



CLIENTTELL

Vol. XXXI | No. 4 Winter 2025 | Blackburn, Childers & Steagall, PLC Quarterly Newsletter

New IRS Reporting Requirements

2

BY TERESA ADAMS

IRS to Phase Out Paper Refund Checks

3

BY EASTON STARKEY

Rule Changes for TN Contractor Licensing

4

BY SARAH BLACK

A NEW CHAPTER

BY KRISTEN JONES

Our time on Sunset Drive and Wilcox Drive has officially come to an end. With all the excitement of the big move to Gray, there comes a small dose of bittersweetness as we leave behind years of memories at those locations. The walls hold endless celebrations of milestones, marriages, babies, first days, retirements, and tax seasons coming to a close.

But there is beauty in starting over. It's the end of an era, but the start of an age. We can't wait to see what this next chapter has in store for us on Sid Martin Road, and we'd love for you to be part of it! Join us as we celebrate new beginnings together at our **Ribbon Cutting and Open House on January 16 at 9:00 a.m.**



New IRS Reporting Requirements for Qualified Overtime & Qualified Tips : What Employers Need to Know for 2025–2026



BY TERESA ADAMS

The IRS has released new guidance affecting how employers must track and report certain types of employee compensation, specifically qualified overtime and qualified tips. These changes stem from the One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, and will impact payroll processing and W-2 reporting over the next two years.

This summary outlines what your business needs to know as you prepare for year-end and plan ahead for 2026.

What Is Changing?

Two new categories of compensation now carry potential federal tax deductions for employees:

1. Qualified Overtime Compensation

This is the overtime premium portion required under federal law (FLSA) for hours worked over 40 in a workweek.

2. Qualified Tips

These are employee-reported tips — cash or charged — that employers already include in wages for payroll tax purposes.

To support employees claiming these new deductions, businesses must begin tracking these amounts.

2025: Transition Year with IRS Penalty Relief

The IRS issued Notice 2025-62, confirming that:

- The 2025 Form W-2 will NOT be updated to include new boxes or codes for qualified overtime or qualified tips.
- Employers will not face penalties in 2025 for failing to report these amounts separately on the W-2, as long as all other information is complete and accurate.
- Even though reporting is not required for 2025, the

IRS encourages employers to provide totals to employees through either:

- Box 14 on Form W-2, or
- A separate year-end statement

Providing this information helps employees claim the new deductions on their 2025 individual tax returns.

2026: Full Mandatory Compliance Begins

Significant changes are coming to the 2026 Form W-2, including:

New Box 12 Codes:

- TP – Qualified Tips
- TT – Qualified Overtime Compensation

New occupational code requirement for tipped employees.

Employers will need to ensure their payroll systems can track these amounts throughout 2026 and report them in the newly designated fields.

What Employers Should Do Now

For 2025:

- Begin tracking qualified overtime and qualified tips separately.
- Decide whether to report these amounts in W-2 Box 14 or provide a separate employee statement.
- Review payroll procedures to ensure accurate FLSA overtime calculations and tip reporting.

For 2026:

- Confirm that payroll software vendors will support the new required reporting fields.
- Prepare to include the new W-2 codes (TP and TT) beginning with wages paid January 1, 2026.

– Update internal payroll practices to ensure accurate year-round tracking.

We're Here to Help

These new reporting rules introduce additional complexity to year-end processing, payroll tracking, and employee communication. Our team is actively monitoring IRS updates and working with clients to ensure a smooth transition.

If you have questions about how these changes affect your business, your payroll setup, or your W-2 reporting, please reach out — we are happy to assist. ♦



IRS to Phase Out Paper Refund Checks Starting September 30, 2025

BY EASTON STARKEY



The IRS has announced that it will begin phasing out paper tax refund checks for individual taxpayers after September 30, 2025, as part of a broader effort to modernize how the federal government sends payments.

This change is intended to improve security, speed, and efficiency in the refund process — and it may require some taxpayers to take action ahead of the 2026 filing season.

Under this new policy, refunds will generally be issued electronically using direct deposit or other secure digital options. Paper refund checks will no longer be the default option and will only be issued in limited cases where exceptions apply. The change applies to individual tax refunds starting with returns filed for the 2025 tax year (processed in 2026). No changes are required when filing 2024 returns, including those submitted under extension.

According to the IRS, the transition away from paper checks is driven by several key goals. First, electronic refunds are more secure — mailed checks are more likely to be lost, delayed, or stolen. Second, direct deposit is much faster. Taxpayers who file electronically

and opt for direct deposit typically receive their refunds in less than 21 days compared to taxpayers who received paper checks which typically arrive in 6 to 8 weeks or more. Finally, reducing paper processing allows the IRS to operate more efficiently and cut down on administrative delays.

For most taxpayers, no significant changes are expected. Refunds will continue to be processed and delivered electronically, just as they are today. However, those who typically receive a paper check — or who do not currently provide bank information on their return — may experience delays if steps are not taken ahead of the change. If a 2025 return is filed without direct deposit information, the IRS will send a letter requesting those details and explaining how to request a hardship exception. If the taxpayer does not respond, the IRS will hold the refund for six weeks before issuing a paper check.

Taxpayers without access to a bank account will not be left behind. The IRS plans to offer alternative electronic payment methods, such as prepaid debit cards or digital wallets, though details have not yet been finalized. An exception process will also be put in place for situations where electronic delivery is not feasible. For now, taxpayers should continue filing their returns using current procedures. But it's a good time to review refund preferences, confirm that direct deposit information is accurate, and explore low-cost banking options if needed.

In addition to changing how refunds are issued, the executive order also requires that payments made to the IRS, such as estimated taxes and balances due, be processed electronically. While the mandate for refund changes has a firm deadline, the government has stated that the transition to electronic payments should be made “as soon as practicable.” Taxpayers already have several approved e-payment platforms available, including:

- IRS Direct Pay: A free, secure service to make payments directly from a bank account.
- Electronic Funds Tax Payment System (EFTPS): A free system from the U.S. Department of the Treasury for paying federal taxes.

- IRS Online Account: A secure portal to access tax information and make payments.
- Other options such as digital wallets, credit cards, and wire transfers.

As the IRS rolls out its “Modern Payments” initiative, additional guidance will be shared on IRS.gov. Taxpayers are encouraged to monitor official updates and stay informed heading into the 2026 filing season.

Being proactive can help avoid refund delays and ensure a smooth transition. If you’ve typically received a paper check or think you may qualify for an exception, start planning now so you’re ready when these changes take effect. ♦

Tennessee Construction Contractor Licensing - 2025 Rule Changes

BY SARAH BLACK



In January 2025, the Tennessee Board for Licensing Contractors approved new rules for current and future Tennessee contractors effective November 18, 2025. These updates intend to modernize contractor licensing, improve processing speed, and strengthen

financial reporting standards to better align with today’s construction industry and fiscal accountability requirements. The following are brief descriptions of the changes that have been implemented.

Faster Approvals by the Executive Director: The executive director is now authorized to review and approve certain license or monetary limit applications between the regularly scheduled board meetings. These applications must have no deficiencies, and the applicant must show potential loss of business if licensure is delayed. These interim approvals, such as reinstatements or ownership changes, must later be ratified by the Board.



Renewal Rules by Monetary Limit: All renewal applications for monetary limits greater than \$1.5 million must be accompanied by a compilation prepared by a licensed public accountant or certified public accountant (CPA). Previously the board required a reviewed or audited financial statement; a compilation is a step down from those engagements. If a renewal application is for a monetary limit of \$1.5 million or less, the applicant must submit a notarized statement that the information in their self-prepared financial

statement is true and correct. Additionally, the Board may now, with cause, require a financial statement be reviewed or audited by a CPA whenever public welfare may be affected.

Expanded Recognition of Experience: Applicants may now demonstrate experience through prior employment, education, volunteer work, internships, or training. The applicant must provide proof of experience through letters of recommendation, certificates, diplomas, or any other items considered sufficient by the Board.

Monetary and Classification Adjustments: The Small Commercial license cap increased from \$750,000 to \$1.5 million. Lines of credit fully count toward working capital, while indemnities remain limited to 50%. However, applicants with negative working capital may no longer use a line of credit's value; previously it was recognized at 50% of value.

Misconduct & Communication Updates: Contractors must respond in writing within 30 days to Board inquiries about investigations. The Board can now send notifications via regular mail, certified mail, or email.

Temporary Licensing Consolidation: The prior temporary license rule was repealed. Urgent or hardship-based approvals now fall under the Executive Director's

expanded authority for faster response times.

Updated Financial Statement Standards: The new rules state that the following requirements apply for financial statements submitted to the Board:

1. The financial statement must be executed by a licensed public accountant or CPA on the accountant's letterhead along with the accountant's license or certification number.
2. The financial statement must be prepared in accordance with generally accepted accounting principles (GAAP).
3. The financial statement must be dated no earlier than 12 months prior to the date of application.
4. The financial statement must be prepared in the name of the applicant of license.
5. If the accountant is not licensed in the State of Tennessee, a copy of the accountant's license must be furnished with the financial statement.

These reforms aim to simplify contractor licensing, provide clarity for accountants and applicants, and ensure public confidence through stronger oversight. All contractors should review the new rules before submitting or renewing licenses after November 18, 2025. ♦

YOU'RE INVITED

RIBBON CUTTING & OPEN HOUSE

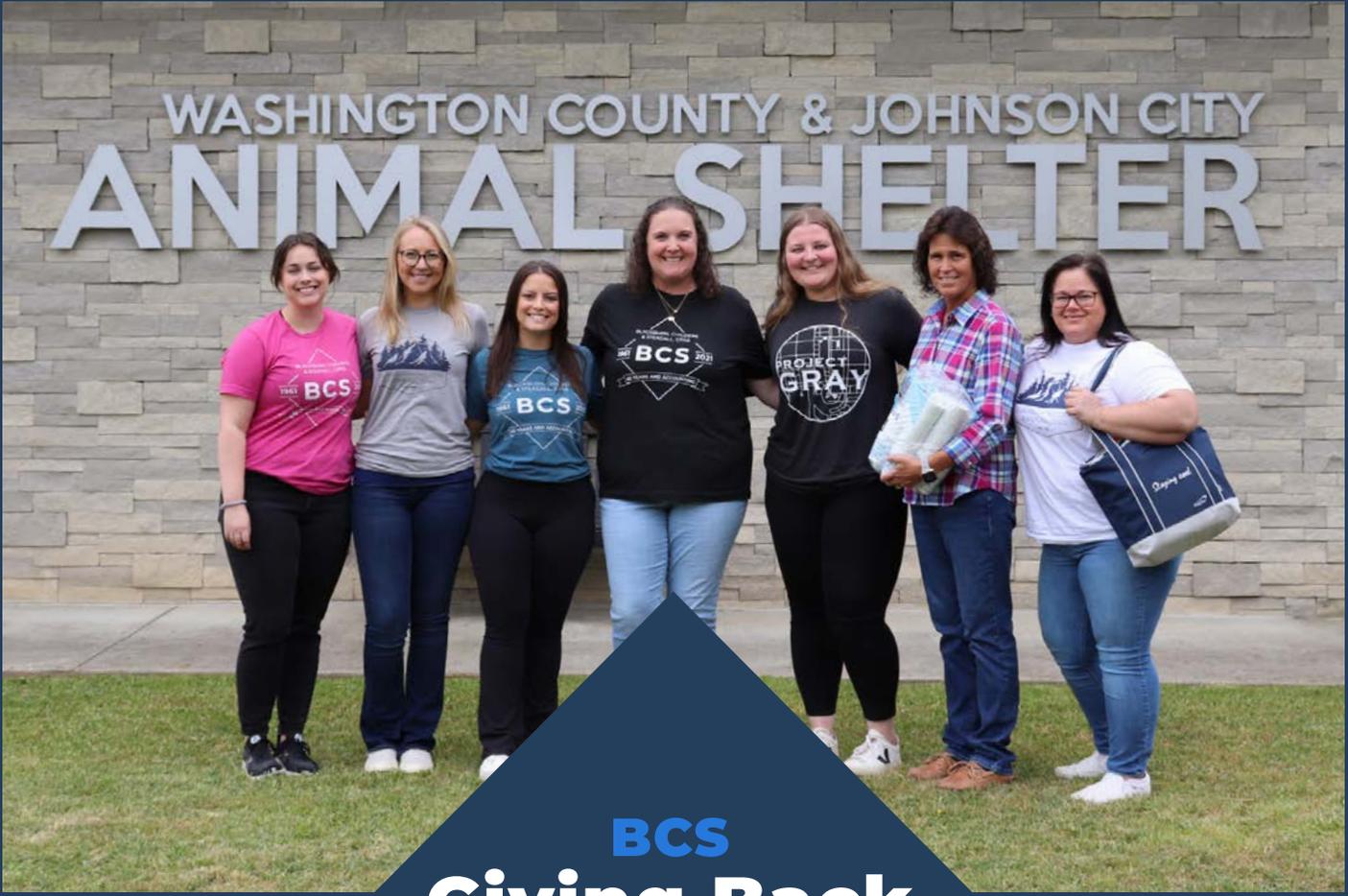
 **January 16, 2026**

 **9:00 a.m.**

 **541 Sid Martin Road**



BCS
a family of companies



BCS
Giving Back
2025





**“use
whatever gift
you have received
to serve others”**

1 Peter 4:10 NIV





**BLACKBURN, CHILDERS
& STEAGALL, PLC**

541 Sid Martin Rd, Suite C | Johnson City, TN 37615
Gray | Greeneville | Boone

PRSR STD
US POSTAGE
PAID
JOHNSON
CITY, TN
PERMIT NO. 26



BCSCPA.COM

Vol. XXXI | No. 4 Winter 2025 | © 2025 Blackburn, Childers, & Steagall, PLC



*Merry
Christmas*
and Happy New Year!