

AT A GLANCE:

MAJOR TAX CHANGES STARTING IN 2026

The Tax Cuts and Jobs Act (TCJA) of 2017 brought about monumental changes to the federal tax code that affected both individuals and businesses. However, beginning January 1, 2026, many of the TCJA's tax law changes are scheduled to expire and return to levels not seen since 2016. Here's a brief overview of the current tax law and what to expect when the provisions begin to sunset:

	- Current Provisions -	Provisions Beginning - January 1, 2026 -
Individual Marginal Tax Rate	Tax Brackets 10% 12% 22% 24% 32% 35% 37%	Tax Brackets 10% 15% 25% 28% 33% 35% 39.6%
Standard Deduction	Single Filers = \$14,600 Joint Filers = \$29,200	Single Filers = \$8,300* Joint Filers = \$16,600*
Personal Exemptions	None. Exemption set at \$0.	Exemption = \$5,300*
Child Tax Credit	\$2,000 tax credit per child under 17 years old. Phase-out for higher income taxpayers begins at \$400,000 for married filers.	\$1,000 tax credit per child under 17 years old. Phase-out for higher income taxpayers begins at \$110,000 for married filers.
Credit for Other Dependents	\$500 credit per dependent.	No credit available.
SALT Deduction	Deduction capped at \$10,000.	Unlimited deduction.
Mortgage Interest Deduction	Interest paid on up to \$750,000 of mortgage debt is deductible.	Limit increases from \$750,000 to \$1 million of mortgage debt.
Home Equity Loan Interest Deduction	No interest deduction.	Interest is deductible on qualified home equity debt, not to exceed \$100,000.
Overall Limit on Itemized Deductions	No overall limit.	For higher income taxpayers, some itemized deductions reduced by 3% of income above certain thresholds.
Fringe Benefit Exclusions	Bicycle and moving expense reimbursement included in taxable income. Does not apply to moving expenses for Armed Forces.	Up to \$20 per month of bicycle expenses and all qualified moving expenses not subject to income or payroll taxes.
ABLE Accounts	Higher ABLE account contribution limits for employed individuals, availability of savers credit, and tax-free rollovers from 529 plans.	Contribution limits return to annual gift tax exemption for all individuals. Savers credit not eligible, and 529 plan rollovers are taxable.
Health Insurance Premium Tax Credit	Full premium coverage up to 150% of poverty line for Medicaid-ineligible. No income limit on credit to offset premiums above required contribution percentages.	Higher premium contribution percentages at all income levels. Credit not available above 400% of poverty line.
Alternative Minimum Tax (AMT)	AMT exemption of \$133,300 (married), phased down for high income taxpayers. 2017 AMT applied to about 200,000 taxpayers.	Lower exemptions and phase-out income levels so that the AMT will likely apply to more than 5 million taxpayers.
Expensing	Through 2022, 100% first-year bonus deduction (full expensing), phasing down 20% each year for 5 years. Bonus deduction of 60% allowed in 2024.	20% bonus deduction in 2026. Beginning in 2027, normal depreciation rules apply.
Pass-Through Deduction for Business Income	Deduction equal to 20% of qualifying business income. Above certain income limits, deduction subject to restrictions based on industry and business wages paid.	No deduction.
Employer Credit for Paid Leave	Credit is up to 25% of wages paid for up to 12 weeks. Does not apply to leave pay required by law.	No credit available.
Limitation on Losses for Noncorporate Taxpayers	Non-C corporation losses in excess of income or gain from such activities, subject to annual limit of \$610,000 (married). Disallowed losses can be carried forward.	Losses can generally offset more income, subject to fewer limits. Takes effect 1/1/2029.
International Taxes	GILTI: 10.5% - 13.125% FDII: 13.125% BEAT: 10%	GILTI: 13.125% - 16.406% FDII: 16.406% BEAT: 12.5%
Opportunity Zones	No election for deferral of gain after 12/31/2026.	After 2026 election date and staggered holding periods, no tax benefits for zone investments.
Estate and Gift Tax	Exclusion of \$13.61 million per person for tax year 2024, estimated exclusion of \$14.16 million for tax year 2025.	Exclusion amount will be approximately half of current levels, adjusted for inflation each year.

* This number represents an estimate based on pre-TCJA levels and will be indexed for inflation

**ELLIN &
TUCKER**

The chart above is a broad overview meant as a starting point for discussion. Many of these provisions have subtle nuances and exceptions. As the sunsets approach, consider reviewing your financial strategy with your accountant to see if you need to make any adjustments. Our tax experts will be glad to help.