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2026 Tax Planning Guide

Key Changes Under the One Big Beautiful Bill Act

The One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, introduced significant changes to federal tax rules affecting individuals, families, and estates. With many provisions now in effect, understanding the updated deductions, credits, and limitations can help taxpayers make informed financial decisions.

This guide highlights key tax provisions applicable to 2026 and important considerations for year-end tax planning.

INDIVIDUAL TAX

Federal Income Tax Rates

2026 Rules: The seven individual federal income tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% remain in effect permanently. Income thresholds are adjusted annually for inflation. For 2026, the highest rate of 37% applies to taxable income exceeding $640,600 for single and head of household filers and $768,700 for married couples filing jointly.

Standard Deduction

2026 Rules: The standard deduction increases to $16,100 for single filers and married individuals filing separately, $32,200 for married couples filing jointly, and $24,150 for heads of household. These amounts are indexed for inflation.

Additional Deduction for Seniors

2026 Rules: Individuals age 65 and older may qualify for an additional deduction of up to $6,000 per eligible taxpayer, or $12,000 for married couples when both spouses qualify. The deduction phases out for taxpayers with modified adjusted gross income exceeding $75,000 for single filers or $150,000 for married couples filing jointly. This temporary provision applies through 2028 and is available to eligible taxpayers whether they itemize or claim the standard deduction.

Personal Exemptions

2026 Rules: Personal exemptions remain eliminated. Taxpayers cannot claim a personal exemption for themselves, a spouse, or dependents.

Child Tax Credit

2026 Rules: The child tax credit remains at a maximum of $2,200 per qualifying child under age 17. Up to $1,700 may be refundable, subject to eligibility requirements. Income limitations and other qualification rules apply.

Trump Accounts

2026 Rules: Trump Accounts are new tax-advantaged investment accounts for eligible children under age 18. Children who are U.S. citizens born between January 1, 2025, and December 31, 2028, may qualify for a one-time $1,000 federal contribution. Beginning July 4, 2026, parents, employers, and other eligible contributors can make contributions, generally subject to a combined annual limit of $5,000. Employer contributions of up to $2,500 annually count toward that limit. Funds must be invested in qualifying U.S. stock index funds, and withdrawals are generally restricted until the year the beneficiary turns 18. Eligibility and enrollment requirements apply.

Child and Dependent Care Credit

2026 Rules: The maximum credit percentage increases from 35% to 50% of qualifying expenses, depending on adjusted gross income. Eligible expenses remain limited to $3,000 for one qualifying individual or $6,000 for two or more qualifying individuals.

State and Local Tax (SALT) Deduction

2026 Rules: The deduction limit for eligible state and local taxes increases to $40,400 for most filers, or $20,200 for married individuals filing separately. The limit begins to decrease for taxpayers with modified adjusted gross income exceeding $505,000, or $252,500 for married individuals filing separately. The deduction cannot fall below $10,000, or $5,000 for married individuals filing separately. The higher limits remain temporary, with the cap scheduled to return to $10,000 for most filers in 2030.

Mortgage Interest Deduction

2026 Rules: The $750,000 limit on qualifying acquisition indebtedness for the mortgage interest deduction was made permanent, subject to applicable grandfathering rules. Beginning in 2026, qualifying mortgage insurance premiums may also be treated as deductible mortgage interest, subject to income limitations.

Vehicle Loan Interest Deduction

2026 Rules: Eligible taxpayers may deduct up to $10,000 annually in interest paid on qualifying loans used to purchase new, personal-use vehicles with final assembly in the United States. The deduction applies to qualifying loans originating after December 31, 2024, and phases out for taxpayers with modified adjusted gross income exceeding $100,000, or $200,000 for married couples filing jointly. This provision is available from 2025 through 2028.

Casualty Loss Deductions

2026 Rules: Personal casualty loss deductions generally remain limited to losses attributable to federally declared disasters or certain qualifying state-declared disasters. Additional limitations and eligibility requirements apply.

Charitable Contribution Deductions

2026 Rules: Taxpayers who claim the standard deduction may deduct up to $1,000 in qualifying cash charitable contributions, or $2,000 for married couples filing jointly. Taxpayers who itemize are generally subject to a new deduction floor equal to 0.5% of adjusted gross income. Both changes take effect in 2026.

Miscellaneous Itemized Deductions

2026 Rules: Most miscellaneous itemized deductions previously subject to the 2% adjusted gross income floor remain disallowed, including unreimbursed employee expenses, tax preparation fees, and certain investment-related expenses. Beginning in 2026, eligible educators may claim qualifying unreimbursed classroom expenses as itemized deductions under separate rules.

Overall Itemized Deduction Limitation

2026 Rules: The prior phaseout of itemized deductions is replaced with a limitation affecting taxpayers in the highest federal income tax bracket. The limitation generally reduces the tax benefit of affected itemized deductions to 35% rather than 37%.

Moving Expense Deductions

2026 Rules: Moving expenses generally remain nondeductible for individual taxpayers, with exceptions for qualifying active-duty members of the Armed Forces and certain members of the intelligence community.

Qualified Tip Income Deduction

2026 Rules: Eligible employees and self-employed individuals may deduct up to $25,000 annually in qualifying tip income. The deduction applies to tips received in qualifying occupations and phases out for taxpayers with modified adjusted gross income exceeding $150,000, or $300,000 for married couples filing jointly. The provision remains available through 2028.

Qualified Overtime Compensation Deduction

2026 Rules: Eligible taxpayers may deduct up to $12,500 in qualifying overtime compensation, or $25,000 for married couples filing jointly. Only qualifying overtime premium pay, rather than all overtime earnings, is deductible. The deduction phases out for taxpayers with modified adjusted gross income exceeding $150,000, or $300,000 for married couples filing jointly, and is available through 2028.

Energy-Related Tax Credits

2026 Rules: Several individual energy-related tax incentives are no longer available for new qualifying purchases or expenditures. Federal credits for new and previously owned clean vehicles generally ended for vehicles acquired after September 30, 2025.
The Energy Efficient Home Improvement Credit and Residential Clean Energy Credit generally ended after December 31, 2025. Taxpayers should review applicable transition rules when determining eligibility for prior-year purchases or improvements.

ESTATE AND GIFT TAX

Federal Estate and Gift Tax Exclusion

2026 Rules: The federal estate and gift tax basic exclusion amount increases to $15 million per individual for 2026, with inflation adjustments beginning in 2027. The higher exclusion provides additional opportunities for estate planning and lifetime wealth transfers. Married couples may be able to preserve and use a combined exclusion through appropriate planning and portability elections.

2026 TAX PLANNING CONSIDERATIONS

The changes introduced by the OBBBA create several opportunities for taxpayers to review their financial strategies before year-end. Key considerations include:

Reviewing deductions and credits:

Updated standard deductions, the temporary SALT cap increase, and changes to charitable contribution deductions may affect whether itemizing provides a greater tax benefit.

Evaluating eligibility for temporary deductions:

Taxpayers receiving qualifying tips or overtime compensation, purchasing eligible vehicles, or meeting the age requirements for the additional senior deduction should review the applicable income thresholds and documentation requirements.

Reassessing charitable giving strategies:

The new rules for itemizers and non-itemizers may influence the timing and structure of charitable contributions.

Planning for estate and wealth transfers:

The increased estate and gift tax exclusion may create opportunities to revisit gifting strategies, trusts, and long-term estate plans.

Adjusting tax withholding and estimated payments:

Changes to deductions, credits, and taxable income may affect withholding requirements and estimated tax obligations for 2026 and beyond.

PLAN AHEAD WITH CRI

Tax law changes can affect everything from annual deductions to long-term financial and estate planning. Understanding how the 2026 provisions apply to your circumstances can help identify potential opportunities and avoid unexpected tax consequences.

Contact your CRI advisor to discuss how these changes may affect your tax planning strategy and the steps worth considering before year-end.

Visit criadv.com/contact to connect with CRI.



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