

Nerenberg & Kulawiak, Inc.
Business and Tax Consultants
4 Waterloo Road
Stanhope, NJ 07874
Phone: (973) 347-3552
Outside NJ: (888) 466-5582
Website: www.KulawiakFinancialServices.com

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Dear Friends,

Our 2026 calendar is now open for booking your tax appointment. You can call now to make your tax appointment but if you upload/drop-off/mail in, you do not need to schedule an appointment. Our tax season drop off/pick up hours are Monday – Friday 8:30 am – 8:00 pm and Saturday from 8:30 am – 4:00 pm. For virtual and phone appointments with John, you can call now to make that appointment, but we will need your documents in our office 10 days – 2 weeks prior to that appointment. Your virtual appointment will have to be rescheduled if we do not have your documents in advance.

Extensions & Estimated Taxes: The extension deadline for completing your 2024 tax return is October 15, 2025. For those of you currently on extension, we need to have all your data in our office no later than Friday, September 12, to give us enough time to process the returns and get them back to you prior to the deadline. We cannot guarantee completion of a tax return if the data is dropped off after September 12, 2025, and you may be subject to late filing penalties and interest charges.

Third quarter personal estimated tax payments are due by September 15. Please get us your data as soon as possible to give us enough time to calculate those payments. The final personal estimated tax payment covers the period of September 1, 2025, to December 31, 2025, and is due on January 15, 2026.

NJ Anchor Rebate: The State of NJ will automatically file many of the Anchor rebates this year. NJ is mailing letters to homeowners and renters that have filed in the past. Be sure to read the letter to see if you need to take any action or if NJ has your proper information on file. This Anchor Rebate is based on your home ownership status as of October 1, 2024. If you have never filed the Anchor Rebate in the past and/or you do not receive a letter or application from NJ in the mail, you may have to go through identity verification through ID.me.

New Tax Law: The One Big Beautiful Bill Act (OBBBA) was signed into law in July. This legislation contained several tax provisions which we will summarize below. Like most tax laws, there are phase-outs, limitations, and exceptions to almost all the new rules mentioned below.

- *Temporary Deduction for Seniors* – Taxpayers age 65 & older may claim a new deduction of \$6000. This begins with the 2025 tax return and expires at the end of 2028. There was a lot of misinformation and confusion about this deduction. This is purely an additional deduction based on age. This does not make Social Security

payments tax free or change how Social Security income is taxed. There may be individuals that are age 65 and who are not collecting their Social Security that would be entitled to this deduction. This is a deduction of \$6000 (\$12,000 if Married filing Jointly and both spouses are 65 or older) and not a credit. This deduction helps reduce your taxable income before calculating your tax liability.

- *Increased Child Tax Credit* – Starting in 2025, the Child Tax Credit increases to \$2200 and is subject to annual inflation adjustments. This higher limit applies to children that are under the age of 17 as of the end of the tax year.
- *Increase to Child Care Flexible Spending Account* – The new limit for childcare FSAs is \$7500 per year beginning in tax year 2026. That is increased from the current limit of \$5000. That limit applies to both Single and Married Filing Joint taxpayers.
- *Increased State and Local Tax (SALT) deduction* – The SALT deduction has been increased from \$10,000 to \$40,000. SALT includes Real Estate/Property taxes and State and Local Income taxes paid or withheld from paychecks. The phase-out on this deduction starts when Adjusted Gross Income hits \$500,000 and taxpayers making \$600,000 or more are limited to the original \$10,000.
- *No tax on tips* – Individuals that customarily and regularly receive tips as part of their occupation may now take a deduction of up to \$25,000 per year. The deduction is the lesser of the tips received or \$25,000. Most importantly, it only applies to taxpayers that normally receive tips in their job. Waiters and waitresses, bartenders, hair stylists, and similar occupations would be entitled to the deduction while someone working in IT or a Marketing executive could not take the deduction. The IRS will publish eligible occupations for this deduction on their website before the end of the year.
- *No tax on overtime* – Taxpayers that receive overtime pay may now take a deduction of up to \$12,500 for Single filers and \$25,000 for Married Filing Joint filers. This one requires some record keeping by both the individual receiving the overtime pay and the employer/payroll department. The deduction only applies to the amount in addition to your regular rate of pay. For example, if your regular rate of pay is \$20/hour and your overtime rate is \$30/hour, the \$10/hour additional pay is the only amount eligible for the deduction. It is possible the eligible overtime pay will be reported in box 14 of your 2025 W2 but that has not been confirmed yet.
- *Car Loan interest Deduction* – Interest paid on a car loan for tax years 2025-2028 may now be deductible. Leased and used vehicles do not qualify. The vehicle must be for personal use, new, and purchased after December 31, 2024. The deduction is capped at \$10,000 per year and you must include the vehicle's identification number (VIN) on the tax return. Final assembly of the vehicle must be in the United States to qualify for the deduction.
- *Charitable Deduction Increase* – Beginning in 2026, taxpayers that take the standard deduction may now be able to reduce their Adjusted Gross Income by taking a deduction for charitable contributions. We highly encourage everyone to maintain good records for this deduction as it is a valuable deduction and helps reduce your tax liability.

- *Elimination of Energy Efficient Credit* – After December 31, 2025, the credit for energy efficient home improvements will be eliminated. If you are planning on installing new windows, exterior doors, insulation, heating systems, A/C systems, boilers, furnaces, heat pumps, or hot water heaters, we recommend having them installed prior to the end of this year so you can take the credit on your tax return.
- *Bonus Depreciation for Businesses* – The new legislation permanently reinstates the 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025.

Our next newsletter will be sent out in early January, and we will include our annual checklist to help you organize your documents. We will also require the completed Drop Off/Mail In form to be included with your documents when dropping off, uploading, or mailing. You can complete the form and include it with your documents when submitting them or we will have them at the office for you to complete when dropping off. We will not start working on your return until we have a fully completed form in your file.

Best Regards,

Ed, John, Carrie, & Michele

*Edwin Kulawiak

Tax Email: ed@nkinctax.com

Investment Email : edwin.kulawiak@ceterafs.com

*John Kulawiak

Tax Email: john@nkinctax.com

Investment Email: john.kulawiak@ceterafs.com

**Carrie Francis

Tax Email: carrie@nkinctax.com

Investment Email : carrie.francis@ceterafs.com

**Michele Corby

Tax Email : michele@nkinctax.com

Investment Email: michele.corby@ceterafs.com

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