Tax News & TIPS

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Good News on IRS Penalties, and an Easier Way to Track Your Refund

Two IRS updates this summer: good news if a late penalty lands on you and help if you're still waiting on a refund.

The IRS Is Making First-Time Penalty Relief Automatic

If you file or pay your taxes late, the IRS will charge a penalty. For years, if your late filing or payment was the first one in a while, you could call, or have me call, to ask them to remove it under a program called first-time penalty abatement. With a clean recent record, they usually did, but you had to ask.

Beginning in the summer of 2026, that process will start to change. For people with a clean recent history, the IRS plans to skip the penalty in the first place. It generally will not charge the penalty at all, and it will send a letter explaining that your clean history is the reason. The IRS calls this "Automatic Exemption from Penalty."

This covers the two most common late penalties: filing late and paying late. You generally qualify if both of the following are true:

- ➔ *You filed and paid on time for the past three years. An estimated tax penalty does not count against you, and neither does one the IRS already removed for "reasonable cause".*
- ➔ *All of your required returns are filed, or you have a valid extension.*

The IRS is rolling this out over the last half of 2026, so during the transition, some people who qualify may still receive a penalty notice. If you do not qualify, a penalty may still be removed if you have a legitimate reason you could not file or pay on time, such as serious illness or a natural disaster (known as reasonable cause). Send me any IRS penalty notice before you pay a dime. There is a good chance we can help get the penalty taken off.

Still Waiting on Your Refund? Here Is How to Check

You may have heard refunds are taking longer this year. Electronically filed returns with direct deposit generally get refunds in fewer than 21 days, and that's still mostly true. But sometimes a return needs a closer look, and that will cause the refunds to take longer. One common reason a refund gets held up is that the IRS wants to verify your identity to confirm they're sending the refund to the right person. You'll receive a letter asking you to confirm who you are. Until you respond, the refund waits. That is why the tool you use to check refund status matters.

The quick option is "Where's My Refund?" at IRS.gov, or the IRS2Go app. You will need your Social Security number (or ITIN), your filing status, and the exact whole-dollar refund amount. It shows three stages—Return Received, Refund Approved, and Refund Sent—and updates once a day. An e-filed return shows up within about 24 hours; a paper return takes about four weeks. Filed an amended return on Form 1040-X? Plan on 8 to 12 weeks, sometimes up to 16, and follow it with the separate "Where's My Amended Return?" tool.

The better option is an IRS Individual Online Account at IRS.gov. "Where's My Refund?" gives you the status on your current year refund; your Online Account tells you far more—your refund and any balance by year, past payments, digital copies of many IRS notices, and your tax transcripts. In some cases you can even respond to notices or upload documents the IRS asks for.

And if the IRS asks you to verify your identity, the letter will tell you how; often you can do it online at IRS.gov and get the refund moving, so you act instead of waiting in the dark. You can even turn on email alerts about your refund.

It takes a few minutes to set up. If you set up one new tax tool this year, make it this one. If something looks off when you log in, call me.

The Bottom Line

Do not assume you are stuck paying a late penalty, and do not sit in the dark on a refund. Set up your IRS Online Account, and call me if you would like help with either.

In This Issue:

Gifts: What the Tax Rules Actually Say

Gifts come up at tax time more than you might expect: a down payment from your parents, money from your grandmother. They're usually simpler than people fear, but every gift has two sides, the giver and the receiver, and the rules differ for each.

TRUTH VS. MYTH

MYTH: If a relative gives me money, I have to report it as income and pay tax on it.
TRUTH: A true gift is not taxable income to you. If your parents give you $20,000 toward a home, you owe no income tax on it. The one common exception is a "gift" from your employer, which is really wages on your W-2.

MYTH: If I give someone more than $19,000, I'll owe gift tax.
TRUTH: Usually not. Going over $19,000 to one person means filing a gift tax return, but filing isn't paying. The extra comes out of your $15 million lifetime exemption, and you won't owe a dollar until your lifetime giving passes that figure.

MYTH: I can deduct the money and gifts I give my kids and grandkids.
TRUTH: No. Personal gifts to family and friends are not deductible on your income tax return. Only donations to qualified charities can be deducted, and a check to your grandson doesn't count.

Gifts can turn complicated once trusts, property, or larger sums are involved. Before you make a big gift, or if you've received one and aren't sure how it's treated, call me. A short conversation now can save a lot of second-guessing later.

When You Receive a Gift

A gift you receive is generally not taxable income to you. You don't report it or pay income tax on it, because a true gift comes from detached and disinterested generosity, not payment for work or a return on an investment.

The gift itself is tax-free, but anything it later earns is not. Put a $50,000 cash gift (tax-free) from your aunt into savings, and the interest it earns is taxable.

One exception trips people up: a "gift" from your employer usually isn't tax-free, because it's not really a gift at all. A year-end bonus, a gift card, or an extra check "just because" is really compensation for your work, taxed on your W-2 like your wages. A small item now and then, like a holiday turkey, can be tax-free, but cash and gift cards are taxable.

When You Give a Gift

The receiver of a gift almost never has any reporting to do when they get the gift. The giver, on the other hand, may have forms they need to file. For 2026, you can give up to $19,000 per person to as many individuals as you want and file nothing. Give your son $19,000, your daughter $19,000, and your best friend $19,000, and there's still nothing to file. A married couple can give $38,000 to one person between them, as long as each spouse's share is $19,000 or less.

That limit covers a gift the person can use right away, like a check they can deposit today. Money they can't touch until later is treated differently. Put funds in a trust for your grandson until he turns 30? Since he can't use them now, the $19,000 exclusion doesn't apply, and a gift tax return must be filed no matter how small the gift.

That return is Form 709, and filing it usually doesn't mean you owe gift tax. The amount over $19,000 comes out of your lifetime exemption, $15 million in 2026. You won't owe the IRS a dollar until your lifetime giving passes that figure. For almost everyone, the return just keeps score.

When Paying a Bill Isn't a Gift

Here's a rule worth knowing before you write a big check. If you pay someone's tuition or medical bills by sending the money straight to the school or the medical provider, it isn't a gift at all—no $19,000 limit, no Form 709, no matter how large the payment. Hand that same money to the person instead, and it counts as an ordinary gift.

Say your grandmother lands in the hospital with a $40,000 bill. Pay the hospital directly and the whole $40,000 is free and clear; it doesn't touch the $19,000 you can still give her for that year. Or pay your granddaughter's $30,000 college tuition straight to the university, and none of it counts against the limit either.

The catch is the word "directly." The check has to go to the institution, not the person. If your granddaughter pays her own tuition and you reimburse her, that's an ordinary gift, and the $19,000 limit is back in play. Same with medical bills: pay the provider, not the patient.

For school, it covers tuition only, not room, board, books, or other fees. For medical care, it covers doctors, hospitals, treatment, and even health insurance premiums, as long as you pay them directly.

Trump Accounts: A New Way to Save for Your Child

Trump accounts have been discussed in some of our previous newsletters, but with their public debut in early July, now is a great time to get into a few specifics. If you're a parent or grandparent of a child under the age of 18, here's what it is, how it works, and, just as important, when it's actually worth using.

Who Can Have One

A Trump account can be opened for any child under 18 who is a U.S. citizen and has a Social Security number. There's no income limit, so it doesn't matter how much you make, and your child doesn't need a job or earnings of their own. The one timing rule: the account has to be set up by the end of the year in which your child turns 17.

The Free $1,000

Here's the part that gets parents excited. If your child was born in 2025–2028, the government will put $1,000 into the account for free, and you don't have to add a dime of your own to get it. The catch is that you have to open the account to claim it (the money doesn't show up on its own), and only the first request per child counts. These deposits begin going out in July 2026. If you have a newborn child, do not miss out on the opportunity to get this free money.

States and Charitable Organizations

In addition to the $1,000 contribution for newborns, or money that you, a friend, or your employer contribute, State governments and charitable organizations can also deposit money into your child's Trump account. Neither you nor your child must apply for the money and there's no telling when a contribution from one of these organizations will be made.

Do You Have to File a Gift Tax Return?

When you put money into your child's account, you might wonder whether it counts as a gift you have to report (go back and read the article on page 2 for more info on gifts). Generally, gifts that the recipient doesn't have immediate access to require a gift tax return to be filed. However, the IRS recently created relief so that ordinary yearly contributions don't require a gift tax return, known as Form 709. If you are regularly making gifts to others, you may not qualify for the relief and a gift tax return may need to be filed, call me if you have concerns about this.

When a Trump Account Makes Sense (and When It Might Not)

Opening the account can be worth it even if you never put in your own money, because opening it is what lets your child receive money from everyone else. The one-time $1,000 seed, contributions from an employer, gifts from relatives, and even certain charities or organizations that set up programs to help fund these accounts all need an open account to land in. Getting it open is the first move, and it costs you nothing.

Funding it yourself every year is a separate decision. The $5,000 you could put in isn't automatically the best home for your savings. It depends on what you're saving for. Money you'll want for college may belong in a different kind of account than money meant to grow for your child's retirement. There's no single right answer, and it's worth a quick conversation before you commit to writing a check every year.

One more thing worth planning for down the road: as your child grows up, a Trump account starts to work like a regular retirement account. Beginning in the year your child turns 18, you can do more with it, including moving it into a type of account where future growth can eventually come out tax-free—a Roth account. That move can pay off, but it has tax consequences in the year you make it, so it's something to plan rather than rush.

There's a lot here, and a lot of it is still new. If you'd like help opening an account, claiming that $1,000, or deciding whether and how much to fund it, call me—I'm happy to walk you through it.

How to Open a Trump Account and How to Put Money In

There are a few easy ways to open an account, and you can pick whichever suits you:

1. *Online through your IRS account at IRS.gov*
2. *Alongside your tax return when you file*
3. *Through the government's site at TrumpAccounts.gov*

Once it's open, you, grandparents, and anyone else can add up to **$5,000 a year combined.** The $1,000 government deposit sits on top of that and doesn't count against the limit. Some employers can also chip in up to $2,500 a year tax-free for an employee, though that money counts toward the same $5,000 cap.

New Tax Form for Your Cryptocurrency

If you buy, sell, or trade cryptocurrency, you probably saw a new form show up in your mailbox (or email box) this year. Starting with 2025 sales, digital asset brokers—the exchanges and trading platforms that hold your crypto for you—must now report your activity to the IRS on Form 1099-DA, Digital Asset Proceeds From Broker Transactions. These forms were sent out in early 2026, much like the 1099-B a stock brokerage already sends you.

Beginning with your 2026 sales, brokers must also start reporting your cost basis on coins you bought and held with that same broker, which makes figuring your gain or loss far easier. The IRS now sees this activity directly, so reporting your crypto correctly matters more than ever, though there is a chance that the reported basis doesn't tell the whole story. ***If you trade digital assets, call me before you file, and we will make sure it is handled right.***

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2026 TAX CALENDAR

Sept 15 (2026)	Third quarter 2026 estimated tax payment due
Oct 15 (2026)	Extended 2025 individual tax returns due
Jan 15 (2027)	Fourth quarter 2026 estimated tax payment due
Apr 15 (2027)	2026 Individual tax returns due

If you are in a federally declared disaster area, your deadlines may be extended. Call me to check whether a different due date applies to you.

Standard Mileage Rate: A Mid-Year Change for 2026

If you deduct the cost of driving—for your business, for medical trips, or for charitable work, 2026 comes with a twist. The IRS raised the standard mileage rates halfway through the year, so there are two sets of rates depending on when you got behind the wheel.

Rate Type	Jan 1–Jun 30	Jul 1–Dec 31
Business	72.5¢	76¢
Medical/Moving	20.5¢	23.5¢
Charitable	14¢ (set by law, year-round)	

Make sure you track not just how far you drove, but when. Miles you log in the second half of the year are worth more, so a mileage log with dates for each trip is your best friend. Call me if you would like help sorting your 2026 miles the right way.