

H&K TAX SERVICES, INC.

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Dear Valued Client(s):

We hope that you and your family are doing well. Enclosed is your annual organizer for your 2025 taxes. It's been an interesting year with important tax changes that will impact you. Here are some of the changes and issues you need to know about.

Tax return due dates:

- Individuals must file returns by April 15, 2026, for the 2025 tax year.
- Partnerships and S corporations must file returns by the 15th day of the third month following the close of the taxable year (March 15 for calendar-year taxpayers).
- C corporation returns are generally due by the 15th day of the fourth month following the close of the taxable year (April 15 for calendar-year taxpayers); and
- W-2s and 1099s must be filed by January 31, 2026, for the 2025 tax year.

One Big, Beautiful Bill Act (OBBA): OBBBA was signed into law on July 4, 2025, and contains numerous tax law changes, many of which apply starting with the 2025 tax year. Additionally, OBBBA made permanent many tax provisions that were set to expire at the end of 2025, including lower tax rates, the higher Child Tax Credit, and limitations to certain itemized deductions, among others.

State and local (SALT) deduction: OBBBA increases the limit on the amount of state income and property taxes that are deductible on your federal income tax return from \$10,000 to \$40,000 for many taxpayers. The increased SALT deduction for most taxpayers can mean the difference between using the standard deduction or itemizing deductions. Even if you have been using the standard deduction for the last few years, please be sure to provide the full amount of mortgage interest, charitable contributions, medical expenses, and state and local taxes so we can maximize your deductions.

Clean vehicle credits: At the start of 2025, three separate tax credits were available for the purchase of clean vehicles: a credit for new vehicles, a credit for previously owned vehicles, and a credit for business vehicles. These credits were originally set to expire many years from now, but OBBBA eliminated all three credits for vehicles acquired after September 30, 2025. If you purchased a clean vehicle in 2025, your credit is highly dependent on when you purchased the vehicle, among other limitations.

New deductions: OBBBA creates some new deductions starting with the 2025 tax year, including a new \$6,000 personal exemption deduction for taxpayers age 65 and older and special deductions for tips, overtime compensation, and certain car loan interest. There are new reporting requirements starting next year in order to claim some of these deductions, but those requirements are eased for 2025. If you think you may be eligible for these deductions, then let's discuss them as early as possible so we can make sure we have all the information we need.

IRS eliminating paper checks: Paper refund checks for individual taxpayers were phased out beginning on September 30, 2025. To date, there are no changes as to how payments should be made, but a shift to mandatory electronic payments is likely in the near future.

Property transactions: Did you sell any real estate this year? Be sure to provide copies of escrow statements, as well as the Loan Estimate form, the Closing Disclosure form, and California Form 593, Real Estate Withholding Tax Statement. We need these documents to properly prepare your return. If you can get them to us as early as possible, we can make sure we have everything we need and make sure that any state withholding documentation is correct.

1099s and K-1s: If you received 1099s or K-1s from investments in 2025, we may extend your return in case these documents are corrected after the original filing deadline. We are seeing increasing numbers of corrected information returns, which require taxpayers to amend their original tax returns to reflect the corrected amounts. In some cases, the amounts are vastly different and can create additional costs in amending the tax returns and potential penalty problems.

New 1099-DA and 1098-VLI: The IRS has created two new forms that you may receive this spring: Form 1099-DA, which reports gains and losses from the sale of digital assets, and Form 1098-VLI, which reports interest you pay on car loans that are eligible for the new car loan interest deduction. You can expect to receive Form 1099-DA similar to your regular brokerage statements, except that the 1099-DA is issued by digital asset brokers. You can expect to receive Form 1098-VLI if you financed the purchase of an eligible vehicle after December 31, 2024.

Foreign accounts: We must report overseas assets owned by businesses as well as individuals. The reporting requirements are increasing, and the penalties for failure to report continue to be harsh. Not all foreign holdings must be reported. If, for example, you hold stock in a foreign company through a U.S. broker, those holdings do not have to be separately reported. However, if you hold any other types of foreign assets, including bank accounts and securities accounts, please let us know. If you have any doubt as to whether any of your assets are foreign, please discuss those assets with us. Again, this year we will need information on a business's foreign holdings as well.

Online IRS account: We recommend that each of our clients set up their own IRS online account. Accounts can be set up in as little as 10 minutes at www.irs.gov. With an online IRS account, you can view your account status, make payments (including balances due and estimate, among others), view past payments, confirm economic impact payments received, pull IRS transcripts, and view new IRS notices and letters you received, among other activities.

Please take extra care in preparing your organizer and documentation. This will enable us to provide the best possible service, uncover new tax benefits hidden within the law, and safeguard you against increasingly aggressive audit programs and higher penalties.

We greatly appreciate your trust in us over the years and look forward to assisting you again this tax season. To schedule your tax appointment, please call us at (510) 324-1206, Ext 0.

To ensure you can secure your preferred appointment time, we encourage you to call and schedule your tax appointment as soon as you have all your tax documents ready.

Please note: A 48-hour advance notice is required for any changes or cancellations to avoid a \$45 fee.

Sincerely,

Hank & Karyn

Your tax professionals