TAX YEAR
2026

New Tax Law Provisions (OBBBA – H.R.1)

The following provisions of OBBBA are effective for tax years beginning after 2025.

Individual Income

Student loan debt discharged. Discharged debt is excludable from income only if it is discharged due to the death or total disability of the student.

Individual Deductions

Charitable contributions. Taxpayers can deduct up to $1,000 ($2,000 MFJ) of cash charitable contributions without itemizing deductions.

The law places a 0.5% floor on the charitable contribution deduction for itemizers. The deduction is allowed to the extent that the aggregate amount of the taxpayer's contributions for the year exceed 0.5% of the taxpayer's AGI. Disallowed deductions may be carried forward.

The 60% AGI limitation for cash contributions has been made permanent.

Educator expenses. 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 include nonathletic supplies for courses of instruction in health or physical education. As an itemized deduction, these expenses are not limited to the $350 (2026) per educator limit.

An eligible instructor 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.

Gambling losses. The provision that limits all deductible losses and expenses of gamblers to gambling winnings during the year is permanent.

90% loss limit. The deduction for gambling losses, and related expenses, is limited 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.

Personal casualty loss deduction. Personal casualty losses are deductible if attributable to a federally-declared disaster or a state-declared disaster.

State-declared disaster. This means any natural catastrophe or 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.

Phaseout of itemized deductions. Itemized deductions begin to phase out when taxable income exceeds the dollar amount at which the 37% tax bracket begins. The phaseout 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 phaseout does not apply when calculating the deduction for qualified business income (QBID).

2025 New Tax Law Provisions (OBBBA – H.R.1)

Individual Credits

Child and dependent care credit. The credit ranges from 50% if AGI is $15,000 or less, to 20% if AGI is over $103,000 ($206,000 MFJ). The $3,000 ($6,000 for two or more qualifying persons) expense limit is unchanged.

Termination of clean vehicle and energy efficient credits. The expiration dates are as follows:

- Property placed in service after June 30, 2026, for the Alternative Fuel Vehicle Refueling Property Credit (IRC §30C).
- Property placed in service after December 31, 2025, for the Energy Efficient Home Improvement Credit (IRC §25C).
- Expenditures made after December 31, 2025, for the Residential Clean Energy Credit (IRC §25D).
- Property construction that begins after June 30, 2026, for the energy efficient commercial buildings deduction (IRC §179D).
- Home acquired after June 30, 2026, for the New Energy Efficient Home Credit (IRC §45L).

Business Deductions

Qualified business income deduction (QBID). The phase-out range has increased from $50,000 ($100,000 MFJ) to $75,000 ($150,000 MFJ).

Minimum deduction. There is a new minimum deduction for active qualified trade or business income (QBI). For applicable taxpayers, the QBID is the greater of $400 or the deduction as calculated under the regular rules.

Applicable taxpayer. An applicable taxpayer is a taxpayer whose aggregate QBI for the year is at least $1,000.

Active qualified trade or business. An active qualified trade or business is any qualified trade or business of the taxpayer in which he or she materially participates.

C corporation charitable contributions. A C corporation's deduction is allowed to the extent that the aggregate amount of the corporation's charitable contributions for the year exceeds 1% of its taxable income, limited to 10% of its taxable income.

Business Credits

Employer Credit for Paid Family and Medical Leave. This credit has been made permanent.

Employer-Provided Child Care Credit. This credit is increased to 40% of the qualified childcare facility expenditures (50% for an eligible small business).

Other Business Provisions

Dependent care assistance program. Excludable benefits have increased to $7,500 per year ($3,750 MFS).

Information reporting for business. The $600 threshold for filing Form 1099-MISC, *Miscellaneous Information,* and Form 1099-NEC, *Nonemployee Compensation,* is increased to $2,000. This amount will be adjusted annually for inflation.

Retirement Plans

Trump accounts. A Trump account is a new type of individual retirement arrangement (IRA) available for beneficiaries under age 18. The types of investments that can be used to fund the accounts are limited.

Contributions of up to $5,000 annually (adjusted for inflation after 2027) may be made. They are not tax deductible. Earnings grow tax deferred. Employers may make excludable contributions limited to $2,500 to employees under age 18. Distributions are not allowed before the beneficiary reaches age 18.

Contributions are not allowed until July 4, 2026.

Catch-up elective deferrals. Participants whose wages for the preceding year exceed $145,000 may only make catch-up elective deferrals as designated Roth contributions. If the plan does not provide for a designated Roth option, participants with wages exceeding $145,000 cannot make catch-up elective deferrals.

This rule does not apply to SEPs or SIMPLE plans. The threshold is indexed for inflation.

Estate and Gift Tax Exemption

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.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.