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Tax-Saving Tips

Form 1099-DA Is Here—How It Will Impact Your Crypto Taxes

After four years of work, the IRS has finalized its cryptocurrency regulations, and crypto tax reporting now begins. Starting with the 2025 tax year, custodial crypto platforms must report taxable crypto transactions directly to the IRS.

"Digital asset brokers" must handle this reporting when they take custody of the digital assets their customers sell or exchange. These brokers include

- operators of centralized trading platforms such as Coinbase, Kraken, and Binance; and
- hosted wallet providers (also called "custodial wallets").

Most crypto transactions run through these brokers. Brokers must file the new IRS Form 1099-DA, Digital Asset Proceeds From Broker Transactions. This form reports the following:

- Customer's name, address, and taxpayer identification number
- Name and quantity of the digital asset sold
- Sale date
- Gross proceeds amount

Brokers must file the first Forms 1099-DA for the 2025 tax year by March 31, 2026.

For 2025 only, brokers must report gross proceeds from sales or other transfers. Gross proceeds represent the total amount you receive when you sell or exchange crypto, before any fees or other costs. Beginning in 2026, brokers must also report the customer's cost basis—the original value of the crypto at acquisition plus any associated costs.

With Form 1099-DA in place, you will find it easier to calculate your crypto gains and losses when you file your return.

The regulations also establish rules for how crypto owners determine the basis of their crypto units. FIFO (first in, first out) serves as the default method. During periods of rising prices, FIFO typically produces the largest taxable gains because it uses your earliest—and often lowest-basis—units first.

If you want to reduce tax on crypto transfers, you can use the specific identification method instead. This method allows you to identify the exact units you transfer. Transitional rules for 2025 allow you to use specific identification in your own records without notifying your broker.

The final regulations also require crypto owners to track their cost basis separately for each wallet when they hold crypto across multiple wallets or exchanges. You may no longer treat all your crypto as if it sits in a

single wallet or account. If you had crypto in multiple wallets or exchanges on January 1, 2025, you must allocate your unused basis to the specific accounts where you hold each asset.

Only Seven Months Left to Secure Your EV Charger Credit

We want to alert you to a tax credit that is set to expire soon. You can claim a federal income tax credit for installing electric vehicle chargers or other alternative-fuel refueling equipment, but the credit disappears for anything you place in service after June 30, 2026.

You still have time to benefit, but you must act quickly.

The credit generally equals 30 percent of the cost of qualifying equipment. If you install equipment at your principal residence for personal use, you can claim a credit up to $1,000, provided your home sits in an eligible census tract.

If you install equipment for business use, you can claim much larger credits—up to $100,000 per item—and you can increase the credit rate from 6 percent to 30 percent when you meet specific wage and apprenticeship rules.

Strict location rules now block many taxpayers from qualifying, so we encourage you to check your proposed installation site before you move forward. To claim the credit, you must place the equipment in a low-income or non-urban census tract—an area that covers roughly 97 percent of the U.S. land mass.

You also must start as the original user of the equipment and install components that function together as an integrated refueling or charging system.

When equipment is used for both personal and business purposes, you must split the credit based on your actual use percentages. Businesses with fleets or multiple charging ports can secure substantial credits by properly allocating all associated costs, including chargers, pedestals, electrical panels, wiring, and smart-charge management systems.

You claim the credit on IRS Form 8911. Business credits flow to Form 3800, and personal credits flow to Schedule 3 of Form 1040. You must also reduce the equipment's basis by the amount of the credit and follow recapture rules if the equipment stops qualifying.

If you plan to install charging equipment at your home or business, we recommend evaluating your project now so you don't miss this valuable tax benefit. We can help you confirm eligibility, estimate your credit, and structure your installation to maximize savings.

Do Pass-Through Entity Taxes Still Pay Off after OBBBA?

Do you own a business organized as a pass-through entity (PTE)—such as a partnership, a limited partnership, an S corporation, or a multimember LLC taxed as a partnership or an S corporation? If so, you face an important tax decision.

For the past several years, many PTE owners have elected to have their businesses pay the state income tax on their business income rather than paying it personally. This approach allows the PTE to deduct those state income tax payments as a federal business expense.

Why Choose This Option?

The Tax Cuts and Jobs Act of 2018 capped the personal itemized deduction for state and local taxes (SALT) at $10,000. This cap does not apply to income taxes paid by business entities.

As a result, almost all states with income taxes allow PTE owners to elect pass-through entity taxes (PTETs) instead of paying state income tax individually. The IRS has approved this practice, and many PTE owners use it to fully deduct state taxes for federal purposes despite the SALT limitation.

Recent legislation—the One Big Beautiful Bill Act (OBBBA)—did not eliminate or restrict PTETs, which remain optional. However, it did raise the SALT deduction limit to $40,000 for tax years 2025 through 2029. This raises an important question: Should PTE owners skip the PTET election and simply deduct their state income taxes on their personal returns?

Not necessarily. PTETs can still offer meaningful benefits, including:

- **Overcoming the reduced benefit for high-income taxpayers.** The new $40,000 SALT cap phases down once modified adjusted gross income (MAGI) exceeds $500,000. Taxpayers with income above $600,000 receive only a $10,000 deduction.

- **Lower federal and self-employment taxes.** When your PTE pays state taxes and deducts them as a business expense, it reduces the income passed through to you. This lowers both your federal income tax and your self-employment taxes—12.4 percent Social Security (up to the annual wage base, $176,100 for 2025) and 2.9 percent to 3.8 percent Medicare tax on net self-employment earnings.

- **Lower adjusted gross income (AGI) and related advantages.** A PTET election lowers your AGI, which may help you (1) avoid the net investment income tax and Medicare surcharge thresholds, (2) qualify for deductions with AGI floors (such as medical expenses and charitable contributions), and (3) preserve deductions and credits that phase out at higher AGIs, including IRA contributions and real-estate loss deductions.

Potential Savings When Using the Enhanced Standard Deduction

Some taxpayers will owe less tax by electing PTET and taking the permanently enhanced standard deduction under the OBBBA instead of itemizing.

Potential Downside

Electing PTET can reduce your 20 percent qualified business income (QBI) deduction because it lowers the taxable income you receive from the PTE.

Bottom Line

Every PTE owner's situation is unique. You should run the numbers to determine whether a PTET election benefits you.

The Hidden Benefits of Filing a Gift Tax Return

The givers of gifts (donors), not the recipients (donees), file gift tax returns.

If you give money or property, you may be legally required to file a gift tax return with the IRS—even if you owe no gift tax.

In fact, most people who file gift tax returns do not pay any gift tax because each individual has a generous lifetime gift tax exemption of $13.99 million (for 2025). Married couples can effectively double this amount by combining their exemptions.

Even when no tax is due, you must file a gift tax return whenever you make a "reportable gift." This allows the IRS to track both the total amount you have gifted during your lifetime and the remaining balance of your lifetime estate and gift tax exemption.

You are required to file a gift tax return if you do any of the following:

- Give any one person more than the annual exclusion amount ($19,000 in 2025)
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- Elect to split gifts with your spouse.

- Make a gift of a future interest, such as certain transfers to a trust.

- Front-load multiple years of contributions into a Section 529 plan.

- Give certain types of gifts to your spouse.

If you must file a gift tax return, you also need to report any charitable gifts made during the year. These charitable gifts are not subject to gift tax and do not reduce your lifetime exemption, but you must disclose them on the gift tax return.

Gift tax returns are due at the same time as your income tax return. However, they must be filed separately on paper, as joint gift tax returns do not exist—each spouse must file individually.

Your return must include detailed information for each reportable gift, including its fair market value. Gifts that are difficult to value, such as business interests, require either a professional appraisal or a thorough explanation of how you determined the value.

The IRS may impose a failure-to-file penalty of 5 percent per month if you do not file a required gift tax return. But this penalty applies only when you owe gift tax, which is uncommon.

When no penalty applies, it is still wise to file a gift tax return when required. Filing starts the three-year statute of limitations during which the IRS may question your valuations.

Without a filed return, the IRS has no time limit to challenge the value of your gifts. Filing also provides a clear record of your gifting history and helps you track your remaining lifetime exemption.

IRS Moves Toward All-Electronic Refunds: What You Need to Know

Your tax refund will no longer arrive by paper check. The IRS recently announced that it will stop issuing refund checks, with limited exceptions, and will require taxpayers to receive refunds electronically.

Why the Change?

Paper checks cost more, create security risks, and take much longer to process. In addition, the Trump administration directed all federal agencies to eliminate paper check payments.

What Stays the Same?

The IRS has not changed the process for filing your tax return. You will continue to file exactly as you do now.

How to Receive Your Refund

The fastest and most reliable way to receive your refund is through direct deposit into your bank account. Ninety-three percent of taxpayers already use direct deposit, and this change will not affect them.

If you currently receive refund checks, switch to direct deposit when you file your 2025 return. Simply enter your bank's routing and account numbers on your tax form.

If you prefer not to use direct deposit, you can choose certain mobile apps or prepaid debit cards that provide a routing and account number.

The IRS will still issue a paper check if you request a waiver because you lack access to banking services or electronic payment systems. Keep in mind that paper checks take at least six weeks to process, while electronic refunds typically take about 21 days.

If You Need a Bank Account

You can open an account online through several resources:

- The FDIC's GetBanked website
- The National Credit Union Administration's Credit Union Locator
- The Veterans Benefits Banking Program (for veterans only)

Paying Taxes

For now, the IRS will still accept tax payments by check. However, electronic payments remain the faster and more reliable option. To review all electronic payment methods, visit the IRS Make a payment web page.