GattoMcFerson
Certified Public Accountants

March 18, 2025

Dear Friends and Colleagues,

A reminder, the IRS and California have granted filing and payment postponements to Los Angeles County wildfire victims, if needed.

Taxpayers located in Los Angeles County now have until October 15, 2025, to file and pay taxes that normally would be due between January 7, 2025 and October 15, 2025. This includes, but is not limited to:

- 2024 quarterly estimated income tax payments normally due on January 15, 2025, and 2025 estimated tax payments normally due on April 15, June 16, and September 15, 2025;
- Individual income tax returns and payments normally due on April 15, 2025;
- 2024 contributions to IRAs and health savings accounts for eligible taxpayers;
- Calendar-year partnership and S corporation returns normally due on March 17, 2025;
- Calendar-year corporation and fiduciary returns and payments normally due on April 15, 2025; and
- Calendar-year tax-exempt organization returns normally due on May 15, 2025.

Taxpayers who have an address of record in Los Angeles County will automatically qualify for relief.

Taxpayers who live outside of Los Angeles County but have a tax preparer in Los Angeles County also qualify for this extension.

If you do not want or need this extension, you may still file on time.

Beneficial Ownership Information Report Requirements

After months of starts and stops, on March 2, 2025 the Financial Crimes Enforcement Network (FinCEN) announced that they will not enforce any penalties or fines associated with the beneficial ownership information (BOI) reporting rules currently in place. This includes penalties or fines against U.S. citizens or domestic reporting companies, or their beneficial owners.

The reversal is because the Department of the Treasury will likely narrow the scope of the beneficial owner reporting rules to apply to foreign reporting companies only. This means that domestic entities will not be required to file any BOI reports.

We will update you as this issue becomes clearer.

No Update Yet on Expiring Tax Provisions

Back in 2017, the Tax Cuts and Jobs Act was passed, resulting in some significant individual and business tax law changes. Many of these changes are set to expire after 2025.

Individual tax rates: The 2017 Tax Act lowered tax rates across the board. The top rate decreased from 39.6% to 37%. These tax rates are set to sunset Dec. 31, 2025, with the top tax rate reverting back to 39.6%.

Standard deduction: This amount was almost doubled for all filers, making it more beneficial for many taxpayers to not itemize. Beginning in 2026, this increase will go away.

Itemized Deductions – SALT: The state and local tax (SALT) deduction was capped at $10,000, which for taxpayers in states like California and New York, was devastating. After 2025, this limitation will expire. Also, as a side note, if this change disappears, so too will the Pass-Through Entity Tax credit, which was implemented by high-tax-rate states as a work-around to this provision.

Itemized Deductions - Mortgage Interest: The 2017 Act limited the home mortgage interest deduction to the first $750,000 of debt for any debt borrowed after December 2017. Beginning in 2026, the mortgage interest deduction will revert back to the first $1 million in home mortgage debt and $100,000 in a home equity loan.

Itemized Deductions – Miscellaneous: The 2017 Act eliminated most miscellaneous itemized deductions that exceeded 2% of the taxpayer’s Adjusted Gross Income, such as investment/ advisory fees and unreimbursed employee expenses. These deductions will once again be allowed, assuming they exceed the 2% floor.

Child tax credit*:* The 2017 Act increased the child tax credit from $1,000 to $2,000 per qualifying child.

Personal exemptions*:* The 2017 Act suspended the personal exemption, which, at the time, was $2,000 per dependent.

Alternative Minimum Tax: The 2017 Act increased the exemption amounts, essentially eliminating this extra tax for most taxpayers.

Sec. 199A - Qualified Business Income (QBI): Shareholders and owners of passthrough businesses (S Corporations, LLCs) and sole proprietorships, can now claim a deduction of up to 20% of their QBI. Beginning in 2026, this will no longer be available.

Bonus depreciation on qualified business property: The 2017 Act allowed for a large increase in the amount of qualified property (equipment, fixtures, improvements) that could be written off by a business in the year of purchase. This increase will be eliminated.

Estate and Gift Tax: The 2017 Act almost doubled the estate tax exclusion amount from $5,490,000 in 2017 to $11,180,000. The current exclusion amount, after inflation, is nearly $13 million per person ($26 million for married couples). At the end of 2025, this increased exclusion will sunset, decreasing to about half of its current level.

Should you have any questions about the above information, or any other tax issues, please feel free to reach out by phone or email.

Sincerely,

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