What's New for Your 2026 Tax Return

The changes you will see when you file in early 2027, from the 2025 budget reconciliation law (often called the One Big Beautiful Bill Act) and the IRS inflation adjustments for tax year 2026.

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> **Please note:** This guide is general information, not tax advice. Rules have details and exceptions that a short guide cannot cover, and IRS forms for 2026 may still change before filing season. Before you act on anything here, talk with a tax professional about your own situation.

The big picture

The 2025 law made most of the 2017 tax cuts permanent and added several new deductions that run from 2025 through 2028. Four of them — tips, overtime, car loan interest and the senior deduction — are claimed on a new form, **Schedule 1-A**. You can take them whether you itemize or take the standard deduction.

For 2026 there are also a few brand-new items, most notably a charitable deduction for people who do *not* itemize, and a higher threshold before a business has to send a Form 1099-NEC or 1099-MISC.

Key 2026 figures at a glance

Item	2026 amount
Standard deduction — married filing jointly	**$32,200**
Standard deduction — single or married filing separately	**$16,100**
Standard deduction — head of household	**$24,150**
Additional standard deduction, age 65+ or blind	**$1,650 each** ($2,050 if unmarried and not a surviving spouse)
Senior deduction (new, 2025–2028)	**Up to $6,000 per eligible person**
Qualified tips deduction (2025–2028)	**Up to $25,000**
Qualified overtime deduction (2025–2028)	**Up to $12,500** ($25,000 joint)
Car loan interest deduction (2025–2028)	**Up to $10,000**
State and local tax (SALT) deduction cap	**$40,400** ($20,200 married filing separately)
Child tax credit	**$2,200 per child** (up to $1,700 refundable)
Charitable deduction for non-itemizers (new for 2026)	**Up to $1,000** ($2,000 joint)
Form 1099-NEC / 1099-MISC reporting threshold	**$2,000** (was $600)

The new deductions shrink or disappear at higher incomes. Income limits are explained below.

Standard deduction and tax brackets

The standard deduction rises again for 2026, to **$16,100** for single filers, **$24,150** for heads of household and **$32,200** for married couples filing jointly. If you are 65 or older or blind, you still add the long-standing extra amount of $1,650 (or $2,050 if you are unmarried and not a surviving spouse), on top of the new senior deduction below.

The tax rates stay at 10%, 12%, 22%, 24%, 32%, 35% and 37%; the income ranges for each bracket were adjusted upward for inflation. For example, the 22% bracket begins above $50,400 for single filers and $100,800 for joint filers.

The new deductions on Schedule 1-A

Deduction for qualified tips

- **Up to $25,000** of qualified tips per return.
- Tips must be voluntary cash or charged tips (tip sharing counts) in an occupation the IRS lists as customarily receiving tips as of December 31, 2024.
- **Income limit:** the deduction is reduced by $100 for each $1,000 of modified AGI over $150,000 ($300,000 joint).
- You need a valid Social Security number, and married couples must file jointly. People who are self-employed in, or employed by, a "specified service" business (such as health, law or consulting) do not qualify. If you are self-employed, the deduction cannot exceed your net profit from the tipped work.

KEEP your W-2 or 1099 showing tips, any tip reports you gave your employer, a daily tip log, and a note of your occupation.

Deduction for qualified overtime pay

- **Up to $12,500** ($25,000 married filing jointly).
- Only the *extra* portion of overtime required by the Fair Labor Standards Act counts — the "half" in time-and-a-half — not your whole overtime paycheck.
- **Income limit:** reduced by $100 for each $1,000 of modified AGI over $150,000 ($300,000 joint).
- Social Security number required; married couples must file jointly.

KEEP your W-2 and final pay stubs showing overtime hours, overtime pay and your regular rate.

Additional deduction for seniors

- **Up to $6,000** for each person age 65 or older by the end of the year ($12,000 if both spouses qualify). For 2026 returns, that means born before January 2, 1962.
- **Income limit:** reduced by 6% of modified AGI over $75,000 ($150,000 joint).
- Social Security number required; married couples must file jointly. Available whether or not you itemize.

Car loan interest on a new, U.S.-assembled vehicle

- **Up to $10,000** of interest per year.
- The loan must have started after December 31, 2024, be secured by a lien on the vehicle, and be used to buy a **new** vehicle (original use begins with you) for **personal** use. Used vehicles and leases do not qualify. Interest on a qualifying loan that is later refinanced is generally still eligible.
- The vehicle must be a car, minivan, van, SUV, pickup or motorcycle under 14,000 lbs. gross vehicle weight rating, with **final assembly in the United States**.
- **Income limit:** reduced by $200 for each $1,000 of modified AGI over $100,000 ($200,000 joint).
- You must list the vehicle identification number (VIN) on your return each year you claim it.

KEEP the purchase contract, loan agreement, the lender's year-end interest statement, the VIN, and the window sticker or other proof of U.S. final assembly.

Itemized deductions and credits

SALT cap and its income phase-down

The cap on deducting state and local income (or sales) and property taxes, which was $10,000, is **$40,400 for 2026** ($20,200 married filing separately). It only helps if you itemize.

If your modified AGI is over **$505,000** ($252,500 married filing separately), the cap is reduced, but never below $10,000 ($5,000 married filing separately).

KEEP property tax bills, Virginia Form 760 and estimated payment records, and vehicle personal property tax receipts.

Charitable giving: new rules both ways

- **Don't itemize?** Starting in 2026 you can deduct up to **$1,000** ($2,000 married filing jointly) of *cash* gifts to eligible charities. Not every gift counts, so ask before relying on it.
- **Do itemize?** Starting in 2026, only charitable gifts above 0.5% of your AGI are deductible. Taxpayers in the top 37% bracket also face a new limit on the value of their itemized deductions.

KEEP bank or card records for every gift, plus the charity's receipt or acknowledgment letter.

Child tax credit and family items

- The child tax credit is **$2,200 per qualifying child** for 2026, with up to **$1,700** refundable.
- The tax-free limit for employer dependent care benefits (such as a dependent care FSA) rises to **$7,500** beginning in 2026, up from $5,000.
- The top rate of the child and dependent care credit rises from 35% to 50% of qualifying expenses, depending on income.
- **Trump Accounts:** U.S.-citizen children born from 2025 through 2028 with a valid Social Security number may be eligible for a one-time $1,000 government pilot contribution. Parents must elect it on Form 4547.

For small business owners

Qualified business income (QBI) deduction

- The 20% QBI deduction for owners of sole proprietorships, partnerships, S corporations and LLCs is now **permanent**.
- For 2026, the income limits begin at **$403,500** (joint) and **$201,750** (most other filers). The range over which the limits phase in is wider than before: $150,000 for joint filers and $75,000 for others.
- New minimum: if you have at least **$1,000** of QBI from a business you actively take part in, your deduction is at least **$400**.

Form 1099 reporting thresholds

- Beginning with 2026, you generally don't have to issue a **Form 1099-NEC** or **1099-MISC** unless you paid a person **$2,000** or more during the year (up from $600). The threshold may be adjusted for inflation beginning in 2027. Some payments, such as royalties, keep their own lower thresholds.
- Payment apps and card processors issue **Form 1099-K** only when payments to you exceed **$20,000** *and* 200 transactions.
- Either way, **all business income is still taxable**, whether or not you receive a form.

KEEP a current Form W-9 for every contractor and a running total of what you pay each one.

Equipment and other business changes

- **Bonus depreciation:** 100% first-year depreciation is permanent for eligible property acquired after January 19, 2025.
- **Section 179:** for 2026 you can expense up to **$2,560,000** of qualifying equipment, phasing out once purchases exceed $4,090,000.

Other changes worth knowing

- Several energy credits are gone for 2026: the clean vehicle credits, the energy efficient home improvement credit and the residential clean energy credit can no longer be claimed.
- Gambling losses claimed as an itemized deduction are limited to 90% of gambling winnings.
- The estate tax exclusion is $15,000,000 for 2026, and the annual gift exclusion is $19,000 per recipient.

A note for Virginia filers

In 2026 Virginia tied its tax law to the Internal Revenue Code as of December 31, 2025, and generally follows the 2025 federal law for individuals starting with 2026 returns, where the federal change affects federal adjusted gross income or itemized deductions. There are important exceptions: Virginia does **not** follow the federal bonus depreciation, the higher Section 179 limits or immediate R&E expensing, so business owners may need separate Virginia depreciation records. Virginia also keeps its own limit on itemized deductions for higher earners.

Virginia's guidance does not specifically address the tips, overtime, car loan interest or senior deductions, so **Virginia's treatment may differ from the federal return — ask us before you count on them for your state taxes.** Separately, Virginia's own standard deduction is scheduled to rise for 2027, to $9,200 single and $18,400 married filing jointly.

Getting ready to file

- Review your last pay stub of the year for overtime and tip totals, and check your W-2 when it arrives.
- Gather loan papers and the VIN if you bought a new vehicle in 2025 or 2026.
- Collect charity receipts even if you don't itemize.
- Business owners: get W-9s now and total each contractor's 2026 payments.
- If your income is near one of the phase-out limits, a planning conversation before year-end may help.

Questions? Book a consultation.

Call 540-280-9392 or schedule online at emrystaxadvisors.com/book.html.

Sources: IRS IR-2025-103 and Rev. Proc. 2025-32 (2026 inflation adjustments); IRS Fact Sheet 2025-03 and OBBB provisions pages; 2026 Form 1040-ES and IRS correction notice (SALT); draft 2026 Schedule 1-A; Instructions for Forms 1099-MISC and 1099-NEC; IRS Form 1099-K FAQs; IRS Notice 2026-11; IRS Trump Accounts page; Virginia Tax Bulletin 26-1 and 2026 Legislative Summary. Figures current as of November 6, 2026.