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Significant changes in Form 1099-K reporting in 2025 will snare more taxpayers

CHARLES R. KENNEDY, CPA, MBA
VICE PRESIDENT & DIRECTOR OF TAX SERVICES

The IRS has introduced significant changes to Form 1099-K reporting requirements in 2025, expanding the number of taxpayers who must report income derived through payment apps such as Venmo and Zelle.

Starting in 2025, the reporting threshold related to third-party payment networks has been dramatically lowered to $5,000. This means if you received payments totaling $5,000 or more in 2024, regardless of the number of transactions, you will receive a Form 1099-K. Previously, taxpayers would receive a 1099-K if they had more than 200 transactions and received payments totaling over $20,000 in a year through third-party payment networks like PayPal, Venmo, or Cash App.

1099 changes

Form 1099-K is a report of payments you may receive for goods or services you sold during the previous year from:

- Credit, debit or stored value cards such as gift cards (payment cards)
- Payment apps or online marketplaces such as Venmo and Zelle, which are also called third-party settlement organizations or TPSOs

These organizations are required to fill out Form 1099-K and send copies to the IRS and to you.

Key changes to 1099-K reporting in 2025

Phase-In approach

The IRS has also announced a phase-in approach for further lowering the threshold. Each year, the threshold will decrease. While the threshold for 2024 is $5,000, that will drop to $2,500 for the 2025 tax year. The threshold will continue to be dialed down until it reaches $600. By the time the threshold reaches $600, a much larger number of taxpayers will be affected, including those who may only occasionally use these platforms for business transactions.

Read the full article on Form 1099-K changes at www.GTReilly.com/Newsletter.

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Estate Planning in 2025

Looming cut in federal estate tax exemption makes estate planning critical this year

CHARLES R. KENNEDY, CPA, MBA
VICE PRESIDENT & DIRECTOR OF TAX SERVICES

For most taxpayers, estate planning these days is almost entirely focused on pushing estate value down far below the federal estate tax exemption of $13.9 million (or $27.9 million for married couples). These are big numbers, and most people will look at them and think they would never have to worry about estate taxes. But consider these two critical factors:

- The federal exemption is scheduled to be slashed in half as of January 1, 2026, as provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 expire. This will push thousands of taxpayers' estates into estate tax territory unless Congress acts to change the law before the end of 2025.
- For many people, the tremendous appreciation in the value of real estate and the cost of certain business assets over the past several years may have, indeed, elevated their estates to estate tax territory. If you have any question about the size of your estate, now is the time for a valuation.

FinCEN exempts U.S. companies and owners from BOI reporting

RYAN J. MCDONELL, CPA, MSA, MSLT
TAX DIRECTOR

The Financial Crimes Enforcement Network (FinCEN) has issued an interim final rule that exempts U.S. companies and U.S. persons from reporting beneficial ownership information (BOI) under the Corporate Transparency Act.

The exemption applies to all entities created in the U.S. and their beneficial owners under the interim rule announced on March 21, 2025.

The interim rule changes the definition of a "reporting company" to mean only foreign entities, which are companies formed under the laws of a foreign country that have registered to do business in the U.S.

Foreign entities must comply within 30 days from either the rule's publication in the Federal Register, or from the effective date of their U.S. registration. U.S. persons associated with these foreign entities are not currently required to report.

FinCEN is accepting comments on this interim rule and intends to finalize the rule this year.

All articles are in digest form. For the full articles visit us online at www.GTReilly.com/Newsletter.

Changes in IRAs and 401(k)s in 2025

KEVIN J. BONNETT, CPA
VICE PRESIDENT & DIRECTOR OF
EMPLOYEE BENEFIT SERVICES

The "SECURE 2.0" Act enacted in 2022 continues to introduce significant changes each year to the rules around retirement plan savings, and 2025 is no different.

SECURE 2.0 (so-called because it was a followup to the Setting Every Community Up for Retirement Enhancement Act of 2019) included several provisions that will change retirement plans for certain participants. The more significant changes will be phased in over several years.

Here are a few of the changes that have taken effect in 2025:

Big Boost in Catch-up Contributions

In 2025, a subset of older workers – those aged 60 through 63 – will be able to make catch-up contributions of $11,250 or 150% of the standard catch-up contribution limit of all other eligible individuals.

An account holder can take advantage of this additional catch-up contribution if they attain age 60 but are not older than age 63 by the end of the calendar year.

Automatic Enrollment

New 401(k) plans established on or after December 29, 2022, are required under SECURE 2.0 to implement an automatic enrollment feature unless an exception applies. The goal of this provision is to increase participation in individual retirement savings.

New 10-year rule for Inherited IRAs Takes Effect

This provision of SECURE 2.0 was designed to curb the "stretch IRA" strategy that many taxpayers had employed, which allowed IRA owners to pass account assets to their heirs upon their death while taking advantage of prolonged tax-deferred growth of the assets.

Under SECURE 2.0, beneficiaries who inherited an IRA from a decedent who died on or after January 1, 2020, must withdraw all funds no later than December 31 of the tenth full calendar year following the death of the original owner.

There are exceptions for inherited IRAs and the following four types of beneficiaries can still utilize the 'stretch IRA' - surviving spouses; a child of the decedent under age 21; a beneficiary who is not more than 10 years younger than decedent; and an individual who is disabled or chronically ill.