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What's New

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2026 Inflation Adjusted Amounts

See page 1-2 through page 1-6 for more 2026 inflation adjusted amounts.

2026 Standard Deduction

The basic standard deduction for 2026 is:

Single or MFS	\$16,100
MFJ or QSS	\$32,200
HOH	\$24,150

Age 65 and/or blind. The additional amounts for age 65 or older and/or blind, per person, per event in 2026 are:

MFJ, QSS, or MFS	\$1,650
Single or HOH	\$2,050

Dependent. The standard deduction in 2026 for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of \$1,350, or earned income plus \$450.

Qualifying Relative

The qualifying relative income limit for 2026 is \$5,300

Senior Deduction

The deduction for seniors age 65 and older for 2026 is \$6,000

The senior deduction begins to phase-out when modified AGI exceeds \$75,000 (\$150,000 MFJ).

2026 Qualified Business Income Deduction Thresholds

MFJ: \$403,500	MFS: \$201,775	Single, HOH, QSS: \$201,750
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2026 Federal Tax Rate Schedules

Single Taxable Income

\$ 0 to 12,400	× 10.0%	minus \$ 0.00	= Tax
12,401 to 50,400	× 12.0%	minus 248.00	= Tax
50,401 to 105,700	× 22.0%	minus 5,288.00	= Tax
105,701 to 201,775	× 24.0%	minus 7,402.00	= Tax
201,776 to 256,225	× 32.0%	minus 23,544.00	= Tax
256,226 to 640,600	× 35.0%	minus 31,230.75	= Tax
640,601 and over	× 37.0%	minus 44,042.75	= Tax

MFJ or QSS Taxable Income

\$ 0 to 24,800	× 10.0%	minus \$ 0.00	= Tax
24,801 to 100,800	× 12.0%	minus 496.00	= Tax
100,801 to 211,400	× 22.0%	minus 10,576.00	= Tax
211,401 to 403,550	× 24.0%	minus 14,804.00	= Tax
403,551 to 512,450	× 32.0%	minus 47,088.00	= Tax
512,451 to 768,700	× 35.0%	minus 62,461.50	= Tax
768,701 and over	× 37.0%	minus 77,835.50	= Tax

MFS Taxable Income

\$ 0 to 12,400	× 10.0%	minus \$ 0.00	= Tax
12,401 to 50,400	× 12.0%	minus 248.00	= Tax
50,401 to 105,700	× 22.0%	minus 5,288.00	= Tax
105,701 to 201,775	× 24.0%	minus 7,402.00	= Tax
201,776 to 256,225	× 32.0%	minus 23,544.00	= Tax
256,226 to 384,350	× 35.0%	minus 31,230.75	= Tax
384,351 and over	× 37.0%	minus 38,917.75	= Tax

HOH Taxable Income

\$ 0 to 17,700	× 10.0%	minus \$ 0.00	= Tax
17,701 to 67,450	× 12.0%	minus 354.00	= Tax
67,451 to 105,700	× 22.0%	minus 7,099.00	= Tax
105,701 to 201,750	× 24.0%	minus 9,213.00	= Tax
201,751 to 256,200	× 32.0%	minus 25,353.00	= Tax
256,201 to 640,600	× 35.0%	minus 33,039.00	= Tax
640,601 and over	× 37.0%	minus 45,851.00	= Tax

2026 Long-Term Capital Gain and Qualified Dividends Maximum Tax Rates

	0%	15%	20%
<i>For taxpayers with taxable income of:</i>			
Single	\$0 – \$49,450	\$49,451 – \$545,500	\$545,501 and above
MFJ/QSS	\$0 – \$98,900	\$98,901 – \$613,700	\$613,701 and above
MFS	\$0 – \$49,450	\$49,451 – \$306,850	\$306,851 and above
HOH	\$0 – \$66,200	\$66,201 – \$579,600	\$579,601 and above
Estates/Trusts	\$0 – \$3,300	\$3,301 – \$16,250	\$16,251 and above

Social Security Highlights

Employee's portion of FICA	2026	2025	2024
Maximum earnings subject to Social Security tax (Medicare no limit)	\$184,500	\$176,100	\$168,600
Social Security tax rate	6.20%	6.20%	6.20%
Medicare tax rate*	1.45%	1.45%	1.45%
Maximum Social Security tax	\$11,439.00	\$10,918.20	\$10,453.20

See *Social Security and Medicare*, page 1-6, for more information.

* Plus 0.9% on wages above threshold amount, plus 3.8% on unearned income above threshold amount.

Inflation Adjusted Amounts — Real Answers. Real Fast!

(Rev. Proc. 2025-32 and Notice 2025-67)

Tax Year	2026	2025	2024	2023	2022	2021	
FILING REQUIREMENTS	Filing Requirements						
	Single, under age 65	\$ 16,100	\$ 15,750	\$ 14,600	\$ 13,850	\$ 12,950	\$ 12,550
	Single, age 65 and over	\$ 18,150	\$ 17,750	\$ 16,550	\$ 15,700	\$ 14,700	\$ 14,250
	HOH, under age 65	\$ 24,150	\$ 23,625	\$ 21,900	\$ 20,800	\$ 19,400	\$ 18,800
	HOH, age 65 and over	\$ 26,200	\$ 25,625	\$ 23,850	\$ 22,650	\$ 21,150	\$ 20,500
	MFJ, both spouses under 65	\$ 32,200	\$ 31,500	\$ 29,200	\$ 27,700	\$ 25,900	\$ 25,100
	MFJ, one spouse 65 and over	\$ 33,850	\$ 33,100	\$ 30,750	\$ 29,200	\$ 27,300	\$ 26,450
	MFJ, both spouses 65 and over	\$ 35,500	\$ 34,700	\$ 32,300	\$ 30,700	\$ 28,700	\$ 27,800
	MFS, any age	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
	QSS, under age 65	\$ 32,200	\$ 31,500	\$ 29,200	\$ 27,700	\$ 25,900	\$ 25,100
QSS, age 65 and over	\$ 33,850	\$ 33,100	\$ 30,750	\$ 29,200	\$ 27,300	\$ 26,450	
DEDUCTIONS	Standard Deduction						
	MFJ, QSS	\$ 32,200	\$ 31,500	\$ 29,200	\$ 27,700	\$ 25,900	\$ 25,100
	Single	\$ 16,100	\$ 15,750	\$ 14,600	\$ 13,850	\$ 12,950	\$ 12,550
	HOH	\$ 24,150	\$ 23,625	\$ 21,900	\$ 20,800	\$ 19,400	\$ 18,800
	MFS	\$ 16,100	\$ 15,750	\$ 14,600	\$ 13,850	\$ 12,950	\$ 12,550
	Additional Standard Deduction for Age 65 and Over and/or Blind (Each)						
	MFJ, QSS, MFS	\$ 1,650	\$ 1,600	\$ 1,550	\$ 1,500	\$ 1,400	\$ 1,350
	Single, HOH	\$ 2,050	\$ 2,000	\$ 1,950	\$ 1,850	\$ 1,750	\$ 1,700
	Dependent Standard Deduction						
	The greater of:	\$ 1,350	\$ 1,350	\$ 1,300	\$ 1,250	\$ 1,150	\$ 1,100
Or earned income plus:	\$ 450	\$ 450	\$ 450	\$ 400	\$ 400	\$ 350	
State and Local Tax Deduction (SALT Deduction)							
Deduction Limitation (½ for MFS)	\$ 40,400	\$ 40,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	
Deduction limitation begins to reduce when modified AGI is (½ for MFS):	\$ 505,000	\$ 500,000	n/a	n/a	n/a	n/a	
EXEMPTIONS	Personal Exemption Deduction for Seniors						
	Per taxpayer, age 65 and over	\$ 6,000	\$ 6,000	\$ 0	\$ 0	\$ 0	\$ 0
	Phaseout begins at	\$75,000/\$150,000	\$75,000/\$150,000	n/a	n/a	n/a	n/a
	Qualifying Relative Income Limit	\$ 5,300	\$ 5,200	\$ 5,050	\$ 4,700	\$ 4,400	\$ 4,300
CAPITAL GAINS & QUAL. DIV.	Maximum Capital Gains/Qualified Dividends Tax Rate Breakpoints*						
	MFJ or QSS: Maximum rate = 0%	\$ 98,900	\$ 96,700	\$ 94,050	\$ 89,250	\$ 83,350	\$ 80,800
	MFJ or QSS: Maximum rate = 15%	\$ 613,700	\$ 600,050	\$ 583,750	\$ 553,850	\$ 517,200	\$ 501,600
	Single: Maximum rate = 0%	\$ 49,450	\$ 48,350	\$ 47,025	\$ 44,625	\$ 41,675	\$ 40,400
	Single: Maximum rate = 15%	\$ 545,500	\$ 533,400	\$ 518,900	\$ 492,300	\$ 459,750	\$ 445,850
	HOH: Maximum rate = 0%	\$ 66,200	\$ 64,750	\$ 63,000	\$ 59,750	\$ 55,800	\$ 54,100
	HOH: Maximum rate = 15%	\$ 579,600	\$ 566,700	\$ 551,350	\$ 523,050	\$ 488,500	\$ 473,750
	MFS: Maximum rate = 0%	\$ 49,450	\$ 48,350	\$ 47,025	\$ 44,625	\$ 41,675	\$ 40,400
	MFS: Maximum rate = 15%	\$ 306,850	\$ 300,000	\$ 291,850	\$ 276,900	\$ 258,600	\$ 250,800
* Capital gains/qualified dividends above the 15% breakpoints are taxed at 20%, unless the 25% or 28% rate gain applies.							
BUSINESS	Standard Mileage Rate Per Mile						
	Business	72.5¢	70.0¢	67.0¢	65.5¢	After 6/30 62.5¢	Before 7/1 58.5¢
	Medical and moving	20.5¢	21.0¢	21.0¢	22.0¢	22.0¢	18.0¢
	Charitable	14.0¢	14.0¢	14.0¢	14.0¢	14.0¢	14.0¢
	Depreciation	35.0¢	33.0¢	30.0¢	28.0¢	26.0¢	26.0¢

BUSINESS continued on next page

Inflation Adjusted Amounts—Real Answers. Real Fast!

(Rev. Proc. 2025-32 and Notice 2025-67)

Tax Year	2026	2025	2024	2023	2022	2021	
BUSINESS <i>(cont.)</i>	Section 179 Expense Limits						
	Regular 179 limits	\$ 2,560,000	\$ 2,500,000	\$ 1,220,000	\$ 1,160,000	\$ 1,080,000	\$ 1,050,000
	SUV limits	\$ 32,000	\$ 31,300	\$ 30,500	\$ 28,900	\$ 27,000	\$ 26,200
	Investment phaseout begins	\$ 4,090,000	\$ 4,000,000	\$ 3,050,000	\$ 2,890,000	\$ 2,700,000	\$ 2,620,000
	Educator Expenses	\$ 350	\$ 300	\$ 300	\$ 300	\$ 300	\$ 250
	Daycare Providers Standard Meal and Snack Rates						
	Breakfast – Continental U.S.	\$ 1.70	\$ 1.66	\$ 1.65	\$ 1.66	\$ 1.40	\$ 1.39
	Lunch and Dinner (each) – Continental U.S.	\$ 3.22	\$ 3.15	\$ 3.12	\$ 3.04	\$ 2.63	\$ 2.61
	Snacks (each/up to three) – Continental U.S.	\$ 0.96	\$ 0.93	\$ 0.93	\$ 0.97	\$ 0.78	\$ 0.78
	Breakfast – Alaska	\$ 2.72	\$ 2.66	\$ 2.63	\$ 2.59	\$ 2.23	\$ 2.22
	Lunch and Dinner (each) – Alaska	\$ 5.22	\$ 5.10	\$ 5.05	\$ 4.87	\$ 4.26	\$ 4.24
	Snacks (each/up to three) – Alaska	\$ 1.55	\$ 1.52	\$ 1.50	\$ 1.52	\$ 1.27	\$ 1.26
	Breakfast – Hawaii	\$ 2.19	\$ 2.14	\$ 2.12	\$ 1.91	\$ 1.63	\$ 1.62
	Lunch and Dinner (each) – Hawaii	\$ 4.18	\$ 4.09	\$ 4.05	\$ 3.55	\$ 3.08	\$ 3.06
	Snacks (each/up to three) – Hawaii	\$ 1.24	\$ 1.22	\$ 1.20	\$ 1.12	\$ 0.91	\$ 0.91
	Standard Deduction for Meals – High Low Method (Per Day) (New rate for a year begins October 1 of the previous year)						
	High cost localities	\$ 86	\$ 86	\$ 74	\$ 74	\$ 74	\$ 71
	All other localities	\$ 74	\$ 74	\$ 64	\$ 64	\$ 64	\$ 60
	Transportation workers	\$ 80	\$ 80	\$ 69	\$ 69	\$ 69	\$ 66
	Qualified Transportation Benefits						
	Commuter/Parking (per month)	\$ 340	\$ 325	\$ 315	\$ 300	\$ 280	\$ 270
	Qualified Business Income (QBI) Threshold Amounts						
	MFJ	\$ 403,500	\$ 394,600	\$ 383,900	\$ 364,200	\$ 340,100	\$ 329,800
	MFS	\$ 201,775	\$ 197,300	\$ 191,950	\$ 182,100	\$ 170,050	\$ 164,925
	Single, HOH	\$ 201,750	\$ 197,300	\$ 191,950	\$ 182,100	\$ 170,050	\$ 164,900
Excess Business Loss Limitation							
MFJ/All other taxpayers*	\$512,000/\$256,000	\$626,000/\$313,000	\$610,000/\$305,000	\$578,000/\$289,000	\$540,000/\$270,000	\$524,000/\$262,000	
* Reduced in 2026 from prior year amounts because OBBBA reset the inflation adjusted baselines.							
Gross Receipts Threshold to Use the Cash Method of Accounting							
Average receipts do not exceed:	\$32,000,000	\$31,000,000	\$30,000,000	\$29,000,000	\$ 27,000,000	\$ 26,000,000	
RETIREMENT PLAN LIMITS	401(k)/403(b) Elective Deferral Limits						
	Under age 50	\$ 24,500	\$ 23,500	\$ 23,000	\$ 22,500	\$ 20,500	\$ 19,500
	Age 50 and over	\$ 32,500	\$ 31,000	\$ 30,500	\$ 30,000	\$ 27,000	\$ 26,000
	Age 60 thru 63	\$ 35,750	\$ 34,750	\$ 30,500	\$ 30,000	\$ 27,000	\$ 26,000
	IRA Contribution Limits						
	Under age 50	\$ 7,500	\$ 7,000	\$ 7,000	\$ 6,500	\$ 6,000	\$ 6,000
	Age 50 and over	\$ 8,600	\$ 8,000	\$ 8,000	\$ 7,500	\$ 7,000	\$ 7,000
	IRA Deduction Phaseout Range for Active Participation in an Employer Plan						
	MFJ	129,000 – 149,000	126,000 – 146,000	123,000 – 143,000	116,000 – 136,000	109,000 – 129,000	105,000 – 125,000
	Single, HOH	81,000 – 91,000	79,000 – 89,000	77,000 – 87,000	73,000 – 83,000	68,000 – 78,000	66,000 – 76,000
	MFS	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000
	Spouse not active participant	242,000 – 252,000	236,000 – 246,000	230,000 – 240,000	218,000 – 228,000	204,000 – 214,000	198,000 – 208,000
	Roth IRA Phaseout Range						
	MFJ	242,000 – 252,000	236,000 – 246,000	230,000 – 240,000	218,000 – 228,000	204,000 – 214,000	198,000 – 208,000
	Single, HOH	153,000 – 168,000	150,000 – 165,000	146,000 – 161,000	138,000 – 153,000	129,000 – 144,000	125,000 – 140,000
MFS	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	0 – 10,000	
SIMPLE Elective Deferral Limits (110% of limit if 25 or less employees, or large employer elects higher matching—effective 2024)							
Under age 50	\$ 17,000	\$ 16,500	\$ 16,000	\$ 15,500	\$ 14,000	\$ 13,500	
Age 50 and over	\$ 21,000	\$ 20,000	\$ 19,500	\$ 19,000	\$ 17,000	\$ 16,500	
Age 60 thru 63	\$ 22,250	\$ 21,750	\$ 19,500	\$ 19,000	\$ 17,000	\$ 16,500	

RETIREMENT PLAN LIMITS continued on next page

Inflation Adjusted Amounts — *Real Answers. Real Fast!*

(Rev. Proc. 2025-32 and Notice 2025-67)

Tax Year	2026	2025	2024	2023	2022	2021	
RETIREMENT (cont.)	Qualified Retirement Plans						
	Profit sharing/SEP limited to 25% of compensation up to:	\$ 72,000	\$ 70,000	\$ 69,000	\$ 66,000	\$ 61,000	\$ 58,000
	Defined benefit plan limits	\$ 290,000	\$ 280,000	\$ 275,000	\$ 265,000	\$ 245,000	\$ 230,000
	Compensation limits	\$ 360,000	\$ 350,000	\$ 345,000	\$ 330,000	\$ 305,000	\$ 290,000
	Nondiscrimination Rules for Fringe Benefits						
	Key employee threshold	\$ 235,000	\$ 230,000	\$ 220,000	\$ 215,000	\$ 200,000	\$ 185,000
	Highly compensated	\$ 160,000	\$ 160,000	\$ 155,000	\$ 150,000	\$ 135,000	\$ 130,000
	Qualified Charitable Distributions						
	Per taxpayer	\$ 111,000	\$ 108,000	\$ 105,000	\$ 100,000	\$ 100,000	\$ 100,000
	Split-interest entity one-time election	\$ 55,000	\$ 54,000	\$ 53,000	\$ 50,000	n/a	n/a
EDUCATION TAX BENEFITS	American Opportunity Credit						
	MFJ phaseout range	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000
	Single and HOH phaseout range	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000
	Credit – 100% of the first:	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
	Credit – 25% of the next:	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
	Lifetime Learning Credit						
	MFJ phaseout range	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000	160,000 – 180,000
	Single and HOH phaseout range	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000	80,000 – 90,000
	Credit – 20% of first:	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
	Student Loan Interest Deduction						
	MFJ phaseout range	175,000 – 205,000	170,000 – 200,000	165,000 – 195,000	155,000 – 185,000	145,000 – 175,000	140,000 – 170,000
	Single and HOH phaseout range	85,000 – 100,000	85,000 – 100,000	80,000 – 95,000	75,000 – 90,000	70,000 – 85,000	70,000 – 85,000
	Maximum deduction is:	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
	U.S. Savings Bonds Interest Exclusion Phaseout Range						
	MFJ phaseout range	152,650 – 182,650	149,250 – 179,250	145,200 – 175,200	137,800 – 167,800	128,650 – 158,650	124,800 – 154,800
	Single and HOH phaseout range	101,800 – 116,800	99,500 – 114,500	96,800 – 111,800	91,850 – 106,850	85,800 – 100,800	83,200 – 98,200
	Education Savings Accounts Phaseout Range						
MFJ	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000	190,000 – 220,000	
Single, HOH, QSS, MFS	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000	95,000 – 110,000	
CREDITS	Child Tax Credit						
	Maximum refundable portion	\$ 2,200	\$ 2,200	\$ 2,000	\$ 2,000	\$ 2,000	\$3,000 / \$3,600 ¹
		\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,600	\$ 1,500	\$3,000 / \$3,600 ¹
	Child Tax Credit Phaseout Begins						
	MFJ	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 150,000 ²
	Single, HOH	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$75,000 / \$112,500 ²
	MFS	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 75,000 ²
	Credit for Other Dependents						
		\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
	Earned Income Credit						
Maximum credit – 0 children	\$ 664	\$ 649	\$ 632	\$ 600	\$ 560	\$ 1,502	
Maximum credit – 1 child	\$ 4,427	\$ 4,328	\$ 4,213	\$ 3,995	\$ 3,733	\$ 3,618	
Maximum credit – 2 children	\$ 7,316	\$ 7,152	\$ 6,960	\$ 6,604	\$ 6,164	\$ 5,980	
Maximum credit – 3 children	\$ 8,231	\$ 8,046	\$ 7,830	\$ 7,430	\$ 6,935	\$ 6,728	
Income limit – 0 children	\$ 19,540	\$ 19,104	\$ 18,591	\$ 17,640	\$ 16,480	\$ 21,430	
Income limit MFJ – 0 children	\$ 26,820	\$ 26,214	\$ 25,511	\$ 24,210	\$ 22,610	\$ 27,380	
Income limit – 1 child	\$ 51,593	\$ 50,434	\$ 49,084	\$ 46,560	\$ 43,492	\$ 42,158	
Income limit MFJ – 1 child	\$ 58,863	\$ 57,554	\$ 56,004	\$ 53,120	\$ 49,622	\$ 48,108	
Income limit – 2 children	\$ 58,629	\$ 57,310	\$ 55,768	\$ 52,918	\$ 49,399	\$ 47,915	
Income limit MFJ – 2 children	\$ 65,899	\$ 64,430	\$ 62,688	\$ 59,478	\$ 55,529	\$ 53,865	
Income limit – 3 children	\$ 62,974	\$ 61,555	\$ 59,899	\$ 56,838	\$ 53,057	\$ 51,464	
Income limit MFJ – 3 children	\$ 70,224	\$ 68,675	\$ 66,819	\$ 63,398	\$ 59,187	\$ 57,414	
Investment income limit	\$ 12,200	\$ 11,950	\$ 11,600	\$ 11,000	\$ 10,300	\$ 10,000	

¹ \$3,600 applies for child who has not yet attained age 6.

² The \$400,000/\$200,000 phaseouts apply after the increased credit is phased out.

CREDITS continued on next page

Inflation Adjusted Amounts — *Real Answers. Real Fast!*

(Rev. Proc. 2025-32 and Notice 2025-67)

Tax Year	2026	2025	2024	2023	2022	2021	
CREDITS (cont.)	Adoption Expense Credit or Exclusion						
	Expense limit/special needs	\$ 17,670	\$ 17,280	\$ 16,810	\$ 15,950	\$ 14,890	\$ 14,440
	Refundable portion	\$ 5,120	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 0
	AGI phaseout range	265,080 – 305,080	259,190 – 299,190	252,150 – 292,150	239,230 – 279,230	223,410 – 263,410	216,660 – 256,660
	Retirement Savings Contribution Credit – Maximum AGI						
	MFJ	\$ 80,500	\$ 79,000	\$ 76,500	\$ 73,000	\$ 68,000	\$ 66,000
	HOH	\$ 60,375	\$ 59,250	\$ 57,375	\$ 54,750	\$ 51,000	\$ 49,500
	Single	\$ 40,250	\$ 39,500	\$ 38,250	\$ 36,500	\$ 34,000	\$ 33,000
	Small Employer Health Insurance Credit						
	Wage phaseout range	34,100 – 68,200	33,300 – 66,600	32,400 – 64,800	30,700 – 61,400	28,700 – 57,400	27,800 – 55,600
HEALTH CARE	Health Savings Account Limitations						
	Self-only, under age 55	\$ 4,400	\$ 4,300	\$ 4,150	\$ 3,850	\$ 3,650	\$ 3,600
	Self-only, age 55 and older	\$ 5,400	\$ 5,300	\$ 5,150	\$ 4,850	\$ 4,650	\$ 4,600
	Family, under age 55	\$ 8,750	\$ 8,550	\$ 8,300	\$ 7,750	\$ 7,300	\$ 7,200
	Family, age 55 and older (assumes only one spouse has an HSA)	\$ 9,750	\$ 9,550	\$ 9,300	\$ 8,750	\$ 8,300	\$ 8,200
	The minimum annual deductible allowed is:						
	Self-only coverage	\$ 1,700	\$ 1,650	\$ 1,600	\$ 1,500	\$ 1,400	\$ 1,400
	Family coverage	\$ 3,400	\$ 3,300	\$ 3,200	\$ 3,000	\$ 2,800	\$ 2,800
	The maximum annual deductible and out-of-pocket expense limit is:						
	Self-only coverage	\$ 8,500	\$ 8,300	\$ 8,050	\$ 7,500	\$ 7,050	\$ 7,000
	Family coverage	\$ 17,000	\$ 16,600	\$ 16,100	\$ 15,000	\$ 14,100	\$ 14,000
	Archer MSA Limitations						
	Self-only annual deductibles	2,900 – 4,400	2,850 – 4,300	2,800 – 4,150	2,650 – 3,950	2,450 – 3,700	2,400 – 3,600
	Family annual deductibles	5,850 – 8,750	5,700 – 8,550	5,550 – 8,350	5,300 – 7,900	4,950 – 7,400	4,800 – 7,150
	Annual out-of-pocket expense limits:						
	Self-only coverage	\$ 5,850	\$ 5,700	\$ 5,550	\$ 5,300	\$ 4,950	\$ 4,800
	Family coverage	\$ 10,700	\$ 10,500	\$ 10,200	\$ 9,650	\$ 9,050	\$ 8,750
	Cafeteria Plan Health FSA Limits	\$ 3,400	\$ 3,300	\$ 3,200	\$ 3,050	\$ 2,850	\$ 2,750
Long-Term Care Insurance Deduction Limits for Annual Premiums							
Age 40 or less	\$ 500	\$ 480	\$ 470	\$ 480	\$ 450	\$ 450	
Age 41 – 50	\$ 930	\$ 900	\$ 880	\$ 890	\$ 850	\$ 850	
Age 51 – 60	\$ 1,860	\$ 1,800	\$ 1,760	\$ 1,790	\$ 1,690	\$ 1,690	
Age 61 – 70	\$ 4,960	\$ 4,810	\$ 4,710	\$ 4,770	\$ 4,510	\$ 4,520	
Age 71 and over	\$ 6,200	\$ 6,020	\$ 5,880	\$ 5,960	\$ 5,640	\$ 5,640	
Per diem limit per day	\$ 430	\$ 420	\$ 410	\$ 420	\$ 390	\$ 400	
Qualified Small Employer HRA Limits (QSEHRA)	\$ 6,450/ \$ 13,100 family	\$ 6,350/ \$ 12,800 family	\$ 6,150/ \$ 12,450 family	\$ 5,850/ \$ 11,800 family	\$ 5,450/ \$ 11,050 family	\$ 5,300/ \$ 10,700 family	
MISCELLANEOUS	Estate and Gift Tax						
	Estate and gift tax lifetime exclusion	\$15,000,000	\$13,990,000	\$13,610,000	\$12,920,000	\$12,060,000	\$11,700,000
	Gift tax annual exclusion	\$ 19,000	\$ 19,000	\$ 18,000	\$ 17,000	\$ 16,000	\$ 15,000
	Gifts to non-citizen spouse	\$ 194,000	\$ 190,000	\$ 185,000	\$ 175,000	\$ 164,000	\$ 159,000
	Household Employee						
	Amount FICA begins (per year)	\$ 3,000	\$ 2,800	\$ 2,700	\$ 2,600	\$ 2,400	\$ 2,300
	Amount FUTA begins (per quarter)	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
	Kiddie Tax (net unearned income not subject to kiddie tax)	\$ 1,350	\$ 1,350	\$ 1,300	\$ 1,250	\$ 1,150	\$ 1,100
	Parent's return limit	\$ 13,500	\$ 13,500	\$ 13,000	\$ 12,500	\$ 11,500	\$ 11,000
	Foreign Earned Income Exclusion	\$ 132,900	\$ 130,000	\$ 126,500	\$ 120,000	\$ 112,000	\$ 108,700
	Alternative Minimum Tax Exemptions						
	MFJ, QSS	\$ 140,200	\$ 137,000	\$ 133,300	\$ 126,500	\$ 118,100	\$ 114,600
	Single, HOH	\$ 90,100	\$ 88,100	\$ 85,700	\$ 81,300	\$ 75,900	\$ 73,600
	MFS	\$ 70,100	\$ 68,500	\$ 66,650	\$ 63,250	\$ 59,050	\$ 57,300

Social Security (SS) and Medicare Inflation Adjusted Amounts

Tax Year	2026	2025	2024	2023	2022	2021
COLA increase for SS benefits	2.8%	2.5%	3.2%	8.7%	5.9%	1.3%
Maximum earnings subject to: Social Security tax Medicare tax	\$ 184,500 No limit	\$ 176,100 No limit	\$ 168,600 No limit	\$ 160,200 No limit	\$ 147,000 No limit	\$ 142,800 No limit
Maximum Social Security Tax Employee Self-employed	\$ 11,439.00 \$ 22,878.00	\$ 10,918.20 \$ 21,836.40	\$ 10,453.20 \$ 20,906.40	\$ 9,932.40 \$ 19,864.80	\$ 9,114.00 \$ 18,228.00	\$ 8,853.60 \$ 17,707.20
Maximum Medicare Tax	No limit	No limit	No limit	No limit	No limit	No limit
Social Security Tax Rate Employee Self-employed	6.2% 12.4%	6.2% 12.4%	6.2% 12.4%	6.2% 12.4%	6.2% 12.4%	6.2% 12.4%
Medicare Tax Rate Employee Self-employed	1.45% 2.9%	1.45% 2.9%	1.45% 2.9%	1.45% 2.9%	1.45% 2.9%	1.45% 2.9%
Additional Medicare Tax on: Earned income above threshold Unearned income above threshold	0.9% 3.8%	0.9% 3.8%	0.9% 3.8%	0.9% 3.8%	0.9% 3.8%	0.9% 3.8%
Earnings for one quarter of coverage	\$ 1,890	\$ 1,810	\$ 1,730	\$ 1,640	\$ 1,510	\$ 1,470
Earnings limit to receive full Social Security benefits:						
Under full retirement age ¹ Year of full retirement age ² Full retirement age ³	\$ 24,480 \$ 65,160 No limit	\$ 23,400 \$ 62,160 No limit	\$ 22,320 \$ 59,520 No limit	\$ 21,240 \$ 56,520 No limit	\$ 19,560 \$ 51,960 No limit	\$ 18,960 \$ 50,520 No limit
Maximum Social Security monthly benefits at full retirement age.	\$ 4,152	\$ 4,018	\$ 3,822	\$ 3,627	\$ 3,345	\$ 3,148
¹ \$1 in benefits is withheld for every \$2 in earnings above the limit.						
² Applies only to earnings for months prior to attaining full retirement age. \$1 in benefits is withheld for every \$3 in earnings above this limit.						
³ A person attains full retirement age at:						
<ul style="list-style-type: none"> • Age 65 if born before 1938 • Age 65 and 2 months if born in 1938 • Age 65 and 4 months if born in 1939 • Age 65 and 6 months if born in 1940 • Age 65 and 8 months if born in 1941 • Age 65 and 10 months if born in 1942 • Age 66 if born in 1943 through 1954 • Age 66 and 2 months if born in 1955 • Age 66 and 4 months if born in 1956 • Age 66 and 6 months if born in 1957 • Age 66 and 8 months if born in 1958 • Age 66 and 10 months if born in 1959 • Age 67 if born after 1959 						
Medicare premiums Part A per month Part B per month (high income recipients pay a higher amount) Hospital deductible		\$ 518.00 \$ 185.00 \$ 1,676.00	\$ 505.00 \$ 174.70 \$ 1,632.00	\$ 506.00 \$ 164.90 \$ 1,600.00	\$ 499.00 \$ 170.10 \$ 1,556.00	\$ 471.00 \$ 148.50 \$ 1,484.00

Expiring Tax Provisions

Tax Provision	IRC §	Provision expires after
5-year cost recovery for certain energy property	168(e)(3)	2024
Alternative fuel vehicle refueling property credit.	30C	6/30/2026
Cancellation of qualified principal residence indebtedness exclusion from gross income.	108	2025
Credit for qualified commercial clean vehicles	45W	9/30/2025
Deduction for overtime compensation	225	2028
Deduction for qualified passenger vehicle loan interest	163(h)	2028
Deduction for qualified tips	224	2028
Electric vehicle credit.	30D & 25E	9/30/2025
Empowerment zone tax incentives.	1391(d)	2025
Energy efficient commercial buildings deduction	179D	6/30/2026

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Expiring Tax Provisions continued

Tax Provision	IRC §	Provision expires after
Energy efficient home credit.	45L	6/30/2026
Heavy vehicle excise tax.	4051	9/30/2028
Nonbusiness energy property credit. Renamed: Energy Efficient Home Improvement Credit.	25C	2025
Personal exemption deductions for seniors	151	2028
Premium Tax Credit reduction of percentages of income used to calculate the credit.	36B	2025
Residential energy efficient property credit. Renamed: Residential Clean Energy Credit.	25D	2025
Special depreciation allowance for qualified production property	168(n)	2030
Work opportunity credit.	51	2025

What's New — Individuals

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
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Income

Student Loan Debt Discharged See page 1-18	Effective for discharges of student loan debt after 2025, the new law allows for an exclusion from income on account of death or total and permanent disability of the student. The taxpayer is required to include his or her Social Security Number (SSN) on the tax return for the year the debt is excluded.	Cancellation of debt is generally included in taxable income. For tax years 2021 through 2025, the discharge of student loan debt for any reason is excluded from income as long as there is no provision for the student to provide services to the discharging lender.
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Adjusted Gross Income Deductions

Moving Expense Deduction and Exclusion See page 3-22	<p>The new law permanently repeals the deduction and exclusion for moving expenses for taxpayers who are not active members of the Armed Forces (or their spouse or dependents) who move pursuant to a military order.</p> <p>Effective for tax years beginning after 2025, employees and new appointees of the intelligence community who move pursuant to a change in assignment which requires relocation are treated in the same manner as active members of the Armed Forces.</p>	Prior to 2018, any taxpayer could deduct moving expenses as an above-the-line deduction, or exclude reimbursements for moving expenses provided a distance test and full-time status test was met. For tax years 2018 through 2025, moving expenses are deductible or excluded only for members of the Armed Forces (or their spouse or dependents) on active duty that move pursuant to a military order and incident to a permanent change of station. Beginning in 2026, the limitation for military members only no longer applies.
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Deductions for Non-Itemizers

Standard Deduction See page 3-23	<p>Effective for tax years beginning in 2025, the standard deduction is increased to the following amounts.</p> <ul style="list-style-type: none"> • MFJ, QSS: \$31,500 • Single: \$15,750 • HOH: \$23,625 • MFS: \$15,750 <p>These amounts are adjusted annually for inflation beginning in tax years after 2025.</p>	The current standard deduction amounts were set to expire at the end of 2025 and revert back to the lower amounts that applied prior to 2018, adjusted for inflation.
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Deductions for Itemizers and Non-Itemizers

Personal Exemption See page 3-24	<p>The new law permanently terminates the personal exemption deduction, with an exception of a temporary deduction for seniors.</p> <p>For tax years 2025 through 2028, the deduction is \$6,000 for each qualified individual. A qualified individual is:</p> <ol style="list-style-type: none"> 1) The taxpayer, if the taxpayer has attained age 65 before the close of the tax year, and 2) In the case of a joint return, the taxpayer's spouse, if the spouse has attained age 65 before the close of the tax year. <p>The \$6,000 amount is reduced by 6% of the taxpayer's modified adjusted gross income (MAGI) that exceeds \$75,000 (\$150,000 MFJ).</p>	The suspension of the personal exemption deduction was set to expire after 2025. Beginning in 2026, the personal exemption deduction was going to equal the 2017 amount, adjusted for inflation, with a phase-out for high income taxpayers.
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What's New — Individuals

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
<i>Deductions for Itemizers and Non-Itemizers—continued</i>		
Deduction for Qualified Tips See page 3-24	Effective for tax years beginning after 2024 and before 2029, a deduction is allowed equal to the qualified tips received during the tax year that are included on statements furnished to the taxpayer by the employer (or payee if the recipient is not an employee) or reported by the taxpayer on Form 4137. The amount allowed as a deduction for any tax year is limited to \$25,000. Taxpayers do not have to itemize to claim the deduction. The deduction begins to phase-out when the taxpayer's modified adjusted gross income exceeds \$150,000 (\$300,000 MFJ). If the taxpayer is self-employed, the deduction is limited to the net profit from the taxpayer's trade or business that received the tips. Qualified tips means cash tips (including credit card transactions) received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024. Qualified tips do not include amounts received in a specified service trade or business (same definition as used for the qualified business income deduction). Payors subject to the information return reporting requirements must separately account for the amount of qualified tips paid to the payee.	No provision.
Deduction for Qualified Overtime Pay See page 3-24	Effective for tax years beginning after 2024 and before 2029, a deduction is allowed equal to the qualified overtime compensation received during the year that is included on statements furnished to the taxpayer by the payee. The amount allowed as a deduction for any tax year is limited to \$12,500 (\$25,000 MFJ). Taxpayers do not have to itemize to claim the deduction. The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds \$150,000 (\$300,000 MFJ). Qualified overtime compensation means overtime compensation paid to an individual required under section 7 of the Fair Labor Standards Act of 1938 that is in excess of the regular rate at which the individual is employed. Employers must separately account for the amount of qualified overtime compensation paid to the employee.	No provision
Deduction for Qualified Passenger Vehicle Loan Interest See page 1-19	Effective for tax years beginning after 2024 and before 2029, a deduction is allowed for qualified passenger vehicle loan interest. The term qualified passenger vehicle loan interest means any interest which is paid or accrued during the tax year on indebtedness incurred after 2024 for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use. The deduction for any tax year is limited to \$10,000. Taxpayers do not have to itemize to claim the deduction. The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds \$100,000 (\$200,000 MFJ). An applicable passenger vehicle means: 1) A vehicle that is originally used by the taxpayer (the purchase of a used vehicle does not qualify), 2) A vehicle which is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails), 3) A vehicle that has at least 2 wheels, 4) A vehicle that is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle, 5) A vehicle which is treated as a motor vehicle for purposes of title II of the Clean Air Act, and 6) A vehicle which has a gross vehicle weight rating of less than 14,000 pounds. An applicable passenger vehicle is a vehicle in which the final assembly occurs within the United States.	Prior to 1987, consumer interest was fully deductible as an itemized deduction. Consumer interest included car loans, credit card interest, and any other interest on debt that was not business interest, investment interest, or home mortgage interest. The Tax Reform Act of 1986 phased out the deduction for consumer interest (personal interest) starting with the 1987 tax year, making it fully non-deductible by 1991.

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What's New — Individuals

Tax Provision	New Law	Prior Law
Deductions for Itemizers and Non-Itemizers—continued		
Charitable Contributions See page 1-18	Effective for tax years beginning after 2025, taxpayers can deduct up to \$1,000 (\$2,000 MFJ) of cash charitable contributions without itemizing their deductions. The new law also places a 0.5% floor on charitable contribution deductions for itemizers. The deduction is allowed to the extent that the aggregate amount of the taxpayer's contributions for the year exceeds 0.5% of the taxpayer's AGI. Disallowed deductions because of the 0.5% provision are carried forward under special ordering rules. The new law also permanently extends the 60% AGI limitation for cash contributions.	Charitable contributions are deductible if the taxpayer itemizes deductions. An exception applied for tax year 2021 only. If the taxpayer did not elect to itemize for that year, the taxpayer could deduct up to \$300 (\$600 MFJ) of charitable contributions that would otherwise be deductible under the cash contribution rules (no deduction for contributions of property). There was also a special rule for tax years 2018 through 2025 that increased the 50% AGI limitation for cash contributions to 60% of AGI. Cash contributions for tax years after 2025 were scheduled to be subject to the 50% AGI limitation.
Disaster-Related Personal Casualty Losses See page 4-23	The new law extends the disaster-related personal casualty loss provisions of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 to include all federally-declared disasters that occurred during the period beginning on January 1, 2018 and ending on July 4, 2025.	Under the Taxpayer Certainty and Disaster Tax Relief Act of 2020, personal casualty losses in a qualified disaster area were not subject to the 10% of AGI limitation, net disaster losses were deductible to the extent they exceeded \$500 per casualty, and net disaster losses could be added to the standard deduction if the taxpayer did not itemize deductions. These rules applied for all federally-declared disaster areas for which a major disaster occurred during the period beginning on January 1, 2018 and ending on January 19, 2020.
Itemized Deductions		
Home Mortgage Interest Deduction See page 1-18	Effective for tax years beginning after 2025, the acquisition debt limit is \$750,000. Interest on home equity debt is not deductible. The new law also reinstates the provision to treat mortgage insurance premiums as interest, which had expired for tax years after 2021. For tax years beginning after 2025, premiums paid or accrued for qualified mortgage insurance in connection with acquisition debt is treated as qualified residence interest. The deduction begins to phase out when the taxpayer's adjusted gross income for the tax year exceeds \$100,000 (\$50,000 MFS).	Prior to 2018, acquisition debt was limited to \$1 million. Home equity debt was limited to \$100,000. For tax years 2018 through 2025, the acquisition debt limit was reduced to \$750,000, with the exception of acquisition debt incurred before December 15, 2017 that is refinanced on or after December 15, 2017. Home equity debt was not deductible. For tax years beginning after 2025, the \$1 million acquisition debt limit and \$100,000 home equity debt limit was scheduled to apply.
State and Local Tax Deduction See page 4-8	Effective for tax years beginning after 2024, the new law permanently extends the deduction limitation for state and local taxes and increases the applicable deduction limitation amounts as follows. 1) \$40,000 for tax years beginning in 2025, 2) \$40,400 for tax years beginning in 2026, 3) \$40,804 for tax years beginning in 2027, 4) \$41,212 for tax years beginning in 2028, 5) \$41,624 for tax years beginning in 2029, and 6) \$10,000 for tax years beginning after 2029. For MFS, the limitations are half the amounts listed above. For any tax year beginning before 2030, the deduction limitation amounts are reduced by 30% of the excess of the taxpayer's modified adjusted gross income over the threshold amount (half the threshold amount for MFS). The threshold amounts are as follows. 1) \$500,000 for tax years beginning in 2025, 2) \$505,000 for tax years beginning in 2026, 3) \$510,050 for tax years beginning in 2027, 4) \$515,151 for tax years beginning in 2028, and 5) \$520,303 for tax years beginning in 2029. 6) No threshold applies for tax years beginning after 2029. The 30% reduction for tax years 2025 through 2029 shall not result in the applicable limitation amount to be less than \$10,000.	State and local taxes are deductible as itemized deductions. For tax years 2018 through 2025, the deduction was limited to \$10,000 (\$5,000 MFS) for the aggregate of: 1) State and local property taxes not paid or accrued in carrying on a trade or business or for the production of income, and 2) State and local income, war profits, and excess profits taxes (or sales taxes in lieu of income taxes, etc.) paid or accrued in the tax year. A deduction for foreign income taxes and generation skipping tax imposed on certain income distributions is not included in the \$10,000 deduction limit.

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What's New — Individuals

Tax Provision	New Law	Prior Law
Itemized Deductions—continued		
Personal Casualty Loss Deduction See page 1-16	Effective for tax years beginning after 2025, personal casualty losses are deductible if attributable to a federally-declared disaster or a state declared disaster. The term state declared disaster means any natural catastrophe (including any hurricane, tornado, storm, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or draught), or, regardless of cause, any fire, flood, or explosion, in any part of the state, which in the determination of the Governor and the Secretary (or the mayor of the District of Columbia) causes damage of sufficient severity and magnitude to warrant the application of this rule.	Prior to 2018, a personal casualty loss arising from fire, storm, shipwreck, or other casualty, or from theft was deductible as an itemized deduction. The deduction had to exceed \$100 per casualty or theft, and aggregate net casualty and theft losses for the year had to exceed 10% of adjusted gross income. For tax years 2018 through 2025, a personal casualty loss is deductible (subject to the \$100/10% of AGI limitations) only if such loss is attributable to a federally-declared disaster area. The federally-declared disaster provision was scheduled to expire for tax years after 2025.
Miscellaneous Itemized Expenses See page 4-26	The new law permanently disallows a deduction for the miscellaneous expenses that were subject to the 2% of AGI limitation. Effective for tax years beginning after 2025, a deduction for educator expenses as itemized deductions are allowed. Educator expenses are the same type of expenses that are allowed under IRC section 62(a)(2)(D) as an above the line deduction subject to the \$250 (\$300 for 2025 as adjusted for inflation) per educator limit, except that as an itemized deduction, they are not subject to the \$250 (\$300 for 2025 as adjusted for inflation) per educator limit. The new law expands the list of expenses allowed as educator expenses.	Effective for tax years 2018 through 2025, miscellaneous expenses that were subject to the 2% of AGI limitation prior to 2018 are not deductible. This provision was scheduled to expire for tax years after 2025, meaning such expenses would be allowed as itemized deductions beginning in 2026.
Itemized Deductions Limitation See page 1-17	Effective for tax years beginning after 2025, itemized deductions begin to phase-out when taxable income exceeds the dollar amount at which the 37% tax bracket begins (the highest tax bracket). The phase-out amount equals $\frac{2}{37}$ (5.40540541%) of the lesser of: <ul style="list-style-type: none"> • Itemized deductions otherwise allowable, or • The amount of taxable income (determined without reducing itemized deductions under this rule) that exceeds the dollar amount at which the 37% tax bracket begins with respect to the taxpayer. The phase-out does not apply when calculating the deduction for qualified business income.	For tax years prior to 2018, itemized deductions began to phase-out for higher income taxpayers. The phase-out was the lesser of: <ul style="list-style-type: none"> • 3% of the excess of adjusted gross income over the beginning phase-out amount, or • 80% of the amount of itemized deductions otherwise allowable for the year. For tax years 2018 through 2025, the itemized deduction limitation was suspended. For tax years after 2025, the rules prior to 2018 were scheduled to apply.
Gambling Losses See page 1-18	Effective for tax years beginning after 2025, the deduction for gambling losses is limited to 90% of such losses incurred during the year. The deduction is also limited to gains from gambling during the year.	The deduction for gambling losses is limited to gains from gambling during the tax year. Gains are reported in full as other income on Form 1040, while losses (up to the amount of gains) is deducted as an itemized deduction.
Taxes		
Tax Rates See page 3-1	The new law permanently extends the current tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% for individuals. The current 10%, 24%, 35%, and 37% rates for estates and trusts are also permanently extended.	The current tax rates were set to expire at the end of 2025 and revert back to the 10%, 15%, 25%, 28%, 33%, 35%, and 39.6% rates that applied prior to 2018.
AMT Exemption Amounts	The new law makes permanent the 2018 through 2025 AMT exemption amounts, adjusted annually for inflation. The new law also modifies how the inflation adjustments are calculated, and how the phase-out of the AMT exemption amount is calculated.	Effective for 2018 through 2025, the alternative minimum tax (AMT) exemption amounts and phase-out ranges were significantly increased from the amounts effective for 2017, thereby reducing the number of taxpayers subject to the AMT. Effective for 2026, the AMT exemption amounts and phase-out ranges were scheduled to be reduced back to the amounts in effect prior to 2018, adjusted for inflation.

What's New — Individuals

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
Credits		
Child Tax Credit See page 11-7	Effective for 2025, the Child Tax Credit is increased to \$2,200 per qualifying child under the age of 17. After 2025, the \$2,200 amount is adjusted annually for inflation.	The increased Child Tax Credit provision was set to expire for tax years after 2025. Beginning in 2026, the credit would have been reduced to \$1,000 per qualifying child under the age of 17.
Saver's Credit	Effective for tax years beginning after 2026, the new law repeals the provision made by the SECURE 2.0 Act of 2022 as if it was never enacted. The new law also increases the amount of the contribution eligible for the credit from \$2,000 to \$2,100 per year.	Low income taxpayers are allowed a nonrefundable tax credit for contributions to an IRA or employer-sponsored retirement plan. The credit ranges from 10% to 50% of the contribution, depending on AGI. The SECURE 2.0 Act of 2022 changed the rules for tax years beginning after 2026 by repealing the credit and replacing it with a contribution made by the IRS directly into the eligible individual's applicable retirement plan.
Adoption Credit See page 11-3	Effective for tax years beginning after 2024, up to \$5,000 of the Adoption Credit is a refundable credit. The \$5,000 amount is adjusted annually for inflation.	Taxpayers can claim a nonrefundable credit of up to \$10,000 for expenses paid or incurred during the tax year for the adoption of a child. The expense limit is adjusted annually for inflation. For tax year 2025, the expense limit is \$17,280. The credit begins to phase-out when adjusted gross income exceeds \$150,000. The \$150,000 beginning phase-out amount is adjusted annually for inflation. For tax year 2025 the phase-out begins when adjusted gross income exceeds \$259,190.
Child and Dependent Care Tax Credit See page 1-19	Effective for tax years beginning after 2025, the credit ranges from 50% if AGI is \$15,000 or less, to 20% if AGI is over \$103,000 (\$206,000 MFJ). The new law does not change the \$3,000 (\$6,000 for two or more qualifying persons) expense limit that qualifies for the credit.	Taxpayers are allowed to claim a tax credit for dependent care expenses. Dependent care expenses are generally daycare expenses that allow the taxpayer to work or look for work. The credit ranges from 35% of the expenses if the taxpayer's adjusted gross income (AGI) is \$15,000 or less, to 20% if AGI is over \$43,000, with every percentage point in between if AGI is between \$15,000 and \$43,000. The dollar limit for qualifying expenses is \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons.
Termination of Clean Vehicle and Energy Efficient Credits	<p>The new law accelerates the expiration dates of the tax credits enacted under the Inflation Reduction Act of 2022 for purchasing electric vehicles and making energy efficient improvements to buildings. The expiration dates are amended as follows.</p> <ul style="list-style-type: none"> • The Previously-Owned Clean Vehicle Credit under IRC section 25E expires for vehicles acquired after September 30, 2025. • The New Clean Vehicle Credit under IRC section 30D expires for vehicles acquired after September 30, 2025. • The Qualified Commercial Clean Vehicle Credit under IRC section 45W expires for vehicles acquired after September 30, 2025. • The Alternative Fuel Vehicle Refueling Property Credit under IRC section 30C expires for property placed in service after June 30, 2026. • The Energy Efficient Home Improvement Credit under IRC section 25C expires for property placed in service after December 31, 2025. • The Residential Clean Energy Credit under IRC section 25D expires with respect to any expenditures made after December 31, 2025. • The energy efficient commercial buildings deduction under IRC section 179D expires for property construction that begins after June 30, 2026. • The New Energy Efficient Home Credit under IRC section 45L expires for homes acquired after June 30, 2026. 	The Inflation Reduction Act of 2022 expanded and enacted new credits for clean energy property. Most of these credits were to apply through tax year 2032.

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What's New — Individuals

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
Credits—continued		
Premium Tax Credit (PTC) See page 1-17	The new law makes the following modifications to the PTC rules. <ol style="list-style-type: none"> 1) Effective for 2027, certain aliens lawfully present must be “eligible aliens” to qualify for the credit. 2) Effective for 2027, the PTC is not allowed during periods of Medicaid ineligibility due to alien status. 3) Effective for 2028, State Exchanges must verify eligibility. 4) Effective for 2026, advance payments of PTC that are required to be paid back are no longer limited by the applicable dollar amounts. 	See Premium Tax Credit (PTC), page 1-17, for prior year rules.
Other Provisions		
Estate and Gift Tax Exemption Amount	Effective for estates of decedents dying and gifts made after December 31, 2025, the estate and gift tax exemption amount is increased to \$15 million, adjusted annually for inflation after 2026.	Effective for 2018, the estate and gift tax exemption amount was increased from \$5 million to \$10 million, adjusted annually for inflation. For 2026, the estate and gift tax exemption amount was scheduled to go back to \$5 million.

What's New — Business

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
Income		
Capital Gains from the Sale of Certain Farmland Property See page 6-10	Effective for sales or exchanges in tax years beginning after July 4, 2025, a taxpayer can elect to report the net income tax on gain from the sale or exchange of qualified farmland property sold to a qualified farmer over a 4-year period in equal installments. Qualified farmland property means real property located in the United States that has been used by the taxpayer as a farm for farming purposes, or leased by the taxpayer to a qualified farmer for farming purposes during substantially all of the 10-year period ending on the date of sale or exchange. The property must be subject to a covenant or other legally enforceable restriction which prohibits the use of the property for any other purposes other than farming for a period of at least 10 years after the date of sale or exchange.	No provision.
Deductions		
Qualified Business Income Deduction See page 8-15	The qualified business income deduction has been made permanent. The new law also increases the phase-out range for taxpayers that exceed the threshold amount. Effective for 2026, the phase-out range is increased from \$50,000 (\$100,000 MFJ) to \$75,000 (\$150,000 MFJ). The new law also includes a new minimum deduction for active qualified trade or business income. Effective for 2026, the qualified business income deduction for an applicable taxpayer is the greater of \$400 or the deduction as calculated under the regular rules. An applicable taxpayer means a taxpayer whose aggregate qualified business income with respect to all active qualified trades or businesses of the taxpayer for the year is at least \$1,000. An active qualified trade or business means any qualified trade or business of the taxpayer in which he or she materially participates.	For tax years 2018 through 2025, an individual taxpayer may deduct 20% of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20% of aggregate qualified REIT dividends, and qualified publicly traded partnership income. In the case of a partnership or S corporation, the deduction applies at the partner or shareholder level. Special rules apply to specified agricultural or horticultural cooperatives. A limitation based on Form W-2 wages and capital is phased in when the taxpayer's taxable income exceeds a threshold amount, which is adjusted annually for inflation. A disallowance of the deduction with respect to specified services trades or businesses is also phased in when taxable income exceeds the threshold amount.
Section 179 Deduction See page 9-7	Effective for tax years beginning after 2024, the Section 179 deduction limit is \$2.5 million, adjusted annually for inflation. The Section 179 investment limit is \$4 million, adjusted annually for inflation.	The Section 179 deduction limit was \$1 million, adjusted annually for inflation. The 2025 inflation adjusted limit was scheduled to be \$1,250,000. The deduction begins to phase out when the cost of Section 179 property placed in service during the year exceeds \$2.5 million, adjusted annually for inflation (the investment limit). The 2025 inflation adjusted investment limit was scheduled to be \$3,130,000.

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What's New — Business

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
<i>Deductions—continued</i>		
Special Depreciation Allowance (Bonus Depreciation) See page 9-10	For property acquired after January 19, 2025, the new law permanently extends the 100% expensing of all property eligible for bonus depreciation. For property placed in service during the first tax year ending after January 19, 2025, the taxpayer may elect to have the prior law 40% limit apply (60% for longer production period property).	For property placed in service after September 27, 2017, and before 2024, the bonus depreciation percentage was 100% of the cost of the property. For property placed in service in 2024, the percentage was 60% (80% for longer production period property). For 2025, the percentage was scheduled to be 40% (60% for longer production period property). For 2026, the percentage was scheduled to be 20% (40% for longer production period property). For 2027, the percentage was scheduled to be 0% (20% for longer production period property). And for tax years after 2027, the percentage was scheduled to be zero for all property.
Domestic Research or Experimental Expenditures See page 8-8	Effective for amounts paid or incurred in tax years beginning after 2024, a deduction is allowed for any domestic research or experimental expenditures paid or incurred during the tax year. The deduction is taken in full without the need to amortize the expenses over a number of years. A taxpayer can elect to amortize the expenses over not less than 60 months instead of deducting the expense in full in the year paid or incurred. The new law allows taxpayers to elect to apply this provision to expenses paid or incurred after 2021, and to deduct any unamortized amounts remaining for expenses paid or incurred after 2021 and before 2025.	Research and experimental expenses are subject to amortization under IRC section 174. A 20% business credit is allowed for increasing research activities under IRC section 41. The amount of credit allowed under IRC section 41 reduces the amount amortized under IRC section 174.
Business Meals Provided to Employees See page 26-3,	Effective for amounts paid or incurred after 2025, the new law allows taxpayers a deduction for employer provided meals to employees under two conditions. 1) The meals are provided at a facility in which goods or services (including the use of facilities) are sold by the taxpayer in a bona fide transaction for an adequate and full consideration in money or money's worth. 2) Meals are 100% deductible when they are required by federal law to be provided to crew members of a commercial vessel. A commercial vessel includes a commercial fishing vessel.	For tax years 2018 through 2025, the deduction for employer provided meals to employees related to eating facilities and meals for the convenience of the employer are subject to the 50% meal deduction limitation. For tax years after 2025, no deduction is allowed for meals provided to employees at an employer provided eating facility or meals furnished to employees for the convenience of the employer.
Special Depreciation Allowance for Qualified Production Property See page 9-11	Effective for property placed in service after July 4, 2025, a new class of property called qualified production property is eligible for expensing 100% of its adjusted basis rather than depreciating it over 39 years. Qualified production property means that portion of any nonresidential real property: <ul style="list-style-type: none"> • Which is used by the taxpayer as an integral part of a qualified production activity that is placed in service in the United States or any possession of the United States. • The original use of the property must commence with the taxpayer. • The construction of the property must begin after January 19, 2025, and before January 1, 2029. • The taxpayer must elect to expense the property under this provision. • The property must be placed in service before January 1, 2031. Qualified production property does not include that portion of any nonresidential real property which is used for offices, administrative services, lodging, parking, sales activities, research activities, software development or engineering activities, or other functions unrelated to the manufacturing, production, or refining of tangible personal property.	Nonresidential real property is depreciated over 39 years. Exceptions apply for certain property eligible for expensing under Section 179 or bonus depreciation, such as qualified improvement property.

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What's New — Business

Tax Provision	New Law	Prior Law
Deductions—continued		
<p><i>Special Depreciation Allowance for Qualified Production Property</i> <i>continued</i></p>	<p>Qualified production activity means the manufacturing, production, or refining of a qualified product. The activities of a taxpayer do not constitute manufacturing, production, or refining of a qualified product unless the activities result in a substantial transformation of the property comprising the product.</p> <p>The term qualified product means any tangible personal property other than food or beverages prepared in the same building as a retail establishment in which the property is sold.</p> <p>Depreciation recapture applies if the taxpayer ceases to use the property as an integral part of a qualified production activity within 10 years of placing the property in service.</p>	
<p>Charitable Contributions Made by C Corporations See page 26-4,</p>	<p>Effective for tax years beginning after 2025, C corporations are subject to a 1% floor on deductions for charitable contributions. The deduction is allowed to the extent that the aggregate amount of charitable contributions for the year exceeds 1% of the corporation's taxable income, limited to 10% of the corporation's taxable income.</p>	<p>C corporations are allowed to deduct charitable contributions, limited to 10% of the corporation's taxable income.</p>
Credits		
<p>Tip Credit for Beauty Service Business See page 26-4,</p>	<p>Effective for tax years beginning after 2024, the credit is expanded to include the tipping of employees in the following service industries.</p> <ul style="list-style-type: none"> • Barbering and hair care. • Nail care. • Esthetics. • Body and spa treatments. <p>The new law amends the federal minimum wage in effect to apply to the current federal minimum wage of \$7.25 per hour rather than the minimum wage in effect on January 1, 2007.</p>	<p>A credit is allowed for the portion of employer Social Security and Medicare taxes paid on tips received by employees of food and beverage establishments. The credit equals the amount of employer Social Security and Medicare taxes paid or incurred by the employer on tips received by the employee, less tips used to meet the federal minimum wage in effect on January 1, 2007 (\$5.15 per hour).</p>
<p>Employer Credit for Paid Family and Medical Leave See page 26-4,</p>	<p>Effective for tax years beginning after 2025, the new law permanently extends the employer credit for paid family and medical leave under IRC section 45S. The new law includes insurance policy premiums in regard to paid family and medical leave as qualifying for the credit. The credit claimed on premiums applies without regard to whether any qualifying employee is on paid family and medical leave. The new law also includes a minimum 20-hour work-per-week requirement for qualifying employees.</p>	<p>For tax years 2021 through 2025, an eligible employer can claim a business credit ranging from 12.5% to 25% of certain wages paid to a qualifying employee while the employee is on family and medical leave. The 12.5% credit applies if the rate of employee pay during the paid leave is 50% of normal wages. The credit increases by 0.25 percentage points for each percentage point by which the rate of pay exceeds 50%, up to a maximum credit of 25% if the employee's pay is 100% of normal wages.</p> <p>Family and medical leave is leave taken for purposes defined in the Family and Medical Leave Act (FMLA). Paid leave is qualifying leave only if it is specifically designated for one of these purposes.</p> <ul style="list-style-type: none"> • The birth or care of a child. • Adoption or foster care of a child. • Caring for a spouse, child, or parent with a serious health condition. • An employee's serious health condition that makes the employee unable to perform the functions of the position. • A qualifying exigency arising out of the fact that a spouse, child, or parent is a member of the U.S. Armed Services and is on covered active duty. • Caring for a service member with a serious injury or illness if the employee is the spouse, child, parent, or next of kin of the service member.
<p>Employer Provided Child Care Credit See page 26-4,</p>	<p>Effective for amounts paid or incurred after 2025, the credit is increased to 40% of the qualified childcare facility expenditures (50% in the case of an eligible small business). The credit limit is increased to \$500,000 for the tax year (\$600,000 in the case of an eligible small business). The \$500,000 and \$600,000 amounts are adjusted annually for inflation. An eligible small business means a business whose average gross receipts over the previous 5-year period do not exceed \$25 million.</p>	<p>Employers are allowed a credit for a qualified childcare facility and resource and referral expenditures. The credit is part of the general business credit. The credit is 25% of the qualified childcare facility expenditures plus 10% of the qualified childcare resource and referral expenditures paid or incurred during the tax year. The credit is limited to \$150,000 per tax year.</p>

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What's New — Business

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
Other Provisions		
Bicycle Commuting Fringe Benefits	Effective for tax years beginning after 2025, the provision that treated qualified bicycle commuting reimbursements as an excludable qualified transportation fringe benefit has been permanently deleted from the Internal Revenue Code. Any reimbursement for such an expense is taxable as compensation to the employee.	For tax years prior to 2018, qualified transportation benefits included reimbursements for bicycle commuting. Such reimbursements were excluded from employee income. This exclusion was suspended for tax years 2018 through 2025. The suspension was scheduled to expire after 2025.
Dependent Care Assistance Program	Effective for tax years beginning after 2025, the limitation on the amount of excludable benefits is increased to \$7,500 per year (\$3,750 MFS).	The exclusion for employer paid daycare expenses for employees is limited to \$5,000 per year (\$2,500 MFS). Benefits paid by an employer in excess of this limitation are taxable as employee compensation.
Educational Assistance	Effective for payments made after 2025, the new law permanently extends the provision to treat employer payments of student loans as excludable educational assistance. For tax years beginning after 2026, the \$5,250 amount is increased annually for inflation.	Up to \$5,250 of employer paid educational assistance provided to employees is excluded from the employee's taxable income. Expenses include the cost of books, equipment, fees, supplies, and tuition. In the case of employer payments made before January 1, 2026 of principal or interest on a student loan incurred by the employee, the payments qualify as employer paid educational assistance.
Information Reporting for Businesses See page 26-5,	Effective for payments made after 2025, the \$600 threshold is increased to \$2,000. This amount will be adjusted annually for inflation after 2026.	All taxpayers engaged in a trade or business who make payments in the course of their trade or business to another person must file an information return with the IRS and issue a copy to the payee if total payments are \$600 or more during the tax year.

What's New — Retirement Plans

<i>Tax Provision</i>	<i>New Law</i>	<i>Prior Law</i>
Trump Accounts	Effective for tax years beginning after 2025, a person (such as a parent or grandparent) can establish a Trump account for a beneficiary under the age of 18. A Trump account is a type of individual retirement account (IRA) that allows earnings to grow tax deferred. Contributions are limited to \$5,000 per year and are not deductible. Distributions are not allowed before age 18. Trump accounts limit the types of investments that can be used to fund the accounts. The law also allows employers to make excludable contributions, limited to \$2,500 to employees under the age of 18. A pilot program allows the IRS to make a \$1,000 contribution to the account on behalf of a beneficiary born after December 31, 2024, and before January 1, 2029. The new law provides up to \$410 million to fund the pilot program.	No provision.
401(k) / 403(b) / SIMPLE Catch-Up Limits	Effective for 2025, the catch-up elective deferral limits are increased for eligible participants who attain ages 60, 61, 62, and 63 before the close of the tax year. The increased catch-up limits for 401(k) / 403(b) plans is the greater of \$10,000, or 50% more than the regular catch-up limit. The increased catch-up limits for SIMPLE plans is the greater of \$5,000, or 50% more than the regular catch-up limit.	For 2024, the inflation adjusted 401(k) / 403(b) elective deferral limit is \$23,000. For individuals age 50 and over, an additional \$7,500 catch-up contributions is allowed. For 2024, the inflation adjusted SIMPLE elective deferral limit is \$16,000. For individuals age 50 and over, an additional \$3,500 catch-up contribution is allowed. These amounts are adjusted each year for inflation.
401(k)/403(b) Catch-Up Elective Deferrals Must Be Designated Roth Contributions	Effective for 2026, participants whose wages for the preceding year exceed \$145,000 can only make catch-up elective deferrals as designated Roth contributions. If the plan does not provide for a designated Roth option, then participants with wages exceeding \$145,000 cannot make additional catch-up elective deferrals. This rule does not apply to SEPs or SIMPLE plans. The \$145,000 threshold is indexed for inflation after 2024. Note: This rule was originally set to apply for tax year 2024, but was extended to 2026 by Notice 2023-62.	Catch-up contributions to a qualified retirement plan for participants age 50 or older can be made on a pre-tax or Roth basis (if a Roth option is permitted by the plan sponsor).

One Big Beautiful Bill Act (OBBBA)

Cross References

- H.R. 1 (Public Law 119-21)

Signed into law on July 4, 2025, OBBBA, officially called “An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14.”, changes funding for various federal programs, raises the debt ceiling, and makes numerous revisions to the Internal Revenue Code. The following is our coverage of the tax provisions that affect individual taxpayers. See Tab 26 for tax provisions that affect business taxpayers.

Provisions Affecting Tax Year 2025

- Tax Rate Schedules, see page 3-1
- Standard Deduction, see page 3-23
- Personal Exemption, see page 3-1
- Overtime Pay Deduction, see page 3-24
- Tips Deduction, see page 3-24
- Senior Deduction, see page 3-24
- Moving Expenses, see page 3-22
- State and Local Tax (SALT) Deduction, see page 4-8
- Miscellaneous Itemized Deductions, see page 4-24
- Farmland Sales and Exchanges, see page 6-10
- Qualified Small Business (QSB) Stock, see page 6-11
- Qualified Opportunity Zones, see page 6-14
- Qualified Business Income Deduction (QBID), see page 8-15
- Energy Efficient Commercial Buildings Deduction, see page 8-6
- Research and Experimental Costs, see page 8-8
- Long-term Construction Contracts, see page 8-25
- Section 179, see page 9-7
- Special Depreciation, see page 9-10
- Qualified Production Property, see page 9-11
- Adoption Credit, see page 11-3
- Child Tax Credit, see page 11-7
- Residential Energy Credits, see page 11-14
- Clean Vehicle Credits, see page 11-17

Provisions Covered in Tab 26

- Qualified Business Income Deduction, see page 26-2
- Special Depreciation Allowance (Bonus Depreciation, see page 26-2
- Special Depreciation Allowance for Qualified Production Property, see page 26-2
- Business Meals Provided to Employees, see page 26-3
- Charitable Contributions Made by C Corporations, see page 26-4
- Tip Credit for Beauty Service Business, see page 26-4
- Employer Credit for Paid Family and Medical Leave, see page 26-4
- Employer-Provided Child Care Credit, see page 26-4
- Information Reporting for Businesses, see page 26-5
- Limitation on Business Interest, see page 26-5
- Educational Assistance, see page 26-5
- Third Party Network Transactions, see page 26-5
- Limitation on Excess Business Losses, see page 26-6
- Payments from Partnerships to Partners for Property or Services, see page 26-6

Casualty Loss Deduction Limitation [IRC §165(h)]

Prior Law. Prior to 2018, a personal casualty loss arising from fire, storm, shipwreck, or other casualty, or from theft was deductible as an itemized deduction. The deduction had to exceed \$100 per

casualty or theft, and aggregate net casualty and theft losses for the year had to exceed 10% of adjusted gross income.

For tax years 2018 through 2025, a personal casualty loss is deductible (subject to the \$100/10% of AGI limitations) only if such loss is attributable to a federally-declared disaster area. An exception applies if the taxpayer has personal casualty gains. In this case, reduce personal casualty gains by any casualty losses not attributable to a federally-declared disaster. Any excess gain is used to reduce losses from a federally-declared disaster. These rules were set to expire after 2025 so that the rules that applied prior to 2018 would apply beginning in 2026.

Under the Taxpayer Certainty and Disaster Tax Relief Act of 2020, personal casualty losses in a qualified disaster area were not subject to the 10% of AGI limitation, net disaster losses were deductible to the extent they exceeded \$500 per casualty, and net disaster losses could be added to the standard deduction if the taxpayer did not itemize deductions. These rules applied for all federally-declared disaster areas for which a major disaster occurred during the period beginning on January 1, 2018 and ending on January 19, 2020.

New Law. Effective for tax years beginning after 2025, the new law permanently extends the provision that personal casualty losses are deductible only if attributable to a federally-declared disaster area.

Beginning in 2026, the new law also allows a personal casualty loss for a state declared disaster. The term state declared disaster means any natural catastrophe (including any hurricane, tornado, storm, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or draught), or, regardless of cause, any fire, flood, or explosion, in any part of the state, which in the determination of the Governor and the Secretary (or the mayor of the District of Columbia) causes damage of sufficient severity and magnitude to warrant the application of this rule.

The term state includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

The new law also extends the disaster-related personal casualty loss provisions of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 to include all federally-declared disasters that occurred during the period beginning on January 1, 2018 and ending on July 4, 2025.

Educator Expenses

New Law. Effective for tax years beginning after 2025, a deduction for educator expenses as itemized deductions are allowed. Educator expenses are the same type of expenses that are allowed under IRC section 62(a)(2)(D) as an above the line deduction subject to the \$250 (\$300 for 2025 as adjusted for inflation) per educator limit, except that as an itemized deduction, they are not subject to the \$250 (\$300 for 2025 as adjusted for inflation) per educator limit.

As an itemized deduction, educator expenses are the non-reimbursed expenses of elementary and secondary school teachers for books, supplies, computer equipment, and other equipment and supplementary materials used by the educator as part of instructional activity (not limited to use in the classroom). Deductible expenses also includes the nonathletic supplies for courses of instruction in health or physical education.

An eligible educator is an individual who is a kindergarten through grade 12 teacher, instructor, counselor, interscholastic sports administrator or coach, principal, or aide in a school for at least 900 hours during a school year.

Itemized Deductions Tax Benefit Limitation [IRC §68]

Prior Law. For tax years prior to 2018, itemized deductions began to phase-out for higher income taxpayers. The phase-out was the lesser of:

- 3% of the excess of adjusted gross income over the beginning phase-out amount, or
- 80% of the amount of itemized deductions otherwise allowable for the year.

The beginning phase-out threshold was adjusted annually for inflation.

For tax years 2018 through 2025, the phase-out of itemized deductions was suspended. The phase-out under the rules prior to 2018 was scheduled to apply for tax years beginning after 2025, with the beginning phase-out income levels being adjusted for inflation.

New Law. Effective for tax years beginning after 2025, itemized deductions begin to phase-out when taxable income exceeds the dollar amount at which the 37% tax bracket begins (the highest tax bracket). The phase-out amount equals 2/37 (5.40540541%) of the lesser of:

- Itemized deductions otherwise allowable, or
- The amount of taxable income (determined without reducing itemized deductions under this rule) that exceeds the dollar amount at which the 37% tax bracket begins with respect to the taxpayer.

The phase-out amount is calculated after the application of any other limitation on the allowance of any itemized deduction, such as the medical expense limitation, the state and local tax limitation, and the casualty loss limitation.

The itemized deduction phase-out does not apply when calculating the deduction for qualified business income under IRC section 199A.

Premium Tax Credit (PTC) [IRC §36B]

Prior Law. The Premium Tax Credit (PTC) is a credit for health insurance premiums paid by taxpayers enrolled in qualified health plans offered through an exchange established by a State (Exchange) under the Patient Protection and Affordable Care Act (ACA). The purpose of the credit is to lower the cost of health insurance premiums to the point where the cost does not exceed a certain percentage of household income, depending on the percentage by which household income exceeds the federal poverty line.

Taxpayers eligible for the credit can elect to have an advance payment of the premium tax credit (APTC) paid directly to the health insurance provider, based on an estimate of household income, which lowers the monthly premiums paid by the taxpayer. The APTC is then reconciled on the tax return by comparing it to the actual PTC allowed, with the taxpayer receiving an additional amount if actual income reported on the return is less than estimated, or requiring the taxpayer to pay some of the credit back if actual income reported on the return is more than estimated.

If the taxpayer is required to pay some of the APTC back (because estimated household income is less than actual income reported on the return), then the amount required to be paid back cannot exceed the applicable dollar amount from the following table.

<i>If household income (expressed as a percentage of the federal poverty line) is:</i>	<i>The applicable dollar amount is:</i>
Less than 200%	\$600
At least 200% but less than 300%	\$1,500
At least 300% but less than 400%	\$2,500

Individuals who are not lawfully present in the United States are not eligible for the PTC.

The PTC is not allowed if the taxpayer is eligible for minimum essential health coverage other than coverage through an Exchange. Examples of other plans offering minimum essential health coverage include employer sponsored health plans, and government plans such as Medicare and Medicaid.

There was also a temporary reduction in the percentage of household income that applied for purposes of calculating the PTC for tax years 2021 through 2025, compared to tax years prior to 2021, as illustrated in the following chart.

<i>Tax Year Beginning in:</i>	<i>2021 through 2025</i>		<i>2020</i>	
<i>Household income percentage of federal poverty line:</i>	<i>Initial %</i>	<i>Final %</i>	<i>Initial %</i>	<i>Final %</i>
Up to 133%	0.00%	0.00%	2.06%	2.06%
133% up to 150%	0.00%	0.00%	3.09%	4.12%
150% up to 200%	0.00%	2.00%	4.12%	6.49%
200% up to 250%	2.00%	4.00%	6.49%	8.29%
250% up to 300%	4.00%	6.00%	8.29%	9.78%
300% up to 400%	6.00%	8.50%	9.78%	9.78%

For example, a taxpayer at 200% of the federal poverty line paid up to 6.49% of household income for health insurance in 2020, but only paid 2.00% of household income for health insurance in tax years 2021 through 2025.

Under Rev. Proc. 2025-25, unless the 2021 thru 2025 percentages are extended, the percentages are scheduled to revert back to the following for tax year 2026, as adjusted for inflation.

<i>Tax Year Beginning in:</i>	<i>2026</i>	
<i>Household income % of federal poverty line:</i>	<i>Initial %</i>	<i>Final %</i>
Up to 133%	2.10%	2.10%
133% up to 150%	3.14%	4.19%
150% up to 200%	4.19%	6.60%
200% up to 250%	6.60%	8.44%
250% up to 300%	8.44%	9.96%
300% up to 400%	9.96%	9.96%
Above 400%	No credit allowed	

For plan years beginning in calendar year 2026, the required contribution percentage is 9.96% for purposes of determining whether an individual is eligible for affordable employer-sponsored minimum essential coverage. Thus, if the individual's out of pocket cost of employer-sponsored health insurance coverage is less than 9.96% of his or her income, the coverage is considered affordable and the taxpayer does not qualify for the PTC.

New Law. Effective for plan years beginning after 2026, aliens who are lawfully present in the United States but are not "eligible aliens" are not eligible for the PTC.

An individual who is an alien and lawfully present is treated as an eligible alien if such individual is, and is reasonably expected to be for the entire period of enrollment:

- 1) An alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act,
- 2) An alien who has been granted the status of Cuban and Haitian entrant under the Refugee Education Assistance Act of 1980, or
- 3) An individual who lawfully resides in the United States in accordance with a Compact of Free Association under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

The new law disallows the PTC during periods of Medicaid ineligibility due to alien status.

Effective for tax years beginning after 2027, the new law requires an Exchange to verify:

- That an individual is eligible to enroll in the plan through the Exchange, and
- That an individual qualifies for the APTC.

The Exchange must verify household income, family size, whether the individual is an eligible alien, any health coverage status or eligibility for coverage, place of residence, and any other information as required by the IRS that is necessary to verify that a taxpayer qualifies for the PTC.

Effective for tax years beginning after 2025, the applicable dollar amounts for repayment of the APTC are eliminated. Thus, any APTC that exceeds the actual PTC allowed on the tax return must be repaid.

Student Loan Debt Discharged [IRC §108(f)]

Prior Law. Cancellation of debt is generally included in taxable income. One exception is the discharge of certain student loan debt when the debt forgiveness is contingent on the student working for a certain period of time in a certain profession, such as working as a health care worker in an area with unmet needs.

For tax years 2021 through 2025, the discharge of student loan debt for any reason is excluded from income as long as there is no provision for the student to provide services to the discharging lender. This provision expires for tax years after 2025.

New Law. Effective for discharges of student loan debt after 2025, the new law allows for an exclusion from income on account of death or total and permanent disability of the student. The exclusion applies to student loans made by the United States, a State, a U.S. territory, a U.S. possession, a public benefit corporation, a tax exempt organization, or a private education loan as defined in section 140(a) of the Consumer Credit Protection Act.

The taxpayer is required to include his or her Social Security Number (SSN) on the tax return for the year the debt is excluded.

Charitable Contributions [IRC §170]

Prior Law. Charitable contributions are deductible if the taxpayer itemizes deductions. An exception applied for tax year 2021 only. If the taxpayer did not elect to itemize for that year, the taxpayer could deduct up to \$300 (\$600 MFJ) of charitable contributions that would otherwise be deductible under the cash contribution rules (no deduction for contributions of property).

There was also a special rule for tax years 2018 through 2025 that increased the 50% AGI limitation for cash contributions to 60% of AGI. Cash contributions for tax years after 2025 were scheduled to be subject to the 50% AGI limitation.

New Law. Effective for tax years beginning after 2025, taxpayers can deduct up to \$1,000 (\$2,000 MFJ) of cash charitable contributions without itemizing their deductions.

The new law also places a 0.5% floor on charitable contribution deductions for itemizers. The deduction is allowed to the extent that the aggregate amount of the taxpayer's contributions for the year exceeds 0.5% of the taxpayer's contribution base. Contribution base is defined as adjusted gross income (computed without regard to any net operating loss carryback to the tax year). [IRC §170(b)(1)(H)]

The 0.5% floor is applied:

- 1) First by taking into account charitable contributions subject to the special limitation on contributions of capital gain property under IRC section 170(b)(1)(D) (20% or 30% AGI limit donations),

- 2) Second by taking into account charitable contributions subject to the special limitation on contributions of capital gain property under IRC section 170(b)(1)(C) (30% AGI limit donations),
- 3) Third by taking into account other charitable contributions under IRC section 170(b)(1)(B) (30% or 50% AGI limit donations),
- 4) Fourth by taking into account contributions of qualified conservation contributions under IRC section 170(b)(1)(E),
- 5) Fifth by taking into account charitable contributions to public charities under IRC section 170(b)(1)(A) (50% AGI limit donations), and
- 6) Sixth by taking into account charitable contributions under IRC section 170(b)(1)(G) (60% AGI limit donations).

Contributions disallowed by the 0.5% floor provision are carried forward only from years in which the limitation is exceeded.

The new law also permanently extends the 60% AGI limit for cash contributions.

Home Mortgage Interest Deduction [IRC §163(h)]

Prior Law. Interest paid on a home mortgage for a principal residence and one other residence is deductible as an itemized deduction, subject to limits on the amount of debt secured by the residence. Acquisition debt is debt secured by the residence that is used to purchase or improve the residence. Home equity debt is any debt secured by the residence that is not acquisition debt (such as a car loan that is secured by the residence).

Prior to 2018, acquisition debt was limited to \$1 million. Home equity debt was limited to \$100,000.

For tax years 2018 through 2025, the acquisition debt limit was reduced to \$750,000, with the exception of acquisition debt incurred before December 15, 2017, that is refinanced on or after December 15, 2017. Home equity loan interest is not deductible unless used to buy, build, or substantially improve the home that secures the loan.

For tax years beginning after 2025, the \$1 million acquisition debt limit and \$100,000 home equity debt limit was scheduled to apply.

New Law. Effective for tax years beginning after 2025, the acquisition debt limit is \$750,000. Interest on home equity debt is not deductible unless used to buy, build, or substantially improve the home that secures the loan.

The new law also reinstates the provision to treat mortgage insurance premiums as interest, which had expired for tax years after 2021. For tax years beginning after 2025, premiums paid or accrued for qualified mortgage insurance in connection with acquisition debt is treated as qualified residence interest. The deduction begins to phase out when the taxpayer's adjusted gross income for the tax year exceeds \$100,000 (\$50,000 MFS).

Gambling Losses [IRC §165(d)]

Prior Law. Prior to 2018, losses sustained during the tax year on wagering transactions were allowed as a deduction only to the extent of the gains during the tax year from such transactions.

Effective for 2018 through 2025, the term "losses from wagering transactions" includes any deduction otherwise allowable under the Internal Revenue Code in carrying on a gambling activity. The provision was intended to clarify that the limitation under IRC section 165(d) applies not only to the actual cost of wagers, but also to other expenses incurred by an individual in connection with the conduct of that individual's gambling activity. For example, an individual's otherwise deductible traveling expenses to and from a casino are subject to the gambling loss limitation.

This provision applies to individuals engaged in the trade or business of gambling. Casual gamblers for personal pleasure are not allowed to deduct traveling expenses to and from a casino.

The clarification that included all deductible expenses as being limited to gambling winnings was scheduled to expire for tax years beginning after 2025.

New Law. Effective for tax years beginning after 2025, the new law permanently extends the provision that limits all deductible losses and expenses of gamblers to gambling winnings during the year.

The new law also limits the deduction for gambling losses (and related expenses) to 90% of the amount of such losses during the tax year. This 90% limit applies to all gambling losses regardless of whether the taxpayer is considered to be in the trade or business of gambling.

Child and Dependent Care Tax Credit [IRC §21]

Prior Law. Taxpayers are allowed to claim a tax credit for dependent care expenses. Dependent care expenses are generally daycare expenses that allow the taxpayer to work or look for work. The credit ranges from 35% of the expenses if the taxpayer's adjusted gross income (AGI) is \$15,000 or less, to 20% if AGI is over \$43,000, with every percentage point in between if AGI is between \$15,000 and \$43,000.

The dollar limit for qualifying expenses is \$3,000 for one qualifying person and \$6,000 for two or more qualifying persons. For example, if the taxpayer pays \$10,000 for the year for one qualifying child's daycare expenses, and AGI is above \$43,000, the credit equals \$600 (\$3,000 × 20%).

A qualifying person is generally the taxpayer's dependent child under age 13. Other qualifying persons include a disabled spouse and a disabled person unable to care for himself or herself who could be claimed as a dependent of the taxpayer.

New Law. Effective for tax years beginning after 2025, the credit ranges from 50% if AGI is \$15,000 or less, to 20% if AGI is over \$103,000 (\$206,000 MFJ).

The following chart illustrates this provision.

If AGI is over	But not over	Credit percentage is
\$0	\$15,000	50%
\$15,000	\$17,000	49%
\$17,000	\$19,000	48%
\$19,000	\$21,000	47%
\$21,000	\$23,000	46%
\$23,000	\$25,000	45%
\$25,000	\$27,000	44%
\$27,000	\$29,000	43%
\$29,000	\$31,000	42%
\$31,000	\$33,000	41%
\$33,000	\$35,000	40%
\$35,000	\$37,000	39%
\$37,000	\$39,000	38%
\$39,000	\$41,000	37%
\$41,000	\$43,000	36%
\$43,000	\$75,000 (\$150,000 MFJ)	35%
\$75,000 (\$150,000 MFJ)	\$77,000 (\$154,000 MFJ)	34%
\$77,000 (\$154,000 MFJ)	\$79,000 (\$158,000 MFJ)	33%
\$79,000 (\$158,000 MFJ)	\$81,000 (\$162,000 MFJ)	32%

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If AGI is over	But not over	Credit percentage is
\$81,000 (\$162,000 MFJ)	\$83,000 (\$166,000 MFJ)	31%
\$83,000 (\$166,000 MFJ)	\$85,000 (\$170,000 MFJ)	30%
\$85,000 (\$170,000 MFJ)	\$87,000 (\$174,000 MFJ)	29%
\$87,000 (\$174,000 MFJ)	\$89,000 (\$178,000 MFJ)	28%
\$89,000 (\$178,000 MFJ)	\$91,000 (\$182,000 MFJ)	27%
\$91,000 (\$182,000 MFJ)	\$93,000 (\$186,000 MFJ)	26%
\$93,000 (\$186,000 MFJ)	\$95,000 (\$190,000 MFJ)	25%
\$95,000 (\$190,000 MFJ)	\$97,000 (\$194,000 MFJ)	24%
\$97,000 (\$194,000 MFJ)	\$99,000 (\$198,000 MFJ)	23%
\$99,000 (\$198,000 MFJ)	\$101,000 (\$202,000 MFJ)	22%
\$101,000 (\$202,000 MFJ)	\$103,000 (\$206,000 MFJ)	21%
\$103,000 (\$206,000 MFJ)	No Limit	20%

The new law does not change the \$3,000 (\$6,000 for two or more qualifying persons) expense limit that qualifies for the credit.

Dependent Care Assistance Program [IRC §129]

Prior Law. Amounts paid or incurred by an employer for dependent care assistance provided to an employee are excluded from the employee's taxable income. Qualified expenses are generally the same as those that qualify for the Child and Dependent Care Tax Credit if the taxpayer pays for the daycare expenses (and not the employer). The exclusion is limited to \$5,000 per year (\$2,500 MFS). Benefits paid by an employer in excess of this limitation are taxable as employee compensation.

New Law. Effective for tax years beginning after 2025, the limitation on the amount of excludable benefits is increased to \$7,500 per year (\$3,750 MFS).

Deduction for Qualified Passenger Vehicle Loan Interest [IRC §163(h)]

Prior Law. Prior to 1987, consumer interest was fully deductible as an itemized deduction. Consumer interest included car loans, credit card interest, and any other interest on debt that was not business interest, investment interest, or home mortgage interest. The Tax Reform Act of 1986 phased out the deduction for consumer interest (personal interest) starting with the 1987 tax year, making it fully nondeductible by 1991.

New Law. Effective for tax years beginning after 2024 and before 2029, a deduction is allowed for qualified passenger vehicle loan interest. The term qualified passenger vehicle loan interest means any interest which is paid or accrued during the tax year on indebtedness incurred after 2024 for the purchase of, and that is secured by a first lien on, an applicable passenger vehicle for personal use. The deduction for any tax year is limited to \$10,000.

Taxpayers do not have to itemize to claim the deduction. It is treated in the same category of deductions as the standard deduction and the deduction for qualified business income.

The deduction begins to phase out when the taxpayer's modified adjusted gross income exceeds \$100,000 (\$200,000 for MFJ). Modified adjusted gross income means adjusted gross income increased by the foreign earned income exclusion and the exclusion of income from sources within Guam, American Samoa, the Northern Mariana Islands, and Puerto Rico.

An applicable passenger vehicle means:

- 1) A vehicle that is originally used by the taxpayer (the purchase of a used vehicle does not qualify),
- 2) A vehicle which is manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails),
- 3) A vehicle that has at least 2 wheels,
- 4) A vehicle that is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle,
- 5) A vehicle which is treated as a motor vehicle for purposes of title II of the Clean Air Act, and
- 6) A vehicle which has a gross vehicle weight rating of less than 14,000 pounds.

An applicable passenger vehicle is a vehicle in which the final assembly occurs within the United States. Final assembly means the process by which a manufacturer produces a vehicle at, or through the use of, a plant, factory, or other place from which the vehicle is delivered to a dealer with all component parts necessary for the mechanical operation of the vehicle included with the vehicle, whether or not the component parts are permanently installed in or on the vehicle.

Qualified passenger vehicle loan interest does not include any of the following.

- A loan to finance fleet sales.
- A loan incurred for the purchase of a commercial vehicle that is not used for personal purposes.
- Any lease financing.
- A loan to finance the purchase of a vehicle with a salvage title.
- A loan to finance the purchase of a vehicle intended to be used for scrap or parts.

To claim the deduction, the taxpayer must include the vehicle identification number on the tax return.

Qualified passenger vehicle loan debt includes debt that results from refinancing any debt that is secured by a first lien on the applicable passenger vehicle with respect to which the refinanced debt was incurred, but only to the extent the amount of resulting debt does not exceed the amount of refinanced debt.

Qualified passenger vehicle loan debt does not include any debt owed to a person who is related to the taxpayer [within the meaning of IRC section 267(b) or section 707(b)(1)].

A trade or business engaged in the lending of vehicle loans who receives interest aggregating \$600 or more during the tax year on a specified passenger vehicle loan must file an information return with the IRS and issue a copy to the taxpayer reporting the amount of interest received from the taxpayer and any other information as prescribed through regulations and guidance by the IRS. The information statement issued to the taxpayer must be furnished on or before January 31 of the year following the calendar year for which the return is required to be made. Penalties apply for failure to file information returns.

Relief for Disaster Victims

Cross References

- [irs.gov](https://www.irs.gov)

As of November 25, 2025, taxpayers affected by the following disasters still qualify for the following extensions of time to file various tax returns and make tax payments:

Disaster	Date Disaster Began	Location	Extended Filing and Payment Deadline
Severe storms, straight-line winds, tornadoes, flooding	March 30, 2025	Missouri	March 30, 2026
Severe storms, flooding	June 12, 2025	Sisseton-Wahpeton Oyate Tribal Nation	February 2, 2026
Severe storms, straight-line winds, flooding, landslides, mudslides	June 14, 2025	West Virginia	February 2, 2026
Severe storms, flooding, landslides	June 23, 2025	New Mexico	February 2, 2026
Severe storms, straight-line winds, flooding	July 2, 2025	Texas	February 2, 2026
Severe storms, straight-line winds, flooding, mudslides	August 9, 2025	Wisconsin	February 2, 2026
Severe storms, flooding, Typhoon Halong	October 8, 2025	Alaska	May 1, 2026

In general, if a due date to file a tax return or pay a tax falls on or after the date a disaster affected the taxpayer, the due date is extended. The date the disaster began for a particular location is the date it affected the taxpayer.

For example, the May 1, 2026, deadline for taxpayers in Alaska affected by Typhoon Halong applies to individual income tax returns and payments normally due on or after October 8, 2025. The May 1 deadline also applies to 2025 contributions to IRAs and health savings accounts for eligible taxpayers. This relief also applies to the estimated tax payments normally due on January 15, 2026, and April 15, 2026. Penalties on payroll and excise tax deposits due on or after October 8, 2025, and before May 1, 2026, will be abated as long as the tax deposits are made by May 1, 2026. The May 1, 2026, deadline also applies to affected quarterly payroll and certain excise tax returns normally due on January 31, 2026, and April 30, 2026.