

Happy New Year!

It's hard to believe it is time to think about tax returns again! January seems to arrive earlier every year. We hope that you had a good holiday season and are entering 2025 refreshed and renewed.

We are looking forward to the upcoming season and are excited to connect with you again! As always, we appreciate your continued support of VDTA!

Tax Changes for 2024 Tax Returns

Over the last few years, the IRS and the State of Michigan have been consistently implementing significant tax changes. Some of these tax laws put into effect in the past bring new rules each year. Here are some of the changes that may affect your 2024 tax return.

Clean Vehicle Credit: As a part of the Inflation Reduction Act of 2022, EV credits may be available to taxpayers who purchase a new or used electric vehicle.

To qualify, the vehicle must meet specific mineral and battery component requirements, which change each year. Hybrid EVs that are plug-in vehicles may also qualify.

As of January 1, 2024, the EV credit can be transferred to the seller to reduce the purchase price of a new or used EV.

Purchase paperwork is required to claim the EV credit. The credit may be limited if your income is over a specific limit, or if your Federal tax is lower than the credit.

Alternative Fuel Vehicle Refueling Property Credit: A tax credit may be available for installing EV refueling property, such as a charging station. However, the property has to be installed in a qualifying low-income or non-urban area.

Energy-Efficient Home Improvement Credit: You can receive a tax credit of up to \$1,200 for energy-efficient home improvements. The credit applies to improvements such as exterior

doors, insulation, windows, central air, water heaters, upgraded electrical panels, and more.

A higher \$2,000 credit is available for heat pumps, heat pump water heaters, biomass stoves, and biomass boilers.

Renters or homeowners who pay for a home energy audit may qualify for a credit up to \$150. All energy-efficient improvements must meet Energy Star or efficiency ratings to qualify.

Residential Clean Energy Credit: Homeowners or renters who install new clean energy system property at their residence may qualify for a credit. These credits are 30% of the cost and labor for installing and connecting the property. Clean energy property includes new solar panels, solar water heaters, fuel cells, wind turbines, geothermal heat pumps, and battery storage technology. Some solar roofing shingles or tiles may also qualify.

All residential clean energy property must meet Energy Star or efficiency ratings to qualify.

New Michigan Home Energy Rebate Program: In 2025, Michigan will begin offering rebates for high-efficiency home appliances and whole-home energy efficiency upgrades. Renters and homeowners may be eligible based on Area Median Income. The rebates can total up to \$34,000.

Michigan's Dept. of Environment, Great Lakes and Energy (EGLE) will administer the program and the rebates.

Rebates: Rebates reduce the cost of clean energy property and may be offered by the manufacturer, distributor, or seller/installer. Some rebates may reduce your clean energy tax credit even though you do not apply for rebates through your income tax return.

IRA and 401k Contributions: Contributions of up to \$7,000 can be made to a Roth or traditional IRA for 2024. For those 50 or older, the limit is \$8,000.

The 401k limit is \$23,000 for those under 50. If you are 50 or older, you can make a catch-up contribution of an additional \$7,500.

Michigan Retirement Subtractions: Michigan is in year 2 of a 4-year phase-in period to reduce Michigan tax on eligible retirement income. Eligible retirement income may not include distributions from a deferred compensation account, such as a 401k. Retirement plan documents from prior years may be needed to determine your 2024 Michigan retirement subtraction.

1099-K Reporting: Businesses that use third-party payment processors for goods and services report those earnings on form 1099-K. The reporting threshold for 1099-Ks is \$5,000 for tax year 2024, a staggering drop from the \$20,000 threshold in 2023. The 2025 threshold is \$2,500, and it will be \$600 in 2026 and later years.

When the annual total of payments paid to you by a payment processor exceeds the threshold, a 1099-K may be filed. It is essential to include all 1099-Ks received with your tax documents. The payments may have to be reported on your tax return. An adjustment may be taken on your return for 1099-K income that is not taxable.

Digital Assets (such as Bitcoin): Digital asset transactions are reported on your tax return when you exchange or sell them, or receive them as an award or payment for property or services. Digital asset transactions as of January 1, 2025, will be reported on Form 1099-DA.

LLCs and BOI Reporting: If you have an LLC, S corporation, or other entity registered with a State, you may want to file beneficial ownership information with FinCEN, the government's Financial Crimes Enforcement Network. At this time, BOI reporting is voluntary. It is expected to be required in the near future.

Things to Note about Tax Documents

The final mailing date for W-2s and 1099s is January 31st, but some 1099s, including those for most investment accounts, do not have to be filed until February 17, 2025. Some clients file tax returns before receiving all their tax documents, resulting in amended returns. As part of our tax preparation process, we check to see if we received the same

documents as the prior year's return. Still, as an additional measure, it is always good to check with your investment advisor to make sure you are not going to receive a late 1099.

Appointments and Our Process

At VDTA, we strive to provide the most efficient, high quality service possible. In order to give each client the attention and time deserved, we will be offering a limited number of appointments this year. Moving forward, we will offer one-hour in-person tax preparation appointments to returning clients only. If you are a returning client, you can schedule the appointment on our website via our booking tool, or feel free to call or email the office.

An alternative to a tax prep appointment is utilizing our drop-off preparation with the addition of a 30-minute meeting with Becky to discuss your taxes, questions, or tax return results. Please contact the office directly to schedule a half-hour meeting, as they are not specified separately on the website.

If you do not need an appointment and drop off or upload your documents to the portal, a preparer will contact you when your preparation begins.

We also welcome extensions! We have already started the extension list for 2024 tax returns and welcome any additions to this list.

Fees and Paying by Credit or Debit

Our base fee is not increasing this year. Additional fees may apply for tax planning time and when extra tax return work or reporting is needed.

As of February 1, 2025, the credit card processing fee will be added to your credit card charge. The current rate is 2.75%. No processing fee for debit cards, checks, or cash payments will be added.

Check our website for checklists and tax resources. As always, thank you for being a VDTA client!

Sincerely,

Becky VanDort & The VDTA Team

Becky VanDort, EA