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**AN AMAZING 54 YEARS!
WRAPPING UP 2025 AND LOOKING INTO 2026!**

December 11, 2025

Greetings!

With our firm's 54th tax season under our belt, I want to extend my heartfelt thanks to our clients, staff, families, and friends for making it through another challenging and lengthy tax season. It has become commonplace for our tax work to run from January to October every year. Our industry continues to be challenged by increasing difficulty of work, multiple tax law changes on both the federal and state levels, and like most businesses the ability to find, develop, and retain quality employees. Despite the labor shortages facing the tax and accounting industry, our goal as always is to provide you with an unyielding commitment to service and quality as we continue to move forward together.

2025 Tax Season Review:

This year we continued to refine our processes, focusing on maximizing our goals of efficiency, communication, and quality. Utilizing a team approach enabled us to meet our high standards and provide opportunities to develop our younger staff and maximize each team member's unique strengths.

Our goal in 2026 will be to process returns as efficiently as possible. We are also transitioning to a new portal and practice management system to increase our efficiencies and provide a better experience for our clients (more to come on that). The previous portal will still be accessible to you but we ask that you upload your documents, etc. for your 2025 tax returns to the new portal. We anticipate having it up and running in the next few weeks and will send out another email when we are ready for you to access it.

A few things to remember:

- We will always make an exception for anyone facing a hardship or challenge.
- We serve a large base of clients who receive the bulk of their tax documents during the last two weeks of March. We are usually backlogged 10-12 weeks by the time we hit April.
- Every return we prepare follows a guided process of data collection, data entry, compilation, review, and final review, then printed and collated. It takes a team to make this all work!
- Our goal is to complete 70% of our workload by June 15th and finish the remaining 30% over the summer leading up to the September and October deadlines.

A Brief Look at the Road Ahead:

The 2026 tax season for 2025 tax returns will continue to provide us with plenty of speedbumps.

- The passage of the OBBBA (One Big Beautiful Bill Act), aka Working Families Tax Cuts, created a significant number of changes to the US Tax code which we will discuss in this letter. We

understand that this is a big change for us and for our clients and appreciate your patience as we work through learning and understanding these significant tax law changes. We are continuing to educate our staff to better understand how these changes affect our clients, and over time we feel confident that we will be even better communicators and provide the great service and value that you deserve and expect from our team.

- We will continue to utilize extensions. We ask that if you expect your income to be higher than usual, to request a quick tax projection so we can increase your fourth quarter estimate or have you make an extension payment, if needed.

- **3/1 Deadline for Farmers:** If you usually file by the March 1st deadline, we strongly encourage you make a fourth quarter tax estimate which is due 1/15/26. Please let us know if you would like a fourth quarter estimate prepared for you. This will help us spread our workload and avoid penalties if you file on extension.

- **Artificial Intelligence (AI):** To stay current with the latest technology, we will utilize AI as a research tool with verification. This means we will use AI to be more efficient when researching but will not solely use or rely on AI responses.

- **1099-K:** The new Form 1099-K Reporting Threshold for 2025 for 3rd party electronic payment reporting is \$20,000 gross receipts and more than 200 transactions. This means for 2025 PayPal, Google Pay, Venmo, etc., payments totaling \$20,000 or more would be subject to 1099-K reporting. You may be issued a 1099-K for non-business payments such as reimbursements for personal expenses. In these cases, it is not taxable income, and we ask that you please indicate that none of the 1099-K amount is for business. Our minimum fee for new clients dealing with Form 1099-K will be \$750.

- **Crypto Currency:** The volatility and ongoing tax consequences of cryptocurrency will provide complex reporting challenges for taxpayers. Brokers will be required to issue the new 2025 Form 1099-DA for any sale, exchange or other disposition of a digital asset with no minimum dollar threshold. While our staff is committed to absorbing as much continuing education as possible, each situation can vary. Our minimum fee for new clients dealing with cryptocurrency will be \$750.

- **Energy Credits - Home:** The OBBBA passage terminated home energy efficient credits including credits for items such as furnaces, windows, doors and solar energy as of 12/31/25. If you placed an energy efficient item into service in your principal residence in 2025 please include documentation about the installed item with your other tax documents. Any items placed into service after 12/31/25 will not be eligible for a credit.

- **Energy Credits – Vehicles:** The OBBBA passage terminated all electric vehicles credits as of 9/30/25. Details can be found on the US Department of Energy website [here](#) and [here](#). Once again, please contact one of our tax professionals for assistance. Any clean vehicle purchases after 9/30/25 will not be eligible for a credit.

- **Foreign Accounts – FINCEN:** It is extremely critical that all foreign bank accounts are reported accurately each year. If you have a foreign account, please notify us of its details.

- **Paper Check Phaseout:** The IRS has announced that it will be phasing out paper checks for most government programs, including income tax refunds. To avoid a potential six-week delay on Federal refunds, clients will need to provide current banking information for direct deposits of refunds.

- **New Temporary Tax Deductions:** The OBBBA created five significant temporary deductions or an increase in deductions. Here is a brief breakdown for each of them.

- **Enhanced Deduction for Seniors (2025-2028)** – Taxpayers age 65 and older are eligible for an up to \$6,000 per person deduction in addition to their Federal Standard Deduction. Married couples must file as Married Filing Jointly to receive the deduction. The deduction phases out beginning with AGI of \$150k and completely phases out at \$250k.

- **No Tax on Tips (2025-2028)** – Taxpayers, both W-2 employees and self-employed, who work in industries that customarily receive tips may be eligible for a below-the-line deduction of tips up to \$25k. For 2025, employers must provide, at minimum, a written statement listing the eligible tip income. Married couples must file as Married Filing Jointly to receive the deduction. The deduction phases out beginning with modified AGI exceeding \$150k (\$300k MFJ).
- **No Tax on Overtime (2025-2028)** – Taxpayers may be eligible for a below-the-line deduction of up to \$12,500 (\$25,000 MFJ) for qualified overtime pay. Qualified overtime pay means overtime paid to an individual that is in excess of their regular rate of pay. In other words it is the ½% of the 1 ½% overtime rate of pay. For 2025, employers must provide, at minimum, a written statement listing the eligible overtime pay. Married couples must file as Married Filing Jointly to receive the deduction. The deduction phases out beginning with modified AGI exceeding \$150k (\$300k MFJ).
- **New Car Loan Interest Deduction (2025-2028)** – Taxpayers paying interest on a loan for the purchase of a personal use new passenger vehicle (including motorcycles) manufactured primarily for use on public streets, roads and highways with a gross vehicle weight of less than 14,000 pounds that originated 1/1/25 or later may be eligible for a below-the-line deduction of loan interest up to \$10,000. Leases are not eligible and final assembly of the new vehicle must occur in the U.S. If a vehicle's VIN begins with a number 1, 4 or 5 that means the vehicle was assembled in the U.S. Lenders are required to provide a statement to taxpayers with an eligible loan. VIN numbers are required to be reported on the income tax return. The deduction phases out beginning with modified AGI exceeding \$100k (\$200k MFJ).
- **Increased SALT Itemized Deduction (2025-2029)** – The limitation of SALT taxes to \$10k within Schedule A itemized deductions created by the Tax Cuts & Jobs Act (TCJA) in 2018 will increase to \$40k beginning with 2025 and rise 1% per year until 2029. In 2030 the limitation reverts to \$10k. The taxes portion includes state income tax paid, real estate taxes and personal motor vehicle taxes. This temporary change means that more taxpayers may be able to itemize their deductions rather than take the standard deduction. This increased deduction begins phasing out at \$500k AGI.
- **Child Tax Credit:** The 2025 and 2026 Child Tax Credit for dependent children under the age of 17 is \$2,200. After tax year 2026, the credit will be indexed for inflation.
- **Bonus Depreciation & Section 179:** Business use fixed assets placed into service after 1/19/25 are eligible for 100% bonus depreciation. Fixed assets placed into service 1/1/25 through 1/19/25 will be eligible for 40% bonus depreciation. The section 179 maximum deduction increased to \$2.5mil for 2025 with a spending cap phase out of \$4mil.
- **New 529 College Savings Plan Qualifying Expenses Allowed:** OBBBA broadens the Federal qualifying expenses paid out of 529 plans to include postsecondary credentialing expenses. These include Apprenticeship programs and expenses for professional licensing exams and continuing education for an occupational or professional license. Keep in mind that they may be qualified expenses for the Federal side of things, but states may not count them as qualifying expenses and require the taxpayer to recapture a 529 deduction.
- **Capital Gains from the Sale of Certain Farmland Property:** Taxpayers who sell qualified farmland property to a qualified farmer (actively engaged in farming) after 7/4/25 may elect to pay the tax from the resulting capital gains in 4 equal annual installments. The property must be subject to a covenant or other binding legal restriction that prohibits the property from being used for anything other than a farming activity for at least 10 years after the sale.
- **PTET:** We recommend that many Nebraska pass-through entities (Partnerships and S-

Corporations) take advantage of the Nebraska Pass-Through Entity Tax (PTET). This tax legislation allows us to generate an extra federal deduction for these pass-through entities for their state income taxes paid. We have run a cost-benefit analysis on the retroactive portion of the PTET for all of our pass-through clients. We will be contacting the clients that would benefit from a retroactive election. Retroactive elections must be made and paid by 12/31/25.

- **Nebraska Law Changes:** Social Security Benefits, military retirement and eligible Federal retirement benefits continue to be phased out from Nebraska taxation at 100%. States will need to determine if they are going to conform with the Federal tax law changes created by the OBBBA or not.

- **Nebraska Family Caregiver Tax Credit:** Eligible family caregivers who provide care and support to an eligible family member and incur eligible expenditures during the tax year may apply for a nonrefundable income tax credit equal to 50% of the eligible expenditures with a maximum credit of \$2,000 or \$3,000 if the eligible family member is a veteran or is diagnosed with dementia. Caregivers must have Federal AGI of less than \$50k (\$100k MFJ) to qualify. Eligible taxpayers must apply online and can use this [link](#).

- **Nebraska Childcare Credit:** In 2024, Nebraska passed a new refundable tax credit of up to \$2,000 per child for parents or legal guardians of children 5 years old or younger who paid eligible childcare expenses. Eligible taxpayers must apply online and can use the link below. The parent or legal guardian is eligible for the refundable tax credit if:

- The child is enrolled in a childcare program licensed pursuant to the Child Care Licensing Act;
- The child receives care from an approved license-exempt provider enrolled in the child care subsidy program pursuant to Neb. Rev. Stat. §§ 68-1202 and 68-1206; or
- The parent's or legal guardian's total household income is less than or equal to 100% of the federal poverty level.
- To learn more about the credit and to apply starting in late January 2026 (for childcare paid in 2025), please read [here](#).

Future Growth of Burch & Associates:

Each year brings opportunities and challenges alike. We currently have a talented and diverse staff of accountants and professionals dedicated to serving your tax and accounting needs. Retaining our existing staff and developing our wonderful young staff is always a priority. Our passion is to work with fabulous clients like you who see the value in our services and appreciate the processes we utilize to navigate the waters of the constantly growing and changing U.S. Tax Code. We are always looking for new talent. If you know of someone who may be interested in a full or part-time career here, please visit our website: <https://www.markburch.com/careers>

Value of Quality Bookkeeping Services:

Having accurate and current monthly bookkeeping services and financial statement preparation is essential now more than ever. Great tax basis financial statement preparation is the foundational key to accurate tax compliance and superior tax planning.

Year-end Tax Planning for Individuals and Businesses:

- It's not too late to do year-end tax planning. Our Tax Projection Worksheet continues to be a very valuable tool for planning and projecting. It allows us to perform multiple 'what-if' scenarios, to be proactive in estimating, and minimizing tax implications.
- Strategies include:
- Deferring or accelerating income
- Accelerating or deferring expenses
- Nebraska Retroactive Pass-Through Entity Tax (PTET)

- Purchasing additional equipment
- ROTH IRA conversions
- Taking your Required Minimum Distribution from your retirement account
- Increasing eligible retirement account contributions (IRA's have until 4/15/26)
- Harvesting stock losses to offset capital gains
- "Bunching" itemized deductions
- Utilizing pre-tax deductions for insurance, daycare, etc.
- Maximizing your Health Savings Account (HSA) contributions
- Maximizing Higher Education tax credits
- Making Section 529 College Savings Plan Contributions
- Qualified Charitable Distributions (QCD)
- Gift and estate tax planning
- W-4 withholding calculations and projections
- If you feel that you need to address some issues before the end of the year, please call the office at 402-483-4791 and we will be happy to assist you in any way we can.

Impact of OBBBA in Future Years:

- **Tax year 2026 OBBBA changes:** There are a few noteworthy changes to 2026 that we want to make you aware of going into the new year. These include:
 - **Charitable Giving Deduction Without Itemizing** – Taxpayers can deduct monetary charitable donations as an above-the-line deduction up to \$1,000 (\$2,000 MFJ)
 - **Repayment of Marketplace Insurance Subsidies** – Taxpayers whose income exceeds the limitations for premium tax credits on their marketplace health insurance plans will have to repay 100% of the excess credits. Previously the paybacks were limited.
 - **Personal Casualty Losses** – Taxpayers may be able to deduct personal casualty losses as a result of Federally Declared Disaster Areas as well as State Declared Disaster Areas. Previously it was limited to a Federally Declared Disaster Area.
 - **Gambling Losses** – Taxpayers may only deduct gambling losses up to 90% of their gambling winnings and they must itemize their deductions rather than take the standard deduction. Previously they could deduct gambling losses up to 100% of gambling winnings and itemize.
 - **Dependent Care FSA Limit Increase** – Employees can exclude up to \$7,500 from their income through their employer-provided dependent care assistance programs (FSA). The previous limit was \$5,000. The Dependent Care Tax Credit also gets an enhancement to the credit rates.
 - **Estate Tax Exemption** – The individual exclusion amount for estates will increase to \$15mil.
 - **Private Mortgage Insurance (PMI)** – This previously non-deductible mortgage item will once again be deductible as an itemized deduction. Phaseouts start at Federal AGI of \$100k (\$50k MFS).

Continued Procedures for Processing Tax Returns:

- We will continue to offer high level compliance and advisory services.
- We will continue to operate as efficiently as possible utilizing technology.
- Systems are in place so that all our staff will be able to meet via video conferencing.
- Please use our tax organizer to the best of your ability – especially for compiling documents and answering the questions. We will be uploading tax organizers to the secure client portals in early to mid-January. These pdf's have a fill-in capability when using Adobe Reader. Other PDF readers will not allow the fill-in capability.
- Processing tax returns will continue to happen via:

- Drop-off
- Mail-in (please keep originals and mail in copies)
- Portal (uploading to our portal is secure and easy – please email the office for assistance)
- In-Person or Video Appointment – Appointments will continue to be limited to business returns and extraordinary items. Please call the office with questions.
- We will continue to extend tax season through June 15 to help spread out our workload and provide work/life balance for our employees.
- We offer advisory discussions upon the completion of your returns to better serve you.
- Our YouTube Channel has several handy videos that explain our changes and processes
- Email will continue to be our preferred method of contacting you.
- **We have added a Pay Invoice tab to our website so you can pay online through our secure provider clover.com.**

Items to be aware of for 2025 returns:

- Please utilize your tax organizer coming in early to mid-January 2026.
- Please fill out our drop-off information form, this provides us with important information as we prepare your return.
- Please utilize our new secure portal, if possible.
- Unemployment – please be aware that if you received unemployment benefits you will be issued a form 1099-G and that those benefits are taxable income.
- Deductions – If you itemize (only about 10% of households) please be sure to provide medical, state and property taxes, mortgage interest and charitable deductions.
- Please be aware of the compliance required if you bought, sold, traded, or spent any virtual currency and other digital assets.
- Please be sure to let us know if you have Marketplace health insurance and provide form 1095-A.
- Nebraska Pass-Through Entity Tax (PTET) Credits.

For those of you reading this entire letter, let me say thank you from the bottom of my heart for continuing to be a valued customer of Burch & Associates. I am dedicated to having a top-notch staff with a commitment to excellence in service, technology, security, and knowledge. We welcome our new staff and clients with open arms and hope you will all share our vision of service as we do our best to carry on our family business traditions that were started by my father in 1971. Please continue to visit our website at www.markburch.com for all your inter-web related tax needs. The office number is 402-483-4791 and general email inquiries can be sent to info@markburch.com. We look forward to working with you!

Sincerely,

Mark Burch, EA
President & CEO