Coleman & Associates
Fully Integrated Tax, Accounting & Financial Services

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Important Dates:

September 15

- Filing deadline for 2025 calendar-year S corporation and partnership tax returns on extension

- Due date for 3rd quarter installment of 2026 estimated income tax for individuals, calendar-year corporations, and calendar-year trusts & estates

Understand the Tax Details of Life Events

Most life events have tax consequences attached to them. Some of them, though are not obvious. Here are six situations to consider.

1. **Selling your home isn't always tax-free.** Most homeowners who sell their principal residence qualify to exclude up to $250,000 of gain, or $500,000 for married couples filing jointly. Gains above these limits are generally taxable, but there can be complications. For instance, portions of a property such as a detached office, studio, or other structure not used as part of the residence, may not qualify for the exclusion. And if two single people are combining homes and selling one of them, you need to keep track of the rules to ensure you can use the full gain exclusion on both homes. Keeping records of home improvements is also important because those costs increase your home's value which further reduces the gain when you sell.

2. **Changing jobs can create an unexpected tax bill.** Each employer withholds taxes based on the wages it pays you and the information on your Form W-4. If you work for more than one employer during the year, your total withholding may not fully account for your combined income. Reviewing your withholding after changing jobs or adding a new job can help you avoid an unexpected balance due at tax time. If moving is involved, the cost of moving expenses are generally no longer deductible, so you may want to negotiate this cost as part of your hiring package. In addition, moving to another state may necessitate filing multiple state tax returns.

3. **Getting married or divorced changes more than your filing status.** Your marital status is determined on December 31st. These major life events can reshape your entire tax picture, affecting the credits, deductions, and filing options available to you. A different filing status is often just the beginning. Even the timing is important as the tax code assumes you are married for the full year, even if you tie the knot on December 31st!

4. **Inheriting money or property comes with its own rules.** Many inheritances aren't considered taxable income for federal purposes the year you receive them, but inherited assets often carry their own tax rules. For example, certain inherited retirement accounts may require taxable withdrawals over a set period, while inherited property generally receives a stepped-up basis (moving from your parent's or grandparent's cost to the current fair market value). And remember some states do have an inheritance tax separate from federal rules, so plan accordingly. They are: KY, MD, NE, NJ & PA.

5. **Caring for aging parents may open up additional deductions and credits.** Supporting an aging parent can sometimes create valuable tax benefits. Depending on your situation, you may qualify to claim a parent as a dependent, deduct certain medical expenses you pay on their behalf, or even claim the Child and Dependent Care Credit if you're paying for care so you can work.

6. **Major medical events and related expenses can lower your taxable income.** Large medical expenses can sometimes provide tax relief if you itemize deductions. Costs that exceed 7.5% of your adjusted gross income may qualify, and eligible expenses can include much more than doctor bills, such as certain travel, long-term care, dental treatment, and medically necessary home improvements.

The biggest tax savings aren't always found in major strategies, but in understanding the rules that apply to everyday life events. When in doubt, a little planning before making a big decision can go a long way. Please call if you have questions about your tax situation.

Mileage Deduction Gets Boost for Second Half of 2026

Effective July 1, 2026, the standard business mileage rate increases, making this one of the rare years you'll need to use two different rates when calculating your deduction.

The new rate as of July 1, 2026 is 76 cents per mile, increased from 72.5 cents per miles that applies to miles driven from January 1, 2026 to June 30, 2026.

Here are several other tips to make the most out of your vehicle deduction:

- **Track your mileage throughout the year.** Keep a mileage log or use a mileage-tracking app that records the date, destination, business purpose, and miles driven. Good records are essential if the IRS ever questions your deduction.

- **Know which trips qualify.** Only business miles are deductible. Driving to meet clients, visit job sites, attend networking events, make bank deposits, purchase supplies, or travel between business locations generally qualifies. Your normal commute between home and your regular workplace does not.

- **Remember parking and tolls.** Parking fees and tolls related to business travel are generally deductible in addition to the standard mileage rate. These costs are often overlooked but can add up over the course of a year.

- **Separate business and personal driving.** Keep business and personal mileage clearly separated. Recording your beginning and ending odometer readings each year can help support the percentage of business use if questions ever arise.

- **Choose the right deduction method.** The standard mileage rate is not always the best option. If you drive an expensive vehicle or have unusually high operating costs, deducting your actual vehicle expenses may produce a larger tax deduction. Compare both methods before making a decision because your choice in the first year can affect your options in future years.

Several other things to remember:

- These rates apply to gas, electric, hybrid-electric, and diesel-powered vehicles.

- You cannot claim mileage as an itemized deduction as an employee if you aren't reimbursed for travel expenses.

- Claiming a mileage deduction for moving expenses is not allowed unless you are an active member of the Armed Forces and are ordered to move to a new permanent duty station.

Take Charge of Your Credit Card

The average credit card balance in America continues to climb, reaching $6,730 in 2025 according to Experian – a 3.5% increase from the previous year. At the same time, credit card interest rates remain near historic highs, with the average APR hovering around 22%. Fortunately, with a little planning you have the ability to avoid paying exorbitant interest rates altogether. Consider these tips to master credit cards instead of letting them rule over you this year.

- **Plan purchases to carry no credit card balance.** Instead of racking up balances and hoping you can afford the bill, use credit cards for planned purchases only — and for spending that's backed up by money in the bank. Provided you pay your credit card balance in full each month, today's sky-high interest rates can't hurt you.

- **Consolidate high-interest debts.** You can get a break from today's high rates by consolidating credit card debt you already have with a 0% balance transfer credit card. Many cards in this niche give you 0% APR on balance transfers, purchases or both for up to 21 months. This gives you time to pay down your balance with zero interest, which can help eliminate debt faster and save money along the way. But do it! Banks understand the habit that got you here, and they hope you continue using it. If you do go with this approach, pay down principal as quickly as you can.

- **Earn rewards for your spending.** If you're still using your old credit card from college or haven't bothered to upgrade in the last few years, you could be missing out. Today's credit cards let you earn as much as 2% cash back on spending with no annual fee, or you can opt to earn generous rewards for travel instead. Just make sure you carry no balance, as interest rates on these cards can be even higher than regular credit cards.

- **Calculate the true cost factor of each purchase.** If you're carrying a credit card balance, that $4 cup of coffee isn't really costing you $4. Every purchase costs your $4 PLUS the interest (at a rate in the mid-20%) EACH month it isn't paid off. Now take a look at your credit card statement and see your total cost to pay off your balance if you only make minimum monthly payments, then calculate the cost factor. For example, if you owe $1,000 today but would ultimately pay $2,100 by making only the minimum monthly payments, your cost factor is 2.1. In other words, every $1 you charge ends up costing more than $2. That $4 coffee effectively becomes an $8.40 purchase. Seeing the true cost of carrying a balance can be a powerful incentive to break the habit and pay off your credit cards faster.

Credit cards offer convenience and a range of features you can benefit from, but they can either be a blessing or a curse for your finances. Ultimately, your best bet is taking control of your credit card use before it controls you.

Eliminating Scholarship Barriers

There's plenty of money available for you to pursue a post-secondary education for either you or your child! Here are several barriers that could be getting in the way of securing money to pay for school.

Common Scholarship Misconceptions:

- **Scholarships are only for top scholars and athletes**. Many of the splashy news stories are certainly about high-profile students who snag a fully-paid-for scholarship. There are an unbelievable number of scholarships, however, that do not take grades or athletic ability into consideration whatsoever.

- **Scholarships are only for students attending college**. Enrollment in vocational and trade schools has nearly doubled since 2000, according to the National Center for Education Statistics. And the good news for prospective students is that scholarships for vocational and trade schools are just as plentiful as scholarships for four-year colleges and universities.

- **You have to be a great writer.** Winning scholarships is more often about what you write than how you write. And for some scholarships, following the application's directions and answering the questions that are asked is more important than how well you write. And DO NOT just delegate the job to an AI tool! There are now AI tools to assess whether your writing was written by AI. Find your voice and use it.

- **You have to be a high school student**. Scholarships aren't just for soon-to-be high school graduates. Many schools have degree programs – and corresponding scholarships – aimed at older adults who are looking to learn new skills or make a transition in their career. Scholarships are also available for graduate students.

- **Finding scholarships takes too much time**. Yes, you'll need to invest a certain amount of time to find and apply for scholarships, but finding financial aid may not require as much of a time investment as you may think with tons of available online tools.

Steps you can take:

- **Follow the directions**. You'd be surprised how many applicants don't read or follow the rules of the scholarships. Take the time to read through all instructions, and thoughtfully answer the questions that are asked.

- **Apply every year by January**. For every year that you're attending a post-secondary school, consider setting aside some time in the fall and early winter to complete scholarship applications for the upcoming school year. Many applications need to be completed by January for the following school year. But remember this is just a rule of thumb. It is always best to review possibilities, target certain scholarships/grants and then put the due dates of each on a calendar.

- **Ask your school**. Nearly every college in the U.S. offers some form of merit-based financial aid. You'll likely need to complete the Free Application for Federal Student Aid (FAFSA), as many colleges have all students apply for scholarships by completing the FAFSA. This includes students who may qualify for only merit-based scholarships.

- **Ask local businesses**. Many local businesses, civic groups, foundations, and religious or community organizations offer scholarships. So ask around in your community about available financial aid.

As always, contact the office with questions by emailing us at info@colemancpas.com or calling 773-444-3100. We are here to help.