



**CHOI HONG LEE & KANG LLP**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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**TAX UPDATE**  
2025-2026

# PROVISIONS FOR INDIVIDUALS

## ■ INCREASE IN STANDARD DEDUCTION (ONE BIG BEAUTIFUL BILL ACT)

Starting in 2025, the standard deduction amounts will increase as follows:

- Single / Married Filing Separately: \$15,750
- Married Filing Jointly: \$31,500
- Head of Household: \$23,625

## ■ ADDITIONAL DEDUCTION FOR SENIORS (OBBBA)

- For taxpayers age 65 or older, an additional deduction of up to \$6,000 is available, regardless of whether the standard deduction or itemized deductions are claimed.
- This deduction is subject to a phase-out if Modified Adjusted Gross Income (MAGI) exceeds \$75,000 (\$150,000 for Married Filing Jointly). This provision is temporary and applied from 2025 through 2028.
  - MAGI (Modified Adjusted Gross Income) is an income baseline that adjusts AGI to determine eligibility for various tax benefits and deductions.

## ■ ESTATE AND GIFT TAX EXEMPTION (OBBBA)

For 2025, the estate and gift tax exemption amount is \$13.99 million. Beginning in 2026, the exemption is expected to be adjusted to \$15 million, indexed for inflation.

## ■ CHARITABLE CONTRIBUTION DEDUCTION (CASH CONTRIBUTION ONLY) (OBBBA)

- Taxpayers claiming the Standard Deduction: Beginning in 2026, a permanent charitable contribution deduction will be available for cash donations, allowing a deduction of up to \$1,000 (\$2,000 for Married Filing Jointly).
- Taxpayers claiming Itemized Deductions: Beginning in 2026, charitable contributions will be deductible only to the extent that they exceed 0.5% of Adjusted Gross Income (AGI).

## ■ OUTBOUND REMITTANCE EXCISE TAX (OBBBA)

- Effective January 1, 2026, a 1% excise tax will be imposed on remittances sent by individuals to foreign recipients.
- This tax applies to transfers made in cash or cash-equivalent instruments (money order, cashier's check), and the remittance service provider will be responsible for collecting the tax.
- Cryptocurrency transfers are excluded from this tax; however, foreign currency remittances may still be subject to service fees charged by the provider.
- Exception: The 1% excise tax does not apply if the remittance is made from a U.S. bank account or paid using a U.S.-issued debit or credit card.

## ■ EXCLUSION OF TIP INCOME (OBBBA)

A deduction of up to \$25,000 is available for tip income. The deduction is subject to a phase-out if MAGI exceeds \$150,000 (or \$300,000 for Married Filing Jointly). This provision is temporary and applies from 2025 through 2028.

## ■ EXCLUSION OF OVERTIME PAY (OBBBA)

For qualifying taxpayers, up to \$12,500 (\$25,000 for Married Filing Jointly) of overtime pay is deducted. This deduction is subject to a phase-out when Modified Adjusted Gross Income (MAGI) exceeds \$150,000 (\$300,000 for Married Filing Jointly). This provision is temporary and applies from 2025 through 2028.

## ■ EXCLUSION OF AUTO LOAN INTEREST (PERSONAL USE ONLY) (OBBBA)

Interest on new auto loans originated after December 31, 2024 is deductible on loan amounts of up to \$10,000, provided that the vehicle is a passenger car assembled in the United States. This provision is temporary and applies from 2025 through 2028.

## ■ ADOPTION TAX CREDIT (OBBBA)

The adoption tax credit will be converted into a refundable credit of up to \$5,000, and beginning in 2026, the amount will be adjusted for inflation.

## ■ TRUMP ACCOUNTS (OBBBA)

A new account will be established for U.S. children born between 2025 and 2028, which can be opened starting July 2026. Parents or other contributors may deposit up to \$5,000 per year until the beneficiary turns 18 years old, at which point withdrawals become permitted. Additionally, the federal government will provide an initial seed fund of \$1,000 per newborn.

## ■ STATE AND LOCAL TAXES CAP INCREASE (OBBBA)

- The individual limit for 2025 is \$40,000 (increased from \$10,000 in 2024), and it is scheduled to increase by 1% annually through 2029.
- For amounts exceeding \$500,000, the deduction limit is gradually reduced by 30% of the excess, but the deduction will not be reduced below \$10,000.

## ■ SECURE ACT 2.0

- **Traditional IRA:** For Traditional IRAs, the contribution limit for 2025 is up to \$7,000, with an additional \$1,000 allowed for individuals aged 50 and over. California allows the additional contribution, but the tax deduction is limited to \$1,000, and no deduction is allowed for individuals aged 70.5 or older. The age to begin Required Minimum Distributions (RMDs) for Traditional IRAs has been changed to 73 starting in 2023, as per the SECURE Act 2.0. Previously, the starting age was 72. Individuals born before December 31, 1951, must begin RMDs at 73, while those born after 1960 must start at 75.
- **QLACs (Qualified Longevity Annuity Contract):** QLACs allow investments up to \$210,000 (\$210,000 in 2026). They can be purchased within traditional IRAs, 403(b), and 457(b) plans. Distributions from QLACs must begin by age 85, though earlier distributions are possible.
- **QCDs (Qualified Charitable Distributions):** Through QCDs, taxpayers can exclude up to \$108,000 in charitable donations, adjusted to \$111,000 in 2026. While RMDs start at age 73, QCDs can begin at age 70.5. Secure 2.0 allows up to \$54,000 to be invested in charitable gift annuities and trusts.
- **Inherited IRAs:** Inherited IRAs must be fully distributed by the end of the 10th year following the account owner's death. Exceptions apply to surviving spouses, minor children, those within 10 years of age of the decedent, and individuals who are disabled or chronically ill.
- **Roth IRA:** The contribution limit for Roth IRAs in 2025 is up to \$7,000, subject to AGI limits. Starting in 2026, high earners (exceed \$150,000 for the preceding calendar year) who participate in employer-sponsored 401(k), 403(b), or 457(b) plans will be required to make catch-up contributions on a Roth basis.
- **New Nonelective SIMPLE Contribution Option:** Starting in 2024, employers can contribute up to \$5,000 additionally to SIMPLE IRAs, with the contribution limited to lesser of 10% of an employee's compensation or \$5,000.
- **Emergency Savings Accounts:** Emergency savings accounts will be automatically set up for non-highly compensated employees, with a contribution limit of \$2,500 (adjusted for inflation after 2026). Withdrawals for emergency purposes are exempt from early withdrawal penalties.
- **Matching Contributions for Student Loan Repayments:** Starting in 2024, employers can match employees' student loan repayments as part of their retirement contributions. This applies even if the employee is repaying loans for someone else, such as a parent repaying their child's loans.

## ■ 1099-DA

- The IRS proposed new rules for reporting digital asset transactions. Starting in 2026, brokers must report proceeds from digital asset sales using Form 1099-DA for transactions after January 1, 2025. From January 1, 2025, brokers will report gross proceeds, and from 2026, they will also report the basis for certain digital assets.
- Real estate professionals are also required to report the fair market value of digital assets paid by buyers and received by sellers in real estate transactions with closing dates on or after January 1, 2026. The broker reporting regulations require copies of Form 1099-S to be furnished to the taxpayer. The final regulations state that Form 1099-S will be updated for real estate reporting, which applies to transactions occurring on or after January 1, 2026.

# PROVISIONS FOR BUSINESSES

## ■ BONUS DEPRECIATION (OBBBA)

Under the previous TCJA rules, bonus depreciation was scheduled to decrease to 40% in 2025 and phase out entirely by 2027. However, the OBBBA legislation permanently reinstates 100% bonus depreciation.

For assets acquired and placed in service after January 19, 2025, taxpayers can now immediately expense 100% of the cost, and used property is also eligible for the full deduction. This applies to 20-year or shorter depreciable property such as machinery, equipment, vehicles, computers, and furniture. Additionally, Qualified Production Property (QPP)—previously excluded as 39-year nonresidential real estate from bonus depreciation—is now included. QPP refers to commercial buildings used in manufacturing, agriculture, chemical production, refining, and other production activities. Qualified improvement property is eligible for both Section 179 and bonus depreciation, but note that California does not conform to federal rules for either qualified improvement property or bonus depreciation.

## ■ SECTION 179 (OBBBA)

- The Section 179 expensing limit is increased to \$2,500,000, with a phase-out beginning at \$4,000,000. This limit is adjusted annually for inflation.
- These provisions apply to assets placed in service after 2025.

## ■ 1099 THRESHOLDS INCREASE (OBBBA)

In 2024, a Form 1099-K was issued if total payments received through a third-party payment network exceeded \$5,000. Starting in 2025, a 1099-K will only be issued if total payments exceed \$20,000 and there are more than 200 transactions. Previously, Forms 1099-MISC and 1099-NEC were issued for amounts of \$600 or more. Beginning in 2026, this threshold will be increased to \$2,000.

## ■ C CORPORATIONS CHARITABLE CONTRIBUTIONS (OBBBA)

Under the OBBBA legislation, the rules for C Corporation charitable contribution deductions will change significantly beginning in 2026. Previously, contributions were fully deductible up to 10% of taxable income. Under the new rules, a 1% floor is introduced, meaning that only contributions exceeding 1% of taxable income are deductible. While the overall deduction limit remains at 10%, the amount eligible for deduction will generally be reduced.

## ■ BUSINESS INTEREST DEDUCTION (OBBBA)

Starting in 2025, the 30% interest expense deduction limit based on EBITDA under Section 163(j) will be reinstated, allowing businesses to deduct a larger portion of interest expenses.

## ■ SECTION 199A DEDUCTION (QBID) (OBBBA)

The 20% deduction for pass-through businesses is permanently retained. Beginning in 2026, the phase-out range for Specified Service Trade or Business (SSTB) deductions will be increased to \$75,000 (\$150,000 for Married Filing Jointly), and taxpayers with QBI exceeding \$1,000 will be guaranteed a minimum deduction of \$400.





# **TAX UPDATE & TAX PLANNING**



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## MEDICAL EXPENSE DEDUCTIONS

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The IRS allows all taxpayers to deduct only the amount of the total medical expenses that exceed 7.5% of their adjusted gross income. Medical mileage rate for 2025 is 21 cents.

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## INCOME EXCLUSION OF CANCELLATION OF DEBT ON PRINCIPAL RESIDENCE

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Gross income does not include cancellation of debt if the income for discharged debt from taxpayers' qualified principal residence indebtedness discharged prior to January 1, 2026. (But limited to \$750,000 of acquisition debt (\$375,000 for MFS)). California has not allowed the principal residence exclusion since 2013.

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## CONTRIBUTION TO RETIREMENT SAVINGS

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The contribution to Retirement Savings Plan (401(k), SEP IRA, etc.) is recommended. For 2025, the maximum amount for 401(k) is \$23,500 (\$31,000 if age 50 or older), and the maximum amount for SEP IRA (Simplified Employee Pension) is \$70,000. In 2026, taxpayers can contribute up to \$24,500 (\$32,500 if age 50 or older) for 401(k) and up to \$72,000 for SEP IRA.

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## RETIREMENT PLANS: TRADITIONAL IRA AND ROTH IRA

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Taxpayer can contribute up to \$7,000 (\$8,000 if age 50 or older) to an IRA account by April 15, 2026 to be eligible for tax deduction for 2025. For tax year 2026, taxpayers can contribute up to \$7,500 (\$8,600 if age 50 or older). Taxpayer may convert a traditional IRA to a Roth IRA. There is no limit for conversion income, however, the conversion may result in taxable consequence in certain situations (paying back tax benefit from Traditional IRA).

- QLACs (Qualified Longevity Annuity Contracts) allow for the postponement of a portion of the RMD (Required Minimum Distribution) requirement in an IRA. The maximum amount is \$210,000 in 2025, indexed for inflation. QLACs can be purchased under defined contribution plans, traditional IRAs, and §403(b) and §457(b) plans.

## DISTRIBUTION OF RETIREMENT ACCOUNT

Starting in 2024, retirement account holders must begin taking Required Minimum Distributions (RMDs) at age 73 (previously 72). Individuals born between 1951 and 1959 must start their first RMD at age 73, while those born in 1960 or later will begin RMDs at age 75. If a taxpayer defers their first RMD, they must take two RMDs in the second year. Once eligible for RMDs, they must be taken by December 31st of each year. If a retirement account holder takes a distribution from their account before reaching age 59½, it will be taxed as ordinary income and may be subject to a 10% penalty. However, retirement funds from an IRA or qualified pension plan can be rolled over tax-free if done within 60 days from the date of receipt. There are exceptions to the 10% additional penalty for distributions used for medical expenses, education, or a "first-time home purchase." For more detailed information about the 2024 exceptions, please contact our office.

## CHILD TAX CREDIT (CTC)

Starting in 2025, the Child Tax Credit will be permanently increased to \$2,200 per qualifying child, of which \$1,700 is refundable. Both the qualifying child and the individual claiming the credit must have a valid Social Security Number (SSN). For Married Filing Jointly, only one spouse is required to have an SSN. For married couples filing jointly, when income exceeds \$400,000 (or \$200,000 for other filers), the deduction is gradually phased out. Taxpayers who failed to obtain an SSN for their qualifying child by the due date of their income tax return are still eligible for the \$500 credit available for other dependent (under IRS § 24(h)(4)(A)).

## CHARITABLE CONTRIBUTIONS

The 0.5% AGI threshold for itemized charitable contributions under OBBBA will take effect in 2026.

- Taxpayers may benefit from accelerating contributions in 2025 to take full advantage of deductions before the new rule applies.
- Taxpayers who do not itemize deductions can utilize the new special deduction for cash contributions starting in 2026.
- Consider using Qualified Charitable Distributions (QCDs), which allow direct donations from retirement accounts to charities. QCDs are generally not included in AGI, so they are not affected by the new AGI threshold.

## GIFT TAX / ESTATE TAX EXCLUSION

For 2025, the annual gift tax exclusion is \$19,000 (\$19,000 for 2026). A taxpayer, making a gift valued more than \$19,000 to anyone other than a spouse, should report the gift on the tax return. For 2025, a unified gift and estate tax exemption per person is \$13,990,000 (\$15,000,000 for 2026). Please consult with a tax advisor before making a gift more than the annual exclusion since exceeding amounts will count against the lifetime exemption.

## FOREIGN-EARNED INCOME EXCLUSION

In 2025, a U.S. individual living abroad can exclude up to \$130,000 of foreign-earned income if the taxpayer satisfies either the bona fide residence test or the physical presence test. The exclusion applies separately to each spouse; as such, if both spouses are qualified individuals, the spouses when filing jointly may exclude up to \$260,000. A qualified individual is either a person whose tax home is in a foreign country and who is a U.S. citizen with a bona fide residence in a foreign country for an uninterrupted period which includes an entire taxable year; or a U.S. citizen or resident who, during any period of 12 consecutive months, is present in a foreign country or countries during at least 330 full days in such period (physical presence test). Please contact our office for more details.

## REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS (FBAR)

Taxpayers with an interest in, or signature or other authority over, foreign financial accounts, whose aggregate value exceeded \$10,000 at any time during 2025, must report foreign Bank and financial Accounts (FBAR) by April 15, 2026. Foreign financial accounts include bank accounts, brokerage accounts, mutual funds, trusts, or other type of foreign financial accounts. Under IRC Section 5321 the maximum penalty for an FBAR violation is \$16,185 unless the violation is willful. For willful violations, the penalty may be the greater of \$161,856 or 50% of the balance in the account at the time of the violation, for each violation.

Starting from 2011, taxpayers with specified foreign financial assets that exceed certain thresholds must report those assets to the IRS on Form 8938.

### Taxpayers living in the US

**Single or Married Filing Separately:** Total value of assets was more than \$50,000 on the last day of the tax year, or more than \$75,000 at any time during the year.

**Married Filing Jointly:** Total value of assets was more than \$100,000 on the last day of the tax year, or more than \$150,000 at any time during the year.

### Taxpayers living outside the US:

**Single or Married Filing Separately:** Total value of assets was more than \$200,000 on the last day of the tax year, or more than \$300,000 at any time during the year.

**Married Filing Jointly:** Total value of assets was more than \$400,000 on the last day of the tax year, or more than \$600,000 at any time during the year.

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## PRINCIPAL RESIDENCE

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Taxpayers may qualify to exclude income gained from selling primary residence (living at least 2 years out of the previous 5 years) up to \$250,000 of gain on sale of home if single (up to \$500,000 if married filing jointly). Please contact our office for more details.

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## PENALTY ISSUE FOR NOT HAVING HEALTH INSURANCE CONTINUE IN 2025

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Beginning January 1, 2020, all California residents must have qualifying health insurance coverage unless they qualify for an exemption. Otherwise, nonexempt taxpayers without coverage must pay the state penalty. In 2025, the penalty is the greater of the following two amounts:

- 1) \$900 per adult (\$450 per dependent child); up to a maximum of \$2,700 per year
- 2) 2.5% of the household income that exceeds the state's gross income filing threshold

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## FIRST-TIME PENALTY ABATEMENT

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For taxable years beginning on or after January 1, 2022, the FTB offers a first-time penalty abatement for individual taxpayers facing a late-filing penalty or late-payment penalty. The request may be made either orally or in writing, and abatement only applies to a timeliness penalty related to one taxable year. Unlike the federal first-time penalty abatement which is available once every four years, the California penalty abatement is only available once in a lifetime. The federal first-time penalty abatement is available to both individuals and businesses, and qualified penalties include failure to file/timely file, failure to pay/timely pay, and failure to deposit. Federal first-time abatement requests may be made orally or by filing Form 843, Claim for Refund and Request for Abatement.

## REINVESTED DIVIDENDS

Taxpayers, not updating mutual fund cost basis for dividends received and investing back into mutual fund in form of additional shares, will end up being double taxed. This is a common mistake that many taxpayers make. Reinvested dividends should be considered as additional purchases of stock at different prices. Please keep any related record.

## REINVESTED DIVIDENDS

| Rate | Taxable Income Breakpoint (2025) |                        |                           |                   |
|------|----------------------------------|------------------------|---------------------------|-------------------|
|      | Single                           | Married Filing Jointly | Married Filing Separately | Head of Household |
| 0%   | \$48,350                         | \$96,700               | \$48,350                  | \$64,750          |
| 15%  | \$533,400                        | \$600,050              | \$300,000                 | \$566,700         |
| 20%  | No Breakpoint                    |                        |                           |                   |

\*\*Depending on the amount of adjusted gross income, net investment income tax (3.8%) can be added.

## WASH SALES RULES

Taxpayers are prohibited from claiming a loss from a wash sale, which occurs when stock or securities are sold at a loss and within 30 days before or after the sale, the taxpayer buys substantially identical stock or securities, acquires them in a fully taxable trade, acquires an option or contract for the same, or acquires them in an IRA or Roth IRA. While stocks or securities of different corporations are usually not considered substantially identical, they may be in certain cases, such as during a reorganization where the stocks of the predecessor and successor corporations could be deemed substantially identical.

## INVESTMENT INTEREST

If taxpayers borrow money to buy property for investment, interest that taxpayers pay is investment interest and is tax deductible. Deductible investment interest is limited to taxpayers' net investment income. Taxpayers are allowed to carry over any disallowed investment interest deduction into the next tax year.

## INSTALLMENT SALE

Owner Financing (Seller Financing) or Installment Sale is a sale of property where at least one payment is to be received after the tax year in which the sale occurs. It allows for the deferral of gain recognition because the seller recognizes the gain over the taxable years in which the payments are actually received. This method does not apply to the sale of stock and bond.

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## CALIFORNIA MINIMUM WAGE

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On January 1, 2026, the state-wide California minimum wage will increase from \$16.50 to \$16.90 per hour for all employer sizes. Effective from July 1, 2025, the minimum wage in LA City is \$17.87 per hour and unincorporated areas of LA County is \$17.81.

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## PASS-THROUGH ENTITY ELECTIVE TAX

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Qualified S Corp, partnership, disregarded single-member LLC or LLC taxed as partnership or S Corp doing business in CA may make an election to pay a pass-through entity elective tax on behalf of qualifying taxpayers for 2021 to 2025 tax year. It will be extended and effective from 2026 through 2030. The amount equals 9.3% of its qualified net income. This will decrease Federal net income on owner's K-1, and the owner will receive a CA tax credit equal to 100% of the state tax paid by the pass-through entity on behalf of its owner. Qualified taxpayers include individual, fiduciary, estate, trust, and disregarded single member LLC. For tax years 2022 to 2025, the election is made by making the first payment (which is the greater of \$1,000 or 50% of the elective tax paid for the prior tax year) by June 15 during the tax year of the election. The remaining amount must be paid by the due date of the original return without regard to the extensions.

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## CALSAVERS PROGRAM

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CalSavers is a state-administered Roth-like retirement plan that private employers must offer to their CA employees if the employer does not provide its own retirement plan unless a few conditions are met. The IRS classifies CA's CalSavers program as a Roth IRA. Non-compliant employers will be penalized per employee upon the first penalty notice. (\$250 per employee starting 90 days after the initial notice, additional \$500 per employee if 180 days have passed) Employers with at least 1 employee will be required to register by December 31, 2025. Religious organizations with 501(c) (3) exemption are not required to register.

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## NET OPERATING LOSS (NOL)

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The net operating loss deduction for taxable years beginning after December 31, 2020, is limited to 80% of the excess (if any) of taxable income (For California, 100% of taxable income is allowed). Carryovers are allowed indefinitely (California NOLs can be carried forward up to 20 years). After 2020, Carrybacks are not allowed for both federal and California.

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## AUTOMOBILE EXPENSE

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The standard mileage rate for 2025 is 70¢. Taxpayers should keep a detailed mileage log for substantiation. Commuting mileage incurred while traveling from home to one or more regular places of business are generally non-deductible.

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## MEAL & ENTERTAINMENT

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Client entertainment expenses (sporting event tickets, theater tickets, golf outings, and yacht excursions) are non-deductible since 2018. Meals for employees are 50% deductible and meals for employees while traveling for business are 50% deductible. Client meals, employee meals while traveling for business, and meals provided for the convenience of the employer are 50% deductible. Further, holiday parties, company picnics, and other occasional employee appreciation events are 100% deductible. Taxpayers should keep related events and meals expense documents to claim the full deduction. Effective January 1, 2026, under the OBBBA legislation, de minimis fringe benefits such as meals and snacks provided by an employer to employees will no longer be deductible.

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## PENSION PLAN

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Putting more money into retirement account is a good idea in terms of tax savings and getting ready for retirement early. Taxpayers should consult with tax advisors and financial advisors before starting a pension plan.

# INCOME TAX AUDIT

## IRS EXAMS INCREASING

The IRS's 2024-2025 strategic operating plan outlines significant increases in audits, including a tripling of audit rates for large corporations, a ten-fold increase for large partnerships, and a 50% increase for wealthy individuals. However, there will be no increase in audit rates for taxpayers earning less than \$400,000.

## SOURCE OF LIVING EXPENSE

When taxpayers' expenditures are greater than their reported income, supporting documents for source of fund, which used for their living expenses exceeding their income, are required.

## SOURCE OF FUND

Taxpayers should have supporting documents for the source of funds of down payment used to acquire a real estate or business.

## BANK DEPOSIT

When the deposit includes non-sale deposits, supporting documents, such as copies of cancelled checks and deposit slips, should be kept as your substantiation. Otherwise, they may be treated as additional income.

## CHARITABLE CONTRIBUTION

Taxpayers who make charitable contributions equaling \$250 or more must have records and written receipt from the qualified organization. Taxpayers who make charitable contribution less than \$250 should keep canceled checks. Taxpayers donating an item or a group of similar items valued at more than \$5,000 must also complete Section B of Form 8283, which generally requires an appraisal by a qualified appraiser.

## SEPARATE BANK ACCOUNT

Keeping separate accounts (business and personal) is always the smart thing to do. The proper way to transfer business income to personal account is either by paying yourself a salary and/or making a transfer as withdrawal/distribution to personal accounts.

# INCOME TAX AUDIT

## CASH TRANSACTION

A currency transaction report (CTR) is a report that U.S. financial institutions are required to file for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through or to the financial institution, which involves a transaction in currency of more than \$10,000. The bank will report to the IRS if any attempts known as structuring, which are intentional attempts to withdraw and deposit more than \$3,000 but less than \$10,000 to avoid CTR. A taxpayer must also report using Form 8300 if he/she received an aggregated amount over \$10,000 during a taxable year from a customer.

## FOREIGN GIFT

Gifts or bequests valued at more than \$100,000 from a nonresident alien individual or foreign estate or gifts valued at more than \$20,116 for 2025 from foreign corporations or partnerships must be reported to IRS by filing Form 3520.

## FORM 1099 FILING REQUIREMENT

A taxpayer may be subject to a penalty if he/she fails to file a Form 1099 in a timely manner or he/she fails to include all information required to be shown on a return. Penalty range from \$60 to \$310.

### **1099 Paper-file deadline:**

1/31/2026 for 1099-NEC,  
2/28/2026 for 1099-MISC, DIV, INT, R, C, B, S

### **1099 E-file deadline:**

1/31/2026 for 1099-NEC,  
3/31/2026 for 1099- MISC, DIV, INT, R, C, B, S

### **1099 recipient deadline:**

1/31/2026 for 1099-NEC,  
1/31/2026 for 1099-MISC, DIV, INT, R, C, B, S

# ***INCOME TAX AUDIT***

## **RECORD KEEPING**

Bank statements, canceled checks, receipts, invoices and all other documents used to prepare income tax returns should be kept at least 4 years from the date tax returns were filed. When taxpayers acquire or sell property, whether business or personal, taxpayers should keep escrow documents and/or other documents supporting real estate transactions for at least 4 years from the date tax returns are filed.

## **AUDIT NOTICE**

When taxpayers receive an audit notice, the first thing for them to do is contact their tax advisors. Sometimes auditors visit business site without prior arrangement. Taxpayers should always ask for proper identification, inquire about the reason for visitation and contact tax advisors before giving out any information to auditors.

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