

TaxUpdate

2026 TAX PREVIEW NEWSLETTER

2026

New Charitable Deduction Rules

The One Big Beautiful Bill Act contains several changes to charitable contributions beginning in 2026. Knowing these at the *beginning* of the year will help you plan your donations:

Above-the-line contributions.

Starting in 2026, anyone who doesn't itemize can still claim a charitable donation tax break up to \$1,000 (up to \$2,000 for married couples).

Deducting donations is more challenging.

If you do itemize deductions, you can only deduct the portion of your charitable contributions that exceeds 0.5% of your income. For example, if you earn \$100,000 in 2026 and donate \$20,000, the first \$500 (which is 0.5% of your income) doesn't count. You can only deduct \$19,500 of your contributions.

Itemized deduction limitation.

If your income reaches the 37% tax bracket, your itemized deductions will only save you up to 35% on taxes. This limitation could affect your charitable contributions and any other itemized deductions.

Standard Deductions

Item	2026	2025	Change
Single	\$16,100	\$15,750	+\$350
Married Jointly/Widow	32,200	31,500	+\$700
Head of Household	24,150	23,625	+\$525
Married Filing Separately	16,100	15,750	+\$350
Elderly/Blind: Married	+\$1,650	+\$1,600	+\$50
Elderly/Blind: Unmarried	+\$2,050	+\$2,000	+\$50
Extra Deduction, Age 65+	+\$6,000	+\$6,000	—

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A New Year: Great Tax Planning Opportunities

The *Tax Update Preview Edition* helps take a quick look at what's changing during the upcoming tax year. By starting your planning activity now you can implement ideas that will bear fruit throughout the year. So spend a few minutes reviewing the topics outlined here and consider this list of actions to take.

1 Plan funding of retirement accounts.

Whether it be a 401(k) or one of many versions of IRAs, these are a great way to manage your tax obligation while planning for your future.

2 Consider anticipated tax events.

Life events are the biggest cause of tax surprises. So if you're planning to move, retire, get married or divorced, have kids, or change jobs, you should understand the tax impact before it happens. You could save thousands.

3 Consider the child factor.

This one is important because of the numerous tax benefits associated with children. It can mean funding a 529 program or opening a Roth IRA if your older children have earned income. Also spend a minute reviewing articles that outline the new Trump Accounts (see next page) which will be introduced in 2026. The bottom line, conduct a tax review specific to your children.

4 Fully fund FSA or MSA. Flexible Savings Accounts and Medical Savings Accounts are great ways to pay for qualified medical, dental, and vision care using pre-tax dollars. So check with your employer and plan to take full advantage of this great tax benefit.

5 Review withholdings. Changes in your life and finances can reshape what you owe in taxes. Take a moment for an annual review of your situation and adjust your withholdings to keep everything in tune.

6 Consider your property. Selling a home, stocks, bonds, or digital currency all have potential tax implications. If any of these events are on the horizon, consider taking a planned approach. It could save you a bundle.

7 Note additional tax changes. You can itemize your mortgage insurance premiums once again; there are now limits on taking gambling losses to 90% of your winnings; and starting in 2026, tax-free tips & overtime income will be reported to the IRS on W-2 and 1099 forms.

Actively planning your tax obligation throughout the year can help to potentially cut your tax bill. It could make a big difference.

Income Brackets for 2026 Tax Rates

Tax Rate	Single	Married Filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1 – 12,400	\$1 – 24,800	\$1 – 17,700	\$1 – 12,400
12%	12,401 – 50,400	24,801 – 100,800	17,701 – 67,450	12,401 – 50,400
22%	50,401 – 105,700	100,801 – 211,400	67,451 – 105,700	50,401 – 105,700
24%	105,701 – 201,775	211,401 – 403,550	105,701 – 201,750	105,701 – 201,775
32%	201,776 – 256,225	403,551 – 512,450	201,751 – 256,200	201,776 – 256,225
35%	256,226 – 640,600	512,451 – 768,700	256,201 – 640,600	256,226 – 384,350
37%	Over \$640,600	Over \$768,700	Over \$640,600	Over \$384,350

Start Planning for Children Savings Accounts

New tax legislation includes provisions that allow for the establishment of new investment accounts for children ages 18 or younger. The goal of the account is to have funds available for them when they become adults. Here is what you need to know.

The basics of the account

Starting after July 4, 2026, you may begin contributing to a Trump Account for eligible children. Here are the rules:

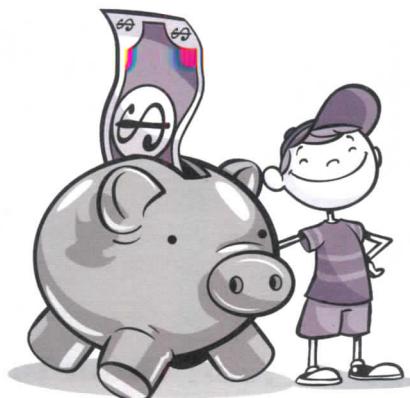
Annual contribution. Deposit up to \$5,000 per year for the benefit of a child under age 18. This will be indexed for inflation after 2027.

No withdrawals. The funds MUST stay in the account until January 1st of the year of the child's 18th birthday. There are few exceptions, except the death of the beneficiary (child).

The funds in the account must be invested using strict rules. An eligible investment is generally a mutual fund or exchange traded fund (ETF) that tracks an index of primarily U.S. companies.

Only one account per beneficiary. There's also published priority on who can open the account. The order of priority is:

- Legal guardians, then
- Parents, then
- Adult siblings, then
- Grandparents



At age 18 the Trump Account ceases to exist. The funds are then to be rolled over or distributed. Distributions are treated similar to a traditional IRA.

The benefits: Pay attention here!

The idea of the account is to help young people start their adult life with something of value to help keep the American Dream alive. To that end there are incentives that should not be missed:

- **\$1,000 in free money for new births.** For any child born on or after January 1, 2025 through December 31, 2028, your child's account will receive a \$1,000 deposit from the federal government's pilot program to be invested and grow over time.
- **Employer contributions.** Regulations allow employers to contribute up to \$2,500 per year to their employee's Trump Accounts. These contributions

will not add to your taxable wages. So stay tuned if your employer is looking to add this benefit.

- **\$250 in free money to children.** 25 million children ages 10 and under will receive a \$250 gift deposit from private donations if they live in a zip code whose median income is less than \$150,000.

What to do now

As a new program, details of the Trump Account will continue to evolve, but given the anticipated popularity it's important to do the following right now:

Get program announcements. If interested in keeping informed, go to www.trumpaccounts.gov and sign up to receive email updates on the program.

Sign up as soon as possible. Signing up for the account can be done using IRS Form 4547 or online at www.trumpaccounts.gov. Do this when they are made available.

Apply for the bonus deposits. You cannot do this yet, but when you can, treat it like buying tickets to a Taylor Swift concert. There will be separate applications to get these deposits. But also stay alert. There may be other opportunities to help the next generation get a head start financially.

Key Retirement Contribution Limits

Plan		2026	2025	Change
Simple IRA	Annual Contribution Age 50 or over catch-up	\$17,000 Add \$4,000	\$16,500 Add \$3,500	+\$500 +\$500
401(k), 403(b), and 457	Annual Contribution Age 50 or over catch-up Ages 60 to 63 catch-up	\$24,500 Add \$8,000 Add \$11,250	\$23,500 Add \$7,500 Add \$11,250	+\$1,000 +\$500 No Change
Traditional IRA	Annual Contribution Age 50 or over catch-up	\$7,500 Add \$1,100	\$7,000 Add \$1,000	+\$500 +\$100
AGI Deduction Phaseouts:	Single, Head of Household	81,000 - 91,000	79,000 - 89,000	+\$2,000
	Joint Nonparticipating Spouse	242,000 - 252,000	236,000 - 246,000	+\$6,000
	Joint Participating Spouse	129,000 - 149,000	126,000 - 146,000	+\$3,000
	Married Filing Separately (any spouse participating)	0 - 10,000	0 - 10,000	No Change
Roth IRA	Annual Contribution Age 50 or over catch-up	\$7,500 Add \$1,100	\$7,000 Add \$1,000	+\$500 +\$100
AGI Deduction Phaseouts:	Single, Head of Household	153,000 - 168,000	150,000 - 165,000	+\$3,000
	Married Filing Jointly	242,000 - 252,000	236,000 - 246,000	+\$6,000
	Married Filing Separately	0 - 10,000	0 - 10,000	No Change
Rollover to Roth Eligibility	Single, Joint, Head of Household	No AGI Limit	No AGI Limit	No AGI Limit
	Married Filing Separately	Allowed / No AGI Limit	Allowed / No AGI Limit	Allowed / No AGI Limit

Planning Retirement Contributions

Now is a great time to plan your retirement contributions for the year. Here are some ideas:

○ **Roth and Traditional IRA's annual savings limit are now \$7,500 (plus another \$1,100 if you're age 50 or over).**

○ **Popular 401(k) and 403(b) annual limits also increase \$1,000 to \$24,500, plus another \$8,000 if age 50 or over, or \$11,250 if ages 60 to 63.**