



Midyear tax planning: Review opportunities to save taxes this year (or next)

Summer is a good time to see whether your income, deductions and investment activity are lining up as expected. Let's take a look at a few areas that commonly provide tax-saving opportunities.

Your tax bracket

The legislation commonly known as the One Big Beautiful Bill Act (OBBBA), which was signed into law on July 4, 2025, retained federal income tax rates ranging from 10% to 37%. For tax planning purposes, it's important to look at your *marginal* rate, which is the rate that will apply to your next dollar of income (generally after any adjustments, deductions and exclusions have been applied).

For single filers, the brackets above the 10% rate begin at the following income levels:

- 12% bracket: \$12,401
- 22% bracket: \$50,401
- 24% bracket: \$105,701
- 32% bracket: \$201,776
- 35% bracket: \$256,226
- 37% bracket: \$640,601

For head-of-household filers, the brackets begin at the same income levels as those for singles — *except* that the first two brackets above the 10% rate begin at the following income levels:

- 12% bracket: \$17,701
- 22% bracket: \$67,451

For married couples filing jointly, the brackets above the 10% rate begin at the following income levels:

- 12% bracket: \$24,801
- 22% bracket: \$100,801
- 24% bracket: \$211,401
- 32% bracket: \$403,551
- 35% bracket: \$512,451
- 37% bracket: \$768,701

For married taxpayers filing separately, the brackets begin at half the amount for joint filers. (They're the same as those for singles except for the 37% bracket.)

If you expect this year's income to be near the threshold for a higher bracket, consider strategies for reducing your taxable income and staying out of that bracket. For example, you could accelerate some deductible expenses.

But carefully consider how the OBBBA will impact your deductions this year. For instance, it kept the standard deduction at high levels, and itemizing deductions saves you taxes only if your total itemized deductions for the year exceed the standard deduction for your tax bracket. For 2026, the standard deduction is \$16,100 for singles (and separate filers), \$24,150 for heads of household and \$32,200 for joint filers.

The OBBBA also affects itemized deductions. For example, some deductions now offer greater potential benefits (such as the state and local tax deduction), while others are now more limited (such as the charitable deduction).

In addition, the OBBBA created some *new* deductions that can be claimed whether or not you itemize. These include deductions for qualified tips and overtime, the "senior" deduction for taxpayers age 65 or older, and the deduction for qualified auto loan interest.

Medical expenses

If you expect to benefit from itemizing on your 2026 return, see whether you can benefit from accelerating deductible medical expenses into this year. You can deduct only medical expenses that exceed 7.5% of your adjusted gross income (AGI). AGI is your income from taxable sources *after* certain so-called “above-the-line” adjustments but *before* the standard deduction or itemized deductions and certain other deductions, such as the new OBBBA deductions noted earlier, are applied.

Deductible medical expenses may include:

- Health insurance premiums,
- Long-term care insurance premiums,
- Medical and dental services and prescription drugs, and
- Mileage driven for health care purposes.

If it's looking like your deductible medical expenses will be close to exceeding the 7.5% of AGI floor, you may be able to control the timing of additional medical expenses so you can bunch them into 2026 and exceed the floor. If your expenses already exceed the floor, bunching additional medical expenses into 2026 can maximize your deduction.

But if it looks like you won't be itemizing for 2026 or your medical expenses will be far from exceeding 7.5% of your AGI this year, you may want to take the opposite approach: Bunch medical expenses into 2027.

Of course, your and your family's health is more important than tax savings. So don't accelerate or delay medical services if it would be harmful health-wise. Also consider how the timing will affect what's covered by health insurance, especially if you have a high deductible.

Investment gains (and losses)

The OBBBA didn't change the long-term capital gains rates, so they remain at 0%, 15% and 20%. The long-term gains rate applies to gains on investments held more than one year. Short-term gains are subject to your ordinary-income tax rate, which will be substantially higher. However, be aware that the top long-term gains rate kicks in *before* the top ordinary-income tax rate.

For singles, the long-term gains brackets above the 0% rate begin at the following income levels:

- 15% bracket: \$49,451
- 20% bracket: \$545,501

For heads of household, the brackets above the 0% rate begin at the following income levels:

- 15% bracket: \$66,201
- 20% bracket: \$579,601

For joint filers, the brackets above the 0% rate begin at the following income levels:

- 15% bracket: \$98,901
- 20% bracket: \$613,701

For separate filers, the brackets begin at half the amount for joint filers.

If you've realized, or expect to realize, significant capital gains this year, consider selling some depreciated investments to generate losses you can use to offset those gains. It may be possible to repurchase those investments, so long as you wait at least 31 days to avoid the "wash sale" rule.

You also may need to plan for the 3.8% net investment income tax (NIIT). It can affect taxpayers with modified AGI (MAGI) over \$200,000 for singles and heads of household, and over \$250,000 for joint filers (half that for separate filers). You may be able to lower your tax liability by reducing your MAGI, reducing net investment income or both.

Don't wait until year end

Planning opportunities often become more limited as the end of the year approaches. Reviewing your tax picture now gives you more time to take steps to reduce or defer taxes. If you'd like help evaluating these or other midyear tax strategies, please contact us.