



LOTS TO COVER IN THIS BEAN COUNTER:

We hope you find this information helpful. Please let us know if there are topics you would like us to address in a future newsletter.

Notices

It seems that notices are being generated at a higher rate and at greater speed than in past years. We believe this is largely due to automation – the government computer systems are programmed to send notices if information is missing or the tax returns do not match information the IRS or the states have on file. Most of the notices can be cleared up by sending a copy of your W2, 1099 or Schedule K1 or a copy of your payment back to the government. If you receive a notice, please immediately send us a copy to review (front and back, all pages). Do not ignore the notice and hope it will just go away.

If you receive a refund check that you are not expecting, please do NOT deposit or cash the check before contacting our office. Several clients have received checks that were erroneous. If you deposit or cash an erroneous check into your bank, the IRS or state can request it back PLUS interest!! Also, if the refund you receive differs from the amount on your tax return, let us know. Please do not just assume the government is right, they make mistakes too.

Second Quarter Estimated income tax payments are due!!

- Individuals – IRS and state payments are due June 15th.
- Companies that pay Indiana PTET – Payment is due June 22nd.

REMINDER – payments must be **postmarked** before their due date. The postmarking process has changed in 2026 - the postmark date is now the date the item is first scanned at a sorting facility (in our local area, this is typically done in Fort Wayne several days after you put it in your mailbox). It could be several days before your envelope is **officially postmarked**. Please don't wait until the last minute or you could be subject to interest and penalties for late payment. If you do wait to pay, consider taking your payment into the post office and make sure they manually postmark your envelope.

IRS and states are continuing to accept paper checks for now. However, if you are set up to pay online, we would encourage you to do so. Online payment will be required soon.

If you can adjust federal and state withholding from your paycheck or retirement accounts, please consider doing so. This could eliminate the need for quarterly estimates altogether.

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There are TWO tax seasons

The first is tax return **preparation** season, extending from January 1 – April 15. Our office has prepared over 900 income tax returns so far this year, with many more on extension for various reasons. We sincerely thank you for your continued confidence in us during our very “busy” season.

The second is tax **planning** season. From April 16 – December 31, we ask you to contact our office if any of the following occur:

- You are considering moving to another state
- You purchase a house that you plan to rent to others
- You plan to sell your personal residence or vacation home
- You have a significant change in earnings - up or down
- You are considering converting a traditional IRA to a Roth IRA
- You start or join a new business, LLC, partnership or S Corporation
- You are planning on expanding your business, purchasing equipment, constructing a building, etc.
- You are planning to retire and start receiving IRA money and/or Social Security
- You are named executor or personal representative of a loved one’s estate

If specific procedures are not followed, or certain transactions occur out of order, you could inadvertently cause yourself substantial tax problems. Some of the items above may require multiple discussions with our office (and maybe your attorney) and the gathering of documentation that should be started right away. If you wait until December 31 to let us know about any of the above, you may miss out on ways to significantly reduce any taxes that may result from these activities.

Correct / adjust your tax withholdings

This past tax season, a significant number of clients received an unhappy surprise when our office finished preparing their 2025 tax returns. Many clients owed tax because federal and state withholding from their W2s, IRAs and 401Ks was too low.

Please remember that as your life changes, your income tax situation can change as well. When this happens, your withholding should be reevaluated to keep up. Some examples:

- A child moves out and you can no longer claim them as a dependent
- Divorce or death of a family member
- A change of job by one or both spouses / adding a part-time job or additional shifts /
- an increase in pay / higher than expected bonus / etc.
- Retirement of a spouse and the accompanying shift from W2 income to retirement
- account withdrawals and Social Security with little or no withholding

Married couples often trust that their payroll department will “get it right.” However, given that the employer of one spouse does not know what the other spouse gets paid, hoping the payroll departments will “get it right” usually does not end well. Often, the lower earning spouse has too little withheld because the employer of the lower earning spouse does not know how to adjust for the earnings of the higher earning spouse. If the higher earning spouse pushes the couple into a higher bracket, the withholding of the lower earning spouse cannot keep up.

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Correct / adjust withholdings (cont'd)

Similarly, when you have retirement payments coming to you from various sources (IRAs, pensions, 401Ks, Social Security), unless you coordinate your withholding with all your various wealth managers, the chances of being under withheld increase. Sure, the wealth manager in charge of your IRA may withhold federal tax at 10% and a second wealth manager in charge of your 401K may also withhold federal tax at 10%. But when you combine your income from all your retirement accounts and add Social Security, you may be in the 15%- 20% tax bracket, and you will owe when you file your returns.

With more and more payroll companies sending paystubs electronically, fewer people actually take the time to review their paystubs for accuracy. Instead, they check their bank account to verify that the money went into their account. We recommend you review your paystubs often, especially at the beginning of the year, after receiving a raise or bonus, and when there is a job change.

If you need assistance adjusting your withholding, please give us a call. We are making appointments all summer.

Significant Rule Change – Meals deduction

As of January 1, 2026, meals provided for the “convenience of the employer” are no longer deductible. Meals provided by the company to maintain or increase productivity, to “finish the project after hours” or to provide meals for emergency or “on call” personnel are now considered non-deductible. Stated differently, if the purpose of the meal is to keep the employee “on-site” working or available to work, it is not deductible. Also, meals provided by the employer at employer-operated

eating facilities are no longer deductible. If you have questions regarding your specific circumstances, please call our office to discuss.

Business meals, including client meetings, staff meetings, and meetings with prospects continue to be 50% deductible along with meals related to business travel. Similarly, meals at holiday parties, retirement lunches, office picnics, and open houses are also 50% deductible if the meal portion is separately stated from any entertainment attached to such an outing. Entertainment remains 100% non-deductible. Green fees at golf outings, networking events, live music bands or DJs performing at events and tickets to sporting events are just some of the “entertainments” that is not deductible.

Significant Rule Change – Gambling losses

Starting in 2026, gambling losses are limited to 90% of all winnings, and losses can only be deducted if you itemize your deductions. You are **required** to log all your gambling wins and losses.

Example: Assume that you win \$8,500 playing slots at a casino and \$1500 on a lottery scratch off ticket in 2026. Your total winnings are \$10,000. Let's also assume that you lose \$15,000 during the year at that same casino. Combining your wins and losses, you have a total net gambling loss of \$5,000 in 2026.

However, the new rule states the maximum amount of losses you can deduct in 2026 is \$9,000 (90% x \$10,000 wins). Note the remaining \$6,000 of losses (\$15,000 - \$9,000) CANNOT be carried forward into 2027 and can never be deducted.

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Gambling losses (cont'd)

So, in 2026 you have a total net gambling loss of \$5,000, but:

- If you do not itemize deductions – you will pay federal tax on all \$10,000 of your wins.
- If you do itemize – you will still pay federal tax on \$1,000 (\$10,000 of wins minus \$9,000 of deductible losses).

This new 90% limitation on gambling losses is in direct response to what the IRS believes is **the tendency of taxpayers to embellish or overstate losses**. IRS requires a strictly detailed and accurate log of your gambling activity to document your losses. You should record a list of dates you visit a casino, who you went with, amounts of bets placed online, receipts, tickets, payout statements, etc. Simply stating “I lost more than I won” is NOT acceptable and will be ignored by IRS auditors.

NOTE: Given the IRS new, increased focus on losses, Metzger, Mancini & Lackner will ask you for a copy of your documented log if you are reporting substantial losses totaling \$5,000 or more. If you do not have a documented log, Metzger, Mancini & Lackner may not be able to complete and sign your tax return. If you need assistance creating this log, please contact our office.

Indiana and Michigan do not allow a deduction for gambling losses. Again, you may have a net loss for the year, but you WILL owe state tax on 100% of your winnings.

Gambling income includes, but is not limited to, winnings from scratch off tickets and other lotteries, sports and online betting, casino games, horse racing and other games of chance. If you win \$100 on a scratch off ticket, IRS rules stipulate that you report this as a “win”, even if you do not receive a tax form at the end of

the year. It is your responsibility to report ALL winnings. Failure to do so may result in significant penalties for underreporting income.

Trump Accounts

Contributions to a new retirement savings plan for eligible children – “Trump accounts” – may begin as early as July 4, 2026. The purpose is to start a child’s retirement savings as early as birth, lengthening the time the account can grow, and therefore adding to the child’s potential retirement savings total. But first, an election must be made to open the account. Another election may be necessary to participate in “pilot” programs where the IRS will deposit \$1,000 into the account tax free.

These accounts are intended for the long-term benefit of the child. Before opening a Trump account for your child, we recommend that you discuss whether a Trump account makes sense with your wealth management advisor as part of your overall personal savings, college planning, personal retirement and estate planning goals.

It is possible that Employers may also contribute to a Trump account for the benefit of an employee’s child. Employers may also offer participation to employees, through salary reduction, under a Section 125 cafeteria plan allowing employees to contribute to Trump accounts on a pre-tax basis. Of course, certain rules apply. Employers should consider discussing Trump accounts with their employee benefit plan coordinator and/or their payroll department for further details on what to do to establish the benefit plan for their employees if they wish to participate.

Bean Counter Newsletter:

As a reminder, all prior Bean Counter newsletters can be accessed on our website. Please go to [MMLCPA.net](https://www.mmlcpa.net) and click the blue “Tax Info” button for an index of all previous editions.