

# ***Opportunities & Challenges with This Year's Tax Filings***

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# Notice

- CA-2025-01: LOS Angeles Wildfires: Deadlines starting January 7, 2024 postponed to October 15, 2025
- Notice 2024-72: Israel, Gaza, West Bank: Deadlines starting September 30, 2024 postponed to September 30, 2025
- IR-2024-253: Helene (FL, TN, VA, AL, NC, SC, GA) Deadlines starting September 24 or 25 or 26, 2024 postponed to May 1, 2025.
- IR-2024-264: Milton (ALL of FL): Deadlines starting October 5, 2024 postponed to May 1, 2025.

# Potential benefits when people file a tax return

- Get some money back.
- Avoid interest and penalties.
- Build Social Security benefits.
- Get an accurate picture of income.
- Get peace of mind.

# What is a “Resident Alien”?

- The green card test
- The substantial presence test
  - 31 days during the current year, and
  - 183 days following the 3 year period that includes the current year and 2 years immediately before.
- Exempt individuals
  - Foreign government individuals under an A or G visa;
  - Teacher or trainee under a J or Q visa;
  - Student under an F, J, M or Q visa;
  - Professional athlete competing in a charitable sports event.
- Exemption due to a Closer Connection to another Country
  - Maintain a Tax Home in another Country;
  - Less than 183 days in the United States in the current year.

# Employment Eligibility Verification (Form I-9)

- Employee information and attestation
- Lists of acceptable documents from List A or List B & C

# Digital Assets

Congress and the IRS continue to be concerned about tax non-compliance with respect to cryptocurrency and other digital assets.

- Digital asset – general definition
- Virtual currency
- Cryptocurrency
- Non-fungible tokens (NFTs)
- Stablecoins
- Closed loop assets
- Dual classification assets

# Beneficial Ownership Information Report (<https://boir.org>)

- Penalties for Late Filing
- Boir E-Filing System
- Important information about BOIR



# Employee Retention Credit – Voluntary disclosure program

- The amount of ERC to be repaid is 85% of the amount of ERC you received for a tax period that you now agree you were not entitled to.
- Form 433-B and supporting documents if you want to be considered for an installment agreement

# File your federal taxes with Direct File and your state taxes with Maryland's free filing tool

Direct File States (25):

Alaska, Arizona, California, Connecticut, Florida, Idaho, Illinois, Kansas, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Washington, Wisconsin, Wyoming

# Dormant Bank Accounts

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# What Now?

## New Tax Policy Developments

With the Republicans in charge of both the White House and both chambers of Congress, there are bound to be some changes and unexpected surprises

Extension of the

## **TAX CUTS AND JOBS ACT OF 2017**

- Established in 2017, passed by a Republican majority in Congress back then
- Approved by House of Representatives 02-21-2025
- Current Republican Congressional majority looking to extend this legislation or modify instead of letting expire
- Trump wants to make legislation permanent
- Permanently lowered corporate tax rate and temporarily lowered individual tax rate

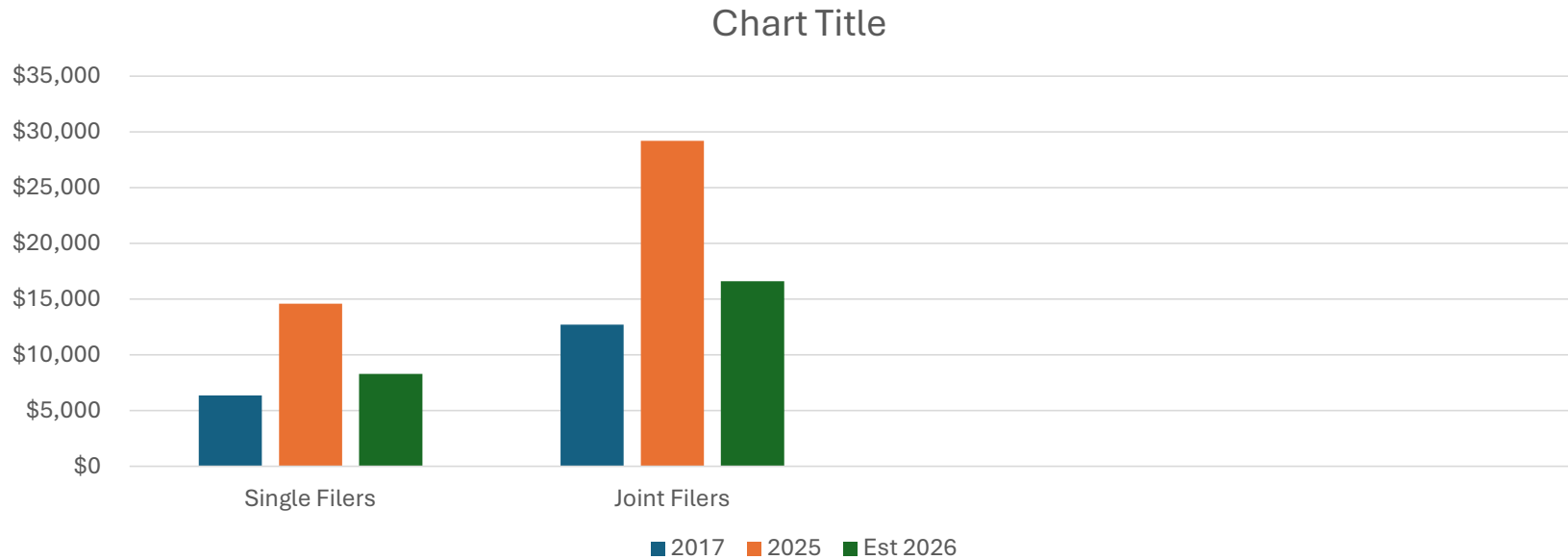
Let's Take a Look at

## **The Tax Cuts and Jobs Act of 2025**

- Major Provisions
- Consequences of Expiration
- Likelihood of its Extension

# REDUCING STANDARD DEDUCTIONS

TCJA Creates Near Doubling of Standard Deduction as Tax Benefit for Average Americans





# CORPORATE TAX RATES COULD JUMP

- Reduction of the Corporate Tax Rate to 21% from former level of 35%
- This Corporate Tax Cut does not expire
- Permanent even if legislation expires
- Modification possible if see fit, lawmakers' discussion of dropping corporate tax rate to 15% for companies promising American production

# PASS-THROUGH BUSINESS INCOME DEDUCTION POSSIBLY VANISHES

- **PASS-THROUGH BUSINESSES**: any entity structure that is not subject to corporate income tax
  - Sole proprietorships
  - S Corporations
  - Partnerships
- As an effect of the TCJA, “pass-through” businesses had received windfall 20% deduction of their qualified business income
- For example: if you’re a sole proprietor with \$100,000 in business income, you can deduct \$20,000 without paying tax
- This **199a deduction** generally supported by Republicans, but may expire if not extended
- Significant increase in tax bills for these types of businesses if allowed to expire

# CAP FOR STATE AND LOCAL INCOME TAX DEDUCTIONS MAY INCREASE

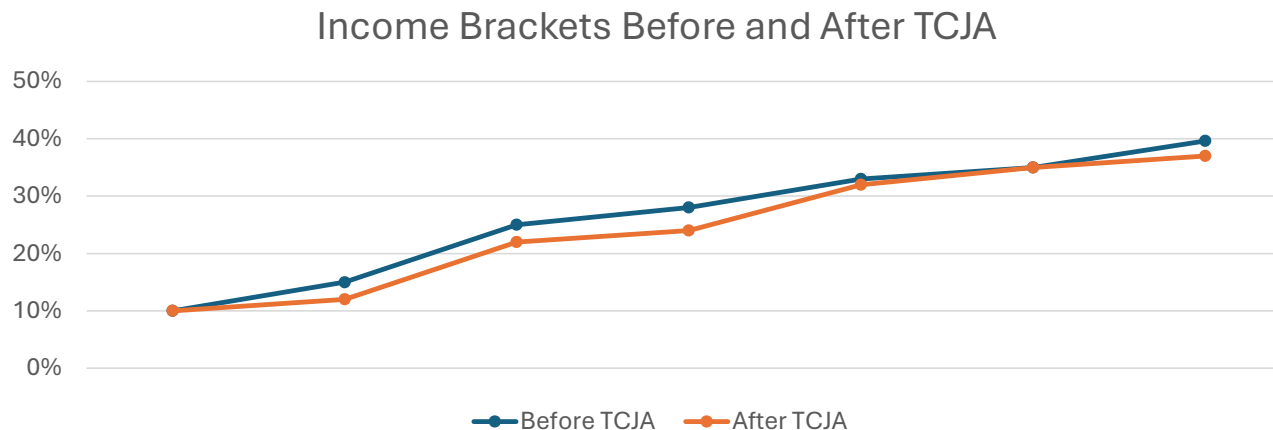
- SALT (State and Local Income Tax) Deductions limited to \$10,000 by TCJA
- Disappointment for high-income taxpayers in high income states such as California, New York, and New Jersey, who often paid more than \$10,000
- Before TCJA, no limitation on SALT deduction
- If this provision expires, wealthy taxpayers in high-tax states might benefit

# EXPANDED CHILD TAX CREDITS CUT IN HALF

- Child Tax Credit provision opposition by Senate Republicans and may possibly not be extended
- Even though supported by Democrats and had most assisted lower-and middle income taxpayers

# PERSONAL INCOME TAX BRACKETS INCREASES

- Return to higher pre-TCJA levels like before legislation
- TCJA had reduced personal income tax brackets significantly both in terms of rates paid and income thresholds



# MORTGAGE INTEREST AND CHARITABLE DONATION DEDUCTIONS CHANGES

- Original limit on deductions reinstated from before TCJA
- TCJA reduced property value on which homeowners could deduct mortgage interest from \$750,000 to \$1 million (2018-2025)
- Raised limit on deductions for charitable contributions to 60% of adjusted gross income, increase of 50% from before legislation
- 50% limit reinstated if TCJA not extended

# BOOSTED ESTATE AND GIFT TAX POSSIBLY REPEALED

- TCJA boosted estate and gift tax exemptions by significant amount, even if applicable to only small percentage of Americans
- Estate tax exemption drops from \$13.6 million (2024) back down to about \$5 million

# Let's Take a Look at **Tariffs**

- Trump proposed high tariffs on imports
  - Based on non-tax considerations, in favor of protecting American producers and manufacturers from competing low-cost imports
  - Apply revenue from tariffs to pay for increasing costs
  - Increase tariff rate from 10% to 20% on imported goods
  - 60% on Chinese imported goods, 100% on automobiles manufactured in Mexico
  - 300% tariffs or even higher on certain goods
  - Repealing income tax and replace with tariffs as primary source of government revenue



# Let's Take a Look at **Individual Taxation**

## Income Tax Rates

Already addressed from graph from previous slide about TCJA

Under current law, seven tax brackets (%) from 2018-2025:

10, 12, 22, 24, 32, 35, and 37

After 2025, reversion to (%) from years before 2018 and TCJA:

10, 15, 25, 28, 33, 35, and 39.6

# Taxation of Tips

- Trump has for the longest time proposed eliminating tax on tips
- Tip income still subject to income and employment tax like wage income

# Overtime Income

- Currently taxed the same as regular income
- Trump wants to make overtime taxes untaxable

# Child Tax Incentives

- Child Tax Credit to expire in 2025
- \$2,000 per qualifying child and phases out for taxpayers with modified adjusted gross income in excess of \$200,000
- Portion of \$2,000 is refundable, taxpayers can still claim credit if they do not have tax liability
- Adjusted annually for inflation, \$1,800 for 2025

# Child Tax Incentives

- TCJA supported by Trump, locks in \$2,000 credit
- No proposal however specifically related to Child Tax Credit
- Increase proposed in tax bill opposed by Republicans

# Electric-Vehicle Credit

- Trump considering eliminating electric-vehicle tax credit
- Current law allows for maximum credit of \$7,500 available for certain electric vehicles after 2022

# Social Security Income

- Social Security benefits are subject to lower tax rates as long as *total income* is not in excess of statutory amounts
- Trump proposed eliminating taxation of Social Security benefits

# Social Security Income : Consequences

- Result in significant reduction in revenue for government
- Currently up to 40% of Social Security recipients pay income tax on Social Security income
- Experts believe cut can underfund Social Security program itself and cause it to run out of money within the next 10 years before benefits can be received



# Let's Take a Look at International Taxation

- TCJA meant to protect domestic jobs and US businesses from foreign competition
- Examples include base erosion and anti-abuse tax
- Increased deduction for foreign derived intangible income

# Taxation of Foreign Businesses

- Applies to foreign businesses with US connected income
- Industry-specific tariffs to reduce taxes on American individuals and businesses

# HOLD UP: 2024 Year in Retrospect

## Congressional Standstill Over Tax Legislation

- Bipartisan tax bill legislation blocked by Senate Republicans
- **Tax Relief for American Families and Workers Act of 2024**
  - Passed House with bipartisan majority vote (357-70) in January 2024
  - Killed in the Senate by Republicans who were especially opposed to changes made to Child Tax Credit
  - Only disaster relief provisions passed independently at end of 2024

# Let's Take a Look at the Inflation Reduction Act of 2022 (IRA)

- New incentives for Green Energy, Republicans not in favor
- Paid for by anticipating gains in closing tax gap
- Republicans proposed bill to defund IRS including eliminating these improvements

# Inflation Reduction Act Impacts and Objections

- **Direct File** program- was piloted, allowed taxpayers from 12 states to file taxes through IRS website as if like a third-party site
  - 100,000 successful tax filers through program
  - GAO (Government Accounting Office) however needs the estimates on costs of program which haven't been made yet
  - Unpopular with Congressional Republicans who had asked Donald Trump for an executive order to kill the program immediately
  - Has uncertain future in 2025

# Inflation Reduction Act Impacts and Objections

## **Compliance**

- Increased Enforcement – make sure wealthy comply with taxes
- Keeping multi-millionaires evading taxes accountable, \$482 million in collections
- Taxes collected from 1,000 millionaires
- Ex: Agency targeting those trying to evade paying self-employment tax by using exemption that only applies specifically to partnerships

# Inflation Reduction Act Impacts and Objections

## New IRS Notice Letters

- Redesigned and deployed new notice letters as standardized IRS correspondence supposed to simplify and improve clarity
- Tax professionals and taxpayers found confusing, covering wide range of topics and replete with legal language
- Mishmash looks that don't have consistent familiarity compared with letters from credit card company or bank
- 20 million of these 31 notices sent out in 2022

# Inflation Reduction Act Impacts and Objections

## Digital Assets

- Updated question asked
- Required to disclose all information regarding income received from digital assets



# Inflation Reduction Act Impacts and Objections

## Targeting Non-filers

- Improving tax compliance among high income taxpayers who have not filed income tax returns since 2017
- Compliance letters (CP59 Notice) sent out to 125,000 cases not filed since 2017

# Let's Take a Look at 1099-K Reporting

- TPSOs (Third Party Settlement Organization) for reportable transactions under Code Section 6050W (2024-2025)
- American Rescue Plan Act of 2021 (ARPA) set reporting threshold for 1099-K at \$600
- Implementation of act delayed
- \$5,000 for 2024; \$2,500 for 2025; \$600 for 2025
- GOP House passed bill to repeal ARPA, define threshold return it to \$20,000/200 transactions
- \$600 threshold won't take into effect

# Let's Take a Look at BOI (Beneficial Ownership Information Reporting)

- Corporate Transparency Act has uncertain future with Courts deciding fate in 2025
- BOI reporting requirement criticized at congressional hearings, survived two legal challenges before third court injunction
- Business regulation through reporting beneficial ownership information to help government monitor and combat fraud and other criminal activity

# BOI

- Regulates companies using CTA provision by requiring detailed personal information about owners to Federal Government on pain of severe penalties
- Potential effects on small businesses esp not in need to report BOI
- US District Court case (TX) – granted motion for preliminary injunction requested in lawsuit filed by Texas Top Cop Shop Inc et. al against Federal Government to halt BOI implementation and regulations and challenged constitutionality

# BOI Court Case

- Plaintiffs fear and contend CTA violates promises that Constitution makes to people and states
- On December 23, 2024 – Fifth Circuit Court of Appeals issued unpublished order granting motion for temporary stay of District Court order for injunction and pending appeal
- Fifth Circuit Court of Appeals hearing on BOI case scheduled for March 25, 2025
- Proposed budget bill will delay BOI reporting to 2026, but has been removed

## DEDICATED RESOURCES AVAILABLE TO SMALL BUSINESSES IN MONTGOMERY COUNTY, MARYLAND INCLUDE:

**Dedicated resources available to Small Businesses in Montgomery County, Maryland include:**

The Business Portal on the County's Website: <https://www.montgomerycountymd.gov/business/>

**Small Business Services**

Montgomery County Office of Procurement website link for general information and guides on how to do business with Montgomery County: <https://www.montgomerycountymd.gov/pro/>

Business Opportunities with Montgomery County link for solicitations and business opportunities with the Office of Procurement in Montgomery County: <https://www.montgomerycountymd.gov/pro/news/index.html>

County's Central Vendor Registration System website where vendors may register as a vendor with Montgomery County MD: [www.mcipcc.net](http://www.mcipcc.net)

How to Become Certified by the State of Maryland as a Minority Business Enterprise: <http://www.mdot.maryland.gov/newMDOT/MBE/Index.html>

Montgomery County's Business License page and the State of Maryland's web page with information on how to register as a corporate entity with the Maryland State Department of Assessment and Taxation: <https://montgomerycountymd.gov/cct/business-license.html> and <https://dat.maryland.gov/Pages/default.aspx>

# FOR MORE INFORMATION:

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