THE VIP CPA

Tax-Saving Tips

July 2025

Urgent: Want an Electric Vehicle? Act by September 2025

If you're considering the purchase of an electric vehicle for your business or personal use, now is the time to pay close attention

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On July 4, the president signed the One Big Beautiful Bill Act that terminates the following three major electric vehicle tax credits, effective September 30, 2025:

- Section 45W—Commercial Clean Vehicles Credit. Up to $7,500 for light electric vehicles and up to $40,000 for heavy-duty commercial vehicles.
- Section 30D—New Clean Vehicle Credit. Up to $7,500 for qualifying new electric vehicles, with requirements for domestic sourcing of battery components and minerals.
- Section 25E—Previously Owned Clean Vehicle Credit. Up to $4,000, or 30 percent of the purchase price, for eligible used electric vehicles.

If you are looking to buy an electric vehicle and want the tax credit, now is the time to act.

2025—Your Last Chance to Claim the Solar Tax Credit

If you're considering solar panels or other renewable energy upgrades, 2025 is your last chance to take full advantage of the 30 percent Residential Clean Energy Credit (RCEC).

What Is the RCEC?

The RCEC is a federal, non-refundable tax credit equal to 30 percent of the cost of qualified clean energy systems, including:

- Solar electric panels
- Solar water heaters
- Geothermal heat pumps
- Small wind energy systems

Eligible properties include primary and secondary residences, as well as rentals occupied by the taxpayer. Landlords who do not reside in the property are not eligible.

What Changed?

The RCEC expiration date is now December 31, 2025, thanks to the newly enacted One Big Beautiful Bill Act.

Act Now

Installation takes time. From selecting a system to full installation and inspection, the entire process can span months. To qualify for the credit, you must place your system in service by December 31, 2025.

Although the RCEC is non-refundable, unused credits can carry forward to future tax years.

2025 Is Your Last Chance for Home Energy Improvement Tax Credits

Current tax law (after enactment of the One Big Beautiful Bill Act) allows homeowners to claim up to $3,200 in 2025 tax credits for energy-efficient home improvements, but only if those improvements are placed in service on or before December 31, 2025.

What's Available?

There are two key credits to know about.

1. Up to $1,200/year for energy improvements to your primary residence, including:

- Exterior doors (up to $500 total)
- Windows and skylights (up to $600)
- Insulation and air sealing materials
- Energy-efficient furnaces, boilers, water heaters, air conditioners, and electric panels

2. Up to $2,000/year for advanced systems installed in either your main or second home:

- Electric or natural gas heat pumps
- Electric or natural gas heat pump water heaters
- Biomass stoves and boilers

Additionally, a $150 credit is available for a certified home energy audit, which helps you identify the most cost-effective upgrades.

Important Details

These are non-refundable annual credits, so they reduce your tax bill—but don't result in a refund. Improvements must meet specific energy-efficiency standards and be installed (not just purchased) by the deadline.

You must subtract subsidies or rebates (such as those from utilities) from the cost basis used to calculate your credit.

Take Action Now

If you've been considering upgrades such as insulation, new windows, or high-efficiency heating systems, 2025 is your last chance to take full advantage of these credits.

How to Qualify Conventions and Seminars for Tax Deductions

You and your business likely benefit from attending business conventions and seminars. It's essential to know which expenses you can deduct—and how to ensure they qualify.

As a business owner, you might assume that if a seminar is "business related," it's automatically deductible. But that's not always the case. The IRS sets specific requirements depending on the location of the event. To help you keep your deductions intact, here's what you need to know.

Three Categories of Events

Conventions and seminars fall into one of three tax categories:

- North American
- Foreign
- Cruise ship

North American conventions—including those in places like Jamaica, New York, Mexico, Chicago, and Puerto Rico—are generally deductible as long as attending benefits your business. The IRS defines "North America" broadly, based on specific treaties and agreements.

Foreign conventions and seminars are those that take place outside the North American area and have stricter rules. To qualify, the event must directly relate to your trade or business, and it must be as reasonable to hold it abroad as within North America. You'll likely need an international audience and clear justification.

Cruise ship conventions face the most limitations. The ship must be U.S.-flagged and make all stops in the U.S. or U.S. territories. Furthermore, lawmakers cap the deduction at $2,000 per year. Both you and the event organizer must supply statements of attendance with your tax return.

Documentation Requirements

Regardless of your business structure, documentation is essential. For sole proprietors, deduct the expenses directly. If you operate as a corporation, either pay through the corporate account or submit an expense report for reimbursement. Regardless of the method, make sure the corporation has the required documentation in its records.

Deductions

You can deduct the cost of the event, your travel, and daily expenses—but only if the event qualifies under the rules.

Retire Better: The Hidden Advantages of the Defined Benefit Plan

Are you a high-income solo business owner seeking to supercharge your retirement savings while cutting your tax bill? If so, there's a powerful tool that may surprise you: the defined benefit plan.

Often associated with large corporations or government jobs, defined benefit plans can also be a strategic solution for self-employed professionals and sole owners of corporations—especially those professionals and owners nearing retirement and earning steady six- or seven-figure incomes.

Unlike SEP IRAs or solo 401(k)s, which cap your annual contributions, a defined benefit plan allows much larger, tax-deductible contributions based on your desired retirement benefit.

Why Consider a Defined Benefit Plan?

This plan could be ideal for you if you're

- age 50 or older;
- earning consistent, high income;
- interested in contributing more than $70,000 annually; and
- willing to commit to multi-year contributions.

For instance, someone earning $1 million per year might contribute $300,000 annually—potentially saving over $100,000 in federal taxes.

How It Works

An actuary determines your annual contribution based on your age, income, and retirement timeline. For 2025, the IRS allows the following:

- Funding of up to $280,000 per year in retirement benefits
- Up to $3.5 million in total plan accumulation
- Contributions based on compensation up to $350,000

This makes the defined benefit plan one of the most robust retirement and tax-deferral vehicles available.

Important Considerations

Defined benefit plans require setup and maintenance costs, including annual actuarial evaluations and filings. Expect to invest $1,000–$4,000 annually for administration. Funds are generally locked until retirement, and early withdrawals are subject to penalties.

However, the long-term benefits can be substantial, both for your future retirement security and for your current tax position.

When Should Your S Corporation Have an S Corporation Subsidiary?

If you operate your business as an S corporation, you likely enjoy its tax-saving benefits—especially on Social Security and Medicare taxes. But there's another powerful advantage you may not have considered: forming a qualified subchapter S subsidiary (QSub).

What Is a QSub and Why Consider It?

A QSub is a wholly owned subsidiary of your S corporation. For federal tax purposes, it's "disregarded"—meaning the IRS treats both the parent S corporation and the QSub as a single taxpayer. You file just one federal tax return (Form 1120-S) even if you have multiple QSubs.

Yet for legal purposes, the QSub is its own entity. This offers a compelling benefit: liability protection. If you operate different business lines or locations, placing them in separate QSubs can help shield your core business from legal or financial risks tied to any one activity.

Real-World Example

Consider a physician who owns a professional S corporation that holds medical assets. When starting a medical lab, instead of running it through the same corporation, the doctor forms a QSub. Now, the lab's liabilities stay separate, and there's no added federal tax complexity.

Forming a QSub

To create a QSub, your S corporation must own 100 percent of the subsidiary and file IRS Form 8869. There's no limit on the number of QSubs you can have, and you can transfer assets between your S corporation and QSubs without triggering federal taxes.

QSub vs. LLC

You may wonder whether a single-member LLC offers similar benefits. While the tax treatment is comparable, QSubs tend to provide more consistent and reliable liability protection, particularly across state lines.

Final Thoughts

A QSub can be a smart strategic move if you want to expand operations, isolate risk, or hold separate assets—all without adding tax reporting burdens. That said, QSubs must be respected as separate legal entities and properly capitalized and insured.

Understanding the Gift Tax: What You Need to Know

Did you know that giving money or property to someone without receiving full value in return may be considered a taxable gift under federal law? While making a gift is often a generous and well-intentioned act, it can come with reporting obligations—and in some cases, tax consequences.

What Is Considered a Gift?

A gift for tax purposes occurs when you transfer money, property, or other assets without receiving something of equal value in return. In such cases, you—the donor—may be required to file a federal gift tax return, and for substantial gifts, you could face gift taxes of up to 40 percent.

Importantly, gift tax liability falls on the donor, not the recipient. The person receiving the gift does not report it as income and does not pay gift tax (except in rare arrangements where they agree to do so).

Most Gifts Are Not Taxed—Here's Why

Although the federal gift tax exists to prevent unlimited tax-free transfers of wealth during a person's lifetime, relatively few people pay it—thanks to several key exclusions and exemptions.

1. Annual Gift Tax Exclusion. Each year, you can give a certain amount to any number of individuals without incurring gift tax or triggering a reporting requirement. For 2025, this annual exclusion amount is $19,000 per recipient. So, for example, if you have three children, you can give each of them $19,000 in 2025—totaling $57,000—without needing to file a gift tax return.

2. Gift Splitting for Married Couples. If you're married, you and your spouse can combine your exclusions—a strategy known as gift splitting. This allows you to give up to $38,000 per recipient in 2025 without triggering gift tax.

3. Lifetime Estate and Gift Tax Exemption. In addition to the annual exclusion, lawmakers allow a much larger lifetime exemption. Here are the 2025 limits:

- $13.99 million per individual
- $27.98 million for a married couple

This exemption covers the total value of gifts made during your lifetime and transfers made at death. Even when you owe no tax, you must report gifts that exceed the annual limit to the IRS using Form 709, the U.S. Gift and Generation-Skipping Transfer Tax Return.

Gifts That Are Never Taxed

Certain gifts are completely exempt from gift tax, including:

- Charitable contributions
- Direct payments of another person's education tuition (not room and board)
- Direct payments of medical expenses to providers
- Gifts between U.S. citizen spouses
- Gifts to political organizations

Direct Gifts vs. Trust-Based Gifting

Giving directly—such as writing a check to a loved one—is the simplest form of gifting. However, it also means giving up all control over the assets. For those wishing to retain some oversight, gifts can be made through irrevocable trusts, which allow you to remove assets from your taxable estate while controlling how and when beneficiaries access those assets.

Trust-based gifting strategies can be powerful, but they come with complex legal and tax considerations, and should be implemented carefully with the help of an attorney.