

December 2025

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Important Dates:

January 15 – 4th Quarter Estimated Payments Due

Getting Ready for Taxes

Plenty of tax changes are lining up as the calendar turns toward 2026, and knowing what's coming can help you stay a step ahead. Before then, there's also several moves to make filing your 2025 tax return as easy as possible.

Preparing to file your 2025 tax return

- **Gather records to support deductions for *no tax on tips* and *no tax on overtime*.** Review the approved occupations for qualified tips and confirm the amount of this benefit you expect to claim in 2025. You will need proof of these claimed amounts. The same holds true for overtime pay. Employers are not required to issue W-2s or 1099s with this information in 2025, but they should provide you with the necessary confirmation of the dollar amounts. Compare these employer-provided amounts with your records to ensure they match prior to filing your tax return.
- **Look for new Form 1099-DA.** If you own cryptocurrency or other digital assets, you may see this new form. Starting with the 2025 tax year, exchanges and brokers must report certain cryptocurrency and digital asset transactions, so you should track cost basis, sale dates, and wallets used to avoid mismatches or questions from the IRS.
- **1099-Ks may still be issued.** You shouldn't see a Form 1099-K from a payment processor such as PayPal or Venmo unless you have 200 or more transactions amounting in more than \$20,000 in payments from the processor. But because of the many tax law changes in this area you may still receive a Form 1099-K in error. If you receive one, don't throw it away! Include it with your other tax documents for proper reporting on your 2025 tax return.
- **Review IRA and HSA accounts.** If you have an IRA or HSA account, you can make 2025 contributions up until either April 15, 2026 or the date you file your return, whichever is earlier.

What's new in 2026

- **Above-the-line charitable contributions.** You can deduct \$1,000 of charitable contributions if single or \$2,000 if filing jointly. This is available to you whether you use the standard deduction or itemize your deductions. There's also the introduction of a 0.5% floor for itemizing charitable contributions.
- **Itemized deduction phaseout is back.** If you're in the top 37% tax bracket, your itemized deductions could be reduced. This phaseout of deductions is being re-introduced beginning in 2026.
- **Gamblers take a loss.** Losses from wagering transactions are now limited to 90% of such losses. Under the previous law you could claim deductions up to the amount of your winnings. For example, if you won \$10,000 and incurred \$15,000 in losses over the course of a tax year, you could deduct \$10,000 using the previous law. Under the new law you can only deduct 90% of your losses, or \$9,000 in this example.
- **Mortgage insurance premiums** can be reported as an itemized deduction.
- **Elimination of many energy credits.** This includes the credit for purchasing electric vehicles after September 30, 2025 and the elimination of many residential energy efficient purchase credits at the end of 2025. So plan accordingly.

Your Year-End Tax & Financial Checklist

December is the last chance to make smart money moves that can reduce taxes and set the stage for a confident start to the new year. Use this checklist to help cover the essentials.

- ✓ **Check tax withholdings.** Do a quick check to see if your paycheck withholdings will match your tax liability. If you had a big refund or owed a large amount last year, you can anticipate the same will happen this year. So if you have not already done so, adjust your W-4 so you're closer to even. Then after filing your 2025 tax return, revisit your withholdings and make any fine tune adjustments for the 2026 tax year.
- ✓ **Max out tax-advantaged accounts.** If you have a Health Savings Account, try to max out your annual contribution limits. This serves a dual purpose: paying for health expenses with pre-tax dollars PLUS any unspent contributions can be invested and used for future needs. Next take a look at retirement accounts like 401(k)s, 403(b)s, or IRAs before the year closes and contribute as much as possible up to the annual limits.
- ✓ **Use up FSAs.** Flexible Spending Accounts often have use-it-or-lose-it rules. So check your balance and submit reimbursements for eligible medical or dependent care expenses. Some plans offer a short grace period or a limited carryover, so know your deadlines to avoid forfeiting money.
- ✓ **Plan for life changes.** Marriage, divorce, a new child, or a change in employment can all alter your tax situation. Be prepared for any changes these life events may cause.

- ✓ **Clarify dependency claims.** If family members provide or receive support, coordinate who will claim dependents on tax returns. This helps prevent IRS mismatches and ensures valuable credits like the Child Tax Credit go to the right filer.
- ✓ **Harvest investment losses (or gains).** Review your portfolio to realize losses that can offset capital gains. If your income is low this year, you might even be able to harvest gains at a lower tax rate (maybe even 0%!). Be careful to avoid wash-sale rules.
- ✓ **Review your budget and spending.** Look back over your expenses for 2025 to spot trends. Did you meet your savings goals? Were there surprise costs that could be planned for next time? Adjust your budget now while memories are fresh.
- ✓ **Check your emergency fund.** Aim to keep three to six months of living expenses in a readily accessible account. If you've dipped into it this year, make a plan to replenish it, and review whether inflation or lifestyle changes mean you need a larger cushion.
- ✓ **Review insurance coverage.** Health, life, home, and auto policies all deserve a fresh look. Confirm coverage levels still fit your needs, compare premiums, and check that beneficiaries are current.
- ✓ **Update beneficiaries and legal documents.** Wills, trusts, and powers of attorney can become outdated quickly. Confirm that beneficiaries listed on retirement accounts and life insurance policies align with your estate plans.
- ✓ **Talk as a family.** Finally, gather around the table for an open conversation about finances. Discuss goals, responsibilities, and plans for the coming year. Shared understanding builds financial strength, which is the best gift you can give each other before the year ends.

2026 Social Security Changes

Social Security has announced its cost-of-living adjustment for 2026, which are included below as well as the basics on how Social Security works.

Average Retirement Benefits - Starting January 2026

Average Benefits - All Workers

- 2026: \$2,071/month
- 2025: \$1,976/month

- Maximum Benefits for Workers Retiring at Full Retirement Age
- 2026: \$4,125/month
- 2025: \$4,018/month

An 2.8% cost of living increase for Social Security retirement benefits and SSI payments begins with December 2025 benefits (payable in January 2026).

You can increase your Social Security retirement benefits by 5-8% per year when you delay applying until you're age 70.

Social Security Revenues & Expenditures

Revenue Sources = \$1.42 trillion

- 3.9% - Taxation of benefits
- 4.9% - Interest
- 91.2% - Payroll taxes

Expenditures = \$1.49 trillion

- 0.4% - Railroad Retirement financial interchange
- 0.5% - Administrative expenses
- 99.1% - Benefit payments

SOURCE: 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Table II.B1.

2026 Social Security & Medicare Tax Rates

Your employer pays **7.65%**

As an employee, you pay **7.65%**

If you're self-employed, you pay **15.3%**

NOTE: The above tax rates are a combination of 6.2% for Social Security and 1.45% for Medicare. There is also a 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.

Item	2026	2025
Maximum earning amount subject to Social Security tax	\$184,500	\$176,100
Maximum amount you may pay in Social Security taxes (6.2%)	\$11,439	\$10,918

- **184+ million** people work and pay Social Security taxes
- Social Security has provided financial protection for Americans **since 1935**

How does Social Security work?

- When you work, you pay taxes into Social Security.
- The Social Security Administration uses your tax money to pay benefits to people right now.
- Any unused money goes into Social Security trust funds and is borrowed by the government to pay for other programs.
- Later on when you retire, you receive benefits.

How to qualify for retirement benefits

When you work and pay Social Security taxes, you earn **credits** toward benefits. The number of credits you need to earn retirement benefits depends on when you were born.

- If you were born in **1930** or later, you need **40 credits** (10 years of work) to receive retirement benefits
- You receive one credit for each **\$1,890** of earnings in **2026**
- **4 credits** maximum per year

Did you know you can check your benefits status before you retire?

- You can check online by creating a my Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.
- It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.
- If it doesn't show earnings from a state or local government employer, contact them. The work may not be covered within Social Security.

Sources: SSA.gov

Online Shopping Safety Tips for the Holidays

As the holiday season kicks off, the Illinois Department of Revenue (IDOR) is reminding residents to stay vigilant while shopping online. With more Illinoisans turning to the internet for their holiday purchases, the risk of cybercrime is on the rise.

Online Safety Tips for Shoppers:

- ❖ **Shop with trusted retailers:** Stick to websites you know. Look for a physical address and customer service contact info.
- ❖ **Pay with a credit card:** Credit cards offer stronger consumer protections than debit cards.
- ❖ **Check for secure websites:** Look for "https" in the URL before entering payment information.
- ❖ **Use strong passwords and multifactor authentication:** Create unique passwords and enable multifactor authentication when available.
- ❖ **Avoid public Wi-Fi for shopping or financial transactions:** Use a secure home network or trusted mobile hotspot.
- ❖ **Monitor your financial accounts regularly:** Review statements and report suspicious charges immediately.
- ❖ **Protect your personal and tax information:** IDOR will never ask for sensitive information via email or text unless you're already in a secure conversation with the department.

- ❖ **Be alert for delivery and tracking scams:** Don't click on links in unsolicited emails or texts about package tracking.

2026 has 53 Thursdays – Does This Mean an Extra Payroll?

Our year is 365 (or 366) days long. This does not divide evenly into the seven days of the week. 2026 contains 53 Thursdays, which gives your weekly or bi-weekly salaried employees an extra paycheck in 2026.

In any year with 365 days, there will be six days of the week that occur 52 times and one day of the week that occurs 53 times. In a leap year with 366 days, there will be five days of the week that occur 52 times and two days of the week that occur 53 times.

If you pay your salaried employees on Thursdays, then you may have 53 or 27 payday in 2026. There are three options for you:

- ✚ Do nothing and pay the same amount for each payday, recognizing one extra paycheck in the year. This results in a higher annual payroll cost for salaried employees.
- ✚ Divide annual salaries by 53 or 27 paydays. This will result in smaller employee checks each payday, countered by an extra paycheck at year's end. For instance, if a salaried employee is paid \$52,000 a year, an employer can recalculate the per-paycheck amount so it ends up working out to be \$52,000 over 27 paychecks every other week instead of 26 paychecks. Note: Employers electing this option should ensure compliance with the federal Fair Labor Standards Act and any relevant state wage laws.
- ✚ Another solution some favor is to change from a paycheck every two weeks to a twice-per-month paycheck. Be sure to adjust benefits deductions accordingly.

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

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