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THE STRAUSS REPORT

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TAX SEASON IS UPON US - READY OR NOT....

OMG – it really is tax season once again – and I honestly do not know where to begin. There are lots of changes in the tax laws from the OBBBRA tax bill passed in Summer 2025 as well as over 30% less employees at the IRS. It is hard for us to keep up – and it may be hard for you too. In this issue of **The Strauss Report**, we will review both the changes for 2025 returns, and changes that impact you as you prepare for this tax filing season. These include how you pay the IRS, how you get tax documents and how to get them to us so we can accurately and efficiently prepare your tax return. A few of these that may not be hard to do but perhaps tricky to understand are your Required Minimum Distributions or inherited IRA, and how additional costs for Medicare based on your income come about. We will also inform you about the issues you may face after a loved one dies (as this is becoming an increasing part of our tax preparation and tax planning business). And finally, we will review important things to watch out for, including medical expenses, qualified charitable contributions and sales of your principal residence or other properties.

WHAT DO WE NEED TO KNOW NOW?

- **The lower rates** from the 2018 Tax Act for ordinary income and investment income are good for 2025 for most of us. This includes the 0% rate on investment income (Qualified Dividends and Long Term Capital Gains) for taxpayers with taxable income below \$48,350 - Single and \$96,700 - Married Joint and the 15% rate for those with taxable income below \$533,400 Single and \$600,050 Married Joint.
- **The Standard deduction for 2025** is still double where it was before 2017 and increased a bit more to \$31,500 for couples, \$15,750 for Singles and an extra \$2000 for Singles over 65 and \$1600/per person if filing Married Jointly if over 65.
- **There is a new “Senior Bonus Deduction” of \$6,000 available for those 65 and over. However, it phases out starting at \$75,000 for Singles (and -0- at \$175,000) and \$150,000 for Married Joint (and -0- at \$250,000)**
- There are still NO exemptions.
- **The deduction for state and local taxes and real estate taxes has changed:** the maximum is now \$40,000 up from the prior \$10,000 limit. This may allow more clients to itemize in 2025 depending on medical expenses and contributions other than your QCD (qualified charitable contributions from your IRA withdrawal). There is an income phase out but most of us will not be there since it starts at \$500,000!
- **Home mortgage** interest can still only be deducted up to \$750,000 on a primary or second residence for mortgages begun after December 14, 2017.
- **The per child credit is now \$2200 for children under the age of 17.**
- The Big **Residential Energy credits (for principal homes and also second residences)** are still here for 2025 but are gone for 2026 and afterward. The credit for the purchase of electric vehicles ended on September 30, 2025.
- There is a new deduction – even if you do not itemize – for the interest paid (up to \$10,000) on a **new car/assembled in the United States**. You must bring the sales receipt with the VIN number and your interest paid.
- **There are complex new rules for the deduction (i.e. no taxation) on certain cash tips and overtime pay.** Call us if you need more information- these should be on your W-2 FOR 2025.
- **Required Minimum Distributions did not change for 2025.** If you were over 70 ½ on 12/31/2019 you must continue to take out as before - but under the expanded IRS withdrawal tables with a longer life expectancy. If you turned 73 in 2025 you should have started to take your RMD during the tax year.

Inherited IRAs except for qualifying spouses must be liquidated ratably over 10 years - and must be completely liquidated by the 10th year. **However, for 2025 the stock market was up at the end of the year – so you may be surprised to discover that your 2026 RMD is a lot higher than that in past years. Please bring your year-end statements of all your IRAs and 401Ks so we can figure out your 2026 RMD when we do your taxes.**

- **Not new - but so important is the provision called QCD (Qualifying Charitable Contributions).** These are contributions made to a charity directly from your IRA trustee or administrator. These contributions can be subtracted from your gross IRA withdrawal when we prepare your taxes, thus saving tax money and reducing your Adjusted Gross Income for medical expenses and taxable Social Security computations as well as future Medicare costs. We create a list of these when we prepare your taxes, so we need proof of each QCD donation.
- **The tax law regarding taxability of Social Security (50% or 85% depending on income) did not change. However, the Social Security Fairness Act** (with increased benefits for teachers, government employees, police officers and spouses of deceased taxpayers) that became law early in 2025 gave many of us a windfall: lower SSA benefits at the beginning of 2025, a large windfall catch up in March and starting in April a much larger SSA benefit. We reminded you of this in the fall and some clients revised their ES to show higher income. This income will be on your SSA 1099 and could have an impact on your taxes for 2025. (It was easy to miss since it was direct deposited)!
- **For IL, since 2000** we have always had a small increase in the personal exemption each year based on inflation. For 2025 IL 1040 returns this exemption will increase to **\$2,850** (in 2024, it was \$2,775. The tax rate for IL is the same across ALL income – 4.95%.
- **IL has a deduction for contributions to 529 plans – Bright Start/Bright Directions. (\$10,000 for Singles and \$20,000 for Married filing jointly).** This can be from parents or grandparents or others – please bring your year end contribution statement so we fill out the IL Schedule M correctly,

SO WHAT MAY BE DIFFERENT FOR YOU ON YOUR 2025 TAXES

1. **You may have a lot of money in banks,** in investments, money market accounts or online accounts. In past years, these accounts paid 1% or a bit more in interest. Since 2024, many of your accounts and CDs are paying way more interest (up to 4 - 5%!). You may be surprised at the amount of interest income on your 1099INT for 2025. This interest is taxed as ordinary income – at your higher marginal tax rate.
2. **Many of us have US Savings bonds** – many of them are quite old and may have reached final maturity. They stop earning interest at maturity – if you have paper bonds, the interest is not “declared” until you cash them in (usually at your bank). If you have transferred your bonds to Treasury Direct (which is now required for new or inherited savings bonds), they are cashed in at the date of maturity and the interest credited to you immediately.
3. **Many of us have investments in mutual funds** which “kick out” Long Term Capital Gains Distributions” at the very end of each tax year – and over which we have no control. Since the stock market was yet again quite good near the end of 2025, you may find an unwelcome surprise on your 1099. This could also be true of managed accounts with stocks where brokers sold to capture gains in December and told you - or not!
4. **The tax statements 1099INT, 1099DIV and 1099B as well as 1099R forms from retirement accounts** used to always come to us in our mailboxes via snail mail. Given the recent trend toward online everything – from getting and paying bills, to making purchases and reminders about everything from bills due to doctor’s appointments, many banks and investment firms and the companies/businesses you work with will most likely be posting your tax forms online. You must download them, print them and get them to us. For some of us, this is easy; for many of us it is not. **We strongly recommend that you review your 2024 tax return and our Checkoff listing to be sure you have all the final forms you need before scheduling your in-office appointment, a drop off/pickup or sending your documents by FEDEX to us. We are now talking with brokers and with your permission they will send us your tax forms via secure email which we will then print. We will be carefully checking your 2025 income items with those from prior years and asking if we find one or more missing. The IRS is very good and getting better at matching what they receive in income documents and what you include on your tax return – and sending CP 2000 notices a year or two later. (If we must search for**

missing documents and/or call brokers and download/print tax forms it increases the time we spend and did cause additional time and higher bills last year as we work to accurately prepare your tax return and avoid future IRS notices for missing income.).

OMG: What else should I/we Remember?

- **Identity Protection PINs** are offered (or required) by the IRS to protect against identity theft. If you got one in 2025, you must get a new one for 2026 to include on your 2025 1040. If you had Identity theft in 2023 or before, you must also get a new IPPIN. IPPINs are a good idea but may not be easy to do online or on the phone. Call us if you need assistance or have questions.
- **The exclusion of tax on the profit from the sale of a principal residence is big-** \$250,000 for Singles and \$500,000 for Married and can include a stepped up basis of one half- if you owned it jointly with a spouse that died. Call us for our house sale worksheets. Other residences or land do not qualify, and tax may have to be paid both to the IRS and another state if required.
- **Social Security had a very small increase for 2026 (2.8%) but Medicare increased 9.6% to a base rate of \$202.90.** Many more of us got a letter saying we are now paying more than the base rate for Medicare (IRMA) and our drug plan due to higher total income (including tax free income) from the prior year. This is a year-by-year computation and along with the big jump in our medical premiums – both supplemental and paid at work - medical costs are higher than ever,
- The annual gift tax exclusion for 2025 was \$18,000; for 2025 it is \$19,000. If you give more, we need to complete Form 709, but NO tax is due.
- **We are now doing more final (deceased) tax returns along with more Estate and Trust income (1041) tax returns.** We cannot stress enough to please make sure your trust/will are up to date. Many of us have not looked at the one we did a long time ago or maybe do not have one. The trust/will are the legal documents we must follow for both taxes and beneficiaries, and it is a big headache for the trustee/executor and us if things are not “in order.” I am not an attorney, but I work with many excellent ones if you would like a recommendation.
- **IN 2025, we saw many more tax filing extensions than in prior years.** An extension to file is not an extension to pay. Sometimes we can include the late payment penalty and interest on your tax return; often we cannot (especially for the State of IL), and you get small bills from the IRS and IL. These are not from an error on our part - and we often just tell you to write a check...

Online is the New Normal....

Most of us have been having our refunds direct deposited and any monies owed to the IRS and IL debited from our bank accounts. Now many of us are paying Estimated Taxes online as well. You can do it directly through the IRS and IL websites without setting up an account - we will be giving you the **new/revised instructions** on exactly how to do this when we prepare your 2025 taxes and compute your 2026 ES. You do not have to do this, but you will get an email confirmation to print, and you can select the exact date you want the payment withdrawn – and then you can check your bank account as well.

In addition, the IRS is working hard to stop ALL paper, even for many of us who like to write checks and have paper documents in our mailbox. They recommend that taxpayers set up an Online Account. This account is good for both the IRS and Social Security – and can access ES payments made, account documents including W-2s and 1099s, account transcripts, IRS notices and more. They work through an outside agency called ID ME and we can help you set up an account if you wish. You can pay your Estimated payments without an ID ME account, but the advantage is that you can check all payments before you give us your tax documents. **IL requires that you set up an IL PIN number to pay ES online,** (but if you save it!) you can pay each quarter through their online system without an account.

And finally, while we have always provided an ES worksheet for the IRS and IL payments and ask that you write in the amount and when you paid, we are finding that many clients are not completely filling them out now or making errors in the amounts paid and/or the date paid. Both the IRS and IL charge for late payments, so if you get a notice/bill and call us we check what you “told” us and often discover the issue.... Please help us - and you by using these forms and attaching your acknowledgements to them.

Finally: Do not assume you will not itemize. This is your opportunity to review your income, budget,

and spending for the past year and prepare for the next. Many of us have more medical expenses due to nursing home or COBRA costs) and made contributions at the end of the year. Churches are “getting used to” this new income flow - with less donations every week and more IRA contributions and doubling up at year end. We recommend you continue to collect all the same tax records as you have done in the past, so you look at what you are spending, and we can make suggestions for both tax planning and tax savings.

JUDI STRAUSS in Print, on Media

We are working out of our Chicago office full time. We have arranged for you to have your tax information “picked up” thanks to Beth’s husband and then delivered. Or you can either drop it off/pick up at her home in Woodridge or FEDEX it to us in Chicago (and then send it back to you by FEDEX). We will complete your return either with you in person at the office, on Zoom, or review it with you after completion via phone or zoom.

Beth Austin, our Office Manager, will be scheduling your appointment and zoom or phone follow up, calling with a reminder, sending out a map if needed, letting you know we received your FEDEX package, sending FEDEX tracking information, doing pick-ups and drop-offs and answering your calls. Please make sure you tell her if you have anything new this year and listen as she reminds you what to bring (including pay stubs).

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DON'T FORGET TO BRING – FOR YOUR APPOINTMENT:

- All original documents
- Histories of stock/mutual fund sales
- Medical expenses and Charitable contributions - to check itemized and for QCDs.
- Closing Statements on old and new houses
- Parcel number - principal residence (and county too!)
- 1098T (tuition) forms with backup payments
- Year – end IRA statements – and previous 8606 forms if filed
- ES payments and cancelled checks - or proof of payment
- Bank information (routing number/ account number) for refund or withdrawal
- Any new information for 2026 withholding or Estimated Taxes - including paystubs for wages, pensions, and other retirement income.

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