

# **2025/26 Income Tax Changes**

**PPCUG General Meeting**

February 10, 2026

Bob Willis

# What's New

## As expected there were significant tax law changes during 2025

- Most tax provisions from the TCJA, enacted in 2017, that were scheduled to expire after 2025 were extended and made permanent. Without these extension, tax laws would have rolled back to many of the provisions that were in effect in 2017
- The new tax Law is called the **The One Big Beautiful Bill Act (OB3)**, it was passed by Congress in July 1925
- Many of the changes will be effective for your 2025 Taxes, but some will take effect for 2026 Taxes

# What's New

## Here are the most significant changes for 2025 Taxes

- New **Personal Deduction for Seniors**, who are 65 and older that allows a deductions of up to \$6000 for both taxpayer and Spouse to offset the tax on Social Security. But it phases out beginning with MAGA income of \$75,000 (single), \$150,000 (MFJ). Not available for MFS
- **Qualified Tip Income** and **Overtime Pay** are not Taxed. Some limitations on both
- **Car Loan Interest** is a Tax Deduction for Cars assembled in the United States  
(The above four laws expire after 2028)
- The **SALT (State and Local Tax Deduction)** cap for itemizers will increase from \$10,000 to \$40,000 for Single an MFJ Taxpayers, and for MFS Taxpayers it's up to \$20,000  
(SALT Cap returns to \$10,000 after 2029 and phases down to \$10,000 for MAGA Incomes over \$500,000 (S&MFJ), \$250,000 for (MFS)
- **Child Tax Credit**, upped from \$2000 to \$2200 per child for 2025
- **"Clean " Vehicle Tax Credit** for Electric and Hybrid Cars not available for sales after 9/30/2025

# What's New

## Here are the most significant changes for 2026 Taxes

- Significantly higher Standard Deductions, and Lower Tax Rates adjusted for inflation made permanent
- New rules for Charity Donations become effective
  - ✓ Cash Donations of \$1000 for Singles and \$2000 for MFJ are deductible in addition to Std Deduction
  - ✓ For taxpayers who Itemize you can only deduct Charity Donations that are more than 0.5% of your AGI
  - ✓ **OB3** makes permanent a higher limit for cash gifts to Public Charities. It is being raised to 60% of AGI, up from 50%
  - ✓ There is also a new cap on the value of Itemized Deductions (including Charity), it's now limited to 35% of your income, down from the previous 37%

In summary **OB3** gives non-Itemizers a new way to deduct some Charity Donations, but makes it harder for itemizers--especially high earners--to get the same tax break for smaller gifts

# Who Must File an Income Tax Return

IF your filing status is . . .	AND at the end of 2025 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65	\$15,750
	65 or older	17,750
Married filing jointly***	under 65 (both spouses)	\$31,500
	65 or older (one spouse)	33,100
	65 or older (both spouses)	34,700
Married filing separately	any age	\$5
Head of household	under 65	\$23,625
	65 or older	25,625
Qualifying surviving spouse	under 65	\$31,500
	65 or older	33,100

Or Anyone **Regardless of Income** with **Special Situations**

- ❖ You had Income Tax **Withheld** from your Paycheck or other income documents
- ❖ You purchased **Health Insurance** from the Government and received a **Form 1095-A**
- ❖ You qualify for a **Refundable Tax Credit**

Also Filing a Federal Tax Return will Protect your Identity and prevent anyone else from Fraudulently using your Social Security Number

You can now request a PIN number to prevent others from submitting a tax returning with your Social Security Number without your PIN

# Filing Status Change

- The IRS has revised the **Filing Status** for recent Widows and Widowers with Dependents. **Qualifying Widow(er)** is now called **Qualifying Surviving Spouse**
  - ✓ QSS can be used for the first 2 years after your spouse died and you haven't remarried before the end of the tax year
  - ✓ You need to have a child or stepchild, not a foster child
  - ✓ The Child must have lived in your home for all of the tax year
  - ✓ You paid over half of the cost of keeping up your home
  - ✓ You must have been eligible to file a **MFJ** return the year your spouse died
- This revised **Filing Status** allows you to use the same **Standard Deduction** and **Tax Bracket** as a **MFJ** return
- If your spouse died in 2025 you are still permitted to use **MFJ** for 2025 Tax Return

# Standard Deduction

Since 2018, when the (TCJA) doubled the Standard Deduction, few taxpayers itemize. It also adjusts annually for inflation

<b>Filing Status</b>	<b>2025 Std Deduction <i>Due April 2026</i></b>	<b>2026 Std Deduction <i>Due April 2027</i></b>
Single or Married Filing Separately	<b>\$15,750</b>	<b>\$16,100</b>
Single or Married Filing Separately Over 65	<b>\$17,750</b>	<b>\$18,100</b>
Head of Household	<b>\$23,625</b>	<b>\$24,150</b>
Head of Household Over 65	<b>\$25,625</b>	<b>\$27,775</b>
Married Filing Jointly or QSS	<b>\$31,500</b>	<b>\$32,200</b>
Married Filing Jointly - Both over 65	<b>\$34,700</b>	<b>\$37,400</b>
Qualified Surviving Spouse (QSS) over 65	<b>\$33,100</b>	<b>\$33,800</b>

Over 65 or Blind adds \$2000(S)  
or \$1600(M) per person

Over 65 or Blind adds \$2050(S)  
or \$1650(M) per person

# Tax Brackets and Rates

2025 Tax Brackets				2026 Tax Brackets			
Tax Rate	Single	Married Filing Jointly	Head Of Household	Tax Rate	Single	Married Filing Jointly	Head Of Household
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000	10%	\$0 to \$12,400	\$0 to \$24,800	\$0 to \$17,700
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$17,000 to \$64,850	12%	\$12,401 to \$50,400	\$24,801 to \$100,800	\$17,701 to \$67,450
22%	\$48,475 to \$103,350	\$96,950 to \$206,700	\$64,850 to \$103,350	22%	\$50,401 to \$105,700	\$100,801 to \$211,400	\$67,451 to \$105,700
24%	\$103,350 to \$197,300	\$206,700 to \$394,600	\$103,350 to \$197,300	24%	\$105,701 to \$201,775	\$211,401 to \$403,550	\$105,701 to \$201,775
32%	\$197,300 to \$250,525	\$394,600 to \$501,050	\$197,300 to \$250,500	32%	\$201,776 to \$256,225	\$403,551 to \$512,450	\$201,776 to \$256,200

- ❖ Rates for **Married Filing Separate** are similar to the **Single** rate, and **Qualified Surviving Spouse** are similar to the **Married Filing Joint** rate
- ❖ There are also **35% and 37% Brackets** for Higher Incomes
- ❖ These Brackets also adjust Annually

# Capital Gains

A **Capital Gain** happens when you sell or exchange a capital asset for a higher price than its basis

**Find your Basis** This is what you paid for the asset, including commissions, fees or improvements to the asset

2025 Long Term Capital Gains (for assets held over 12 months)				
<i>Based On Taxable Income</i>				
Filing Status	0% Rate	15% Rate	20% Rate	
Single or Married Filing Separately	Up to \$48,350	\$48,351 - \$533,400	Over \$533,400	
Married Filing Jointly or QSS	Up to \$96,700	\$96,701 - \$600,050	Over \$600,050	
Head of Household	Up to \$64,750	\$64,750 - \$566,700	Over \$566,700	

2026 Long Term Capital Gains (for assets held over 12 months)				
<i>Based On Taxable Income</i>				
Filing Status	0% Rate	15% Rate	20% Rate	
Single or Married Filing Separately	Up to \$49,450	\$49,451 - \$545,500	Over \$545,500	
Married Filing Jointly or QSS	Up to \$98,900	\$98,901 - \$613,700	Over \$613,700	
Head of Household	Up to \$66,200	\$66,201 - \$579,600	Over \$579,600	

**Short-Term Gains** (for assets owned less than 12 months) are taxed as **Ordinary Income**

# Capital Gains

## Capital Gain on Sale of a Home

- When you sell what is considered your main home, the one you live in the most, the law allows an **Exclusion** of \$250,000 for both spouses
- You can not deduct a **loss** on sale of your main home
- If you own more than one home you are responsible to pay tax on the gain from the sale of all but your main home
- If you Inherit a house or other assets---
  - ✓ Current Tax Law allows you to use a “**Stepped-Up Basis**”
  - ✓ This means that the basis or cost, is adjusted to the **Fair Market Value** of the asset as of the date of the decedent’s death, minimizing, or eliminating the gain when a house or any other asset is sold

# Capital Gains

Capital Gains on Sale of a Home can be a taxable event, but a Tax Law Exclusion will reduce and may eliminate a taxable gain

- The sale only needs to be reported when you receive a Form 1099-S after the sale
- You and your spouse can each exclude up to a \$250,000 gain on the sale of your main home if you owned it for at least 2 years, lived in it for at least 2 of the last 5 years, and not used the Exclusion within 2 years prior to sale
- If your spouse is deceased, you can use their exclusion for 2 years after their death, and the stepped-up basis for a Spouse may apply without the 2 yr limit
- The gain is the difference between the sale price and the original purchase price, plus cost of improvements and selling costs you have made
- Maintenance expenses like Painting, are not considered Improvements

# Capital Gains

A married couple can exclude gains of \$500,000 on the sale of their home. That's enough to exclude the tax on most houses sold here, but home resale prices are escalating

## Fairfield Glade Home Sales History

<u>Year</u>	<u>Total Sold</u>	<u>Average Price</u>	<u>Increase /Decrease</u>		<u>Accumulated Increase</u>	
2002	153	\$135, 838	--	--	--	--
2007	264	\$211,736	\$75,898	55.6%	\$75,898	55.6%
2012	217	\$166,941	(\$44,795)	(21.2%)	\$31,103	22.9%
2017	424	\$196,758	\$29,817	17.9%	\$60,920	44.8%
2022	324	\$411,676	\$214,918	109.2%	\$275,838	203.8%
2023	292	\$404,984	(\$6,692)	(1.6%)	\$269,146	198.9%
2024	310	\$425,467	\$18,803	5.3%	\$308,932	228.3%
2025	333	\$429,740	\$4273	1.0%	\$313,205	230.5%

## Lake Dartmoor Home Sales History

<u>Year</u>	<u>Total Sold</u>	<u>Average Price</u>	<u>Increase /Decrease</u>		<u>Accumulated Increase</u>	
2017	18	\$488,441	\$106,298	27.8%	\$106,298	27.8%
2022	9	\$985,000	\$496,335	101.7%	\$602,855	257.8%
2023	2	\$1,031,500	\$46,500	4.7%	\$649,355	269.9%
2024	2	\$1,064,150	\$33,350	3.2%	\$682,705	278.5%
2025	6	\$1,065,500	\$1350	0.13%	\$684,055	278.8%

# Tax Credits

There are two types of Credits that can reduce your tax bill

## Refundable Tax Credits

- These are the most versatile type, like a payment
- They can reduce your tax bill to below zero
- If a refundable credits are more than you owe, the difference will be refunded to you
- Examples include
  - ✓ Child Tax Credit can be partially Refundable
  - ✓ Additional Child Tax Credits
  - ✓ Earned Income Credits

## Non-Refundable Credits

- These credits are subtracted from the taxes you owe, but will not reduce your tax liability below zero
- Examples include
  - ✓ Credits for Other Dependents
  - ✓ Foreign Tax Credits
  - ✓ Residential Energy Credits

# Credit for Dependents

## ➤ Child Tax Credit

- ✓ Qualifications include, US Citizen or resident alien, under age 17, related or adopted, didn't provide more than half of their own support, and lived with you for more than half of the tax year
- ✓ Up to \$2,200 per qualifying dependent, **\$1,600 of credit is potentially Refundable**

## ➤ Credit for Other Dependents

- ✓ This credit was created as part of the Tax Reform Act of 2017
- ✓ It gives a \$500 non-refundable tax credit for Dependents of any age, including those over 18 that have a SSN or ITIN. Dependent Parents, other qualifying relatives, and others that are not related can qualify

Both Credits phases out for high incomes over \$400,000 (MFJ), \$200,000 (S)

# **Additional Child Tax Credit**

This Credit is normally a **Non-Refundable Credit**, however certain taxpayers may be entitled to a **Refundable Credit**

- Taxpayers with more than \$2,500 of taxable earned income may be eligible for the **Additional Child Tax Credit** if they have at least one qualifying child
- Taxpayers with three or more qualifying children may also be eligible for the **Additional Child Tax Credit** regardless of their income
- Credit is limited to \$1,700 per child for 2025

Amended returns are not allowed for this Credit if the Child's SSN is issued after the due date of the return

# Earned Income Tax Credit

- Age eligibility is at least 25, but under 65 at the end of the year
- Must be a US Citizen or Resident Alien and have lived in US for over 6 months
- Can earn up to \$19,104 (S), \$26,214 (MFJ). Income limits increases if you have dependent children
- Taxpayer can get up to \$649 without a child, and up to \$8,046 with 3 or more children
- Investment income can't exceed \$11,950 in 2025
- Taxpayers filing **Married filing Separately** are not eligible
- It's a **Refundable Tax Credit** meaning it can generate a refund more than the tax you owe

# Residential Energy Credit

- Tax Credits for energy-efficient home improvements were extended and expanded by the Inflation Reduction Act in August 2022. Most of the changes took effect in 2023
  - ✓ There is now an annual limit of \$1,200, replacing the previous multiple year limit of \$500. Some Specific Limits include...
    - Energy Audits - \$150(new last year)
    - Windows, Skylights, Central A/C, Water Heaters, Furnaces, etc - \$600 per item
    - Exterior Doors - \$150 per door, up to \$500
    - Heat Pump Water Heaters, Heat Pumps - \$2,000 (can incl labor, & exceed annual limit)
  - ✓ The credit is up 30% of the improvements cost replacing the previous 10% limit
  - ✓ The prior credit was limited to your main (owned) home, now some Credits are available to Renters and 2<sup>nd</sup> homes
  - ✓ Roofing and air circulating fans are no longer covered, and some energy-efficient standards are being updated

## **It is still a Non-Refundable Credit**

These Credits are now eliminated after 12/31/2025 by **QB3**

# Charity Donations

- We earlier discussed the extensive revisions for both 2025 and 2026, for **Charity Donations**
- There is still another way to do this for many of us “Senior” taxpayers.
- If you have an IRA and are over 70 ½ you can use a **Qualified Charity Donation (QCDs)** to withdraw funds from your IRA, and they counts toward your RMD
- These withdrawals are not taxed, which gives you the same tax deduction as when itemizing donations

# Qualified Charity Donations (QCDs)

➤ Using QCDs is easy

- ✓ Just advise the holder of your IRA the donation amount(s) and the Charity(s) name and address for each donation
- ✓ They will send a check to each Charity and advise them to send you an acknowledgement for the donation
- or
- ✓ With checks written from your IRA, you can write and send the check yourself
- ✓ When your taxes are prepared the donation amount will be subtracted from the total amount of IRA withdrawals for the year
- ✓ You were permitted to donate up to \$108,000 per taxpayer in 2025, this increases to \$111,000 per taxpayer for 2026

# **Net Investment Income Tax (NIIT)**

The **NIIT Tax** is unofficially called the “**Obama or Medicare Tax**”

- It went into effect in January 2013, and applies to **Higher Income** taxpayers
- It taxes investment income at 3.8% on **MAGI** incomes over **\$200,000(S)** and **\$250,000(MFJ)** taxpayers

**MAGI** as defined by **NIIT** is the same as your **AGI** if you have not excluded **Foreign Earned Income**

# When are my Taxes Due

- Most people know that April 15<sup>th</sup> is the due date for Income Taxes , but are not aware that you can get a six month **Extension**
  - ✓ The Extension does not give more time to pay your taxes, it just gives you until October 15<sup>th</sup> to submit the Tax Return
  - ✓ There is a 5% per month penalty, up to 25%, for Filing after April 15th
  - ✓ There is also a much smaller penalty for just under paying on time with an Extension, typically 0.5% monthly
  - ✓ Get an Extension, then Estimate and pay what you believed you will owe on time, to minimize any potential penalty
  
- The IRS also extends the deadline for taxpayers who live or do business in areas afflicted by disasters
  - ✓ Areas impacted by Hurricanes Helene and Milton that occurred in recent years were granted Extensions

# How to Avoid Income Tax Penalties

- Federal Income Taxes are expected to be paid in advance and penalties can be charged for not enough tax pre-payment
- This prepayment is accomplished by withholding tax from Wages, Social Security, Retirement Plans and other sources of income or by sending the IRS Quarterly Tax Payments
- Penalties for “**Under-Withholding**” can be avoided if...
  - ✓ You owe less than \$1,000 or
  - ✓ You withhold is at least 90% of the current year tax owed, or 100% of your prior year tax  
(It's 110% of prior year tax for AGIs over \$75,000 (S), \$150,000 (MFJ))

# How to Pay Quarterly Tax Payments

- Most Income Tax Software Programs can create payment slips to mail to the IRS with your check

OR

- You can electronically Pay from the IRS website  
Just go to [irs.gov](https://www.irs.gov) and select Make a Payment

## How can we help you?

 [Get Your Refund Status](#)

 [Sign in to Your Account](#)

 [Find Your Child Tax Credit Payment Information](#)

 [File Your Taxes for Free](#)

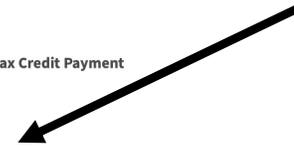
 [Get Your Tax Record](#)

 [Make a Payment](#)

 [Get Answers to Your Tax Questions](#)

 [Apply for an Employer ID Number \(EIN\)](#)

 [Get Economic Impact Payment Information](#)



# When Do I Get My Refund

- If you file Electronically (efile) and receive your refund by Direct Deposit, it should be issued within 21 day or less
- If you mailed a paper return it can be 4 weeks or longer
- You can check the status of your refund on the IRS website, just go to *irs.gov* and select “Get Your Refund Status”

## How can we help you?

 [Get Your Refund Status](#)

 [Sign in to Your Account](#)

 [Find Your Child Tax Credit Payment Information](#)

 [File Your Taxes for Free](#)

 [Get Your Tax Record](#)

 [Make a Payment](#)

 [Get Answers to Your Tax Questions](#)

 [Apply for an Employer ID Number \(EIN\)](#)

 [Get Economic Impact Payment Information](#)

## **Federal Gift Tax**

The Gift Tax exclusion for 2024 was \$18,000, and increased to \$19,000 for 2025. It remains the same for 2026

A married couple can give up to \$38,000 in 2026 to as many people as you like without filing a gift tax return

There is also a (2025) lifetime exclusion of \$15 million, for gifts that exceed the annual exclusion. Gift Tax rate varies from 18% to 40%

(Gifts to Charities are not subject to Gift Taxes)

## **Federal Estate Tax**

The Current Estate Tax for 2026 applies to estates valued at over \$ 15 million per person. It was \$13.99 million in 2025

The tax rate varies from 18% to 39% for the first \$1 million, than 40% for amounts over the first \$1 million

The exemption was doubled in 2017 and has been adjusted annually for inflation by **TCJA**

Tennessee **does not** have an **Estate Tax**

# How to do Your Tax Return

## ➤ Do it Yourself - Use IRS Free File

- ✓ Go to [irs.gov](https://irs.gov) website
- ✓ Select File Your Taxes for Free
- ✓ Select Provider, most are free with AGIs under \$89,000



## ➤ IRS Direct File – Introduced 2yrs ago was Discontinued for 2025 Returns

## ➤ Use AARP Tax-Aide – For Free

- ✓ Schedule an appointment online at [aidintax.com](https://aidintax.com) or by phone
- ✓ Some Scope limitations



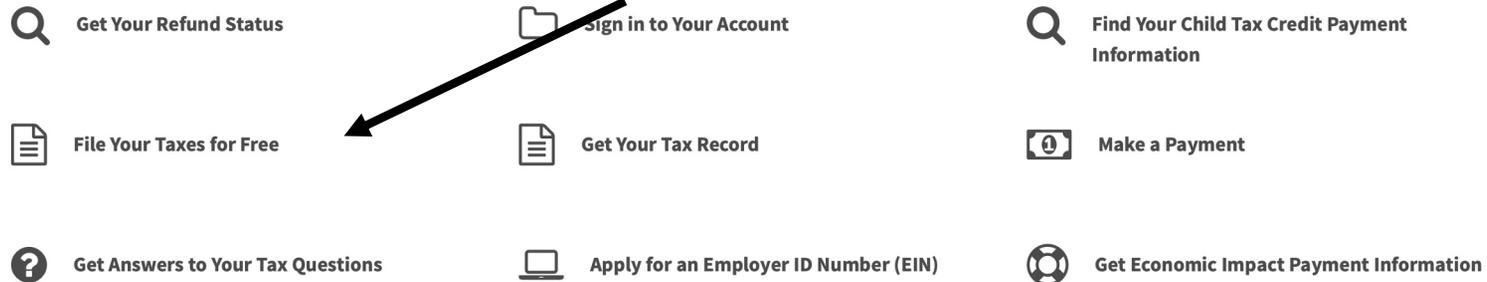
## ➤ Purchase the Software or use a Paid Preparer



# IRS Free File

- Several on-line Income Tax providers offer their service for free through the IRS Free File Program , For AGIs under \$89,000

## How can we help you?



- For 2025 Tax Returns, Pick from 8 Software Providers  
All of them include a Free State Return



# IRS Free File



IRS Free File Program delivered by  
**Online Taxes at OLT.com**

#### Free Federal Return

- AGI \$51,000 or less **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup>



IRS Free File Program delivered by  
**FileYourTaxes.com**

#### Free Federal Return

- AGI \$9,500-\$89,000 **and** age 64 or younger **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup>



IRS Free File Program delivered by  
**1040NOW.NET**

#### Free Federal Return

- AGI \$82,000 or less **and** live in a qualifying state <sup>?</sup> **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup>



IRS Free File Program delivered by  
**1040.com**

#### Free Federal Return

- AGI \$18,100-\$89,000 **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup>



IRS Free File Program delivered by  
**TaxSlayer®**

#### Free Federal Return

- AGI \$19,000-\$89,000 **and** age 67 or younger **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup> **OR**
- EITC Eligible <sup>?</sup>



IRS Free File Program delivered by  
**ezTaxReturn.com**

#### Free Federal Return

- AGI \$89,000 or less **and** age 17-85 **and** live in a qualifying state <sup>?</sup> **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup>



IRS Free File Program delivered by  
**FreeTaxUSA®**

#### Free Federal Return

- AGI \$51,000 or less **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup>



IRS Free File Program delivered by  
**TaxAct**

#### Free Federal Return

- AGI \$89,000 or less **and** age 20-60 **OR**
- AGI \$89,000 or less **and** active military <sup>?</sup>

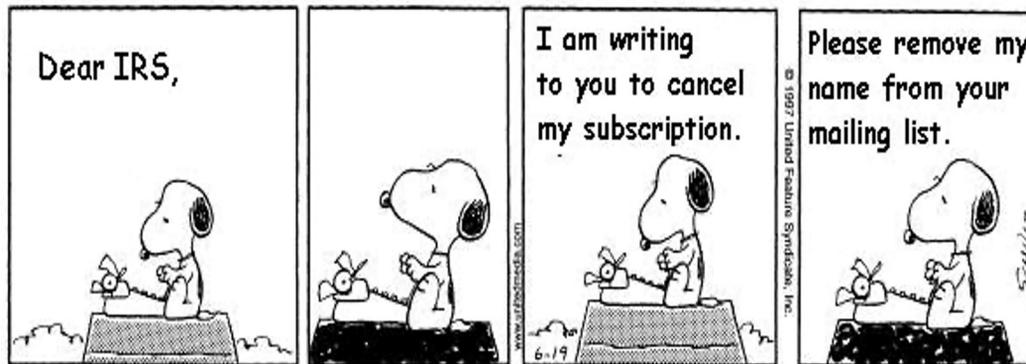


## AARP Tax-Aide

- Most Common forms are supported and there is no Income limit for this **FREE Service**
- But there some types of **Income** or **Credits** that are consisted **Out-of-Scope** including..
  - ✓ Residential Rental Income exceeding 15 days
  - ✓ Some less Common Categories of Income on Form K-1
  - ✓ Solar Systems and Electric Cars

**AARP** Foundation  
Tax-Aide

If don't want to Pay Taxes write the IRS



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# 2025 and 2026 Income Taxes

Questions?

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