

# 2026 Tax Season Spotlight

The 2025 income tax year for which you will file returns this season includes significant changes. Key changes include **permanent lower tax rates and higher standard deductions, along with new temporary deductions for seniors, tips and overtime pay**.

## Key Permanent Changes

- **Federal Tax Brackets:** Seven brackets (10%, 12%, 22%, 24%, 32%, 35%, and 37%) are now permanent. The income thresholds for each bracket is adjusted annually for inflation.
- **Standard Deduction:** The nearly doubled amounts are now permanent and indexed for inflation.
  - **Single:** \$15,750.
  - **Married filing jointly:** \$31,500.
  - **Head of Household:** \$23,625.
- **Child Tax Credit:** The maximum credit has increased to \$2,200 per qualifying child, with up to \$1,700 being refundable.
  - As a reminder, by law, the IRS does not begin processing tax returns claiming the Earned Income Tax Credit (EITC) and/or Additional Child Tax Credit (ACTC) until mid-February in which the 21-day refund timeline starts.
- **Estate and Gift Tax Exemption:** The lifetime estate and gift tax exemption has been permanently increased to \$15 million per individual (or \$30 million for a married couple) starting in 2026, indexed for inflation.

## New Temporary Deductions (2025-2028)

- **Senior Deduction:** An additional deduction of \$6,000 for individuals 65 and older (*\$12,000 for married couples if both qualify*) is available, subject to income phase-outs.
- **Tip Income Deduction:** Eligible workers can deduct up to \$25,000 in qualified tip income, even if taking the standard deduction.
- **Overtime Pay Deduction:** Non-exempt workers can deduct the premium portion of qualified overtime pay, with limits of \$12,500 for single filers and \$25,000 for joint filers.
- **Car Loan Interest Deduction:** Up to \$10,000 in interest paid on a loan for a new, U.S.-assembled personal-use vehicle is deductible above-the-line.
- **SALT Cap Expansion:** The cap on the State and Local Tax (SALT) deduction is temporarily raised to \$40,000 for married couples filing jointly (or \$20,000 for married filing separately) through 2029, with phase-outs for higher earners.

## Other Notable Changes

- **1099-K Reporting Threshold:** The reporting threshold for third-party payment networks returns to transactions over **\$20,000 and more than 200 transactions** for 2025.
- **Clean Energy Credits:** Most individual clean energy credits have been phased out or eliminated.
- **Business Provisions:** 100% bonus depreciation is made permanent, and immediate expensing of domestic R&D costs is allowed.