



GETTING READY FOR TAX SEASON:

Organizers:

We anticipate that the 2025 tax organizers, including the letter of engagement and your annual checklist, will be emailed in January, somewhere between the 19th and the 23rd of the month. The tax software will not be ready before then.

If you do not have email, your tax organizer will be mailed to you on or around January 26th. Your account will be charged for the postage. If you want to pick up your organizer from our office instead, please call and let us know.

Please make sure we have your current email / street address. Tax returns will not be started until we receive your letter of engagement.

Credit Card:

We held out as long as possible, however, starting November 13, 2025, all credit card payments received will be assessed a 3% processing fee. For example: if your invoice is \$1,000 and you pay by credit card, your card will be charged \$1,030.

Debit card payments will not be charged the processing fee.

We now accept American Express, along with Visa, MasterCard and Discover.

Banking Information:

All refunds of federal tax will be issued by direct deposit only. If you leave the banking information blank, we will prepare your tax returns without it. DO NOT ENTER "same as last year" on the banking information lines of the checklist.

If your bank information is not provided, the IRS will send you a letter requesting that you forward your banking information directly to them by mail.

If you do not want your refund returned to you and instead you want your refund to be applied to your 2026 tax estimates, you can indicate this on the checklist.

If you owe tax:

You can pay the state tax by check.

However, the IRS will soon be mandating electronic payment. Instructions to do so are at the end of this newsletter.

QCDs and your 1099R:

For the past several years, taxpayers over the age of 70 1/2 have been allowed to make a charitable donation directly from their Traditional IRA called a "Qualified Charitable Distribution" or "QCD." However, until now, the Form 1099R that the taxpayer received from their retirement company did not have a mechanism to report the QCD.

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Starting 2025, a code "Y" will be indicated in Box 7 to indicate a QCD was made during the year. **HOWEVER**, it remains the taxpayer's responsibility to both:

- verify that the donation was properly made to a "Qualified charity," and
- verify the dollar amounts donated

Some overtime clarity?:

We have received questions regarding what amount of overtime pay is eligible for the new rules regarding "no tax on overtime pay." We will attempt to explain with an example.

Assume Abby works 50 hours in one week. She earns \$10 per hour as her base rate. Every hour over 40 hours she is paid time and a half (\$15 per hour). The general assumption is that overtime is 10 hours x \$15 per hour = \$150. **This assumption is NOT correct.**

According the Fair Labor Standards Act, Abby's base rate is paid for all 50 hours. Her "overtime" rate is the \$5 over and above her base rate. Abby worked 10 overtime hours x \$5 of overtime pay. Her "overtime pay" eligible for the no tax on overtime pay is \$50.

If Abby received "double time" pay (\$20 per hour) for all 10 hours, she can still only claim \$50 as overtime pay. Again, the base rate is paid for all 50 hours. The overtime rate (\$5) is paid for 10 hours, and the additional \$5 to reach the "Double time" total is paid essentially as a "bonus." The double time bonus \$5 is not considered overtime pay by the Fair Labor Standards Act, even if double time is mandated by state law.

Instructions for online payment to IRS:

As mentioned in the last edition of The Bean Counter, as of September 30, 2025, the IRS will no longer issue

refunds by paper check. The IRS has requested that all quarterly estimated tax payments be paid electronically from now on. In addition, if you owe federal tax when your tax return is filed in the spring, you will be asked to pay electronically. **It is anticipated that the IRS will mandate electronic payment sometime in 2026.**

Below is a YouTube video link, outlining the DirectPay process on the IRS Website (www.irs.gov/directpay) which is for a **one-time payment option**.



<https://www.youtube.com/watch?v=G81wCQliqdw>

or search **"How to Make a Tax Payment on the IRS Website Using DirectPay"**

Using this one-time DirectPay option **does NOT** create an IRS account for you. That must be done separately, and can be done by visiting the IRS website homepage.

These DirectPay instructions, as well as IRS account setup instructions, are as of the date of this newsletter (December 19, 2025) and are subject to change at any time.

BeanCounter Newsletter:

As a reminder, all prior BeanCounter newsletters can be accessed on our website. Please go to www.mmlcpa.net and click on the blue "Tax Info" button for an index of our previous editions.