# Tax Guide 2026 — Individuals & Families

Nov 1, 2026 · @Tax Guru

# TAX GUIDE 2026

FOR INDIVIDUALS & FAMILIES

TAXGURU LLC.

GETTING READY FOR THE 2026 TAX FILING SEASON — AND WHAT'S NEW IN 2027

## Getting Ready for the 2026 Tax Filing Season

It's that time of year again when we should consider meeting to discuss year-end strategies that might reduce your 2026 taxes, and to look ahead at what changes for 2027.

Last year's big tax law, the One Big Beautiful Bill Act (OBBBA), made the 2017 tax cuts permanent and added a handful of new tax breaks. The good news is that 2027 brings stability rather than another overhaul: the rules you used for 2026 carry forward, with higher, inflation-adjusted limits. A few new items do start in 2027, and several breaks that began in 2026 are worth planning around now. So let's start with what's new, then move on to the deductions, credits and year-end moves that matter most.

**A Word About the Numbers.** The IRS usually publishes its official 2027 figures in late October or November. Where those figures were not yet out when this guide was written, I show the widely used projections and label them "projected." I'll confirm the final amounts with you once they're released.

**A Word About Acronyms.** I try not to use too many acronyms, but you'll see "AGI" a lot. AGI stands for "adjusted gross income," which is your total income minus a handful of key deductions such as IRA contributions, HSA contributions and self-employed health insurance. The tax rules use AGI everywhere for limitations and phaseout thresholds.

Tax Guru's tax planning checklist of additional action items may help you save tax dollars.

## What's New for 2027

Tax rates stay the same in 2027, but nearly every dollar limit rises about 3.2% for inflation, so the same income should generally face slightly less tax. Here are the numbers most of my clients ask about:

| Item | 2026 | 2027 |
|---|---|---|
| Standard deduction — single | $16,100 | $16,600 (projected) |
| Standard deduction — married filing jointly | $32,200 | $33,200 (projected) |
| Standard deduction — head of household | $24,150 | About $24,950 (projected) |
| Top 37% rate begins — single / joint | $640,600 / $768,700 | About $661,350 / $793,650 (projected) |
| Child tax credit (per child) | $2,200 | $2,300 (projected) |
| 401(k) / 403(b) contribution | $24,500 | $25,500 (projected) |
| HSA contribution — self-only / family | $4,400 / $8,750 | $4,500 / $9,000 (official) |
| SALT deduction limit | $40,400 | $40,804 (set by law) |
| Annual gift tax exclusion | $19,000 | $20,000 (projected) |
| Social Security cost-of-living increase | 2.8% | 3.6% (official) |

**New Education Freedom Tax Credit.** Starting January 1, 2027, you can claim a dollar-for-dollar credit of up to $1,700 for donations to approved scholarship-granting organizations that fund K-12 scholarships. Treasury's current rules allow $3,400 on a joint return, though that reading is being challenged in Congress. Your state must opt in to the program, so please check with me before you give.

**Estate and Gift Exemption Begins Indexing.** The $15 million per-person estate and gift exemption starts rising with inflation in 2027, and the annual gift exclusion is projected to reach $20,000 per recipient.

**Social Security.** Benefits rise 3.6% starting in January 2027, and wages up to $192,300 are subject to Social Security tax.

**What I'm Watching.** Congress returns November 9 for a post-election session. Proposals under discussion include an IRS modernization package, new rules for digital assets, and a repeal of the new 90% limit on gambling-loss deductions. None of these has become law yet, and I'll let you know if anything passes that affects your 2026 or 2027 taxes.

## New Tax Breaks That Carry Into 2027

The new tax breaks from the OBBBA stay in place for 2026 and 2027. Most are available whether you itemize or take the standard deduction, but most also phase out above certain income levels. They can be quite valuable, so it's worth checking whether any apply to you:

**Increased SALT Limit.** The limit on the state and local tax deduction is $40,400 for 2026 and rises to $40,804 for 2027. You must itemize to benefit. The higher limit starts phasing down when your AGI

passes $505,000 for 2026 (about $510,050 for 2027), but it never drops below $10,000. The higher limit is scheduled to run through 2029 and return to $10,000 in 2030.

**Deduction for Car Loan Interest.** You can deduct up to $10,000 a year of interest on a loan taken out after 2024 to buy a new personal-use vehicle assembled in the U.S. The deduction runs through 2028 and begins to phase out for AGI above $100,000 ($200,000 for joint returns). Keep your loan statement and your vehicle's VIN, which must go on your return.

**Deduction for Tip Income.** If you work in an occupation that customarily receives tips, you can deduct up to $25,000 of qualified tips. It's available to employees and independent contractors, phases out for AGI above $150,000 ($300,000 for joint returns), and runs through 2028. Starting with 2026, your W-2 will show your tips and occupation code, which should make this much easier to claim.

**Deduction for Overtime Pay.** You can deduct up to $12,500 ($25,000 on joint returns) of the "half" portion of time-and-a-half overtime required by federal law. It phases out for AGI above $150,000 ($300,000 for joint returns) and runs through 2028. Your 2026 W-2 will now report qualified overtime separately.

**Deduction for Seniors.** Everyone age 65 or older by the end of the year gets an extra $6,000 deduction ($12,000 if both spouses qualify), on top of the regular extra standard deduction for seniors. You don't need to itemize, but you do need a Social Security number (and to file jointly, if married). It phases out for AGI above $75,000 ($150,000 for joint returns) and runs through 2028.

**Charitable Deduction for Non-Itemizers.** Beginning with 2026, even if you take the standard deduction, you can deduct up to $1,000 ($2,000 for joint returns) of cash gifts to public charities. There's no income phaseout. Gifts to donor-advised funds don't count.

**Itemized Deduction for Educator Expenses.** Starting in 2026, K-12 teachers, coaches and sports administrators who itemize can deduct unreimbursed classroom expenses with no dollar limit. This is in addition to the $350 above-the-line educator deduction, which now also covers early childhood educators.

## Deductions and Exclusions from Income

**Taking the Standard Deduction versus Itemizing.** For 2026, the standard deduction is $16,100 (single), $24,150 (head of household) and $32,200 (married filing jointly). If your itemized deductions will be close to that amount, we should look at "bunching": itemizing in one year and taking the standard deduction the next. For example, you might double up on charitable gifts in one year, or time property tax and medical payments to fall in the same year. And even if you haven't itemized recently, the much higher SALT limit may change the math in favor of itemizing. If you're not sure where you stand, let's run the numbers.

**SALT Refresher.** The state and local tax deduction covers state and local income taxes (or sales taxes instead, if larger), property taxes on real estate, and personal property taxes based on value, such as some vehicle taxes. Vehicle fees based on weight, model year or horsepower aren't deductible.

**Charitable Contributions.** Three rules now shape how you give:

- If you itemize, your charitable deduction is reduced by 0.5% of your AGI. For example, with $200,000 of AGI, the first $1,000 of gifts isn't deductible. Bunching gifts into one year, or using a donor-advised fund, helps you clear that floor.
- If you're in the 37% bracket, itemized deductions now save at most 35 cents per dollar.
- Donating appreciated stock instead of cash still lets you deduct its full market value and avoid capital gains tax on the growth.

**Charitable Contributions Directly from Your IRA.** If you're 70½ or older, you can give directly from your IRA to charity. You don't get a deduction, but the amount stays out of your income, which can lower your AGI, reduce tax on Social Security benefits and help you avoid the phaseouts described above. These gifts can also count toward your required minimum distribution.

**Medical Expenses.** Medical expenses remain deductible as an itemized deduction to the extent they exceed 7.5% of your AGI. If you're near the threshold, it may make sense to accelerate optional expenses into 2026 or defer them to 2027.

**Mortgage Interest and Mortgage Insurance.** Interest on up to $750,000 of acquisition debt ($1 million for loans taken before December 16, 2017) remains deductible. Starting in 2026, mortgage insurance premiums are again deductible as mortgage interest, phasing out for AGI above $100,000. Home equity interest is deductible only if the loan was used to substantially improve your home.

**Sale of a Home.** If you sold your main home this year and lived in it for at least two of the last five years, you can exclude up to $250,000 of gain ($500,000 for most married couples). Keep records of improvements, since they reduce your taxable gain.

## Tax Credits

Tax credits are more valuable than deductions: a deduction reduces the income that's taxed, while a credit reduces the tax itself, dollar for dollar. These are the main credits for individuals for 2026:

**Child Tax Credit.** You can claim $2,200 for each child under 17 (up to $1,700 is refundable), plus $500 for other qualifying dependents. The credit phases out for AGI over $200,000 ($400,000 for joint returns), and Social Security numbers are required. The child credit is projected to rise to $2,300 for 2027.

**Earned Income Credit.** This credit is for workers with low to moderate incomes. For 2026, the maximum credit is $8,231 for families with three or more qualifying children, with smaller amounts for fewer children. It isn't available if you have more than $12,200 of investment income.

**Adoption Credit.** For 2026, you can claim up to $17,670 of qualified adoption expenses, and up to $5,120 of the credit is refundable.

**American Opportunity Tax Credit.** If you have a student in the first four years of college, you may qualify for up to $2,500 per student per year. The credit phases out for AGI above $80,000 ($160,000 for joint returns).

**Lifetime Learning Credit.** This credit covers 20% of up to $10,000 of tuition and fees, for a maximum of $2,000 per return. It phases out between $80,000 and $90,000 of AGI ($160,000 to $180,000 for joint returns), and it can't be claimed for the same student as the American Opportunity credit.

**New for 2027: Education Freedom Tax Credit.** As described above, you can claim up to $1,700 for donations to approved K-12 scholarship organizations, if your state participates.

**Energy and Electric Vehicle Credits Have Ended.** The residential clean energy credit (solar panels, battery storage) and the energy efficient home improvement credit (heat pumps, windows, insulation) ended for work completed after December 31, 2025. The clean vehicle credits ended for vehicles acquired after September 30, 2025. Upgrades made in 2026 or 2027 don't qualify, though any unused residential clean energy credit from 2025 or earlier can still carry forward.

## Retirement Plans, HSAs, FSAs, 529 Plans and Trump Accounts

**Retirement Plans.** If you can afford to, contributing the maximum to a workplace retirement plan gives a large tax benefit. For 2026, you can defer up to $24,500 into a 401(k) or 403(b). Catch-up contributions of $8,000 are allowed at age 50 and older, and "super" catch-up contributions of $11,250 at ages 60 through 63. These must go through payroll by December 31. For 2027, the base limit is projected to rise to $25,500.

**IRAs.** The 2026 IRA limit is $7,500, plus $1,100 if you're 50 or older, and you have until April 15, 2027 to contribute. Don't overlook a spousal IRA, which lets a spouse with little or no earned income contribute based on the other spouse's pay. If 2026 is a lower-income year for you, it may also be a good time to consider a Roth conversion.

**Health Savings Accounts.** If you have a high-deductible health plan, HSA contributions are deductible whether or not you itemize, grow tax-free, and come out tax-free for medical costs. For 2026, the limits are $4,400 (self-only) and $8,750 (family), plus $1,000 if you're 55 or older, and you can contribute until April 15, 2027. For 2027, the limits rise to $4,500 and $9,000.

**Flexible Spending Accounts.** If your employer offers a health FSA, you can set aside up to $3,400 for 2026 to pay medical costs with pre-tax money. Check your plan's deadline: unused funds are generally lost, unless your plan allows a carryover (up to $680) or a grace period. The dependent care FSA limit is now $7,500.

**Section 529 Plans.** Starting in 2026, you can withdraw up to $20,000 a year (up from $10,000) for a wide range of K-12 expenses, including tuition, books, tutoring and testing fees. You can also use 529 funds for vocational training, licensing and certification programs.

**Trump Accounts.** These are tax-deferred savings accounts for children that become IRAs at age 18. Contributions began July 4, 2026, and Treasury completed automatic enrollment of eligible children on October 1, 2026. Children born from 2025 through 2028 can receive a one-time $1,000 government deposit. Families and others can add up to $5,000 a year, and employers can contribute up to $2,500 tax-free. If you have a young child, let's confirm the account is set up and the $1,000 deposit was requested.

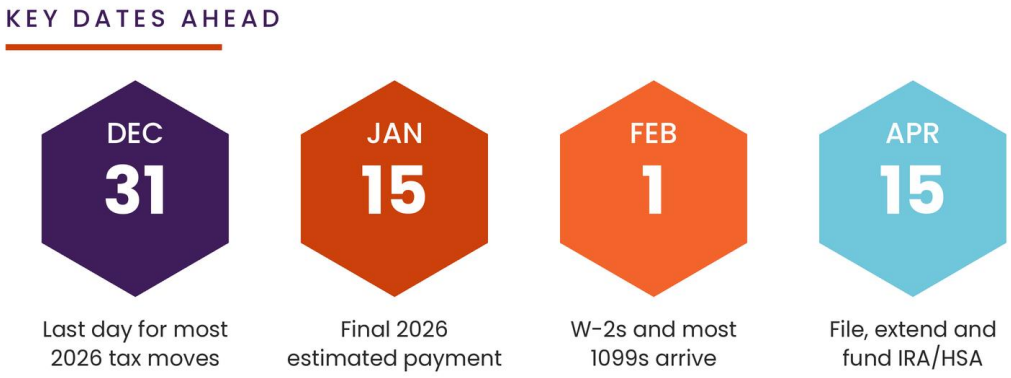
## Tax Guru's Year-End Action Checklist

Most of these moves must happen by December 31, 2026 to count on your 2026 return; a few can wait until April 15, 2027, as noted.

- ☐ Check your withholding and estimated payments with the IRS Tax Withholding Estimator. The final 2026 estimated payment is due January 15, 2027.
- ☐ If you have a choice, time bonuses, freelance income or asset sales for the year with the lower tax bracket.
- ☐ If you're 73 or older, take your required minimum distribution by December 31.
- ☐ Max out 401(k) or 403(b) contributions through payroll by December 31.
- ☐ Fund your 2026 IRA and HSA by April 15, 2027.
- ☐ Spend down FSA balances, or confirm your plan's carryover or grace period.
- ☐ Decide whether you'll itemize, then time charitable gifts, property taxes and optional medical costs to match.
- ☐ Make annual gifts of up to $19,000 per person by December 31.
- ☐ Sell investments with losses to offset gains; up to $3,000 of net losses can also offset ordinary income.
- ☐ Save your final 2026 pay stub, tip records, and car loan statement and VIN for the new deductions.
- ☐ Confirm the bank account for your refund, since the IRS has phased out most paper refund checks.

## Key Dates and What to Expect This Filing Season

Your 2026 return, filed in early 2027, is the second year under the new law, so the forms should look more familiar and the new deductions should be easier to claim.




| Date | What happens |
|---|---|
| December 31, 2026 | Last day for most 2026 tax moves |
| January 15, 2027 | Final 2026 estimated tax payment due |
| Late January 2027 | IRS expected to open the filing season (last year it opened January 26) |
| February 1, 2027 | W-2s and most 1099s due to you (January 31 falls on a Sunday) |

| Date | What happens |
|---|---|
| April 15, 2027 | File and pay, or request a six-month extension; last day for 2026 IRA and HSA contributions |
| October 15, 2027 | Deadline for extended returns |

**Clearer W-2s.** The 2026 Form W-2 has new boxes for qualified tips, qualified overtime and employer Trump account contributions, so you'll no longer have to piece these amounts together yourself.

**Fewer 1099s for Small Payments.** Businesses now issue a Form 1099-NEC or 1099-MISC only when they pay you $2,000 or more (up from $600), and payment apps issue a Form 1099-K only above $20,000 and 200 transactions. All income is still taxable, even without a form.

**Refunds by Direct Deposit.** The IRS has phased out paper refund checks for most people. Filing electronically with direct deposit is the fastest route, usually within 21 days. Refunds that include the Earned Income or Additional Child Tax Credit are held until at least mid-February by law.

## Life Events

Life events can have a big effect on your taxes. If you file as head of household in 2026 but no longer provide a home for a qualifying dependent in 2027, your filing status will change to single, which means higher rates and a smaller standard deduction. If you married or divorced and changed your name, update it with the Social Security Administration so your return isn't delayed. Please let me know if you had a birth or death in the family, a change in marital status, a job change or loss, a move, or a retirement this year.

## Concluding Thoughts

Please don't hesitate to call if you have any questions or would like more information on any of the tax breaks above. I'd also be happy to set up an appointment to review your 2026 return and your year-end tax plan. You can reach me at (844) 679-5639 or smita@taxgurullc.com, or book online at taxgurullc.com. I'll send an update once the IRS releases its official 2027 figures.

Sincerely,

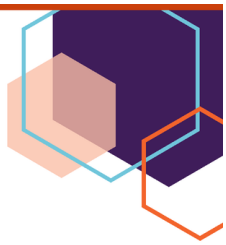
Tax Guru Team

TAXGURU LLC.

**Let's plan before December 31**

(844) 679-5639 | smita@taxgurullc.com

Book online at taxgurullc.com



*This guide is for general information only and is not individualized tax advice. Tax situations vary, and 2027 figures marked "projected" may change when the IRS publishes official amounts. Please consult us about your specific circumstances before acting.*