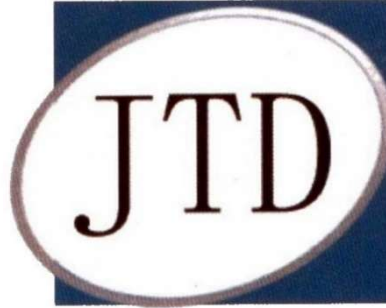




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## 2026 Tax Law Changes

On July 4, the One Big Beautiful Bill Act was signed into law. This sweeping piece of domestic legislation extends, revises, and in some cases permanently establishes a wide range of tax rules affecting individuals, families, and businesses. Some provisions took effect immediately, and many are set to expire in future years.<sup>1</sup>

Because this law introduced new concepts and ideas, it's worth understanding which changes apply to you and when.

Some provisions will require action before they expire; others create new opportunities. Throughout this article, you'll see labels noting whether a provision is permanent, temporary, or set to change on a specific date. As always, we encourage you to speak with your tax, legal, or accounting professional before making any adjustments based on these updates. The IRS is also expected to issue additional guidance on implementation as the year unfolds.<sup>1</sup>



### Individual Taxes

#### Permanent

**Standard Deduction.** For 2026, the standard deduction increased to \$16,100 for single filers and \$32,200 for those filing jointly, a modest increase from prior levels.<sup>1,2</sup>

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## Effective 2026

**Bonus Deduction for Seniors.** A \$6,000 bonus deduction is available to taxpayers age 65 and older. This is in addition to the standard deduction available to all filers.<sup>1</sup>

A few important details:

- The deduction begins to phase out at \$75,000 in income for individuals and \$150,000 for joint filers.<sup>1</sup>
- It phases out completely for individuals earning above \$175,000 and couples earning above \$250,000.<sup>1</sup>
- This deduction is temporary; it expires after 2028.<sup>1</sup>

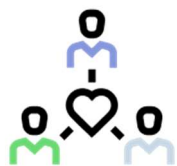
## Expires After 2028

**State and Local Tax (SALT) Deduction.** The cap on deductible state and local taxes increases to \$40,400 in 2026 and will rise by 1 percent annually through 2029. However, in 2030, the SALT cap reverts to \$10,000, so this benefit has a built-in sunset.<sup>1</sup>

Note: The cap applies to both single and married filers. The deduction begins to phase out for taxpayers with incomes above \$505,000.<sup>1</sup>

## Temporary

**Charitable Contributions.** Taxpayers who take the standard deduction can now deduct up to \$1,000 in charitable contributions (single filers) or \$2,000 (married filing jointly) without needing to itemize. This is a meaningful change for the majority of filers who don't itemize their deductions.<sup>1</sup>



## Families & Children

**Child Tax Credit.** In 2026, the child tax credit is \$2,200 per qualifying child. The credit also includes a cost-of-living adjustment (COLA), so the amount will increase with inflation in future years.<sup>1</sup>

## Permanent

**Dependent Care.** Starting in 2026, the dependent care flexible spending account (FSA) limit increases from \$5,000 to \$7,500 per year. The maximum percentage of qualified expenses eligible for the dependent care credit also rises, from 35 to 50 percent.<sup>1</sup>

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## Effective 2026

**“Trump” Account.** A new savings vehicle provides a one-time \$1,000 government contribution into an account for babies born between 2025 and 2028. Parents may contribute up to \$5,000 per year. Withdrawals are not permitted before the child reaches age 18.<sup>1</sup>

## Expires After 2028

**529 Expansion.** 529 education savings accounts now cover a broader range of expenses. Non-tuition costs related to elementary or secondary school attendance are now eligible under the existing rules.<sup>1</sup>

Beginning in 2026, the annual limit for tuition-related 529 expenses increases from \$10,000 to \$20,000.<sup>1</sup>

Expanded coverage is immediate; increased cap takes effect in 2026. Remember, a 529 plan is a tax-advantaged education savings plan. Before choosing a plan, it’s important to consider not only the state tax treatment but also any associated fees and expenses. Availability of a state tax deduction will depend on your state of residence, as state tax laws and treatment may vary from federal tax laws. If you make nonqualified distributions, earnings will be subject to income tax and a 10% federal penalty tax.



## New Deductions for Workers

**No Tax on Tips.** Workers who receive tips may deduct up to \$25,000 in tip income. This deduction is available even if you take the standard deduction rather than itemizing.<sup>1</sup>

The deduction phases out for individuals earning above \$150,000 (or \$300,000 for married filers filing jointly).<sup>1</sup>

## Expires After 2028

**No Tax on Overtime.** Single filers may deduct up to \$12,500 in overtime pay, and married filers filing jointly may deduct up to \$25,000. Like the tips deduction, this is available alongside the standard deduction.<sup>1</sup>

The deduction phases out above the same income thresholds: \$150,000 for individuals and \$300,000 for married joint filers.<sup>1</sup>

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## Expires After 2028

**New Car Loan Interest.** Between 2025 and 2028, taxpayers can deduct up to \$10,000 in interest paid on a new car loan, but there are restrictions. The vehicle must be brand-new and assembled in the United States. The deduction phases out for individuals with gross income above \$100,000 and married filers with income above \$200,000.<sup>1</sup>



## Small Business & Investors

**Qualified Business Income (QBI) Deduction.** The 20 percent deduction on qualified business income for sole proprietorships, partnerships, and S corporations, originally set to expire with the TCJA, has now been made permanent. This is a significant benefit for small business owners and self-employed individuals.<sup>1</sup>

## Permanent

**Expensing of Capital Investments.** Businesses may expense 100 percent of qualifying capital investments (such as equipment and machinery) made on or after January 19, 2025. This restores a provision that had been phasing down under prior law and is particularly valuable for businesses thinking about factory upgrades or significant equipment purchases.<sup>1</sup>

Some limitations may apply depending on the type of investment.<sup>1</sup>

## Permanent

**1099-K Reporting Thresholds.** For transactions on cash apps and digital payment platforms, the reporting threshold has been reset to \$20,000 and 200 transactions.<sup>1</sup>



## Estate & Gift Taxes

**Increased Exemptions.** For 2026, the estate and gift tax exemption increases to \$15 million (individual) and \$30 million (married), with inflation adjustments thereafter.<sup>1</sup>

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## Permanent

**A Note on Proactive Strategy.** Since the 2017 Tax Cuts and Jobs Act, there has been ongoing concern that the estate and gift tax exemption would sunset to pre-2017 levels. The new law removes that uncertainty for now, but as with all tax legislation, future Congresses can revisit these rules.<sup>1</sup>

## A Few Things to Keep in Mind

**Temporary provisions require attention.** Several key deductions, including the senior bonus deduction, no tax on tips, overtime deductions, and the new car interest deduction, all expire after 2028. Think about them now.<sup>1</sup>

**Some provisions adjust annually for inflation.** The standard deduction, child tax credit, and estate exemption are all indexed, so the exact dollar amounts will change year to year.<sup>1</sup>

**The IRS is still issuing guidance.** The agency is expected to release implementation guidance throughout the year as it works through the details of the new law. We'll keep you informed as that guidance becomes available.<sup>1</sup> Consider working with a tax, legal or accounting professional before making any changes to your tax strategy based on the OBBB. While this article provides a clear overview of the major provisions, your individual tax situation requires close, personalized attention.

<sup>1</sup>. Congress.gov, July 4, 2025.

<sup>2</sup>. IRS.gov, October 9, 2025

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