

January 16, 2025

Greetings Business Owners, we hope that you have had a healthy and successful year. There are not many changes to business returns for 2024.

First, please **fill out the Business Checklist**, and **sign and date the Engagement Letter**. Both are necessary to prepare your 2024 business returns. Please realize that you cannot deduct all of your Cell Phone, Cable Bill, Internet, Rent, Insurance or Auto if you use it for both business and personal. Please estimate your business use when you give us these amounts. Many of these expenses are useful for **Office-in-Home**, if you work from home.

This is the third year for S Corporation returns using **Form 7203, S Corporation Shareholder Stock and Debt Basis Limitations**, to determine the "basis" of the shareholder/owner's interest in an S Corporation. Basis is defined as having a personal financial interest in a business. **Without sufficient basis, which usually comes from profit or personal investment, the shareholder cannot deduct losses or take non-taxable distributions.**

This is a complex concept and requires more time for each return. The IRS now requires us to complete **Form 7203**, which we **must** include with your personal return.

The **standard mileage rate** in 2024 was **67 cents-per-mile** (please remember that the IRS wants a logbook for miles). The 2025 mileage rate is 70 cents. **Meals are only 50% deductible and there is no deduction for Entertainment expenses.**

Self Employed Health Insurance has its own form for 2024 (**Form 7206**), which will complicate your return. If you pay Health Insurance out-of-pocket (not on your spouse's employer-provided health insurance plan), you can get a deduction for it. This deduction does include **Medicare**. The deduction cannot exceed your profit or wages, and it should appear on your W-2. **If this scenario applies to you, please contact us immediately** so that we can explain it. Medical expenses, other than health insurance, are not deductible as business expenses. But, you can also deduct vision and dental insurance that you pay out-of-pocket.

On the State level, we have mentioned this State change before. It is called **Pass Through Entity (PTE) Tax**. PTE allows the **S Corporation or Partnership** to pay the personal State income tax for the shareholder/owner. The business can deduct this payment on its tax return, which often is not deductible on a personal level. It is most effective when the corporation or partnership has substantial profit. It does not work if the business has losses.

In order to implement the **PTE**, the business has to make quarterly estimated payments beginning on April 15. The business can also make one large advance payment on April 15. If you are interested in discussing this, please send us an email. See IL Pub 129 for more info.

The **Corporate Transparency Act** and the **Beneficial Owners Information (BOI)** report has been put on hold by the courts, but it could be reinstated at any time.

Thank you, take care,

Greg and Linda Ganster