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# CKR Financial Services

## monthly journal

HELPING OUR CLIENTS GAIN THE ADVANTAGE OVER THE COMPETITION

### Tax Preparation vs Tax Planning

*Do they “comingle”? Are they one and the same? Not exactly...*

At CKR Financial Services, we offer both Tax Preparation and Tax Planning. Most people don't understand the difference and think their tax preparation fee entitles them to all things tax-related, including tax planning, audit representation, and amended returns. However, each of these processes comes with its own time commitment, level of expertise, and corresponding price structure. It's akin to thinking that because you got your oil changed at a service station that they should also guarantee any engine trouble and rotate your tires because it's all on the same car. First, let's take a look at Tax Preparation. This is a reactive process focused on compliance. It seeks to accurately and legally report things that have already happened. It reviews income, deductions, and credits, and makes sure they appear on the

correct forms. Again, these are things that have already occurred, and people get into trouble when they try to alter the facts or figures. It's a time when they say, "if I HAD done this or that, I wouldn't owe so much money".

Tax Planning is proactive. It's about strategizing throughout the year to minimize your tax liability and make smart financial decisions with a goal to reduce taxes and save more of your hard-earned money.

Tax planning gives you opportunities to make critical edits to your spending, investments, and business practices that will save you money when it's time to report those figures on your tax return at a later date.

To put it into a nutshell; Tax Planning helps you pay less, while Tax Preparation helps you follow the rules.

At CKR Financial Services, we have been privileged to be the



Tax Preparer for many of you. We are now expanding our services to offer a full range of Tax Planning. These are separate appointments and separate prices, but this service comes with substantial savings. If you file taxes with only 1 or 2 W-2's, this service won't be a value to you. Give us a call and see if you are a candidate for our Tax Planning service. We won't suggest this service to you if we don't think it will make a significant difference in your tax liability.

#### OVERLOOKED TIPS:

- 1-Frequently reconcile your accounts. For some, it may be as simple as matching your bank statement to your checkbook. For those using bookkeeping software, reconcile your statements to the software monthly. You won't believe how often the bank download misses an item, but EVERYTHING is on your statement.
- 2-Regular review of reports like the Profit & Loss, Balance Sheet, and Accounts Receivable Aging report can provide quick insights into your business health without waiting for end-of-period statements.

# Big Beautiful Bill

*It's a massive rehaul – here are some highlights. We'll cover more next month.*

Any stab at changing the tax code will be viewed through political lenses. What we have before us, referred to as the Big Beautiful Bill, is no different. This overhaul is so massive, we cannot touch everything in one outing, so we will be featuring elements from this legislation for the next several months in hopes we can deliver factual details of this bill rather than polarizing talking points.

This month, we're going to look at 2 of the points in this legislation that received a bit of media attention: No Tax on Tips, and No Tax on Overtime.

**No Tax on Tips:** Tips up to \$25,000/year become tax-free for service workers (e.g., waitstaff, bartenders, hotel workers, Uber drivers). Key requirements are that tips must be documented and reported by the employer on a W-2 or 1099. The \$25,000 tax-free cap phases out for individuals earning over \$150K(single) or \$300K(joint). \*But: Tips above \$25K are taxed normally.

**Example:** A waiter earns \$50K in wages + \$8K in tips (all reported by their employer). Only the \$50K is taxed; the \$8K is tax-free. If they earn \$27K in tips, only the first \$25K is excluded; the remaining \$2K is taxed. Government and Union workers are generally included in this provision. However, if their contract already addresses tip taxation (e.g. guarantees higher wages in exchange for taxed tips), the federal exemption may not override those terms. Check with your union rep or HR department for clarification.

This provision has a sunset date of December 31, 2028! After termination in 2028, the \$25,000 exclusion goes away, and all tips become taxable again starting in 2029, respectively, unless this item is renewed. The latest effort to make this provision permanent was defeated, so we will see what happens.

**No Tax on Overtime:** Overtime pay (hours over 40/week) gets a federal tax exemption of up to \$12,500(single) or \$25,000(joint) for workers earning under \$150K(single) \$300K(joint). High earners don't qualify, and this deduction shall be reduced by \$100 for each \$1,000 by which the taxpayer's modified adjusted gross income exceeds \$150K(single) \$300K(joint). \*FICA (Social Security & Medicare) Taxes still apply to overtime pay. \*\*Most states will still tax 100% of overtime pay unless they pass matching laws. \*\*\*This provision does may not apply to government employees or union workers with existing overtime agreements. Check with your union rep or HR department for clarification.

For both of these provisions, they apply to taxable years beginning after December 31, 2024 (meaning tax year 2024, which gets filed in 2025), no itemizing is needed, and the last tax year they apply to would be the 2028 tax year unless they get extended. Be mindful of audits – make sure your claims match your employer-reported tips and overtime. Also, check for state-level rules to see if they match the federal exemptions, because presently, many do not.

**If you don't value your time, neither will others. Stop giving away your time and talents. Value what you know & start charging for it.**

**-Kim Garst**

**It takes as much energy to wish as it does to plan.**

**-Eleanor Roosevelt**

**"Your talent determines what you can do. Your motivation determines how much you're willing to do. Your attitude determines how well you do it."**

**-Lou Holtz**

**"The future depends on what you do today."**

**-Mahatma Gandhi**

**"It's hard to beat a person who never gives up."**

**-Babe Ruth**

**"Where's My Refund?"** Log in to <https://www.irs.gov/wheres-my-refund> and click the button "Check your refund". You will need your SSN, filing status (single/married/head of household), and the exact refund amount on your return.



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