.
- The More Paid Leave for More Americans Act is not a federal mandate; it merely gives states incentives to expand their family leave programs.
- Now you can renew your passport online! You must be at least 25 years old, have an

existing passport that was valid for 10 years, and be able to pay with a credit or debit card.

- Colleges throughout the country are having financial problems due to shrinking enrollment.
- People with more education tend to live longer.
- The IRS wants to ban tax return preparers from charging contingency fees.
- In order to qualify for a tax-exempt status homeowner associations must serve the public good, facilitate open use and enjoyment of facilities for the public, and can not maintain exterior maintenance on private dwellings.
- The Biden administration-imposed regulations that will force Medicare and Medicaid to cover weight loss drugs.
- With 8 million potential new weight loss drug users the additional Medicare and Medicaid costs could exceed \$40 Billion annually.
- More than 40% of American adults are obese!
- The average interest rate on credit cards presently is approximately 23%!
- Federal poultry biosecurity audits have resulted in producers having to euthanize 128 million birds since 2023. The government has made over \$1.1 billion in indemnity payments so far.
- Smart rings are the stylish tiny devices now favored in health-tracking for fitness fanatics.
- Hybrid vehicles had a great 2024! Consumers don't appear to be ready to go full electric, however hybrids are thriving.
- The Affordable Care Act health plans have boomed during the current enrollment period. Over 3 million new subscribers!
- During January, 2025, factory production grew for the first time in 26 months.
- The use of specialty drugs by a small number of patients accounts for 54% of pharmaceutical spending.
- Look for average employee compensation to increase by 3.7% this year.
- Online gambling is surging – sports betting is up 25% and online casino revenue grew 29%.
- The rate of office vacancies hit a new record high of 20.4% in the fourth quarter of 2024.
- Tariffs will probably cause imported car parts to increase by \$5,000 - \$10,000 during 2025.
- Medicaid expenditures for uninsurable folks' accounts for in excess of 19% of health care at hospitals.
- China is responsible for 13% of America's imports; down from 21% in 2018 - \$124 billion in electronic; \$94 billion in equipment; \$37 billion in clothing; and \$30 billion in toys!
- In 2024 the U.S. trade deficit exceeded \$918 billion or about 3% of GDP! The U.S. has run an annual trade deficit for 50 consecutive years.
- Twenty years ago the U.S. imported a net 13 million gallons of gas and oil per day – now we net export 3 million gallons per day!

IRS LEADERSHIP IS IN MESSY CHAOS!

The IRS is being led by its fifth commissioner since January 1, 2025; and Congress is presently holding hearings on the President's new nomination! Danny Werfel resigned after President Trump's inauguration; Doug O'Donnell served for one

month; Melanie Krause took over only to resign when she disagreed with the agreement to work with ICE; Musk then picked former IRS criminal investigator Gary Shapley who served for two days; followed by Michael Faulkender, who is also deputy secretary of the Treasury. Now, Billy Long, President Trump's pick is waiting on the sidelines to see if Congress will confirm him! While the leadership chaos continues 33,000 IRS employees have either been terminated or took one of the government's deferred resignation offers. With all the problems and staff reductions the 2025 income tax filing season progressed smoothly, according to the IRS!

HOMEOWNERS BEWARE OF THE INSURANCE COMPANY 80% TRICK!

Most insurance companies have a special rule that you are probably not aware exists. This 80% rule dictates that in order to receive the full payout on a claim homeowners must have coverage worth at least 80% of their home's total replacement cost. Should your coverage be insufficient expect a major battle with your insurance company resulting in payment reductions and delays.

IRS TO ELIMINATE PAPER CHECKS!

A recent executive order was issued mandating that the Treasury Department/IRS get rid of paper checks for recipients of benefits, tax refunds and other payments. Limited exceptions will be made for individuals who don't have access to banking services or electronic payment systems. The IRS is also going to phase out the acceptance of your paper checks for payment of taxes.

"B"OB "A"ND "D"AVES DAD JOKES

What kind of pants do psychics wear? Pair-a-normal pants.

What type of party do you throw for a dog's birthday? A ball.

How is the moon like dentures? Both come out at night.

What do strippers and peanut butter have in common? They both spread for bread.

Why did the chicken go to the gym? To work on his pecks.

Why did the Mexican throw his wife off the bridge? Tequila.

What is the best supplement for wrinkles? Iron.

How much room is needed for fungi to grow? As mushroom as possible.

Why do ghosts go to the bar? For the boooooos.

Why don't monsters eat ghosts? They taste like sheet.

What do you call a teacher that doesn't fart in public? A private tooter.

What does an air conditioner have in common with a computer? They both lose efficiency as soon as you open windows.

What do you call rain on Turkey Day? Fowl weather.

What did the janitor say when he jumped out of the closet? "Supplies!"

A king sleeps on a king mattress, and a queen sleeps on a queen mattress, what does a prince sleep on? An heir mattress!

Which birthday in your lifetime only lasts for a minute? Your 62nd birthday!

Why did St. Patrick drive the snakes out of Ireland? Because plane tickets were too expensive.

My friend is going through a nasty divorce after his wife threw away his entire marijuana stash – he is now fighting for joint custody!

ZIMMERMAN & ASSOCIATES EVENTS

To personally begin the Zimmerman & Associates 50 year anniversary party Bob and Carol Zimmerman went to Europe to celebrate! They took a three-week Viking Cruise starting in Amsterdam and ending in Budapest. During the cruise they did a biking tour, various castle hikes, visited Dutch windmills, perused the "Red Light

District", saw a Sound of Music stage play, enjoyed a Mozart and Strauss operatic musical – and if you know Bob and Carol you can be assured that there was much beer and wine consumed!

Out with the old in with the new! Z&A has a new junior Member! Sean Riley, CPA, MBA has agreed to join us as a junior owner! Yes, he is here to eventually replace Bob; however don't look for Bob to leave anytime soon. It is Bob's goal to transfer all of his knowledge to Sean before he leaves. We all know that it will take a long time to complete that transfer! However Bob may be surprised as Sean is a brilliant CPA with extensive experience and superior intellect. He is aggressive, intense and hard working. His twelve years of accounting and tax experience will surely assist him in surprising Bob with his ability to consume all of his historic knowledge. Sean is extremely motivated, organized and detail oriented! What a great team these two will make over the next few years!

Rich and Mary ventured across the pond to Roscommon Ireland to attend the wedding of a dear friend. They experienced an authentic traditional Irish wedding that lasted for nearly three days! From there the pair traveled throughout the Emerald Isle taking in the beautiful scenery, friendly culture and of course, making stops at the historic Temple Bar and Guinness Factory in Dublin. Word has it that they even spotted a Leprechaun or two!

If you have visited our Z&A offices recently you probably noticed that Jane is still here. That is because our "Queen of Administration" has graciously agreed to continue to assist our dramatic growth program on a part-time basis. Bob had one comment " THANK GOD"!

Brittany Lopez had her baby! In a hurry to join our Z&A team "Carter Davis Porter" was born two months early! Brittany and Brad Porter can not stop smiling and bragging about their beautiful son. He was born at 10:17 AM on April 19, 2025; weighing five pounds five ounces and was eighteen inches long. Wow, how big would he have been if he had stayed in the womb until the actual due date! Congratulations from all of us at Z&A to Brittany and Brad!

To celebrate our 50th anniversary Z&A is taking our Z&A team, and a few relatives and very close

friends, to the August 9, 2025 Orioles versus the Athletics baseball game. We have reserved the Oriole picnic area and related seats that accommodate 50 guests. Our group will travel on a party bus from the Z&A office building to the stadium and back. All food and drinks will be supplied by our Z&A team! We want to thank Carol and Rich in advance for arranging this monumental occasion. This will certainly be a 50th anniversary party to remember! GO O'S!

FOOD FOR THOUGHT

POLITICIANS REMIND ME OF HELIUM BALLOONS – FULL OF HOT AIR THAT CAN BE BURST BY THE SLIGHTEST "PRICK"!