

Virginia NATP

Happy Holidays!



From the 2025 President:

I've had the honor to be the Virginia NATP chapter president in 2015 and 2025, as well as serving on the board for many years. This experience has been an accomplishment of which I am exceedingly proud. I have grown close to many members that will be life time friends.

I've learned that working as a team and having deadlines can bring many rewards. During the months of September and October 2025, board members were given the tasks to contact new members of VA NATP and inform them of the Virginia Chapter and the 2025 conference in Glen Allen, Virginia. Nearly half the conference attendees were from the contacts made by the board members.

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MINIMUM WAGE

Virginia's minimum wage increases to \$12.77 on Jan 1 2026

2

WE GIVE!

The annual conference attendees donated over \$3K to this year's charity Safe Harbor.

3

MORE TO COME

Keep checking our website for updated events and offerings vanatptax.com



SAVE THE DATE

2026 VA Chapter Annual Conference

November 5 & 6, 2026

Hilton Garden Inn Woodbridge, VA

OBBB Overtime

Page 3 - No Tax on Overtime? Here are the provisions to be aware of.



Ramifications of Tax Scams

Page 7 - Victims may qualify for relief under an exception.



OBBBA for Seniors

Page 4 - Details on the new senior deduction.

PTIN Renewals are OPEN!

The IRS has officially opened the renewal period for the 2026 Preparer Tax Identification Number (PTIN). Anyone who prepares federal tax returns must maintain an active PTIN each year. Early renewal means you avoid processing delays and ensure every tax preparer in your office is fully authorized before tax season begins.

Why it

matters: Your PTIN isn't just a requirement — it's a trust signal. Keeping it up to date protects your EFIN from unnecessary risk, helps you screen new or seasonal staff, and demonstrates that your tax office takes compliance seriously. Renewing now ensures your team is ready to file without interruption the moment the season opens.

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In 2025, we updated the Virginia website www.vanatptax.com to include board member contact information, financials, conference topics and much more. We also began to offer webinars with topics selected and instructed by members. The chapter is hoping that many more topics will be offered in 2026.

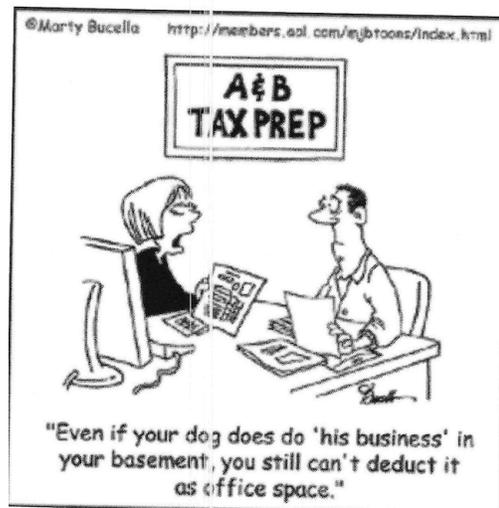
As the year comes to a close, I would like to thank the 2025 Virginia board and members for making this year one of the best years I've had with VA NATP. I congratulate the 2026 Virginia Chapter President, Chris Smith, Vice President, Manisha Elhance, Secretary, Terry Steiniger, Treasurer, Justin Smith, as well as the directors, Joe Parker, Amanda Mitchell, Debbie Watson, Mark Setaro, and Keith Tucker.

Lastly, I would like to give special thanks to Heidi Sutton, the Virginia Chapter conference coordinator. Heidi is awesome. She not only assists with the overall planning of the annual Virginia conference, she works with every board member to help accomplish their goals.

I wish everyone enjoyable holidays and a profitable tax season.

Sincerely,

April Bittle-Kurylko



OBBOBBA: No Tax on Overtime? Here are the provisions to be aware of.

Do some of your clients regularly earn overtime pay? If so, the One Big Beautiful Bill Act may help lower their federal income tax bill.

New Overtime Deduction-Before 2025, the IRS taxed every dollar of overtime pay as ordinary income. Beginning this year (2025) and continuing through 2028, the OBBBA allows a new temporary deduction for qualified overtime income:

- Up to \$12,500 each year for single filers
 - Up to \$25,000 each year for married joint filers
- This deduction applies whether your client itemizes deductions or not.

What Counts as Qualified Overtime Income-

Qualified overtime income includes only the extra pay you earn for the overtime hours portion above your regular hourly rate under the Fair Labor Standards Act. For example, if your regular rate is \$25 per hour and you receive \$37.50 for overtime, the extra \$12.50 per hour counts as qualified overtime income.

Income Phaseouts-The deduction begins to phase out when the taxpayer's modified adjusted gross income (MAGI) exceeds \$150,000 for single filers or \$300,000 for married joint filers. The deduction decreases by \$100 for every \$1,000 of income above these thresholds. Phaseout ends at \$275,000 for single filers and \$550,000 for joint filers. Because these thresholds are high, most overtime earners will qualify for the full deduction of overtime pay.



Key Restrictions and Requirements-

- Your client must file jointly to claim the \$25,000 married joint filer deduction.
- You must include their valid Social Security number on your client's tax return.
- Their employer must report your qualified overtime income on your client's W-2 or another IRS-specified statement.
- Business owners cannot pay themselves "overtime" to claim the deduction, since overtime law excludes owners who actively manage their corporations.

“Important: This deduction does not reduce your adjusted gross income (AGI). It also does not exempt your overtime pay from payroll taxes or, in many cases, state and local taxes.”

-Mark Sullivan EA

OBBBA: Senior Deduction

Beginning with tax year 2025, the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, introduces a new, significant tax benefit for seniors: a \$6,000 “senior deduction” for each taxpayer age 65 or older. This deduction is available in addition to the existing higher standard deduction for seniors and applies for tax years 2025 through 2028.

Age Requirement: You must be age 65 or older by the last day of the tax year (i.e. you are considered 65 on the day before your 65th birthday).

Filing Status: The deduction is available to each qualifying individual. For married couples filing jointly, if both spouses are 65 or older, each may claim the deduction (totaling \$12,000).

Social Security Number: The Social Security Number (SSN) of each qualifying individual must be included on the tax return.

Joint Filing Requirement: If married, you must file a joint return to claim the deduction for both spouses.

How Much Is the Deduction?: Base Amount: \$6,000 per eligible individual (i.e., \$6,000 for a single filer, \$12,000 for a married couple if both are 65+).

Phaseout for Higher Incomes: The deduction is reduced (phased out) by 6% of the amount by which your modified adjusted gross income (MAGI) exceeds \$75,000 (\$150,000 for joint filers). MAGI for this purpose is your adjusted gross income plus any income excluded under the foreign earned income or possession exclusions (IRC §§911, 931, 933).

Example: If a single taxpayer age 67 has a MAGI of \$80,000, the deduction is reduced by 6% of \$5,000 (\$80,000 – \$75,000), or \$300. The allowable deduction is \$5,700.

How Does the Senior Deduction Work?

Available to All Seniors: The deduction is available whether you itemize or take the standard deduction. It is not limited to those who do not itemize.

In Addition to the Standard Deduction: The senior deduction is separate from and in addition to the existing “additional standard deduction” for age 65+ (and/or blindness) under IRC §63(f). For 2025, the additional standard deduction for age/blindness is \$2,000 per person (amounts are indexed for inflation).

No Double Counting: The senior deduction is a distinct line item and does not affect your eligibility for the standard deduction or itemized deductions.

How to Claim the Deduction

Tax Forms: The IRS will provide a specific line on Form 1040 and Form 1040-SR for the senior

deduction. You must enter the SSN(s) of the qualifying individual(s).

Joint Returns: Both spouses must be age 65 or older to claim the full \$12,000. If only one spouse qualifies, the deduction is \$6,000.

Nonresident Aliens: Nonresident aliens are not eligible unless they elect to be treated as U.S. residents and meet all other requirements.

How Does This Interact with Other Deductions?

Standard Deduction: For 2025, the standard deduction is \$15,750 (single), \$31,500 (married filing jointly), and \$23,625 (head of household), plus the additional standard deduction for age/blindness, plus the new \$6,000 senior deduction if eligible [4].

Itemized Deductions: If you itemize, you still get the senior deduction in addition to your itemized deductions.

Practical Example: Mary, age 68, is single and has a MAGI of \$70,000 in 2025. She claims the standard deduction (\$15,750), the additional standard deduction for age (\$2,000), and the senior deduction (\$6,000). Her total deductions are \$23,750. If her MAGI were \$80,000, her senior deduction would be reduced to \$5,700 due to the phaseout.

Conclusion: The new senior deduction is a substantial tax benefit for older Americans, reducing taxable income by up to \$6,000 per person age 65 or older, in addition to the

standard deduction and other age-related tax benefits. Seniors and their families should ensure they claim this deduction if eligible, and be mindful of the phaseout for higher incomes. For more details, consult IRS instructions or a qualified tax professional



OBBBA: No Tax on Tips

The “No Tax on Tips” provision, enacted as part of the One Big Beautiful Bill Act (OBBBA), introduces a significant change for tipped workers for tax years 2025 through 2028. Under this law, individuals who receive qualified tips may deduct up to \$25,000 of tip income per year from their taxable income. This deduction phases out for taxpayers with modified adjusted gross income (MAGI) above \$150,000 (\$300,000 for joint filers).

Eligibility and Calculation. To claim the deduction, workers must have received tips in the course of a specified service trade or

business. The deduction is available to both employees and self-employed individuals who receive tips. For employees, qualified tips can be determined using the amount reported in box 7 of Form W-2 (social security tips), the total tips reported to the employer (such as on Forms 4070), or if applicable, unreported tips included on Form 4137. For self-employed individuals, tips must be substantiated by daily logs or other records, as third-party payment forms like Form 1099-K may not separately identify tips.

Reporting and Compliance. Despite the deduction, all tips remain subject to reporting requirements. Employees must still keep daily records of tips, report them to their employer monthly if they exceed \$20 in a month, and include all tips in gross income on their tax return. The Internal Revenue Service (IRS) has clarified that Forms W-2 and 1099 will not be updated for 2025, so taxpayers must use their own records and IRS guidance to determine the deductible amount. The deduction is available whether or not the taxpayer itemizes deductions.

Policy Rationale and Impact. The provision aims to provide tax relief to millions of tipped workers, many of whom work in restaurants, hospitality, and person service industries. However, the deduction is capped and phased out at higher incomes to target relief to lower and middle-income workers. Critics have noted that exempting tips from tax could create inequities between tipped and non-tipped workers and may have unintended

consequences, such as encouraging more tipping or shifting compensation structures.

Summary:

- Up to \$25,000 of tip income per year is deductible for 2025-2028.
- Deduction phases out above \$150,000 (\$300,000 for joint filers) MAGI.
- Applies to both employees and self-employed individuals.
- Tips must still be reported and substantiated.
- Deduction is available to all taxpayers, regardless of whether they itemize or use the standard deduction.
- This change represents a major shift in the tax treatment of tip income, offering substantial relief to eligible workers while maintaining existing reporting and compliance obligations.

-Chris Smith

"To be successful, you have to have your heart in your business, and your business in your heart." – Thomas Watson

Tax Ramifications for Scam Victims

Navigating the tax implications of scams and theft losses can be difficult, especially since recent law changes generally limit casualty and theft deductions to disaster-related events. However, victims of scams may still qualify for relief under a key exception.

Although traditional theft losses are now mostly nondeductible, Internal Revenue Code Section 165(c)(2) still allows deductions for losses incurred in transactions entered into for profit. If you were scammed in the course of an investment or profit-motivated activity, the loss may qualify even without a disaster declaration.

Requirements for Profit-Driven Theft Losses

To claim a deduction, the taxpayer must show:

Profit Motive: The transaction must have been undertaken with a genuine expectation of profit, supported by documentation such as investment contracts, communications, or proof of funds transferred.

Qualifying Transactions: This typically includes investments such as securities, real estate, or other

income-producing ventures. Personal or social activities do not qualify.

Direct Connection to the Loss: The loss must arise from the profit-motivated activity itself. Investment scams often meet this requirement when supported by evidence.

A recent IRS Chief Counsel Memorandum (CCM 202511015) reaffirmed that investment-type scams may be deductible if the taxpayer can demonstrate legitimate profit intent.

IRA and Retirement Account Consequences

Scams involving IRA or retirement funds can trigger significant taxes:

- **Traditional IRAs:** Withdrawals are taxable and may incur a 10% early-withdrawal penalty if the taxpayer is under 59½.
- **Roth IRAs:** Contributions may be withdrawn tax-free, but early withdrawals of earnings may be taxed and penalized.
- **Funds replaced within 60 days** may avoid these consequences.

Examples

Example 1: Impersonator Scam — Qualifies as personal Casualty loss

Taxpayer 1 moved IRA and non-IRA funds to what they believed were secure investment accounts. Because the intent was to protect and reinvest assets for profit, the scam qualifies as a deductible theft loss on Schedule A (assuming itemization). Traditional IRA withdrawals remain taxable and possibly penalized unless rolled back within 60 days.

Example 2: Romance Scam — Not Qualifying
Taxpayer 2 sent money to help someone in a fabricated personal emergency. Since the



transaction lacked a profit motive, the loss is a nondeductible personal casualty loss. IRA withdrawals still generate taxable income and penalties unless funds are replaced within 60 days.

Example 3: Kidnapping Scam — Not Qualifying
Taxpayer 3 transferred IRA and non-IRA funds under duress to pay a fake ransom generated with AI-cloned audio. Despite the fraud, the transfer was not profit-oriented, so the loss is not deductible. Tax effects match Example 2.

Key Takeaways

A scam-related theft loss is deductible only when tied to a profit-motivated transaction. Taxpayers should carefully document investment intent, as the IRS closely scrutinizes such claims.

-Manisha Elhance, CPA, EA

Are you interested in serving on the Board of Directors?

Positions open every year and are voted on by the membership at the annual conference in November. The nomination form is available on the chapter website on the Board of Directors page.

Have an idea for a class or a speaker at the 2026 VA Chapter Annual Conference?

Send all suggestions to natpvachapter@gmail.com

Virginia Chapter Webinars: Throughout the year the chapter hosts Zoom webinars on various topics. Keep an eye on the Upcoming Events page of the chapter website. www.vanatptax.com



Cape Charles, Virginia