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Tax Considerations for 2026



Change Has Come!

For years taxpayers have wrestled with the uncertain status of federal income tax laws. That changed on July 4, 2025, when the One Big Beautiful Bill Act (OBBBA)—which the President now refers to as the Working Family Tax Cuts—became law. While the law addresses many things besides income tax, there are major income tax law changes. This report focuses on tax planning for this year while incorporating the changes that affect individual taxpayers, and how your financial planning may be impacted as you deal with these considerations.

2026 Income Tax Rules

Tax rates remain unchanged under OBBBA, and the law made permanent the current high standard deduction. For this year the standard deduction has increased to \$16,100 for individual filers, while married taxpayers climb to \$32,200.¹

The top income tax bracket stays at 37%, applying to individuals with more than \$640,600 in income; \$768,700 for married taxpayers. For those “in the middle,” the middle tax bracket calls for a 24% rate. That rate begins at \$105,700 single/\$211,400 married. You need more than \$201,775 single/\$403,550 married in income to climb into the next bracket.

Of the three long-term capital gain tax rates, 0%, 15% and 20%, the most common and largest tax grouping is the 15% rate. While the 15% rate is the most common, the 20% rate is still historically low. That said, even if you fall into the 20% rate, this is still well below the 37% top marginal rate on ordinary income.

2026 LT Capital Gain Tax Rates	Single	Married, Filing Jointly
0%	< \$49,450	<\$98,800
15%	\$49,450 - \$545,500	\$98,800 - \$613,700
20%	>\$545,500	>\$613,700

¹ All references to “married taxpayers” will be defined as married filing jointly. An additional standard deduction applies for taxpayers who are aged 65 and older or blind.



Changes from the OBBBA

The OBBBA styles its tax changes as “permanent.” What that really means is the law can only be changed by an act of Congress, compared to the previous tax regime which had a sunset provision. Even though the law as a whole is considered “permanent,” there are several individual changes that are temporary. As such, we have some consistency for the foreseeable future for your tax planning. That planning, though, should address several key differences from previous law.

SALT Deduction Increased Through 2029

The state and local tax (SALT) cap has increased from \$40,000 to \$40,400, and will go up an additional 1% going forward each year until 2029. In 2030, the SALT cap will revert to the pre-OBBBA limit of \$10,000. While this increase is helpful, it starts to phase out with modified adjusted gross income (MAGI) over \$500,000. The deduction is reduced by 30% of MAGI that exceeds \$500,000, but the SALT deduction cannot go below \$10,000.

High Income Taxpayer’s Itemized Deductions Remain Reduced

The OBBBA kept the high standard deductions and still eliminates most itemized deductions. A few specialized deductions remain, including educator classroom expenses. All miscellaneous itemized deductions that used to be subject to the “2% floor” remain repealed.

But for those in the top 37% tax bracket (\$640,600 single/\$768,700 married) your deductions will be reduced by the lesser of: 1) 2/37 times the amount of otherwise allowable itemized deductions or 2) 2/37 times the amount of taxable income (before considering those deductions) in excess of the applicable threshold for the 37% tax bracket. Generally, what this means is taxpayers in the 37% tax bracket will be taking deductions at the rate of a 35% tax bracket.



Temporary Deduction for Qualifying Individuals with Tip or Overtime Income

A new provision in the OBBBA allows a deduction of up to \$25,000 for qualified tips for a taxpayer in an occupation that customarily and regularly receives tips. Moreover, there is a deduction of \$12,500 single/\$25,000 married for qualified overtime compensation. These deductions are allowed whether you itemize or not.

Each of these deductions are available through 2028 and are subject to phaseout. They both begin phasing out when MAGI exceeds \$150,000 single/\$300,000 married. Both require specific documentation to identify the compensation for tax reporting purposes, and those looking to take these deductions should collaborate with their employer and their tax advisor to meet these documentation requirements.

Temporary Enhanced Deduction for Seniors

For seniors aged 65 and older, an enhanced deduction of \$6,000 will be available if income is \$75,000 or less (\$150,000 or less, if married). The deduction is phased out above these limits and eliminated for seniors with income above \$175,000 single/\$250,000 married. The enhanced senior deduction is stacked on top of the extra age-based deduction for taxpayers aged 65 and older. When combined, the total available deduction to eligible individuals age 65 or older is \$23,750 (\$16,100 standard deduction + \$1,650 age 65+ senior deduction + \$6,000 enhanced senior deduction) and \$47,500 (\$32,200 standard deduction + \$3,300 age 65+ senior deduction + \$12,000 enhanced senior deduction) for married couples if both spouses are 65 years of age or older. This enhanced senior deduction applies through tax year 2028.



The Child Tax Credit Increases

The non-refundable child tax credit increases to \$2,200 per child and will also be indexed for inflation going forward. The refundable child tax credit remains and will also be indexed for inflation going forward. There is still a \$500 non-refundable credit for a dependent of the taxpayer who is not a qualifying child. The phaseout thresholds for these credits have increased to \$200,000 single/\$400,000 married.

Temporary Deduction for Auto Loan Interest/Elimination of Electric Vehicle Tax Credit

A \$10,000 deduction is available for new passenger vehicle loan interest if the vehicle was assembled in the United States. It phases out for incomes between \$100,000-\$150,000 single/\$200,000 - \$250,000 married. The deduction will be available through 2028. In addition, the \$7,500 tax credit for electric vehicles has been eliminated.

529 Education Savings Plans Expanded for K-12 and Occupational Credentials

529 plans can now pay tax-free benefits for a broader range of expenses. Qualified K-12 expenses now include curriculum, books and instructional materials, online education, certain tutoring expenses, and fees for standardized achievement and advanced placement testing, in addition to tuition. The K-12 expense limit is now \$20,000. In addition, qualified 529 plan withdrawals now also include tuition, fees, books, supplies and equipment necessary for a post-secondary workplace credential program, including fees for any testing to obtain or maintain a professional license.



New Charitable Contribution Rules

The OBBBA makes significant changes to charitable contribution rules. For itemizers, the new charitable deduction rules are much more complex. While the qualifying requirements to take a charitable deduction remain, there is a new floor that must be met to take the deduction. Now deductions will only be allowed for contributions exceeding 0.5% of your MAGI.

For example, if you have a \$500,000 MAGI, and you make a \$10,000 gift, you can only deduct \$7,500 of the gift because the first 0.5% of your MAGI (\$2,500) is a floor threshold that must be surpassed before you can take the deduction. In other words, if you only gifted \$2,500 in this scenario, you would not be allowed to deduct any of the gift.

For those who do not itemize you can deduct up to \$1,000 single/\$2,000 married in charitable contributions “above the line,” meaning the deduction lowers your taxable income dollar for dollar before applying the standard deduction. This is akin to the brief deduction allowed during COVID, which at the time was a \$300/\$600 deduction. This gift can only be made in cash and only to qualified public charities.

New Trump Savings Accounts Available for Funding in July

This year will see the launching of the new Trump savings accounts, providing a new way to save for a child’s future retirement needs. These accounts are an IRA-like savings account that can be established directly through the Treasury and funded for any child with a Social Security number who is younger than age 18 (U.S. citizenship is a requirement). For eligible children born between January 1, 2025 and December 31, 2028, a \$1,000 deposit will be made by the U.S. government.

In addition, a parent or guardian, family members, employers and even charitable organizations can make additional contributions to a child’s Trump Account. In fact, certain philanthropists and organizations have already announced their commitment to make contributions.² Contributions are non-deductible and are generally limited to \$5,000 per year, although certain qualifying charitable organizations and government entities may make contributions that do not count toward the \$5,000 limit.

Trump savings accounts will generally follow the tax rules of a non-deductible traditional IRA, although there are special rules that apply during the growth period – the time between initial funding and the end of the year before the child’s 18th birthday. First, and foremost, money cannot be withdrawn from the Trump Account during the growth period, with the exception of certain qualified rollovers or upon death of the child. During the growth period, investments will be limited to those provided through the Treasury’s selection of a trustee to manage the program and by law must be tied to a U.S. equity indexed fund or ETF. Also, there can be only one Trump account per child.

² <https://www.whitehouse.gov/articles/2025/12/landmark-dell-gift-supercharges-trump-accounts-for-americas-kids/>



Beginning in the year the child will celebrate their 18th birthday, standard IRA rules for withdrawals apply. This means distributions will reflect the pro-rata formula that applies when non-deductible contributions are made and will be partially taxable. The 10% penalty will also apply to taxable amounts if a distribution is taken prior to the age of 59 ½ unless the withdrawal qualifies for an exception to the excise tax penalty. For example, if a withdrawal is used for qualified higher education purposes or for a qualified first-time home purchase, the earnings portion of the withdrawal would be subject to income taxation, but would be exempt from the 10% penalty.

As of this writing, Trump accounts still cannot be opened, but expect to see an option to open an account when you file your 2025 income tax return. Contributions to Trump Accounts will be accepted starting July 4, 2026. There is also an official government website, www.trumpaccounts.gov, where you can receive additional information and subscribe to receive e-mail updates as the accounts get ready to launch.

Estate and Gift Tax Exclusions Made Permanent

The higher estate tax exclusions have also been made permanent. The exclusion for 2026 will be \$15 million per person, meaning a married couple can protect up to \$30,000,000 from estate tax with proper planning. Portability of an unused exclusion of a deceased spouse also remains. The estate tax rate stays at 40%, and the exclusions will index for inflation.

AMT Rates and Thresholds are Locked In

The higher alternative minimum tax (AMT) thresholds are also permanently extended, but the numbers that had been inflated since 2017 are now reset to \$500,000 single/\$1,000,000 married in 2026. These numbers will continue to be indexed for inflation going forward. Despite this change, the AMT will not be a concern for most taxpayers.



SECURE 2.0 Changes Continue to Influence Savings

Four years after SECURE 2.0 was enacted, new retirement savings reforms continue to become effective, adding to the growing list of changes that were designed to expand retirement coverage and increase access to retirement savings. Many of the recent features were optional for employers to provide in their workplace retirement plans, such as Roth employer and employee contributions, super catch-up contributions for individuals age 60 - 63, and pension-linked emergency savings accounts, while others like automatic enrollment and escalation were mandatory for employers sponsoring new 401(k) plans. When you combine these with other features that are universally available to all savers, such as increased penalty-free access to retirement savings, and using long-term 529 savings account balances to fund a Roth IRA, it is easy to understand why navigating all these changes may be confusing for retirement savers. This year will be no different and includes a major change and shift for high earners who are age 50 and older.

Mandatory Roth Catch-Up Contributions if Income Exceeded \$150,000

For 401(k), 403(b) and governmental 457(b) plans, catch-up contributions apply when an individual reaches age 50 and permit salary deferrals in excess of the \$24,500 limit. For individuals age 50–59 or 64 and older, the maximum catch-up contribution amount is \$8,000. For individuals age 60–63, an additional “super” catch-up limit of \$3,250 is available bringing the total to \$11,250. In prior years, these catch-up contributions could be pre-tax salary deferrals. Beginning in 2026, if your Social Security (FICA) wages (Box 3 on your Form W-2) were in excess of \$150,000 in 2025, your catch-up contributions for 2026 must now be designated as after-tax Roth contributions. And unfortunately, if your employer has not elected to add designated Roth accounts to their plan, it means you must forgo making catch-up contributions unless your income is below the new threshold. Some details to keep in mind:

- Self-employed individuals are not subject to this new rule.
- It does not apply to SIMPLE IRAs, or to the special 15-year catch-up option for 403(b) plans.
- High earner status is generally determined on an employer-by-employer basis for each company and, therefore, if an individual changes employers during the year, their wages with the previous employer are disregarded.
- Employers have different ways in which they can implement this new rule using either affirmative or deemed elections. Contact your plan’s administrator for details on how mandatory catch-up contributions will apply to your situation.

For plan participants who have previously participated in pre-tax catch-up contributions, the change to mandatory Roth catch-up contributions will not only reduce their take-home pay, but it means planning for additional taxable income. For those in the highest income tax bracket, it could mean an additional \$3,000 to \$4,000 in income taxes to pay. With the trickle-down effect that your AGI has on the availability of other income tax deductions, it is important for you and your tax professional to discuss the impact of this new requirement on your tax situation.



ABLE Account Eligibility Age Increases from Age 26 to Age 46

Achieving Better Life Experience accounts (“ABLE” accounts for short), are a type of state-sponsored 529 savings plan which provide tax-free benefits for qualified disability expenses, such as housing, transportation, education, healthcare and employment assistance. Beginning in 2026, ABLEs can be opened by anyone with a disability that began before age 46 (up from an eligibility age of 26 in prior years). Individuals who are receiving either Supplemental Security Income (“SSI”) or Social Security Disability Income (“SSDI”) benefits are automatically eligible or, alternatively, a licensed physician can certify the severity of the disability. By expanding eligibility age, it is estimated that millions of additional individuals with disabilities, including Veterans, will now be ABLE-eligible.³

In addition to tax-free qualified distributions and tax deferral, another key advantage of an ABLE 529 is the assets are not counted for federal disability benefits—up to \$100,000 is disregarded for SSI resource limits and amounts up to the state’s limit are also excluded as a resource for FAFSA (education), HUD (housing), SNAP (food) or Medicaid (healthcare). ABLEs are funded with after-tax dollars up to the annual gift limit of \$19,000, although some states may provide a state income tax deduction or credit for contributions you make. Working disabled individuals may make additional contributions (subject to limits).

Ongoing Considerations

With so many new tax provisions to strategize around, don’t neglect to include these tried-and-true planning considerations when addressing your financial plan. Discuss with your tax advisor whether one or more of the following actions could be beneficial for your specific situation:

Itemize or Not?

Should you itemize or use the standard deduction this year? With the high standard deductions, coupled with limited itemized deductions, you may need to review tax planning opportunities this year. Ideas like bunching or delaying expenses or gifts, like medical expenses or charitable gifts, along with taking or deferring gains or losses where possible, may benefit you more from one year to the next.



³ <https://www.ablenrc.org/the-able-age-adjustment-act-fact-sheet/>



For Higher Income Earners: Be Mindful of Taxes That Still Do Not Index

Recall that the Affordable Care Act implemented a 0.9% Medicare Health Insurance Surtax and a 3.8% Net Investment Income Tax for individuals earning more than \$200,000 and married couples earning more than \$250,000. The 0.9% surtax is levied on earned income, and the 3.8% Net Investment Income Tax applies to passive earnings like interest, dividends, capital gains, etc.

Neither of these thresholds index for inflation. Consequently, if your income has increased, you may become subject to these taxes. These numbers were not modified by the OBBBA. If you may be subject to these additional taxes, be sure to review your estimated income and adjust your payroll exemptions accordingly. You should also review your portfolio to determine whether your investment decisions may subject you to these surtaxes.

Higher-Income Earners Should Also Review Medicare IRMAA Limits

Receiving a high income when you are age 65 or older can have unexpected implications when it comes to Medicare premiums. While your financial plan should include an allocation for healthcare expenses in retirement, many forget to include the impact of the Income-Related Monthly Adjustment Amount or “IRMAA.” IRMAA is a surcharge that is added to Medicare Part B and Part D premiums. This extra cost you pay on top of the Medicare standard premiums impacts individuals with a MAGI greater than \$109,000 and married couples with a MAGI greater than \$218,000. The premium surcharge is capped for MAGIs above \$500,000 for individuals and \$750,000 for married couples. Because the additional premiums can significantly impact your Medicare costs, managing your income and taking appropriate steps to control your MAGI can help you reduce or avoid future IRMAA surcharges. Keep in mind your MAGI from this year will impact your Medicare premiums two years from now (2026 MAGI determines your Medicare premiums in 2028).

Review Your Gift and/or Estate Planning Situation

With the large \$15 million exclusion, you want to make sure your existing plan meets your legacy goals, as many plans divide assets based on the applicable exclusion amount at death into a trust up to the federal exclusion amount. You may not need this type of trust planning with these large exclusion numbers.

The annual gift tax exclusion amount remains at \$19,000 per person per year (or \$38,000 if you are married). The high annual gift limit allows substantial wealth to be transferred tax free. Moreover, it allows more impactful funding of 529 Education Savings Plans. For individuals looking to use the five-year advance gifting available for 529 plans, that’s \$95,000 per individual (\$190,000 for a married couple).



Explore Retirement Savings Opportunities

Consider fully funding your employer-sponsored plans and/or tax-deductible IRAs. Maximizing these contributions may lower your tax bracket. Below are the contribution limits that are in place for this year:

- Employee salary deferral contribution limits for 401(k)s, 403(b)s and governmental 457(b) plans increase to \$24,500. The catch-up contribution for individuals aged 50 – 59 and 64 or older increases to \$8,000. For individuals aged 60-63, the “super” catch-up contribution limit is \$11,250.
- For SIMPLE IRAs, the standard employee salary deferral limit increases to \$17,000, while for SIMPLE IRAs with no more than 25 employees, the salary deferral limit is \$18,100. SIMPLE IRA catch-up contributions increase to \$4,000. The “super” SIMPLE IRA catch-up contribution limit for individuals aged 60 – 63 remains at \$5,250.
- Traditional and Roth IRA contributions increase to \$7,500 (plus an additional \$1,100 for individuals aged 50 or older). Individuals can contribute to a traditional IRA if they (or their spouse, if married) have earned income. To make Roth IRA contributions, in addition to the earned income requirement, you must also fall below modified AGI limits.



QCDs Can Reduce Tax Impact of RMDs

If you are age 70½ or older and are charitably inclined, tax-free qualified charitable distributions (QCDs) can be a great way to satisfy your charitable giving from your IRA without increasing your taxable income. This year the annual QCD gift limit has increased to \$111,000. A one-time QCD can also be made to a split-interest entity of up to \$55,000.

QCDs can only be made by individuals who are at least age 70½ (six months past your 70th birthday), even if your RMD start age is later. Because QCDs are not added to your taxable income, they are available whether you use the standard deduction or you itemize. If you are aged 73 or older with an RMD or have a beneficiary IRA and are aged 70 ½ or older, QCDs also count toward your RMD, but are not limited to them. For example, if your RMD for the year is \$50,000, you can still make a QCD gift from your traditional IRA up to the \$111,000 limit. Keep in mind that if you have also made deductible IRA contributions after the age of 70½, you must adjust the amount of the tax-free QCD by the aggregate amount of your deductible IRA contributions.



Roth Savings Can Provide Tax Diversification in Retirement

Roth retirement planning options are also a strategy to consider, whether you save through annual Roth IRA contributions, through Roth features in your workplace retirement plan or by converting existing pre-tax retirement savings to Roth. The tax-free nature of Roth IRA qualified distributions is a way to provide cash flow during retirement and a way to manage AGI. In turn, that can impact the taxation of Social Security benefits you receive and the Medicare premiums you pay. Roths also may be a more beneficial way to transfer wealth now that distributions for most non-spouse beneficiaries are limited to 10 years.

While Roth IRAs are subject to MAGI limits, contributing to Roth accounts through a workplace retirement plan, if your employer makes them available to you, has no income restriction.

Converting existing pre-tax retirement assets to a Roth IRA does create taxable income in the year you convert. It is also important to note that a conversion cannot be undone, so consider the tax consequences carefully before acting.

Consider the Benefits of Life Insurance

If you have a large traditional IRA or 401(k) and you are concerned about the taxes your heirs will have to pay after your death, adding permanent life insurance as part of your legacy plan may also be a strategy to consider. Upon the death of an insured person, life insurance provides a leveraged income tax-death benefit as a lump-sum for beneficiaries. In addition, some policies offer an option to pay out the death benefit over time for any long-term care expenses, income tax-free. Keep in mind that to purchase life insurance you must be able to qualify via medical underwriting with an insurance company.

Work With Your Tax Professional and Your Financial Advisor

The OBBBA has “permanently” set federal income tax laws. Moreover, there are significant changes under the new law. Accordingly, plan on working closely with your tax professional and your financial advisor to address your specific situation and seek the most flexibility possible to meet your goals. ■

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