

Tax Letter

January 2025



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We wish all of our friends a Happy and Healthy New Year!

This letter contains important tax related information that you may need for 2024 and 2025. As always, please contact us if you have any questions.

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Due Dates for All 2024 Tax Returns

Type of Tax Return	Due Date
Partnerships and S Corporations	March 17, 2025
C Corporations and individuals	April 15, 2025
Trusts and estates	April 15, 2025
Exempt organizations	May 15, 2025
Final deadline for partnerships and S Corporations	September 15, 2025
Final deadline for trusts and estates	September 30, 2025
Final deadline for C Corporations and individuals	October 15, 2025
Final deadline for exempt organizations	November 17, 2025

Automobile Mileage Rates

Type	2025	2024
Business	\$0.70/mile	\$0.67/mile
Medical/Moving	\$0.23/mile	\$0.21/mile
Charitable	\$0.14/mile	\$0.14/mile

Flexible Spending Account Limits (FSA)

Pre-tax dollar limit:

Type	2025	2024
Health FSA	\$3,300	\$3,200
Dependent Care	\$5,000	\$5,000
Transportation (Parking)	\$325/month	\$315/month
Transportation (Transit)	\$325/month	\$315/month
FSA rollover max	\$660	\$640



Health Savings Account Limits (HSA)

Minimum Plan Deductible	2025	2024
Single coverage	\$1,650	\$1,600
Family coverage	\$3,300	\$3,200

Maximum HSA Contribution Level	2025	2024
Single coverage	\$4,300	\$4,150
Family coverage	\$8,550	\$8,300
Catch up – age 55 and over	\$1,000	\$1,000

Out of Pocket Maximum	2025	2024
Single coverage	\$8,300	\$8,050
Family coverage	\$16,600	\$16,100

Social Security

Social Security Cost of Living Adjustment

The cost of living adjustment for 2025 will be 2.5 percent.

Social Security While Continuing to Work

The maximum Social Security Benefit eligibility is based on the following chart:

Year of Birth	Full Retirement Age (FRA)
1943 – 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67



Social Security (continued)

The following chart reflects the annual retirement earnings test for exempt amounts for 2025 and 2024.

Year FRA Attained	2025	2024	Social Security Benefits Withheld
The year reaching full retirement age	\$62,160 \$5,180/mo.	\$59,520 \$4,960/mo.	\$1 in benefits for every \$3 of earnings in excess of the higher exempt amount, but only for months prior to the reaching of FRA.
Under full retirement age	\$23,400 \$1,950/mo.	\$22,320 \$1,860/mo.	\$1 in benefits for every \$2 in earnings in excess of lower exempt amount.

The maximum social security benefit for a worker retiring at full retirement age is \$4,018 per month for 2025 and \$3,822 for 2024.

Minimum Wage

Jurisdiction	Minimum Wage	Minimum Wage with Tips
Federal	\$7.25	\$2.13
Federal - Certain Government Contracts	\$17.75	\$17.75
Delaware, effective 1/1/2025	\$15.00	\$2.23
New Jersey (Most Employers), effective 1/1/2025	\$15.49	\$5.62
Pennsylvania	\$7.25	\$2.83

Full minimum wage information listed by state can be found at:

<http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>

Worker Misclassification Law

New Jersey and other states have instituted strict new requirements for determining if a worker is an employee or a subcontractor. These rules are known as the "ABC Test" www.myworkrights.nj.gov. The burden is on the employer to determine if a worker should be classified as an employee or subcontractor (1099 worker). An employer found to be in violation of the law is subject to back pay awards, penalties, stop-work orders, license revocation and other harsh penalties.



1099 Reporting Requirements

Clients are required to file Form 1099-NEC/1099-MISC if you have paid during the year to individuals and unincorporated business, including LLC's, the following:

1. At least \$10 in royalties.
2. At least \$600 in rents, services, prizes & awards, and other income payments. Report only when payments are made in the course of your trade or business. Personal payments are not reportable.
3. At least \$600 in fees or gross proceeds paid to an attorney in connection with legal services.

Exceptions are generally:

1. Payments made to a corporation (except in the case of gross proceeds or fees paid to an attorney).
2. Payments for merchandise, telephone, freight, storage, and similar items.
3. Payments of rent to real estate agents.

Due dates for 1099's for the 2024 tax year are as follows:

Form	Recipient Deadline	IRS Paper-filed Deadline	IRS E-filing Deadline
1099-NEC	1/31/25	1/31/25	1/31/25
1099-MISC (no data in boxes 8 or 10)	1/31/25	2/28/25	3/31/25
1099-MISC (with data in boxes 8 or 10)	2/17/25	2/28/25	3/31/25
1099-B, 1099-S	2/17/25	2/28/25	3/31/25
1099-C, 1099-DIV, 1099-INT, 1099-K, 1099-R, 1098-T	1/31/25	2/28/25	3/31/25

IRS has announced that the Form 1099-K reporting threshold for third party platform payments for 2024 is transaction(s) totaling more than \$5,000; more than \$2,500 in 2025; and more than \$600 in calendar year 2026 and thereafter.

New mandate effective January 1, 2024, e-filing threshold for 1099's lowered to 10, changed from 250 threshold in prior years.



Retirement Plan Benefits and Limits

Type			2025	2024
Traditional and Roth IRA contribution			\$7,000	\$7,000
Traditional and Roth IRA catch-up contribution			\$1,000	\$1,000
SIMPLE IRA and SIMPLE 401(k) salary deferral			\$16,500	\$16,000
SIMPLE IRA and SIMPLE 401(k) catch-up contribution (50 years old & above)			\$3,500	\$3,500
401(k), 403(b), 457(b), and SARSEP salary deferral contribution			\$23,500	\$23,000
401(k), 403(b), 457(b), and SARSEP catch-up contribution (50 years old & above)			\$7,500	\$7,500
SEP minimum compensation			\$750	\$750
SEP maximum compensation			\$350,000	\$345,000
Retirement Savings Contribution Credit: Married filing jointly			\$79,000	\$76,000
Retirement Savings Contribution Credit: Married filing separately and single			\$39,500	\$38,250
Retirement Savings Contribution Credit: Head of Household			\$59,250	\$57,375
Roth IRA income eligibility limitation	Married filing jointly	100%	236,000 or less	\$230,000 or less
		Partial	\$236,001 – \$245,999	\$230,001 – \$239,999
		None	\$246,000 or more	\$240,000 or more
	Married filing separately	Partial	Less than \$10,000	Less than \$10,000
		None	\$10,000 or more	\$10,000 or more
	Single/head of household	100%	\$150,000 or less	\$146,000 or less
		Partial	\$150,001 – \$164,999	\$146,001 – \$160,999
		None	\$165,000 or more	\$161,000 or more
	IRA deductibility limits assuming one spouse participates in a qualified plan: (No income limitation applies if not covered by an employers' retirement plan)			
Traditional IRA income eligibility limitation	Married filing jointly	100%	\$126,000 or less	\$123,000 or less
		Partial	\$126,001 – \$145,999	\$123,001 – \$142,999
		None	\$146,000 or more	\$143,000 or more
	Married filing separately	Partial	Less than \$10,000	Less than \$10,000
		None	\$10,000 or more	\$10,000 or more
	Single/head of household	100%	\$79,000 or less	\$77,000 or less
		Partial	\$79,001 – \$88,999	\$77,001 – \$86,999
		None	\$89,000 or more	\$87,000 or more
	Annual addition/contribution limit under a defined contribution plan or SEP IRA			\$70,000
Annual benefit under a defined benefit plan			\$280,000	\$275,000
Compensation cap			\$350,000	\$345,000
Key employee definition			\$230,000	\$220,000
Highly compensated employee definition			\$160,000	\$155,000
Social Security (FICA) wage base			\$176,100	\$168,600



Unified Estate and Gift Tax Exclusion Amount

For gifts made and estates of decedents dying in 2025, the exclusion amount will be \$13,990,000 (up from \$13,610,000 in 2024) per person, \$27,980,000 for a married couple (up from \$27,220,000 for 2024). The federal gift limitation increases to \$19,000 (up from \$18,000 in 2024) per recipient per year without gift tax implications.

New Jersey Business Alternative Income Tax (BAIT)

Partnerships, S Corporations and Limited Liability Companies with two or more members will be able to deduct NJ income tax on their federal business tax returns in the year paid. This tax is NOT automatic as taxpayers must elect into the tax regime annually. The election must be made on or before the original due date of the return. The election and tax payments must be made online at:

www.state.nj.us/treasury/taxation/baitpte.shtml

The statutory rates for the NJ BAIT are as follows:

Pass-Through Entity Income	Tax Rate
First \$250,000	5.675%
Amount between \$250,000 and \$1 million	6.52%
Amount over \$1 million	10.9%

Other states offer similar programs but with different rules. Please contact us to discuss your individual situation to see if this tax is something you want to elect into.

New Jersey Anchor Program

This new benefit is based on your New Jersey Gross Income and cannot exceed the amount of property taxes paid. If your NJ Gross Income exceeded \$250,000 you are not eligible.

Homeowners

- Gross Income (NJ 1040 Line 29) of \$150,000 or less = \$1,750 (\$1,500 age 64 or younger)
- Gross Income (NJ 1040 Line 29) of \$150,001 to \$250,000 = \$1,250 (\$1,000 age 64 or younger)

Renters with income of \$150,000 or less = \$700 (\$450 age 64 or younger)

The filing date expires November 30.

The application can be filed online <https://www.nj.gov/treasury/taxation/anchor/home.shtml> or by calling 1-877-658-2972 (you can schedule a telephone appointment).



Governor Murphy signed into law on November 1, 2024 the Stay NJ Property Tax Credit Program. The public can anticipate a combined application for all three tax programs (Senior Freeze, ANCHOR, and Stay NJ) to become available in early 2025.

Individual Income Tax Deductions and Credits for 2025 & 2024 Tax Returns

Standard Deduction	2025	2024
Married Filing Jointly	\$30,000	\$29,200
Head of Household	\$22,500	\$21,900
Single/Married Filing Separately	\$15,000	\$14,600
Dependent Standard Deduction (min)	\$1,350	\$1,300
Additional Amount for Aged or Blind (also unmarried and not a surviving spouse)	\$2,000	\$1,950
Additional Amount for Aged or Blind	\$1,600	\$1,550

Child Tax Credits (Subject to AGI Phaseout Thresholds)	2025	2024
Qualifying Child Under 17	\$2,000 (\$1,700 refundable)	\$2,000 (\$1,700 refundable)

Dependent Care Credit Expanded	Max	Min
One qualifying dependent	\$1,050	\$600
Two qualifying dependents	\$2,100	\$1,200



Corporate Transparency Act (CTA)

This Act is aimed at improving business ownership transparency, particularly for small businesses. The goal is to increase awareness regarding an entity's structure and potential illicit activities, including tax fraud. The document to be filed is known as the Beneficial Ownership Information Report and is filed with the Financial Crimes Enforcement Network (FinCen).

The CTA takes effect January 1, 2024 and requires disclosure of beneficial ownership information for certain entities from their respective owners (ownership in excess of 25%). There are substantial penalties for non-compliance.

On December 3, 2024, a federal court issued a nationwide preliminary injunction in the case *Texas Top Cop Shop, Inc., et al v. Garland, et al.*, temporarily halting the enforcement of the CTA's BOI reporting requirements. **This order stays all deadlines for reporting companies to comply with the CTA, and reporting companies are not currently required to file BOI with the Financial Crimes Enforcement Network (FinCEN). Importantly, no liability will arise for failing to file BOI while the injunction is in effect.** Despite this pause, companies may want to consider maintaining readiness by continuing to collect Beneficial Ownership Information to ensure compliance if the injunction is lifted and reporting deadlines are reinstated.

Although filing is not currently required, FinCEN is allowing companies to voluntarily submit reports.

We will keep monitoring this ruling and will inform our clients as to any pending future legislation.

Qualified Charitable Distributions (QCDs)

Individual Retirement Arrangement (IRA) owners age 70½ or over can transfer up to \$100,000 to qualified charity organizations tax-free each year. QCDs satisfy the taxpayer's Required Minimum Distribution (RMD) for the year and are not taxable to the individual.



2025 Payroll Tax Rates

Jurisdiction and Tax Type	Employee Rate	Employer Rate	Limits (if any)
FEDERAL			
Federal Unemployment	N/A	0.60%	Maximum wages \$7,000 Maximum of \$42 per employee
FICA	6.20%	6.20%	Maximum wages \$176,100 Max deduction: \$10,918.20
Medicare	1.45% 0.09%	1.45% N/A	No wage base limit Additional .9% tax on all wages in excess of \$200,000 (\$250,000 for joint returns, \$125,000 for Married Filing Separately)
Federal Income Tax	Based on Circular E	N/A	Rates vary (10% – 37%)
NEW JERSEY			
NJ State Unemployment Workforce/S.W.F.	0.425%	Rates Vary (0.6% - 6.4%)	Maximum wages employee and employer: \$43,300 Maximum employee deduction: \$184.03 Standard New Employer Rate is 3.1%
NJ Disability Rate	0.23%	Rates Vary	Maximum wages employee: \$165,400 Maximum wages employer: \$43,300 Maximum employee deduction: \$380.42 Standard New Employer Rate is 0.5%
NJ Paid Family Leave Rate	0.33%	N/A	Maximum employee wages \$165,400 Max employee deduction: \$545.82
NJ Income Tax	See Withholding Charts	N/A	Rates vary (1.5% – 11.8%)
PENNSYLVANIA			
PA State Unemployment	0.07%	Rates Vary	Maximum wages for employers \$10,000 Employees-Unlimited wage base New Employer Rate 3.822% (non-construction) 10.5924% (construction)
PA Income Tax	3.07%	N/A	
PHILADELPHIA			
Wage Tax:			
Residents	3.75%	N/A	Effective July 1, 2023 through June 30, 2025
Non-Residents	3.44%	N/A	Effective July 1, 2023 through June 30, 2025





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