

# TAX NEWS

SPRING 2026

## Dear Client,

It has been the position of many taxpayers that their return will not be audited, and that they do not require the documentation to sustain their tax deductions. It is the practice of our firm to prepare tax returns that are complete and accurate with the substantiation needed in the event of an audit. So, while we may seem a little 'picky' at times about providing us with your complete tax documents, it is for your protection. An audit may not occur for several years, and our memories fade and details become a little hazy. Therefore, the documents act as our memory of what transpired, and our notes are the interpretation of those documents.

As tax law becomes more complex, some tax benefits are temporary, and some are directed at a specific group of taxpayers. The use of Artificial Intelligence (AI) has increased to identify those tax returns that contain items specifically targeted for audit. While our tax system is "voluntary," it does not mean that paying taxes is optional.

The U.S. tax system is "voluntary" in the sense that taxpayers are expected to self-assess, report, and pay their taxes without the government calculating it for them first. Compliance is legally mandatory and enforceable.

We note several areas in this newsletter where substantiation is key to preparing a complete and accurate tax return.

## The Importance of Documenting Your Donations

If you donate clothing or household goods to charity, there's an IRS requirement you need to know about.

In a recent Tax Court case, a taxpayer lost a \$6,760 charitable deduction—not because the donations were improper, but because his documentation failed to meet strict technical requirements. The court did not question his generosity. It denied the deduction because the receipts and Form 8283, Noncash Charitable Contributions, were incomplete.

Here's the key issue: For non-cash donations over \$250, you must obtain a contemporaneous written acknowledgment from the charity (meaning it must be obtained at the time of the donation). Once an audit begins, you cannot create the missing documentation afterwards.

For donations over \$500, you must also maintain detailed records showing what you donated, when you acquired the items, and their cost or basis. Form 8283 must be completed accurately, including donation dates and fair market values. Generic receipts that say "miscellaneous household items" are not enough.

The safest approach is proactive. Before donating, prepare a detailed list of items, including descriptions and estimated values; take photographs; and provide the

list to the charity so it can reference the list in its acknowledgment. Keep all supporting records with your tax files.

You can deduct charitable contributions, but—and this part is critical—only when you satisfy the substantiation requirements that law and regulation demand. The rules tighten as the donation amount increases, with larger contributions triggering stricter documentation standards.

"Contemporaneous" means the donor receives the acknowledgment no later than the earlier of the filing date or due date of the return (including extensions). Donors who try to re-create receipts later—no matter how carefully—fail to meet the rule. Tax law demands detailed, itemized descriptions of every donated item—but charities rarely issue receipts with that level of detail.

Think about your last trip to Goodwill or the Salvation Army. You pulled up, unloaded bags or boxes of clothing and household items, and received a receipt listing the organization's name, address, and maybe a vague phrase such as "miscellaneous household items." The employee at the donation center certainly didn't catalog each shirt, record every kitchen utensil, or describe the condition of your donated microwave.

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## THE IMPORTANCE OF DOCUMENTING YOUR DONATIONS

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This practice makes perfect sense from the charity's point of view. These organizations focus on collecting and redistributing donated goods, not on performing detailed inventory assessments for tax compliance. Cataloging every item would overwhelm their staff and resources.

The contemporaneous documentation requirement deserves special attention. Once an IRS audit starts, taxpayers cannot fix defective records—the window for proper substantiation has already closed. This harsh rule creates substantial risks for taxpayers who assume they can “fix” their records if questioned.

Donors know what they contributed, can photograph the items before delivering them, and can prepare an inventory at the time of donation. The charity simply needs to confirm receipt of the items listed by the donor.

Some practical steps for donors:

- Before donation, prepare a detailed list of items to be donated, including descriptions, acquisition dates, original costs, and estimated fair market values.
- Photograph items before donation, particularly for larger or higher-value items.

- Provide the list to the donee organization at the time of donation.
- Request that the donee acknowledgment specifically reference and incorporate your list of donated items.

Obtain the acknowledgment before filing your return, or by the return's due date including extensions (whichever is earlier).

Complete Form 8283 accurately and completely, including all required values and dates.

Retain everything: your list, photographs, the donee acknowledgment, Form 8283, and any other supporting documentation.

*Our office is available to help you with the recordkeeping necessary to substantiate your charitable donations, whether in cash or non-cash. It is our goal to prepare a return that can be substantiated upon audit with no negative tax consequences for our clients.*

## Are You Aware of the New Postal Procedures?

**A**s our public service announcement for our clients, note the following changes for handling your mail through the U.S. Postal Service (USPS).

For decades, taxpayers trusted a simple rule: if you mailed a tax return or payment by the deadline, the IRS treated it as timely filed. Recent U.S. Postal Service (USPS) practices have changed that reality and created a serious trap for anyone who relies on last-minute mailing.

Today, USPS often applies postmarks at regional processing centers instead of at your local post office. Those centers may be many miles away, and reduced truck schedules can delay transport. When you deposit an item in your local post office, it is not immediately postmarked at the local office. Rather, USPS regulation now provide that postmarks are generally applied by automated cancellation machines located in regional processing and distribution centers.

As a result, a return you drop off on April 15 may receive a postmark dated April 16 or later. The IRS will then treat your filing as late, even though you acted responsibly. Being one day late can trigger penalties and interest equal to 5 percent of the tax due. You have legal proof that you can provide by filing and paying electronically or by using an IRS-approved private delivery service. Electronic filing provides an electronic postmark and removes uncertainty.

You cannot rely on postage labels printed at home or at self-service kiosks. Those labels only show when you bought postage, not when the USPS accepted your mail.

You can protect yourself by taking control of the mailing process. Present your return at a post office retail counter and ask the clerk to apply a manual postmark. For stronger protection, use certified mail. Certified mail provides a postmarked receipt that serves as legal proof of mailing and delivery.

This can be especially critical if you are mailing documents to the tax court. While a late tax filing may be subject to penalties, a late tax court filing can invalidate your entire claim.

If you plan to file by mail, choose your method carefully. A small decision can prevent an expensive and frustrating surprise.

Five takeaways for timely filing:

1. Under the “timely mailed, timely filed” rule, tax documents are deemed filed and payments made with the IRS on the postmark date, not the date the IRS receives the item.
2. USPS regulations provide that items deposited with a local post office may not be postmarked until one or two days later, therefore, dropping a tax return off on April 15 may not be postmarked timely.
3. Taxpayers can obtain an immediate postmark when they mail a document or payment from the local post office and request application of a manual postmark.
4. The best way to file paper tax returns, and other documents, with the IRS or tax court is by certified mail. The postmarked certified mail receipt constitutes legal proof that the item was delivered to the appropriate agency.
5. When documents or payments are made electronically, the date of the postmark is deemed the date of filing and/or payment.

*Our office is continually monitoring any changes that may affect the filing of your tax return, and the processing of payments. While electronic filing and online payments are the safe, secured, and preferred method by the IRS we recognize that there are situations where this may not be possible. Our office is available to help you with all your tax filing requirements.*



# Your Athlete Child – What Income is Required to be Reported?

**H**as your child been approached to receive additional income from their athletic activities? The contractual arrangements for the Name, Image, and Likeness (NIL) of student athletes have grown as a result of the change in the NCAA rules.

Previously, NCAA rules prohibited college athletes from profiting from their name, image, and likeness (NIL). But in 2021, the landscape of collegiate athletics changed when on June 21, 2021, the U.S. Supreme Court ruled in *National Collegiate Athletic Association v. Alston* that student-athletes could benefit from their NIL. After *Alston*, the National Collegiate Athletic Association (NCAA) enacted an Interim NIL Policy, many states enacted NIL legislation, and for the first time, student-athletes were able to benefit from their NIL.

According to the IRS, student-athletes are considered independent contractors for tax purposes. They can profit from endorsements, apparel sales, corporate partnerships, charitable appearances, teaching camps, and starting their own businesses. They can also be paid for developing their own merchandise, promoting products or services, and appearing at events due to their personal celebrity. “NIL rights” allow college athletes to control use of their own identity for commercial purposes through profits from sponsorship deals, autograph fees, social media, promotional appearances, and marketing their own brands. Social media and brand endorsement deals are the most popular revenue source for college athletes.

Sources of NIL income include:

- Content creator/social media influencer
- Brand endorsements
- Sponsorship deals
- Autograph fees
- Promotional appearances

- Marketing brands
- Guest appearances at clubs and schools
- Exhibitions
- Endorsements
- Gifts
- Giveaways (gift cards)

This change in income opportunities has been facilitated by the formation of an NIL Collective. An NIL collective is an organization that raises money from donors and businesses to compensate college athletes for the use of their name, image, and likeness.

While the NIL Collectives are active on university campuses, they are not officially part of the university, but are independent entities. The Collective raises funds from alumni, boosters, and businesses to provide opportunities to the student-athlete for income producing activities.

The income received from these activities is generally reported on Schedule C, Profit or Loss from Business (Sole Proprietorship), and is subject to both ordinary and self-employment tax. The student must accurately record their income and document all expenses related to the income-producing activity. Forms 1099-NEC or 1099-MISC may be issued to report the amount paid to the athlete. But even if not, the regulations state all income, whether reported or not, must be reported by the recipient. The expenses can include travel costs, hotel, meals, mileage for the use of their vehicle, or other administrative expenses.

*The tax situation for both the athlete and their parents can be complex and confusing. Our office is available to help the athlete with the recordkeeping necessary for a complete and accurate return and the subsequent tax returns that will be needed.*

## Understanding the Tax Professionals Credentials

**C**ertified Public Accountant (CPA), Enrolled Agent (EA), Annual Filing Season Program participant (AFSP) are all credentials you may run across as you are searching for a qualified professional to help with your tax filing requirements.

All tax preparers, whether licensed or not, must either obtain or renew their Preparer Tax Identification Number (PTIN). It is required for anyone who prepares or assists in preparing federal tax returns for compensation. Tax professionals must renew their PTIN annually, and it must be included on all filed returns.

- CPAs are a state-licensed professional regulated by the State Board of Accountancy. All candidates must pass the Uniform CPA Exam, meet the state education requirements, and attend ongoing continuing education. A CPA can provide unlimited representation in the case of a tax issue in appeals, audit, and collections.
- An EA obtains their right to practice from the IRS. Candidates must pass the Special Enrollment Exam (SEE) and attend ongoing continuing education. The EA specializes in tax and has the same unlimited representation rights as the CPA. The EA credential is portable and recognized in all states.
- The AFSP participant has limited representation rights and can only represent those clients whose tax returns they have prepared and only before customer service representative, and revenue agents. They cannot represent clients before appeals or collections. There are requirements for continuing education and annual testing for the AFSP participant.

Who should you work with when it comes to preparing your taxes, providing tax advice and planning, or support for your business? This depends on the complexity of your tax return, and the services you require.

Many CPAs and EAs provide the same level of service and representation rights. They have broad experience in tax preparation, accounting support, and tax planning. Many tax professionals work with small business clients providing services such as payroll processing, human resource support, Chief Financial Officer (CFO) services, and many other tax and management roles.

The annual education requirements for both EAs and AFSP participants are focused on tax law and tax updates, with 2 hours of ethics annually. They require a minimum of 18 hours of education annually for the AFSP and 16 hours for the EA. The AFSP requires an annual test as well. The CPA education requirements are determined by the State Board of Accountancy and generally run around 40 hours per year with several hours of ethics. The focus of the CPA education requirements is broader than those for EAs or the AFSP and may include practice management or other tax-unrelated topics.

There are also many tax preparers who do not hold any of these designations. While many of them are seasoned professionals with many years of experience and regularly attend continuing education courses there are an equal number with no skill or experience.

The fees charged by the different tax professionals can also vary widely based on their designation and years of experience.

*Our office is happy to provide information on the tax professionals we employ to assist with client tax returns, tax planning, audit representation, bookkeeping and payroll services, and many other tax-related services.*

# Taking Advantage of the Qualified Charitable Distribution (QCD)

**A** valuable tax benefit for our clients who are age 70 ½ and older is the Qualified Charitable Distribution (QCD). A QCD allows eligible taxpayers to transfer funds directly from a traditional IRA to a qualified 501(c)(3) charity and exclude that amount from taxable income.

This is especially valuable for those taxpayers who cannot itemize due to the higher standard deduction, and the temporary increase in the standard deduction for those age 65 and older. They would not benefit, from a tax perspective, from their charitable donations since Schedule A, Itemized Deductions, would not be filed with the tax return. By taking advantage of the QCD rules, you would get a direct and immediate tax benefit from your charitable cash donations. Non-cash donations are not eligible for this tax benefit.

So how does this work? The benefit is only available for a traditional IRA. If your funds are in an employer sponsored plan, we recommend setting up an IRA at your bank and initiating a trustee-to-trustee transfer from your qualified plan to an IRA. Once

there, the funds can either be transferred via a trustee-to-trustee transfer from the bank to the charity or with a check from the IRA to the charity.

The funds cannot be transferred to your personal account, and then transferred to the charity, as that would invalidate the QCD. However, if you have a checkbook for the IRA then that would constitute a trustee-to-trustee transfer according to IRA guidance.

Your tax return would reflect the distribution of the funds from the IRA, but a check box is used to notify the IRS that these funds were transferred in a QCD and therefore not taxable. The QCD transfer of funds will also satisfy your required minimum distribution (RMD) for those taxpayers who are age 73 or older.

The maximum allowable QCD for 2026 is \$111,000 per individual. Therefore, a married couple could potentially move \$222,000 from their taxable income. Each spouse, however, must have their own traditional IRA in which to make the QCD.

If you are not sure if the charity is an eligible 501(c)(3), the IRS has a page on their website through their Tax Exempt Organization Search Tool (<https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations>). If you are approached by an organization (particularly one of which you are not familiar), we strongly recommend you verify their tax-exempt status.

*The rules for this tax benefit are fairly simple and straightforward. Our office is available to help you with making sure you are in compliance with the regulations and your receive the maximum benefit from your charitable cash contributions.*



## Clearer IRS Notices Are Now the Law

**W**e know that when a taxpayer sees an envelope from the IRS in their mailbox, the first reaction is panic. The IRS sends notices for many reasons, but we always assume the worst.

The other challenge is understanding the IRS notice that you have received. The language can be vague with no clear explanation of the issue in question, and how to respond as the taxpayer. Critical information was missing to explain the specific reasons for the adjustments. There was a hidden 60-day deadline which was not required to be disclosed to the taxpayer in the notice. Therefore, taxpayers unknowingly forfeited appeal rights which meant an automatic loss of Tax court challenge rights.

Congress passed The Math & Taxpayer Help Act (H.R. 998) to resolve this issue. The law was enacted on December 1, 2025, and officially mandates changes to notices issued after December 1, 2026.

### Key Changes for Taxpayers

The law mandates that the IRS provide specific, plain-language details in every math error notice, which is effective for notices sent after December 1, 2026.

- Detailed Explanations: Notices must identify the exact line of the tax return being adjusted and the specific reason for the change
- Clear Math: The IRS must provide an itemized, step-by-step computation of the adjustments to your income, deductions, and credits
- Prominent Deadlines: The 60-day window to challenge the adjustment (request an “abatement”) must be displayed in bold, 14-point font on the first page, including the exact date the request is due
- Easier Dispute Process: The Treasury must establish procedures allowing taxpayers to request these abatements over the phone or in person, rather than just in writing

- Certified Mail Pilot: A new program will test sending these notices via certified or registered mail to ensure they are actually received by the taxpayer

### What Math Errors are Covered

- Arithmetic & Tax Calculation Mistakes: Simple errors in math or incorrect use of tax tables, schedules, or rates
- Identification Number Issues: Missing or incorrect Social Security Numbers (SSNs) or ITINs, particularly for dependents or credits
- Inconsistent Data & Limits: Conflicts within the return, conflicts with IRS records, or exceeding legal limits for deductions/credits
- Documentation & Age Errors: Omission of mandatory forms/schedules or claiming credits for individuals exceeding age limits.

The Act excludes complex issues requiring interpretation or investigation, such as determining dependent eligibility, verifying business expenses, or calculating asset cost basis. In these cases, the IRS must follow standard audit procedures.

Eligible taxpayers can contact a Low-Income Taxpayer Clinic (LITC) for assistance. LITCs are independent from the IRS and represent individuals whose income is below a certain level and who need to resolve tax problems with the IRS, including math error adjustments. LITCs can also represent taxpayers in audits, appeals, tax collection disputes before the IRS and in court.

*Our office is available year-round to help with tax notices, and audit representation. While the Math and Taxpayer Help Act (H.R. 998) provides some relief from the confusion regarding tax notices, we are here to help you navigate the process and resolve the issue in question.*

*Roxie T.*