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Dear Tax Clients,

I am so grateful for the opportunity to serve you once again. Enclosed, you will find an updated overview of the documents I will need in order to prepare your 2025 federal, (and any applicable state or local) income tax returns, along with some helpful tax tips and key updates from the One Big Beautiful Bill and other recent tax law changes.

We continue to include complimentary IRS audit assistance and identity theft protection with every return we prepare, providing you an added peace of mind.

For questions, the quickest and easiest way to reach me is by email using the addresses listed above. Email remains my preferred method of communication for efficiency and record keeping.

Our website at [ministrytax.com](https://www.ministrytax.com) has been enhanced this year with even more tools for secure file uploads, payment options, an FAQ's section, and resources designed to be clear and concise.

I am also pleased to continue our referral program: Refer someone who becomes a new client and both of you will receive **\$25 off** your 2025 tax prep fees. Details are available on our website.

Thank you for your continued business. It is truly a privilege to handle your tax preparation so that you can focus on less stressful things. I look forward to working with you again soon!

Sincerely,

Cameron Koch

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TAX PREPARATION PROCESS

1. **Submission of Documents:** You are responsible for providing all required information. Please upload documents securely using Secure File Pro at ministrytax.com by clicking "Upload" at the top of the page. If you encounter issues, email us for assistance. You may also mail copies (not originals) to the address listed at the top of this letter.
2. **Security Notice:** Please do not send tax documents by email to reduce the risk of identity theft.
3. **Return Preparation:** We will prepare your federal, state, and local returns and will contact you if additional information is needed.
4. **Review Process:** Completed returns will be delivered via Secure File Pro or mail. Review carefully and notify us of any corrections or updates.
5. **Signing the Return:** If everything is correct, sign Form 8879, applicable state signature forms, and required due diligence forms. Both spouses must sign for joint returns. These forms authorize electronic filing.
6. **Return of Signed Forms:** Upload signed forms through Secure File Pro or mail copies (retain originals for your records).
7. **E-filing:** Once signed forms are received, we will electronically file your federal and any applicable state returns.

TAX INFORMATION NEEDED

Please provide copies of the following items:

1. **New Dependents:** Social Security card and birth certificate.
2. **Bank Information:** Routing and accounting numbers for direct deposit (***paper refund checks are being phased out by the IRS***)
3. **Tax Credits:** For dependents and credits such as EIC, CTC, ACTC, ODC, AOTC, or Head of Household filing status, we will request additional documentation and questionnaires as required by IRS.
4. **Income Documents:**
 - a. W-2's
 - b. 1099-NEC (self employment)
 - c. 1099-MISC
 - d. 1099-INT/1099-DIV
 - e. SSA-1099 (Social Security)
 - f. 1099-R
 - g. Capital gains/losses
 - h. Year end brokerage 1099 summary
5. **Rental property:** income and expenses
6. **Foreign earned income:** If you were working in a foreign country outside the United States during 2025, we need the dates you were outside the US.
7. **Foreign sourced income:** All income, in US dollars, from foreign sources such as bank accounts in foreign countries
8. **Schedule C:** If you are self-employed, please provide gross income and a written record of expenses directly related to operating your business.
9. **Self Employment taxes:** Estimated tax payments (amounts and dates)

10. **Education:** Form 1098-T
11. **ID:** New or renewed driver's license or government ID
12. **Standard Deduction:** \$15,750 for singles, \$31,500 for joint returns, and \$23,625 for HOH (These are base amounts; additional deductions may apply).
13. **Additional Senior Deduction (Age 65+):** Effective for 2025-2028. A new \$6,000 deduction in addition to the regular senior deduction of \$1,600 for MFJ and \$2,000 for Single. This new deduction phases out for higher incomes.
14. **Itemized Deductions:** If you choose to itemize, please provide a written records and receipts of your eligible expenses.
15. **Mortgage Interest + Property taxes:** Form 1098 and tax statements
16. **Digital Assets:** All sale, exchanges, or receipts of digital assets must be reported. Every taxpayer must answer the IRS digital asset question for 2025.

NEW CLIENTS FOR 2025

If we did not prepare your 2024 return, please also provide:

1. Copies of your 2024 federal, state and local returns
2. Birthdates for all individuals on the return
3. Social Security cards and birth certificates for dependents

EXTENSIONS AND PAYMENT OF TAXES

If you cannot file by April 15, 2026, we can file a six-month extension. An extension extends the filing deadline only, not the time to pay. Estimated tax payments for 2026 are due in April, June, September, and January (for the prior tax year).

FOREIGN FINANCIAL ACCOUNTS AND THE FBAR REPORT

If during 2025, you had a financial account such as a bank account or a broker account in a foreign financial institution in your name, or joint with another person, this information must be reported on your income tax return. If you had signature authority on a business account in a foreign institution, this must also be reported.

Also, if at any time during 2025, the aggregate total value of all your foreign accounts was \$10,000 or more, a separate report (FBAR report) must be filed with the US Treasury Department by April 15th. If you wish us to prepare and file this report, please provide the following information:

1. Name on the account
2. Name of the 2nd owner if a joint account
3. Name and address of the foreign financial institution
4. The account number
5. Highest value in each account during the year
6. Type of account; checking, saving, broker
7. If the account was for an organization and you had signing authority, we need the name and address of the organization and your title with that organization

It is very important that these foreign accounts are timely reported because the penalties can be as much as half of the account balance for each year the form was not filed.

CLERGY SPECIFIC ITEMS

If you served as clergy during 2025, please provide:

1. Amount of housing/parsonage allowance that your church has designated
2. Total qualified housing expenses
3. Copy of your Form 4361 if exempt from self employment tax

CLERGY HOUSING ALLOWANCE

In addition to a salary, ministers are also often compensated with a housing or parsonage allowance. To be entitled to this benefit, the minister must either be licensed or ordained. The housing allowance is excluded from gross income tax ***but is subject to self-employment tax.***

To determine the allowable housing allowance, certain items are needed including the amount designated and paid by the church, the fair rental value of the home including furnishings, and a list of amounts used and paid for qualified housing expenses.

Common **qualified** housing allowance expenditures include the following:

1. Rent or home purchase costs such as down payment and mortgage principal payments
2. Interest payments for home mortgage and financed furniture and appliances
3. Home-owner's insurance premium
4. Real estate property taxes
5. Fixtures, appliances and furnishings
6. Repairs, maintenance, improvements, landscaping, and upkeep of home and contents
7. Cleaning supplies, yard and gardening tools
8. Utilities including electric, gas, water, sewer, phone, cable

Disallowed expenditures for the housing allowance include:

1. *Second home expenditures*
2. *Cell phones*
3. *Groceries*
4. *Paper products*
5. *Home equity loan not used to provide a home*
6. *Housekeeper, maid, chauffeur, gardener or servant*

The excludable housing allowance eligible to be free of income tax is limited to the *lesser* of:

1. Official advance designated allowance amount
2. Fair rental value of the unfurnished home plus utilities
3. Actual amount of allowable housing expenses to provide a home

When fair rental value or actual costs are less than the designated allowance, the excess is subject to federal income tax and must be reported as unused excess housing allowance on the minister's tax return.

UPDATES from the One Big Beautiful Bill and other TAX INFORMATION:

1099-K Threshold: Issued only if payments exceed \$20,000 and 200 transactions. This does **not** affect the reporting of income however. If you received income from eBay or similar sites, you are still required to report this on your return whether you receive 1099-K or not.

Additional Deduction for seniors (Age 65+): Taxpayers 65 and older can claim a new \$6,000 deduction (in addition to the regular additional standard deduction for seniors). This reduces taxable income significantly for many retirees, including those on fixed incomes or Social Security.

No Tax on Tips (Temporary): Qualified tips received in customary tipping occupations are fully deductible (up to certain limits) for 2025–2028.

No Tax on Overtime (Temporary): The premium portion of overtime pay (e.g., the "half" in time-and-a-half) is deductible for 2025–2028.

Car Loan Interest Deduction (Temporary): Interest paid on loans for qualified personal vehicles (with U.S. final assembly) is deductible up to \$10,000 annually for 2025–2028 (phases out at higher incomes).

Paper Refund Checks phased out: In order to combat fraud and prevent stolen or lost checks, the IRS has begun the process to fully transition to electronic payments. This will allow fast delivery for refunds of less than 21 days in most cases.

Child Tax Credit: This credit rises to \$2,200 credit per dependent under 17. The credit is partially refundable up to \$1,700.
The income thresholds are \$400,000 for married filing joint and \$200,000 for all other filers.

Clean Vehicle (EV) Tax Credit: *(available only for vehicles acquired on or before September 30, 2025).* Up to \$7,500 tax credit for buyers of eligible new electric vehicles. Final assembly must have occurred in North America. Sedans must have retail price below \$55,000 and SUV's, trucks, and vans must be under \$80,000. Income ceilings are \$150,000 for single filers, \$225,000 for HOH, and \$300,000 for married filing joint.

Residential Clean Energy Credit: This credit has been extended through 2034 and currently allows a credit of 30% of the cost for qualifying *new* solar, wind, geothermal, or biomass and fuel cell installations.

American Opportunity Tax Credit (AOTC): Can be claimed for students seeking a degree in the first 4 years of college. Can claim up to \$2,500 per student in qualified education expenses. If tax has been reduced to zero, up to \$1,000 of this credit can be refundable.

Lifetime Learning Credit (LLC): This credit is not refundable but allows up to \$2,000 in qualified education expenses per return. Can be taken with the AOTC, but not for the same student.

Adoption Credit: Up to \$17,280 for qualified expenses

Deduction for Medical and Dental Expenses: If the taxpayer itemizes, he or she can deduct the expenses, which exceed 7.5% of adjusted gross income (AGI).

Standard Mileage Rates in 2025:

70 cents per mile for business

21 cents per mile for medical travel

14 cents for charitable service

Required Minimum Distributions (RMD's): The SECURE Act 2.0 increased the age for required RMD's to age 73.

Qualified Charitable Contribution (QCD): This is an option for taxpayers who are required to take annual RMD's. They may donate up to \$108,000 to charity *directly from their IRA* instead of taking the RMD. The donated amount is not included in taxable income.

Annual Gift Tax Exclusion: for 2025 is \$19,000, and for 2026 it is \$20,000.

IRA Annual Contribution Limit: for 2025 is \$7,000, and \$8,000 for those over 50.

Student Loan Forgiveness: If your student loan was forgiven, there will be no tax on any loans forgiven through the end of 2025. Some states may differ with federal law and will tax the forgiven loan.

Home Office Deduction: If you run a Schedule C business from home or work from a home office, you might be eligible for a deduction. It will be based off of the percentage of your home that is used exclusively for business purposes.

Health Savings Account (HSA) Contributions: These contributions are tax-deductible, the earning also grow tax-free, and withdrawals for qualified medical expenses are also tax-free. You can contribute to an HSA up to the tax-filing deadline.

Student Loan Interest Deduction: can be taken on any qualified education loan with a \$2,500 maximum deduction regardless of the number of students in the family. Only the individual who is legally required to make interest payments under the loan terms may claim the deduction. So if only the student signs the loan, the parent can't deduct the interest.

Unemployment Compensation: Remember that unemployment compensation is generally taxable.

Foreign Earned Income Exclusion: For U.S. citizens or resident aliens living abroad, the Foreign Earned Income Exclusion allows you to exclude a certain amount of your foreign earnings from U.S. income tax. For the 2025 tax year, this exclusion is now capped at \$130,000.

Your Current Address With The IRS: It is the taxpayer's responsibility to notify the IRS when their address changes. When you file your next return, the IRS routinely modifies the address on their records but in the meantime whenever the taxpayer has a change of address it is important to file a Form 8822 to make that change. This should be done so you don't miss any mailings from the IRS.

DUE DILIGENCE AND PERSONAL TAX CREDITS

Paid preparer's due diligence requirements have become long and complex for taxpayers claiming tax credits. This is why we ask for so much information when you are claiming any tax credits. We need to ensure that each taxpayer is eligible and has proof of this eligibility. The purpose here is to point out the requirements and the seriousness IRS has placed on this issue.

The penalty for not following these requirements will subject us to \$635 per failure per return filed.

We will ask you to fill out a simple questionnaire as well as provide various proof documents to backup the credits you are seeking to claim. Due Diligence is completed on Form 8867 and applies to the EIC, CTC, ACTC, ODC, AOTC, and taxpayers who are filing as HOH. Any taxpayer claiming these credits, or who is filing as head of household is subject to the due diligence requirements.

PRIVACY NOTICE

As required by law, tax practitioners must provide an annual notice to clients detailing our policy on the privacy and disclosure of nonpublic personal information we maintain. We gather this information from the various forms and statements you submit. We do not disclose this information to anyone unless you provide written instructions to do so. We adhere to federal regulations by employing physical, electronic, and procedural safeguards to protect your nonpublic personal information. If you want your tax return sent to someone other than yourself, we can either send it to you for distribution or require a written, signed request from you with specific instructions. The penalty for improper disclosure of personal tax information by a practitioner is \$250 per incident, with a maximum annual penalty of \$10,000.