

FINANCIAL FORECASTS, INC
TAX PREPARATION & PLANNING

JANUARY 2026

"THE MORE THINGS CHANGE, THE MORE THEY STAY THE SAME" JEAN-BAPTISTE A KARR

2018 WAS OUR LAST MAJOR TAX LAW CHANGE WE BRANDED LAUGHINGLY "THE BEST TAX LAW EVER" IS NOW BEING CHANGED BY THE SAME PRESIDENT WITH THE "ONE BIG BEAUTIFUL BILL ACT". THERE ARE ADJUSTMENTS THAT TAKE EFFECT IN 2025 AND OTHERS WILL ARRIVE IN 2026. IN 2025 MORE TAXPAYERS MAY MOVE BACK TO ITEMIZED DEDUCTIONS WITH AN INCREASE IN MAX LIMITS TO DEDUCTIBLE TAXES WITH A NEW CAP AT \$40,000 VERSUS PRIOR CAP \$10,000. THEY ARE GIVING US BACK THE BENEFITS THEY TOOK AWAY EARLIER. THIS IS A PLUS+!

NOW THE MINUS - 2026 THE PREVIOUS EXCELLENT DEDUCTIBLE RETIREMENT CONTRIBUTIONS FOR 401K/403B CATCH UP LIMITS HAVE BEEN ALTERED BY NOT ALLOWING DEDUCTIBLE CONTRIBUTIONS IF INCOME IN PREVIOUS YEAR EXCEEDS \$150,000 PER PARTICIPANT. ANY CONTRIBUTION BY INDIVIDUALS THAT EXCEED THE EARNINGS LIMIT ARE DESIGNATED ROTH CONTRIBUTIONS (NOT DEDUCTIBLE). THE MARKETING OF ROTH BY BROKERS/ADVISORS HAS BEEN PUSHING ROTH AS THE BEST INVESTMENT, BUT THE US GOVT IS FORCING PEOPLE INTO THE ROTH PLAN, IS IT THE BEST NOW? IF MARRIED COUPLES WITH BOTH ELIGIBLE FOR RETIREMENT CONTRIBUTIONS, YOU MAY REDIRECT MAX DEDUCTIBLE TO LOWER EARNER.

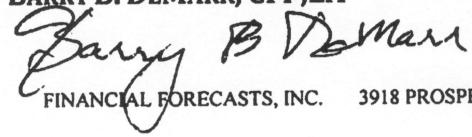
WE HAVE NEVER BEEN FANS OF ROTH'S PAY YOUR TAX IN ADVANCE AND NO TAXES IN THE FUTURE. THIS IS A LOUSY TRADE OFF AS MONEY IS GETTING CHEAPER WITH OUR GOVT UNCONTROLLED SPENDING AND PAYING TAX IN ADVANCE PUT YOU 100% AT RISK TO THE ONLY REAL INVESTMENT OPTION OF STOCKS. THE DEDUCTIBLE PLAN ALLOWED YOU TO LEVERAGE YOUR INVESTMENT WITH 70% YOUR MONEY AND 30% US GOVT FUNDS, YOU WOULD BE INVESTING WITH A PARTNER IN GAIN OR LOSS. WE DO NOT RECOMMEND LIFECYCLE OR TARGET DATE FUNDS EITHER. ALL STOCKS DROP IN DOWN MARKET, IT IS A FALSE SECURITY THAT HAS YOU EARNING LESS WHILE YOU ARE NOT TAKING ADVANTAGE OF TIME TO RETIREMENT.

HOW WILL THIS AFFECT YOU IN PREPARING FOR TAX FILING IN 2025. WE WILL NEED TO ASK FOR MORE DETAIL AND YOU CAN HELP WITH BRIEF DISCLOSURES ABOUT NEW CIRCUMSTANCES.

- EVERYONE NEEDS TO REVIEW ITEMIZED DEDUCTIONS (MAJOR CHANGE), MEDICAL EXPENSE, STATE INCOME TAX, REAL ESTATE TAX, PERSONAL PROPERTY TAX, CONTRIBUTIONS CASH RECEIPTED & OTHER THAN CASH.**
- DID YOU BUY A NEW CAR WITH A CAR LOAN IN 2025, INTEREST DEDUCTIBLE IF SCH A QUALIFIED.**
- DID YOU RECEIVE "TIPS" OR "OVERTIME PAY"**
- CHARITABLE CONTRIBUTIONS ARE MAKING A COMEBACK WHETHER ITEMIZED OR STANDARD DEDUCTION.**
- MOST OF THE OTHER CATEGORIES ARE PHASING OUT BENEFITS OR JUST INFLATION ADJUSTMENTS.**

OUR TAX ORGANIZERS WILL BE EMAILED TO ALL CLIENTS AND WE CAN PROVIDE A PAPER COPY BY MAIL IF NEEDED. PAY CLOSE ATTENTION TO OUR "CHECKLIST". PLEASE VALIDATE ALL ENTRIES (ESPECIALLY ESTIMATED TAX PAYMENTS DATES & AMOUNT PAID). WE WILL NEED FORMS W2,1099's,1098 YEAR END BROKERAGE STATEMENTS, K-1's, RENTAL SUMMARY AND BUSINESS INCOME AND EXPENSES IF APPLICABLE. IF YOU HAVE WORKING DEPENDENT CHILDREN, DO NOT ALLOW THEM TO FILE A TAX RETURN, WE DO IT FOR FREE AND WILL PREVENT US HAVING TO AMEND. ANY QUESTIONS, CALL OR EMAIL US. WE APPRECIATE YOUR BUSINESS AND LOOK FORWARD TO HELPING YOU ACHIEVE FINANCIAL SUCCESS.

BARRY B. DEMARR, CFP, EA


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