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MARRIAGE AND TAXES: KEY CHANGES AFTER SAYING 'I DO'

It may not be as fun to plan as the wedding venue, invitations and attire, but marriage can result in changes affecting essential tax issues that need prompt attention following the wedding:

Name. If your name has changed, report it to the Social Security Administration (SSA) so that the name on your Social Security card matches the name on your tax return. To make this change, file Form SS-5, "Application for a Social Security Card," available from www.ssa.gov, by calling (800) 772-1213, or from the local SSA office.

Address. Inform the IRS about an address change by filing Form 8822, "Change of Address," available from www.irs.gov. Also, notify the U.S. Postal Service at www.usps.com or your local post office to forward mail.

Tax withholding. A change in marital status requires both parties to furnish their employer(s) with new Forms W-4, "Employee's Withholding Allowance Certificate." This is because combined incomes may move taxpayers into a different bracket. Search www.irs.gov for the IRS Withholding Calculator tool to help you complete the new Form W-4.

Filing status. Marital status is determined as of December 31 each year. Spouses can choose to file jointly or separately each year. We can help by calculating your liability both ways.

Circumstances. Taxpayers who receive advance payments of the health care premium tax credit in 2025 should report changes in income, family size, or address to the Health Insurance Marketplace at www.healthcare.gov. Report promptly to ensure receipt of the correct type and amount of financial assistance. ■

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Tax & Business Alert

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CHOOSING THE OPTIMAL ACCOUNTING METHOD FOR TAX SAVINGS

The accounting method your business uses to report income for tax purposes — cash or accrual — can significantly impact your tax bill. While the cash method can offer tax-saving opportunities, the accrual method may be more appropriate — or required — in some cases. So review your current method to help ensure you're using the best method for your business.

WHO CAN USE CASH ACCOUNTING?

The Tax Cuts and Jobs Act made the cash method more accessible to businesses than in the past and simplified the associated requirements. In 2025, a "small business" is defined as one with average annual gross receipts of $31 million or less over the prior three years. This higher threshold allows more businesses to take advantage of the cash method, along with associated benefits such as:

- Simplified inventory accounting,
- Exemption from the uniform capitalization rules, and
- Exemption from the business interest deduction limitation.

Some businesses are eligible for cash accounting even if their gross receipts exceed the threshold. This includes S corporations, partnerships without C corporation partners, farming businesses, and certain personal service corporations. But tax shelters of any size are ineligible for the cash method.

WHY DOES THE METHOD MATTER?

For most businesses, the cash method provides significant tax advantages. Because cash-basis businesses recognize income when received and deduct expenses when paid, they have greater control over the timing of income and deductions. For example, toward the end of the year, they can defer income by delaying invoices until the following tax year or shift deductions into the current year by accelerating payment of expenses.

In contrast, accrual-basis businesses recognize income when earned and deduct expenses when incurred, without regard to the timing of cash receipts or

DETERMINING WHETHER A METHOD CHANGE IS WORTHWHILE

Even if your business would save taxes by changing its accounting method, be mindful of other possible consequences. For example, if your business prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles, it's required to use the accrual method for financial reporting purposes. So, using cash accounting for tax purposes would mean keeping two sets of books, which can be burdensome.

Also, you may need IRS consent before making a change. Please contact us for assistance.

payments. Therefore, they have little flexibility in recognizing income or expenses for tax purposes.

The cash method also provides cash flow benefits. Because income is taxed in the year received, it helps ensure that a business has the funds needed to pay its tax bill.

However, for some businesses, the accrual method may be preferable. For instance, if a company's accrued income tends to be lower than its accrued expenses, the accrual method may result in lower tax liability. Other potential advantages of the accrual method include the ability to deduct year-end bonuses paid within the first 2½ months of the following tax year and the option to defer taxes on certain advance payments.

WHAT SHOULD YOU DO?

Evaluating accounting methods can be complex. We can help you weigh all the relevant factors and choose the best accounting method for your company. ■

WHAT'S YOUR BUSINESS EXIT STRATEGY?

Ever since you became a business owner, you've focused on growing revenue, managing expenses and leveraging tax advantages. But don't overlook a critical element of your long-term financial well-being, that is, a business exit strategy. Ideally, your exit strategy will help you meet your retirement and estate planning goals.

MULTIPLE-OWNER BUSINESSES

A buy-sell agreement is a powerful tool for businesses with multiple owners. A well-drafted agreement outlines what happens if specified events occur, such as the owner's retirement, disability or death. The agreement should:

- Create a ready market for the departing owner's interest,
- Establish a valuation method, and
- Help prevent disputes by keeping ownership transitions clear.

Life or disability insurance can help fund the buyout and can give rise to several tax issues and opportunities. Life insurance proceeds are generally tax-free to the beneficiary, provided certain conditions are met, making this a tax-efficient strategy.

FAMILY OWNERSHIP

If you have family members who are willing and able to fill ownership roles in the business, you can pass

your business on by giving them interests, selling them interests or doing some of each. Consider your income needs, the tax consequences, and how family members will feel about your choice.

Under the annual gift tax exclusion, in 2025, you can gift up to $19,000 of ownership interests without using up any of your lifetime gift and estate tax exemption. Valuation discounts may further reduce the taxable value of the gift.

With the gift and estate tax exemption for 2025 at $13.99 million, gift and estate taxes may be less of a concern for some business owners. However, others may want to make substantial transfers now to take maximum advantage of the high exemption. What's right for you will depend on the value of your business and your timeline for transferring ownership.

OUTSIDE THE FAMILY

If family succession isn't the right fit, you might consider selling the business to key employees. This requires significant planning, including executive compensation plans, loans and possibly "key person" life insurance. So you'll need plenty of time — and professional guidance — to put the elements in place.

Another option is a leveraged Employee Stock Ownership Plan (ESOP), under which an ESOP trust borrows funds to buy the company. Then stock units are periodically awarded to eligible employees and are eventually vested.

Finally, there's the option to sell to an outsider. If you can find the right buyer, you may be able to sell the business at a premium. Putting your business into a sale-ready state can help you get the best price. This generally means transparent operations, assets in good working condition and minimal reliance on key people.

FOR THE BEST CHANCE OF SUCCESS, START EARLY

Whatever path you pursue, you want your business to be in good hands in the future. Your exit strategy will require planning well in advance of retirement or any other reason for an ownership transition. We're here to provide assistance. ■

INVEST IN YOUR KIDS' OR GRANDKIDS' FUTURE — WITH HELP FROM THE TAX CODE

If you're thinking about helping a child or grandchild pay for school, you're not alone — and you're not without help. While families have always saved for education, Section 529 plans have made it easier and more tax-efficient.

TAX ADVANTAGES

With a 529 plan, your contributions grow tax-deferred, and no taxes are due when the money is used for qualified education expenses. These include postsecondary school expenses such as tuition, mandatory fees, books, supplies, computer equipment, software, internet service and, generally, room and board (for students enrolled at least half-time). Contributions aren't deductible for federal purposes, but many states offer tax breaks or matching grants for contributions.

Contributions to a 529 plan may be shielded from gift tax by the annual gift tax exclusion, which for 2025 is $19,000 per recipient ($38,000 for joint gifts by a married couple). You can even choose to front-load five years' worth of annual exclusion gifts into a 529 plan contribution in a single year. For instance, you and your spouse can contribute up to $190,000 per recipient in 2025, exempt from gift tax. Any excess contributions can potentially be made gift-tax-free under the federal gift and estate tax exemption ($13.99 million in 2025).

529 PLANS GAIN FLEXIBILITY

Before the Tax Cuts and Jobs Act (TCJA), the tax exclusion for qualified expenses was strictly limited to postsecondary education. The TCJA expanded this tax break to $10,000 of tuition per year at an elementary or secondary public, private, or religious school.

More recently, thanks to the SECURE Act, you may use up to $10,000 in a 529 plan to repay the beneficiary's student loans, plus another $10,000 to repay student loans held by the beneficiary's siblings. It also allows 529 funds to pay for apprenticeships (for example, classroom instruction at a community college).

In addition, under SECURE 2.0, from 2024 forward, up to $35,000 (lifetime limit) in unused 529 plan funds can be rolled into a Roth IRA for the beneficiary, subject to various rules.

Finally, changing how financial aid is calculated on the Free Application for Federal Student Aid (FAFSA) form may help grandchildren. Gifts from grandparents to 529 accounts no longer affect the allowable aid.

BUILD SECURITY FOR FUTURE GENERATIONS

Given the high costs of higher education and many private elementary and secondary schools, planning is more important than ever. A 529 plan can be a powerful, tax-efficient tool to help you save for education expenses. Contact us with questions about 529 plans. ■