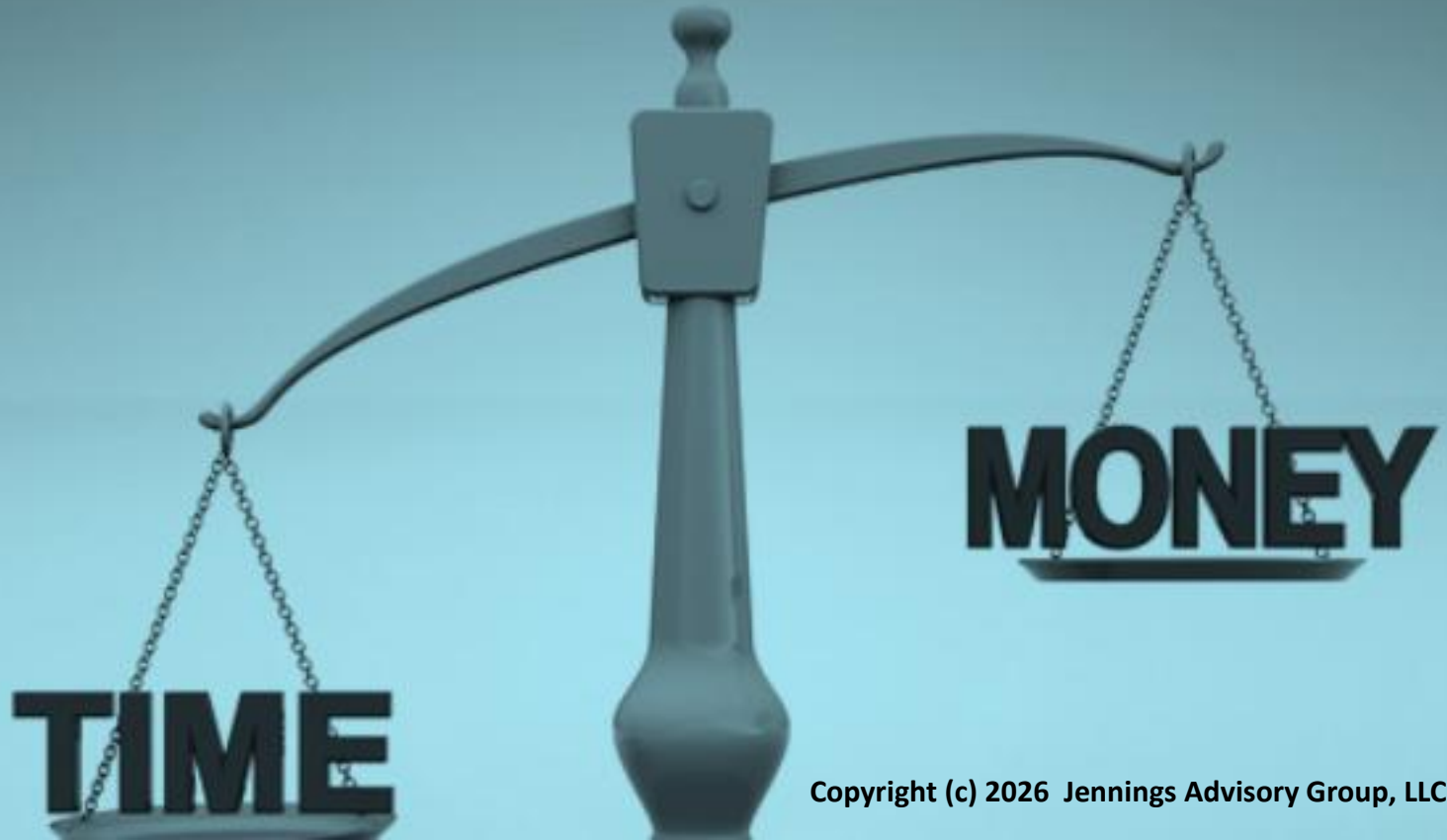
2026 Individual Federal Tax Update





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Administrative Reminders

- Manual is *our opinion*
  - A starting reference point, *not the ending point*
    - ALWAYS do your own research because opinions differ
    - Lots of hyperlinks to underlying citations for you to perform your own research and form your own conclusions
  - PLEASE ASK QUESTIONS
  - Download code
  - Page Reference in upper right corner of slides
- All slides are copywritten

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Administrative Reminders - Webinars Only



- **Answer 75% of polling questions**
  - ***This is IRS & NASBA requirement – 4 questions per credit hour***
  - ***They will pop up on screen every 10-20 minutes***

Tax Questions during webinar?

- ***Type them into the "Q&A" box***
- ***We will repeat and try to answer as time allows***

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OBBBA 2026 Overview



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OBBBA 2026 Update

Description	Pre-OBBBA	OBBBA 2026	Effect Date
Income Tax Rates	7 rates: 10%, 12%, 22%, 24%, 32%, 35%, 37%; inflation-adjusted	Same rates made permanent	2026
AMT	TCJA increased exemption and thresholds	TCJA changes with minor adjustments made permanent	2026
Student Loan Debt Forgiveness	Most student loan forgiveness excluded from income	Only debt forgiven due to death or disability tax free	2026
Standard Deduction	$15,000 (S), $22,500 (HOH), $30,000 (MFJ)	$16,100 (S), $24,150 (HOH), $32,200 (MFJ)	2025
Personal Exemptions	None (2018–2025)	Permanently repealed	2025
Senior Deduction	None	$6,000; AGI limits apply	2025–2028

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OBBBA 2026 Update

Description	Pre-OBBBA	OBBBA	Effect Date
Qualified Tips Deduction	Tips fully taxable	Deduction up to $25,000 to offset tip income; AGI limits apply	2025–2028
Overtime Pay Deduction	Fully taxable	Deduction up to $12,500 ($25K MFJ) overtime income; AGI limits	2025–2028
Car Loan Interest	Not deductible	Up to $10,000 for new vehicles; AGI limits	2025–2028
SALT Deduction	Capped at $10,000	Increased to $40,000; AGI limits	2025–2029
Mortgage Interest	Deduction for up to $750K acquisition debt interest; no MIP	$750K cap retained; MIP deductible	2025

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OBBBA 2026 Update

Description	Pre-OBBBA	OBBBA	Effect Date
Non-itemizer Contributions	Not deductible	Deduction up to $1,000, $2,000	2026
.5% AGI Itemized Contribution Threshold	N/A - None	Contributions must be >.5% of AGI before deducting	2026
Casualty/Theft Losses	Only Federally declared disasters	Includes Federal and state-declared disasters	2026
Gambling Losses	Deductible up to 100% of gambling winnings	Deductible up to 90% of gambling losses	2026
Moving Expenses	Only military may deduct	Permanently repealed except for military and intelligence officers	2026
Misc. Itemized Deductions	Not allowed	Permanently repealed	2026

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OBBBA 2026 Update

Description	Pre-OBBBA	OBBBA	Date
Itemized Educator Expenses	Not deductible	Fully deductible; no 2% limit	2026
Itemized Deduction Limit	NA	Phased out for those in the 37% bracket	2026
Trump Accounts	None	New $5K children's savings accounts + $1K match from Treasury	2026
§529 Plan K–12 Use	$10K limit	Increased to $20K	2026
Child Tax Credit	$2,000 per child under 17; $500 for other dependents	$2,200 per child under 17; $500 for other dependents, inflation adj	2025
Dependent Care Credit	20%–35% up to $3K (1 child) or $6K (2+), based on AGI	20%–50% of $3,000/$6,000; higher credit % for lower AGI	2026

OBBBA 2026 Update

Description	Pre-OBBBA	OBBBA	Effect Date
Adoption Credit	Up to $17,280; non-refundable	Up to $17,280; $5K refundable; inflation adj	2025
Premium Assistance Credit	AGI-based limits, limited repayment	No repayment limits	2026
Scholarship Grant Credit	None	New $1,700 K–12 credit	2027
Estate Tax Limit	$13,990,000	$15 million	2026
Farmland Sales	Tax due on sale	Tax payments may be deferred over 4 years	2026

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Extra

Form 1040 Now Includes

- How many forms have been added to a basic 1040 since we were promised a postcard?

1. Form 1040 – 2 pages
2. Schedule 1 – Other Income and Deductions – 2 pages
3. Schedule 1A – Other Deductions (post AGI) – 3 pages
4. Schedule 2 – Additional Taxes – 2 pages
5. Schedule 3 – Additional Credits and Payments – 1 page
6. Schedule 3A – Federal Public Benefit – 1 page

- 2026 Total = 11 pages!!

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Form 1040 Format

1. Gross income
2. Less adjustments to gross income (for AGI deductions)
3. Equals Adjusted Gross Income (AGI)
4. Less standard or itemized deductions (after AGI deductions)
5. Less Sch. 1-A deductions
   - Senior, tip, auto interest, overtime
6. Other deductions – QBI and charity
7. Equals taxable income

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2026-27 Inflation Adjustments

- **See 2026-2027 inflation adjustments in charts on page 4 and 5**

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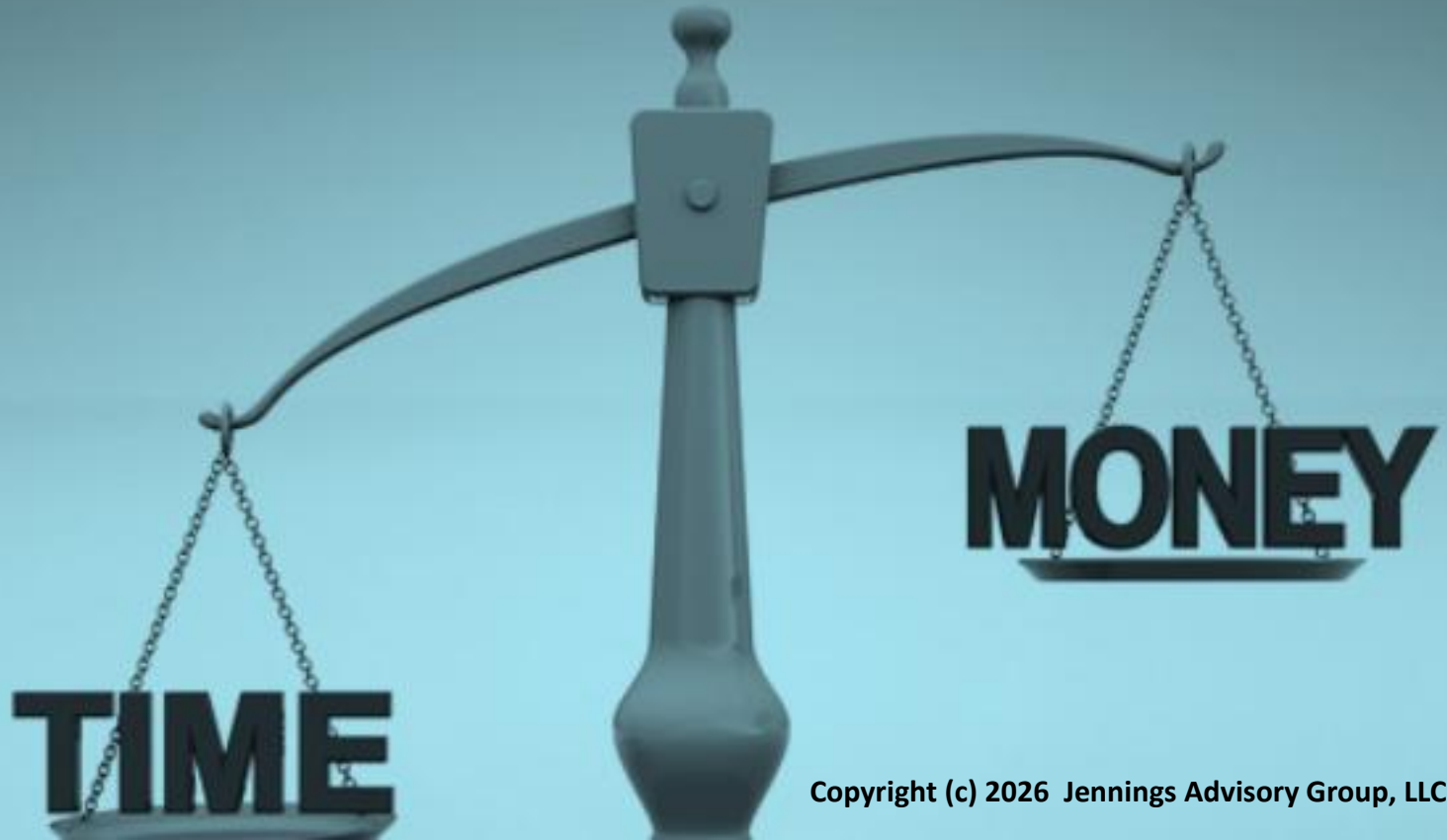
Filing Issues, Filing Status, And Dependents





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Flash Bracket and Rate Review

- Rate range is 0% to 37%

	Top of 12% Ordinary	Start of 37% Ordinary	20% Cap Gain
Single	$ 50,400	$640,600	$545,500
HOH	$ 67,450	$640,600	$579,600
MFJ	$100,800	$768,700	$613,700
MFS	$ 50,400	$384,350	$306,850
Trusts/Estates	$ 3,300 (10% - no 12%)	$ 16,000	$ 16,250

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2026 Form 1040 – Not Many Changes!

Form **1040-SR** Department of the Treasury—Internal Revenue Service **U.S. Income Tax Return for Seniors** **2026** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2026, or other tax year beginning , 2026, ending , 20 See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial	Last name	**Your social security number**
If a joint return, spouse's first name and middle initial	Last name	**Spouse's social security number**
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2026. ☐
City, town, or post office. If you have a foreign address, also complete spaces below.	State / ZIP code	**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ **You** ☐ **Spouse**
Foreign country name	Foreign province/state/county / Foreign postal code	

Filing Status

Check only one box.

☐ Single ☐ Married filing jointly (even if only one had income) ☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:

☐ Head of household (HOH)

☐ Qualifying surviving spouse (QSS)

If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Other Information

(see instructions)

If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box ☐ and enter their name (attach statement if required):

At any time during 2026, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? ☐ **Yes** ☐ **No**

At the time you file your return, are you, and your spouse if filing jointly, a U.S. citizen, U.S. national, or an alien lawfully authorized to work in the U.S.? (see instructions)

You: ☐ Yes ☐ No **Spouse:** ☐ Yes ☐ No

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2026 Form 1040 – Not Many Changes!

Tax and Credits

11b	Amount from line 11a (adjusted gross income)	11b
12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent	
12b	☐ Spouse itemizes on a separate return 12c ☐ You were a dual-status alien	
12d	**You:** ☐ Were born before January 2, 1962 ☐ Are blind	
	Spouse: ☐ Was born before January 2, 1962 ☐ Is blind	
12e	**Standard deduction or itemized deductions** (from Schedule A)	12e
12f	Charitable contribution deduction for non-itemizers (see instructions)	12f
13a	Additional deductions from Schedule 1-A, line 44	13a
13b	Qualified business income deduction from Form 8995 or Form 8995-A	13b
14	Add lines 12e, 12f, 13a, and 13b	14

Standard Deduction
See *Standard Deduction Chart* on the last page of this form.

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2026 Form 1040 – Not Many Changes!

If you have a qualifying child, you may need to attach Sch. EIC.

enter their SSN (see instructions):

27a	Earned income credit (EIC)	27a	
27b	Clergy filing Schedule SE (see instructions) ☐		
27c	If you do not want to claim the EIC, check here ☐		
28	Additional child tax credit (ACTC) from Schedule 8812	28	
29	Refundable American opportunity credit from Form 8863, line 8	29	
30	Refundable adoption credit from Form 8839, line 13	30	
31	Amount from Schedule 3, line 15	31	
32a	Add lines 27a, 28, 29, 30, and 31	32a	
32b	Amount from Schedule 3-A	32b	
32c	Subtract line 32b from line 32a		32c
33	Add lines 25d, 26, and 32c. These are your **total payments**		33

If you entered an amount on line 27a, 28, 29, or 30, attach Sch. 3-A.

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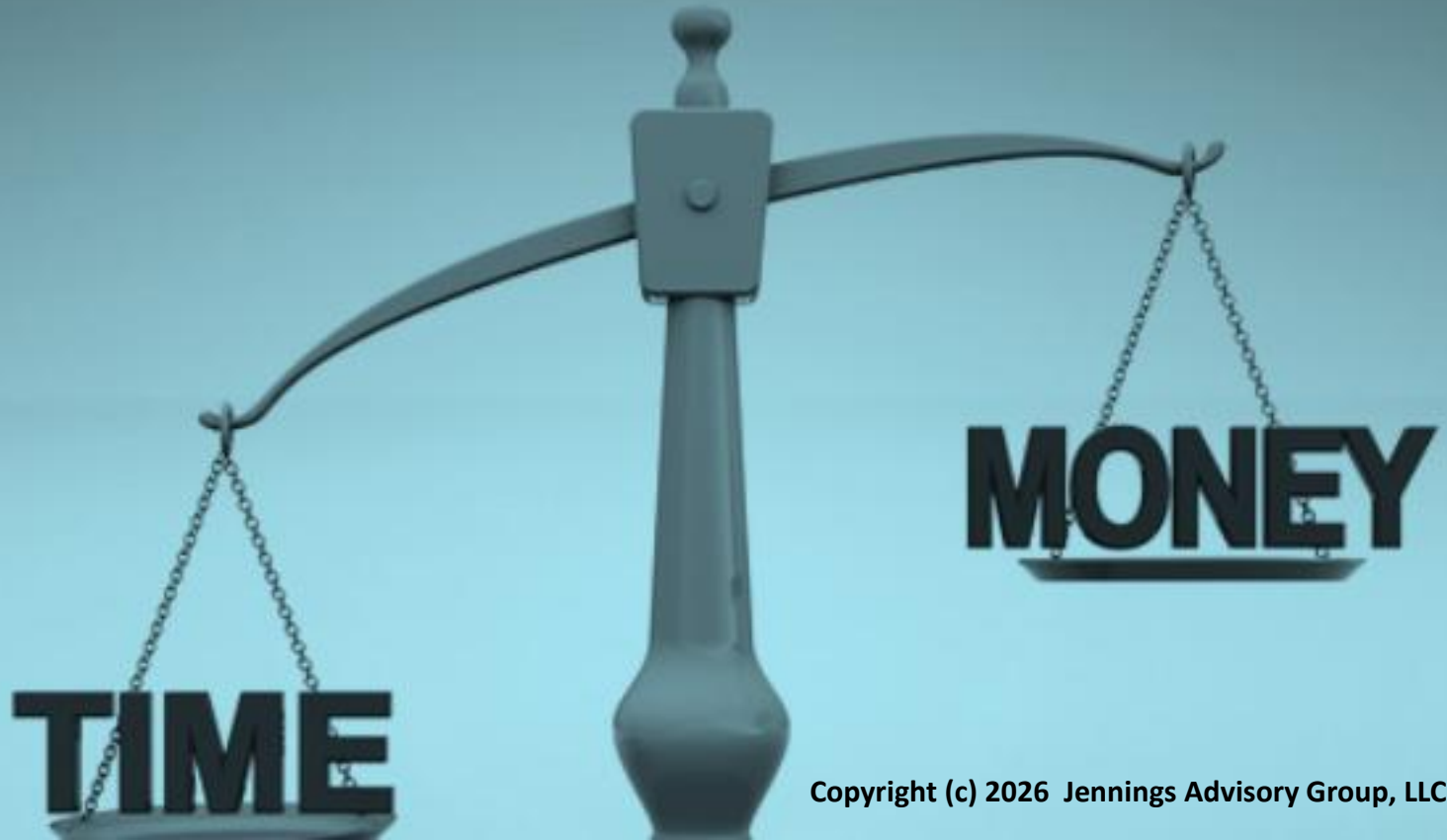
2026 Filing Thresholds

Description	Under Age 65	Age 65 and Older
Single	$ 16,100	$ 24,150
HOH	$ 24,150	$ 32,200
MFJ	$ 32,200	$ 47,500*
MFS	$ 5	$ 5
Qualifying Widow(er)	$ 32,200	$ 39,850

* Assumes both spouses are 65 or over. If only one, $39,850.

Income and Adjustments To Income





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Gross Income §61

- **Schedule 1, Part I – Minor changes**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	Your social security number

For 2026, enter the amount reported to you on Form(s) 1099-K that was included in error or for personal items sold at a loss . . . . . .

Note: The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transaction. See *www.irs.gov/1099k*.

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Gross Income §61

- Defined as “all income from whatever source derived”
- Any increase in wealth is income unless specifically excluded by the IRC
- Exclusions are narrowly construed
  - Taxpayer claiming exclusions must
    - Prove eligibility, and
    - Be within the “clear scope of the exclusion”

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§529 Plan Benefits

- 529 plan contributions to grow tax deferred
- No tax on distributions used for qualified education expenses
- Contribution limits range from $269,000 (North Dakota) to $621,000 (New Hampshire)
- Kindergarten through college education expenses qualify – K-12 limited to $20,000 annually – up from $10,000 in 2025
- Some states allow deductions or credits for contributions

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§529 Plan Benefits Enhanced

State	Deduction – Single	Deduction – Married	Aggregate Limit
AR*	$ 5,000	$ 10,000	$ 500,000
ID	$ 6,000	$ 12,000	$ 500,000
IN	$ 3,750	$ 7,500	$ 450,000
IA	$ 6,100	$ 12,200	$ 505,000
KY	NA	NA	$ 450,000
MI	$ 5,000	$ 10,000	$ 500,000
MT*	$ 3,000	$ 6,000	$396,000
WV	Unlimited	Unlimited	$ 550,000

*State allows tax benefits for contributions to any state 529 plan.

529 Plan Benefits Enhanced

- 529 plan qualified education expenses now include
  - Tuition (e.g. public, private or religious schools)
  - Books, supplies, equipment and other curriculum materials
  - Online education materials
  - Tutoring expenses if tutor is a licensed tutor, etc.
  - Testing fees (AP, standardized achievement, college admission, etc.)
  - Educational therapies for those with disabilities
  - Housing and travel if more than half-time

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529 Plan Benefits Enhanced

- Qualified higher education expenses also include costs for post secondary credentialing programs
  - Includes skilled trades and vocational programs, (CDL, HVAC, lineman, welding, etc.), professional licensing (CPA, law, MD, etc.)
  - Includes testing fees and CE (to maintain certification)

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529 Plan and ABLE Accounts

- ABLE accounts are a tax advantaged savings accounts for disabled persons
- Rollovers are allowed from 529 plans to ABLE accounts
- OBBBA permanently allows
  - 529 Plan to ABLE account rollovers as long as the ABLE account is owned by same beneficiary as the 529 plan
  - Retirement savers credits apply to ABLE contributions made by the account beneficiary

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Foreign Earned Income Exclusion

Description	2026	2027
Foreign earned income - max	$132,900	
Foreign housing – max	$ 39,870	

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Scholarships

- General rule – generally tax-free if
  - Taxpayer is degree candidate
  - School is eligible educational institution
  - Used to pay for qualified education expenses
  - Not designated for non-excludable expense (e.g., room and board)
  - Is not a payment for services (e.g., teaching, research, etc.)

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Scholarships

- Qualified education expenses include
  - Tuition and related fees paid to enroll or attend
  - Course-related expenses – e.g., books, supplies, equipment required for instruction
- Non-qualified expenses (taxable amounts)
  - Room and board
  - Travel
  - Research
  - Clerical help
  - Non-required equipment and related expenses

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Scholarships

- **Taxable or non-taxable seminal case – Bingler v. Johnson, Supreme Court – if any services are provided – taxable**

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Scholarships – Example

- Jordan plays football at IU and receives
  - Tuition and fees $ 14,000 - TF
  - Text books and supplies $ 3,200 - TF
  - On-campus housing $ 7,500 - T
  - Meal plan $ 5,000 - T
  - Cost of attendance stipend $ 4,000 - T
  - Total $ 31,700

  - Nontaxable portion ($14,000 + $3,200) $ 17,200
  - Taxable portion ($7,500 + $5,000 + $4,000) $ 16,500

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Scholarships – Example

- Jordan receives 1098T showing $31,700 in Box 5 and $14,000 in Box 1
- Jordan reports $16,500 Sch 1, line 8r – scholarships and grants not reported on Form W-2
- NOTE
  1. If no other income – standard deduction offsets almost all of the income
  2. Taxable scholarships are “earned income” for standard deduction and kiddie tax purposes
  3. Scholarships are not considered support if the child is a FT student

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Money, Money, Money! – NIL and Other Athlete Payments

- Recent legal and other developments
  - House v. NCAA – court approved settlement that provides revenue sharing by schools and athletes for the next 10 years
    - Athletes are paid directly by D-1 schools
    - Annual cap for payments is $21.6 million for 2026-2027
  - House settlement also ordered NCAA and conferences to pay $2.8 billion to former college athletes
    - This portion of the settlement is in appeals
  - NIL Go – Deloitte built portal to assess NIL payment amounts for reasonableness – creates paper trail collectives and schools may rely on

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Money, Money, Money! – NIL and Other Athlete Payments

- Recent legal and other developments
  - One unsettled area – are athletes employees or contractors?
    - SCORE Act (House bill) would have made them contractors
    - Protect College Sports Act (Senate bill) ignored employment status
    - For now, look to IRS and DOL factors of control like any other worker
  - Johnson v. NCAA – 3rd Circuit noted athletes may be employees:
    - Perform services for the school
    - Primarily for the school's benefit
    - Under the school's control or right of control
    - In return for express or implied compensation

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Money, Money, Money! – NIL and Other Athlete Payments

- NIL Collectives – organizations formed to fund NIL payments
- Usually by local businesses, boosters, or alumni – they are not charities
- They typically arrange activities such as
  - Public appearances
  - Promotional content
  - Autograph sessions
  - Paid events
- Payments greater than $600 must be reviewed by College Sports Commission to ensure true NIL – not pay for play

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Money, Money, Money! – NIL and Other Athlete Payments

- Top 5 spending football programs – no surprises!
  1. Ohio State
  2. Oregon
  3. Texas
  4. LSU
  5. Texas A&M
  - Miami, Notre Dame, Ole Miss, Tennessee and Alabama round out the top 10

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Money, Money, Money! – NIL and Other Athlete Payments

- Student athlete revenue sources
  1. Third party NIL and related payments
  2. National and local brand partnerships
  3. Social media ventures and other business opportunities
  4. Direct revenue sharing with schools and/or the NCAA
  5. Scholarships
- NIL income is taxable – all types
- Hard part is classifying SE income, investment income, wages, or miscellaneous income

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Money, Money, Money! – NIL and Other Athlete Payments

- Income can be classified as
  - Royalty income – school often labels NIL income as royalties paid for NIL licensing – Form 1099-MISC box 2
    - What if services are required? Pay to play?
  - House lawsuit back pay – ordinary income with no deduction allowed for attorney fees
  - Employee or contractor – for services rendered
    - For third parties likely IC
    - For schools – seems likely athletes are employees – what do the pros do?

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Money, Money, Money! – NIL and Other Athlete Payments

- Income can be classified as
  - Booster or collective payments are not gifts – detached and disinterested generosity
  - Noncash payments – merchandise, vehicle use, etc. taxable without regard to 1099s

- See chart on page 27

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Description	Third Party NIL	Brand Partnerships	Business Ventures	Direct School Payments*	Scholarships
Payor reporting form	Passive – 1099-MISC, box 2 Services required – 1099-NEC	1099-MISC or NEC	1099-NEC	1099-MISC, 1099-NEC, or W-2	1098-T
Subject to income tax	Yes	Yes	Yes	Yes	Maybe – see discussion
Non-cash payments – cars, food, gear, crypto, etc.	Taxable	Taxable	Taxable	Taxable	Taxable
Recipient reporting form	Sch E or Sch C	Sch E or Sch C	Sch C	Form 1040, Sch E or C	Sch 1, Line 8r if taxable
SE taxable	Yes, if services provided	Yes, if services provided	Yes	No	No
QBI	Yes if 1099-NEC	Yes if 1099-NEC	Yes	Yes if 1099-NEC	No
Kiddie tax	Yes if 1099-MISC	Yes if 1099-MISC	No	Yes if 1099-MISC	No

*** Unsettled; many contracts require participation and appearances**

Athlete Payments and Family Returns

- FT student under age 24 is a qualifying child if they don't provide > half support
- NIL money spent on housing, food, etc. counts as support
  - Doesn't include money saved or invested
- Parent may lose
  - Dependent credit - $500
  - American Opportunity Credit – belongs to athlete

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Athletes and Other Tax Issues

- Any unearned income is subject to Kiddie Tax until age 24
- Some states allow payments to high school athletes
  - If so, all the same issues apply to the college student
- State and local taxes – same rules as professional athletes
  - Service income is sourced where earned
  - Royalty income is sourced to the domicile state – typically where the athlete grew up or parent's home
  - Income is allocated based on "duty days"

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NIL Engagement Checklist

Task	Completed by	Date
Inventory various NIL income streams: brand deals, collective payments, revenue sharing, platform income, noncash items, settlement damages. Confirm residency, domicile, and visa status; identify every state where services were performed		
Read each contract and classify as services, passive license, or wages; note if the payer's 1099, etc. is incorrect for the income type		
Capture deductible expenses and agent fees; open a Roth IRA, SEP, or solo 401(k) where earned income supports it		
Evaluate entity structure only after a year of reliable net income		
Coordinate with the athlete's agent, compliance office, financial-aid office, and (for international athletes) immigration counsel		
Revisit dependency, support, kiddie tax, and AOTC on both the athlete's and the parent's returns		
Set up quarterly estimates or W-4 withholding and a tax reserve account		

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Comprehensive Example

- Marcus Reed is 20 years old and plays basketball at UK
- Marcus is from Texas
- Marcus relevant tax info
  - Full athletic scholarship for tuition, books, supplies, room and board
  - Cost of attendance stipend
  - Kentucky pays him $60,000 a year for revenue sharing per the House settlement
  - NIL payments are received of which he pays his agent 5%

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Step 1 – Inventory Payments

#	Payer and Type	Amount	Form Received	Character	Form
1	University revenue share	$ 60,000	1099-MISC	Royalty	Sch E
2	NIL collective	$ 45,000	1099-NEC	Service	Sch C
3	Shoe brand – cash	$ 12,000	1099-NEC	Service	Sch C
4	Shoe brand – shoes FMV	$ 3,000	None	Service in kind	Sch C
5	Local car dealership – use of car	$ 6,000	1099-NEC	Service in kind	Sch C
6	Social media posts	$ 8,500	None	Service	Sch C
7	Autographs	$ 2,500	None	Service	Sch C
8	Local restaurant gift cards	$ 400	None	Service	Sch C
9	Scholarship – tuition	$ 38,000	1098-T	Qualified scholarship	NA – no tax
10	Scholarship – room & board	$ 14,000	1098-T	Non-qualified scholarship	Sch 1, 8r
11	Cost of attendance stipend	$ 5,000	1098-T	Non-qualified scholarship	Sch 1, 8r

Other Steps

- Step 2 – Identify Sch C income and expenses (agent fees, mileage, etc.)
  - Expenses do not include personal training, haircuts, nutrition, etc.
  - SE tax is paid and QBI is deducted
- Step 3 – record royalty income on Schedule E – royalty payments from schools likely not QBI
  - Note that IRS may argue that athlete has to play, practice, etc. to get paid, making payments wages or SE, not royalties

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Other Steps

- **Step 4 – Classify scholarship income as payments for tuition, fees, books, room and board and other**
  - **Exclude nontaxable scholarships**
  - **Report taxable scholarships on Schedule 1, line 8r**
  - **No AOTC as no qualifying tuition payments**
  - **Address dependency and Kiddie Tax**

- **Step 5 – Calculate the tax, including state income tax where applicable**

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Taxable Social Security Benefits

- Michael Smith was disabled in March 2022
- SSA approves Michael for SSDI benefits in November 2022 and pays him benefits retroactive to March 2022
- April 2023 SSA changed its mind and denied benefits retroactively – Michael required to repay $26,802, 100% of what he received for 2022
- IRS says Michael must pay tax on $22,782, 85% of $26,802
- Court says tax law isn't fair – §86 requires SS benefits be considered year by year

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Taxable Social Security Benefits

- Claim of right provides some relief if
  1. Amount included in income in PY because TP had unrestricted right to it
  2. Later established the taxpayer did not have that right, and
  3. Deductible amount exceeds $3,000
- COR calculated using one of two methods
  1. Deduction
  2. Credit
- Note that COR relief is allowed even if the statute of limitation has expired

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Claim of Right Example

- See example on page 33
- The credit method results in an additional tax savings of $3,117 over the deduction method in 2023
- Michael uses the credit method option

- See also Charmain Gray v. Comm., where argument that “it isn’t taxable because I paid tax on what I put in” didn’t work

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Lawsuit Settlement

- Legal settlements are taxable unless they are from
  - Physical injury or physical sickness
  - Certain discrimination
- Emotional distress is not a physical injury unless it stems from a physical injury
- Cerissa Paladino awarded $135,000 for “emotional distress, anxiety, and humiliation”, of which she paid her attorney $54,000
- Court ruled 100% taxable and lawyer fees could not be netted out

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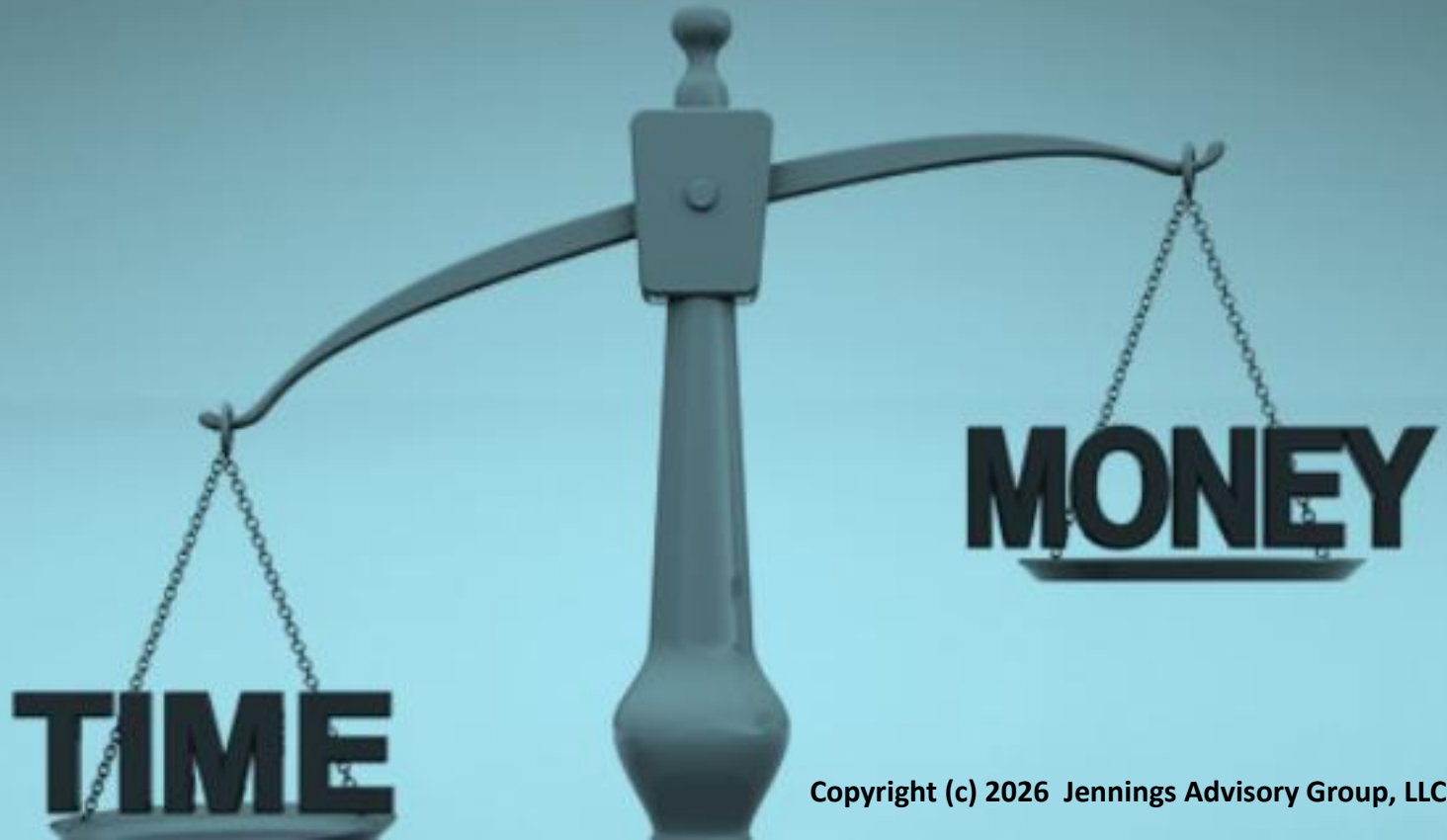
Adjustments to Income
Schedule 1, Part II





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Adjustments to Gross Income

Schedule 1, Part II – no significant change to the form in 2026

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Educator Expenses

- 2026 educator deduction was increased to $350
- BBB retained $350 pre-AGI plus added itemized deduction for anything over
  - Educator deductions no longer subject to 2% threshold – other itemized deduction

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2026 HSA Update

For 2026	Self Only	Family
Max ANNUAL Contribution (plus $1,000 if age 55 or over)	$ 4,400	$8,750
Minimum Deductible	$1,700	$3,400
Max. Out of Pocket	$8,500	$17,000

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2027 HSA Update

For 2027	Self Only	Family
Max ANNUAL Contribution (plus $1,000 if age 55 or over)	$ 4,500	$9,000
Minimum Deductible	$1,750	$3,500
Max. Out of Pocket	$8,700	$17,400

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Recent Changes to HSA Rules

- Persons qualify to make HSA contributions even if
  - Their health plan offers telehealth services without regard to any deductible
  - Health plan is a “bronze level” plan purchased the marketplace (2026)
  - They have a direct care primary arrangement in addition to the QHDHP (2026)
    - Primary care services does not include anesthesia, prescriptions, lab services
    - Vaccines are allowed

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2026 IRAs & Retirement



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2026 Inflation Adjustments

- 2026 IRA deposit limit = $7,500
  - One limit for IRA/Roth IRA/non-deductible IRA
  - Catch-up contribution $1,100 for 2026
- Penalties may apply for pre-59½ withdrawals
- Subject to RMD rules except Roth IRAs
- Subject to inflation adjustment
- See comparison chart on page 42

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IRA Basics

- Three IRA types
  1. Traditional deductible IRA
  2. Traditional non-deductible IRA
  3. Roth IRA
- All three types share the same contribution threshold limit

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Traditional IRA Earned Income Rules

1. Traditional deductible IRAs have three income rules

- Rule #1 – Must have earned income
- Rule #2 – No AGI limit unless TP or spouse is active participant in an employer plan
- Rule #3 – If you (or spouse if applicable) are an active participant, then AGI test applies

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Maximum Income Test

Active Participant(s) AGI Limit	
Year	2026
Single/HOH - covered	$81,000 – $91,000
MFJ – Contributing spouse covered	$129,000 – $149,000
MFJ – Contributor not covered but spouse is	$242,000 – $252,000
MFS	$ 0 - $10,000

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Non-Deductible IRA Test

2. **Traditional non-deductible IRAs only have one test – earned income**
   - **No AGI testing**
   - **Must file Form 8606 to track basis**
     - **$50 penalty if not filed**
     - **Fail to file Form 8606 in year of deposit, no basis at withdrawal without other proof**
     - ***Be sure to look for the form in new client returns and confirm amounts***

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Roth IRAs - Two Tests

3. Roth IRAs have two tests
    1. Earned income test
    2. AGI limit - regardless of plan participation

AGI Limit for Roth IRA Contributions		
Year	2026	2027
Single	$153,000 - $168,000	
MFJ	$242,000 - $252,000	
MFS	$ 0 - $10,000	

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Roth Conversions

- Allowed from IRAs, SEP IRAs, and SIMPLE IRAs (if 2-year test met)
- Regardless of age or AGI
- Convert any amount
  - FMV on date of conversion taxable

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§529 Plan to Roth Conversions

- Provision allows §529 plan conversion to Roth IRA
- Pertinent rules
  - Must be direct trustee to trustee transfer
  - The Roth IRA AGI limit does not apply
  - ***Lifetime maximum*** per beneficiary is $35,000
  - ***Annual max*** is equal to Roth contribution max - $7,500 in 2026
    - Reduces allowable Roth contributions for year
  - May only convert amounts that have been in 529 plan 5 or more years
  - §529 plan must have opened 15 or more years ago

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Savers Match Program

- Savers Match Plan replaces the Retirement Savers Credit starting January 1, 2027
- US government to make up to 50% matching contributions
- Maximum match is $1,000 (50% of $2,000)
- Claimed on yet to be published on Form 8880-A
- ABLE contributions will still get Savers Credit
- EO #14403 creates TrumpIRA.gov to support program

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Savers Match v. Savers Credits

Description	Saver's Match	Saver's Credit
Percent – phased out as AGI goes up	50%	50%
Maximum	$1,000	$1,000
Refundable	NA	No
ABLE accounts	No	Yes
Roth IRAs	Yes – but no deposit	Yes
AGI limit	$71,000 (MFJ) $35,500 (S)	$80,500 (MFJ) $40,250 (S)
Claimed on form	Form 8880-A	Form 8880

Savers Match Program

- Eligible taxpayers cannot be
  - A full-time student
  - Dependent on another's return
  - Non-resident alien
- Qualifying retirement plan contributions include
  - IRAs, SEP IRAs and Roth IRAs – match cannot be made to a Roth account
  - Elective deferrals made to SIMPLE IRA, 401k, and 403b plans
  - Voluntary after-tax employee contributions to qualified plans

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Trump Accounts – The Details are Emerging!



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Trump Accounts (§530A)

- Terminology
  - Trump account – type of traditional IRA that is designated as a Trump account
  - Eligible individual – is the account beneficiary
    1. For whom an election has been made to establish a Trump account
    2. Who has not reached age 18 before the end of the year, and
    3. Who has a valid SSN before the election is made
  - Pilot program – $1,000 government grant program

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Trump Accounts (§530A)



- Terminology
  - Growth period – starts date account is opened and continues until December 31st the year before the account beneficiary turns 18
    - Special rules apply during the growth period
    - Once the growth period is over, the Trump account is treated as a non-deductible IRA

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Trump Accounts (§530A)

- New regulations issued September 30, 2026 – effective in 2026 and beyond to clarify Trump Account rules
  - March 2026 proposed regs withdrawn
- Also see
  - Form 4547 and related instructions
  - Trumpaccounts.gov
  - Trump Account App – download from trumpaccount.gov or Apple or Google app stores

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Trump Accounts (§530A)

- Establishing Trump Accounts
  - Began July 6, 2026
  - Originally established by the parent or authorized person – cannot have two authorized persons
  - Must be
    - Initial Trump account, or
    - Rollover Trump account
  - Beneficiary may only have one Trump account open at a time

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Trump Accounts (§530A)

- Three methods for establishing Trump Accounts
  1. Election by Treasury to establish an auto account
  2. Filing of Form 4547, either with a tax return, stand alone or with app
  3. Deemed election by Treasury to establish account
- See Form 4547 on page 54
  - Part I – Parent information
  - Part II – Child information
  - Part III – Pilot Program info
  - Part IV – Consent to Disclose info

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Trump Accounts (§530A)

- Auto enrollment has arrived
- Sluggish start to enrollment – 1.4 million accounts established between July 6th and September 30, 2026
- October 2026 Treasury auto enrolled 60 million children
- To "claim" a Treasury established account, the responsible person will
  - Download the app
  - Confirm relationship to child and review the info
  - Accept the account terms

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Trump Accounts (§530A)

- Contributions
  - $5,000 annual contribution limit, which is separate from the $7,500 traditional IRA contribution limit – inflation adjusting starts in 2028
  - No further contributions allowed starting January 1st the year the child turns 18
  - Trump account becomes subject to non-deductible IRA rules
  - Contributions must be made by December 31st – not by return due date
  - Employer contributions discussed in FTU Business class
  - Earned income not required

Copyri

Trump Accounts (§530A)

- Account may be managed by – in order
  - Legal guardian
  - Parent
  - Adult sibling, and
  - Grandparent (if able to claim child as a dependent)
- Account manager is responsible to ensure only one Trump account is established for the child
- States may administer Trump accounts for foster children

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Trump Accounts (§530A)

Pilot program $1,000 one-time contribution/grant from US Treasury

- Provided to accounts of eligible children
- Eligible child defined
  - Meets the qualifying child definition under §152(c) for the person setting up the account
  - Born January 1, 2025 through December 31, 2028
  - Is a US citizen with a SS number
- Contribution is in addition to annual $5,000 contribution limit
- Tax deferred on $1,000 until withdrawn

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Charity Donors

- Several charities have pledged to contribute to Trump Accounts
  - Michael and Susan Dell Foundation pledged $6.25 billion to fund Trump account grants – $250 maximum per qualified person for first 25 million
  - Brad Gerstner of Altimeter Capital $100 million – $250 grants for Indiana children under age 5
  - Stable Road Foundation pledged $250 per account for Hawaii foster children
  - Dozens of businesses have pledged to support Trump account donations

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Trump Accounts (§530A)

- Trump account distributions
  - No distributions during the growth period – prior to reaching age 18
  - Exceptions include
    - Qualified rollovers to another Trump account
    - Qualified rollover to an ABLE account
    - To remove excess contributions, or
    - Death of beneficiary – Trump account is gone, balance is taxable to heirs
  - Once beneficiary turns 18, the growth period concludes and distributions follow basic non-deductible IRA distribution rules

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Trump Accounts (§530A)

- **Other Trump Account notable info**
  1. **Investments only allowed in "eligible investments", including**
     - **Mutual funds or exchanges that track a qualified index (primarily US stocks)**
     - **Annual fees do not exceed .1%**
  2. **No distributions are allowed unless due to**
     - **Death of account owner**
     - **Roll over to another Trump account – must be trustee to trustee transfer**
  3. **Treasury announced Bank of NY and Robinhood are partnering to admin Trump Accounts – more expected soon**

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Trump Accounts (§530A)

- Step by step
  1. Obtain a Social Security number for the beneficiary
  2. Claim the account if set up by Treasury with the app or online
  3. Elect the $1,000 Pilot program grant if applicable
     - Election is made by filing Form 4547 online (ID.me is required), or
     - Use the app
  4. Look for confirmation
  5. Add money to account as desired

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Trump Account Deposit/Withdrawal Rules

Extra

Deposit Sources for Trump Accounts

Source	Dollar Limit	Annual or One-Time	Other
**Federal Pilot Program	$1,000	One-Time	Born 1/1/2025-12/31/2028
**Charities	$5,000	Annual	Does not reduce $5,000 deposit limit from other sources
*Child, Parent, Family, Friends	$5,000	Annual	Limit is annual from all sources
**Employer	$2,500	Annual	Limit is annual from all sources
***Rollovers	N/A	N/A	From other Trump accounts
**Earnings	Unlimited	Annual	Unlimited

Creates basis and is not taxable at withdrawal

** All other amounts Taxable at Withdrawal*

*** Mixed taxability based upon source of funds*

Trump Account Example

- **Example – The Smiths have two children – Maya born in 2025 and Ethan born in 2027 – both qualify for Pilot grants The Smiths contribute $5,000 each year for both children starting in 2026. For Maya in 2043 – when she turns 18:**
  - **Annual funding (17 x $5,000) $ 85,000 – basis of 60.28%**
  - **Pilot program grant (2026) $ 1,000 – taxable .71%**
  - **Earnings over the years $ 55,000 – taxable 39.01%**
  - **Account balance as of January 1, 2043 $141,000**
  - **Withdrawals from Maya's Trump account would be split 39.72% taxable and 60.28% non-taxable**
- **See other examples on page 59 and 60**

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Trump Account Example

- **Example – Assume the Smiths have one child – Jake, who was born in 2026 and qualified for the Pilot grant. The Smiths were unable to make any additional contributions. When Jake turns 18 he'll have:**
  - **Earned 4% $ 2,025**
  - **Earned 6% $ 2,854**
  - **Earned 8% $ 3,996**
  - **Earned 10% $ 5,560**
- **What about Roth conversions? Kiddie tax?**

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Trump Savings Account – Good Idea?

- Free $1,000 for qualifying children 2025 – 2028
- Charitable donation available?
- Employer fringe available?
- No earned income requirement
- No AGI limit
- Is a nondeductible IRA a good idea?
- But, limited investment options
- Roth conversion starting at age 18 while no/low income?
  - Kiddie tax concerns – may have to wait

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Trump Savings Account – Good Idea?

	Trump Account	Roth IRA	529 Plan
Deduction	No	No	State only
Growth	Tax Deferred	Tax Free	Tax Free
Investment Options	Limited	Unlimited	Unlimited?
Earned income	No	Yes	No
Grant provided	Yes	No	No
Pre-18 distributions	No	Yes	Yes

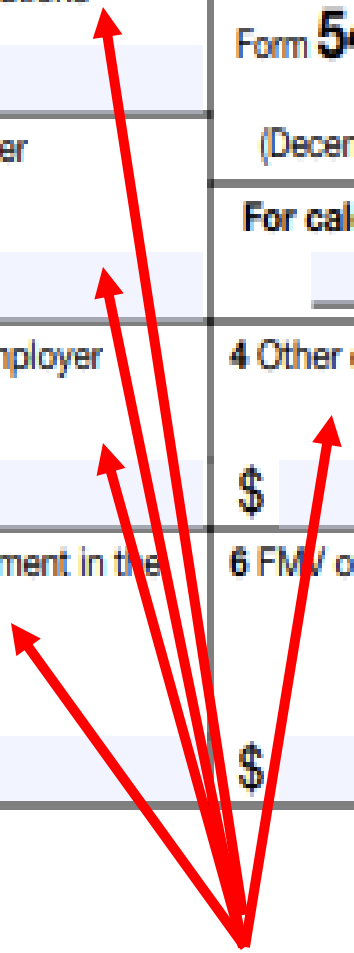
Trump Savings Account – Good Idea?

	Trump Account	Roth IRA	529 Plan
Private/charitable donations provided	Maybe	No	No
Employer contributions	Maybe	No	No
Combine with other IRAs	Yes - $5,000 plus IRA	No	Yes
Lifetime contribution limit	$90,000 (18 annual $5,000 contributions)	$7,500 annual	Minimum $269,000

Trump Account Reporting – Form 5498-TA

TRUSTEE'S name			
Street address			Room/suite no.
City/town	State/province	Country	ZIP/foreign code
TRUSTEE'S TIN	BENEFICIARY'S TIN		
BENEFICIARY'S name			
Street address			Apt. no.
City/town	State/province	Country	ZIP/foreign code
Account number (see instructions)			

1 Pilot program and qualified general contributions $	OMB No. 1545-0747 Form **5498-TA** (December 2026)	**Trump Account Contribution Information**
2 Qualified rollover contributions $	**For calendar year**	
3 Section 128 employer contributions $	4 Other contributions $	**Copy B** **For Beneficiary** This information is being furnished to the IRS.
5 Basis or investment in the contract $	6 FMV of account $	



Form **5498-TA** (12-2026) (Keep for your records) www.irs.gov/Form5498TA Department of the Treasury - Internal Revenue Service

PAYER'S name

Street address | Room or suite no.

City or town | Telephone number

State or province | Country | ZIP or foreign postal code

PAYER'S TIN | RECIPIENT'S TIN

RECIPIENT'S name

Street address | Apt. no.

City or town

State or province | Country | ZIP or foreign postal code

10 Amount allocable to IRR within 5 years
$

11 1st year of desig. Roth contrib.

12 FATCA filing requirement ☐

Account number (see instructions)

13 Date of payment

1 Gross distribution
$

2a Taxable amount
$

2b Taxable amount not determined ☐

Total distribution ☐

3 Capital gain (included in box 2a)
$

4 Federal income tax withheld
$

5 Employee contrib./ desig. Roth contrib. or insurance premiums
$

6 NUA in employer's securities
$

7a Dist. code(s)

7b IRA/SEP/ SIMPLE ☐

7c Trump account ☐

7d Earnings on excess contrib.
$

8a Other
$

8b Percentage of annuity contract %

9a Percentage of total dist. %

9b Total employee contrib.
$

14 State tax withheld
$

$

15 State/Payer's state no.

17 Local tax withheld
$

$

18 Name of locality

OMB No. 1545-0119

2026

Form 1099-R

Qualified Charitable Distribution (QCDs)

- Direct IRA to charity tax-free transfer
- 1099-R will be issued – New box 7 Code – Y – to identify QCDs!!
  - Code Y7 is used for a regular QCD
  - Code Y4 is used for QCDs from an inherited IRA
- Annual limit is $111,000 in 2026 – *per taxpayer* so MFJ it $222,000 total
- All charitable contribution rules must be followed – receipts and other documentation

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Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

OMB No. 1545-0119

2026

Form **1099-R**

Copy 1

For State, City, or Local Tax Department

PAYER'S name			1 Gross distribution	OMB No. 1545-0119
Mayberry Security Bank			$ 22,000	2026
Street address	Room or suite no.		2a Taxable amount	Form 1099-R
1 Rickfeller Center			$ 22,000	
City or town	Telephone number		2b Taxable amount not determined ☑	Total distribution ☐
Mount Pilot				
State or province / Country / ZIP or foreign postal code			3 Capital gain (included in box 2a)	4 Federal income tax withheld
NC / US / 27345			$	$
PAYER'S TIN	RECIPIENT'S TIN		5 Employee contrib./ desig. Roth contrib. or insurance premiums	6 NUA in employer's securities
12-3456789	987-65-4321		$	$
RECIPIENT'S name			7a Dist. code(s)	7b IRA/SEP/ SIMPLE
Andy Griffith			Y7	☑
Street address	Apt. no.		7c Trump account ☐	7d Earnings on excess contrib. $
332 Maple St.			8a Other $	8b Percentage of annuity contract %
City or town				
Mayberry				
State or province / Country / ZIP or foreign postal code			9a Percentage of total dist. %	9b Total employee contrib. $
NC / US / 27346				

10 Amount allocable to IRR within 5 years	11 1st year of desig. Roth contrib.	12 FATCA filing requirement	14 State tax withheld	15 State/Payer's state no.	16 State distribution
$		☐	$		$
			$		$
Account number (see instructions)		**13 Date of payment**	**17 Local tax withheld**	**18 Name of locality**	**19 Local distribution**
		9/30/26	$		$
			$		$

NOTE

Form **1099-R** www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

QCD Reminders

- Inherited IRA beneficiaries can make QCDs once the heir reaches age 70½
- QCDs only apply to IRAs, not other pensions
- IRA contributions made after age 70½ reduce eligible QCDs dollar for dollar
- QCDs not allowed for donations to private foundations, supporting organizations, and DAFs

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Inherited IRAs/Pensions Distributions

- **Step 1 – Classify beneficiaries as *designated beneficiaries or non-designated beneficiaries***
- **Step 2 – Designated beneficiaries (generally individuals) are further divided as either**
  1. **Eligible designated beneficiaries (EDBs)**
  2. **Designated beneficiaries**
- **Any other beneficiary is a non-designated beneficiary (typically the decedent's estate or trust)**
  - **5-year rule still applies**

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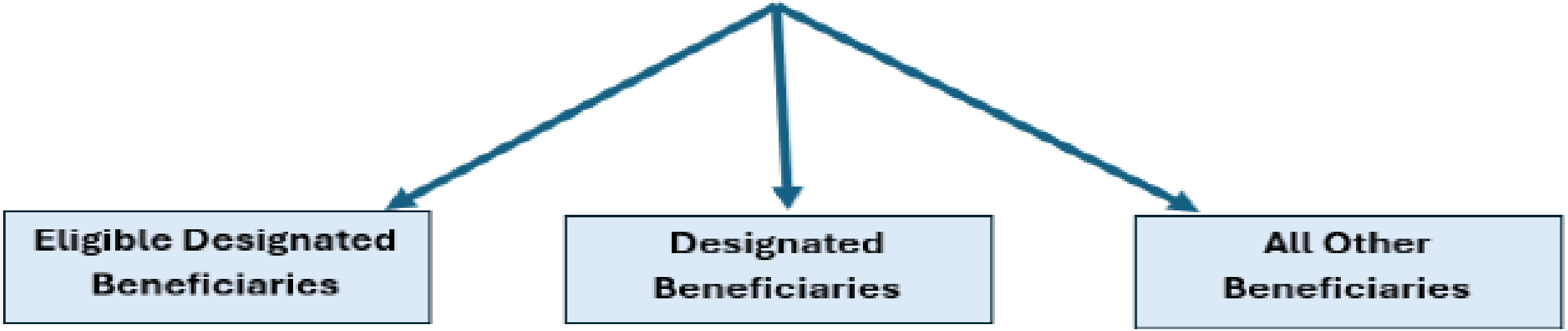
All Beneficiaries Are Either



- Spouse
- Minor children – until age 21
- Disabled
- Chronically ill
- Person no more than 10 years younger
- Certain trusts

- Natural person other than a spouse or eligible designated beneficiary
- Some trusts

- Estates
- Some trusts
- Charities
- Other entities

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RMDs and Designated Beneficiaries

- For decedents who pass before RMD age
  - No annual withdrawal requirements and 100% distributed within 10 years
- For decedents who pass at RMD age or after
  - RMDs required in years 1 – 9 ***based on the heir's single life expectancy***
  - 100% distributed within 10 years
- Excess accumulation penalties were waived through 2024 – start for missed distributions in 2025

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Eligible Designated Beneficiary

- EDBs use own life expectancy to calc RMDs
  - RMDs start year after decedent's death
  - Minor child is only an EDB until reaching age 21
- Designated beneficiaries
  - Must completely distribute the account balance by December 31st of the year 10 years after the year after the decedent's death

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Undesignated Beneficiaries

- Typically estates, trusts and other entities (e.g. charities)
- 100% must be distributed within 5 years of December 31st of the year of death
- Properly written trusts may be exempt

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Undesignated Beneficiaries

- Trusts – default is they are undesignated
- But it may be a designated beneficiary if
  1. Valid trust under state law
  2. Is irrevocable, or will become irrevocable upon the death of the grantor
  3. Beneficiaries are identifiable by the trust language
  4. Documentation is provided to the IRA or plan administrator no later than October 31st of the year following the year of death

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Early Distributions (§72(t))

- **Distributions before taxpayer is 59½ *on date of withdrawal* generally incur 10% penalty**
  - **The "72(t) exceptions" – see pages 61-62**

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Early Distributions (§72(t))

Exception	Qualified Plans	IRAs
Reach age 59½	Yes	Yes
Auto-enroll withdrawals	Yes	Yes
Death	Yes	Yes
Disability	Yes	Yes
Substantially equal periodic payments	Yes	Yes
Separation from service at 50/55	Yes	No
ESOP dividends	Yes	N/A
IRS levy	Yes	Yes
Excess contributions	Yes	N/A
Medical	Yes	Yes
QDRO	Yes	N/A
Unemployed health insurance	No	Yes

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Early Distributions (§72(t))

Exception	Qualified Plans	IRAs
Higher education	No	Yes
First time homebuyer – up to $10,000	No	Yes
Military reservist called to active duty	Yes	Yes
Birth or adoption - $5,000 per birth	Yes	Yes
Emergency expense – up to $1,000	Yes	Yes
Pension-linked emergency savings	Yes	N/A
Domestic abuse victim	Yes	Yes
Terminally ill within 84 months	Yes	Yes
Federally Declared Disaster up to $22,000	Yes	Yes
Long-term insurance care up to $2,500	Yes	Yes

None of this matters if already 59½ - penalty relief only

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Excess Accumulation Penalty

- Taxpayers who fail to take RMDs have historically been penalized 50% of the RMD
  - IRS has been extremely forgiving by waiving these penalties for those who report and explain a reasonable cause
- Penalty changed to 25%, maybe 10%
  - 25% penalty applies – 50% is gone
  - Drops to 10% if distributed by end of year after the year withdrawal was required
  - Statute of limitations is now 3 years

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Excess Accumulation Penalty – Form 5329 Modified

Part IX **Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs).** Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.

52a	Minimum required distribution for 2026 from all qualified plans for which you received a distribution of the full amount of the excess accumulation during the correction window	52a	
52b	Minimum required distribution for 2026 from all other plans	52b	10,000
53a	Amount distributed to you during 2026 from all qualified plans for which you received a distribution of the full amount of the excess accumulation during the correction window	53a	0
53b	Amount distributed to you during 2026 from all other plans	53b	0
54a	Subtract line 53a from line 52a and multiply the result by 10% (0.10). If zero or less, enter -0-	54a	0
54b	Subtract line 53b from line 52b and multiply the result by 25% (0.25). If zero or less, enter -0-	54b	0
55	Add lines 54a and 54b. Include the total on Schedule 2 (Form 1040), line 18, or Form 1041, Schedule G, line 8	55	0

RC $10,000

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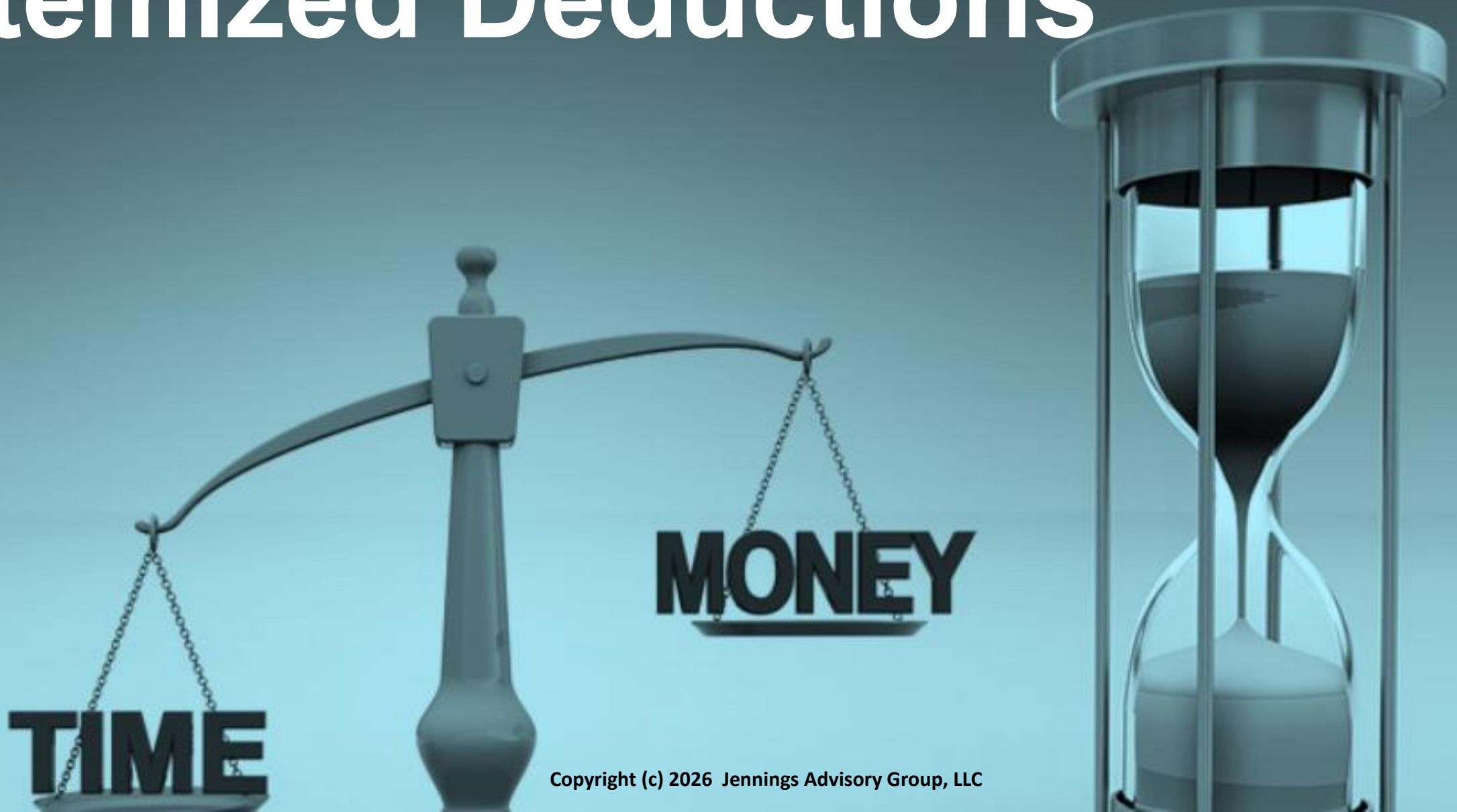
Itemized Deductions



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SCHEDULE A (Form 1040)

Department of the Treasury
Internal Revenue Service

Itemized Deductions

Attach to Form 1040 or 1040-SR.

Go to *www.irs.gov/ScheduleA* for instructions and the latest information.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 17.

OMB No. 1545-0074

2026

Attachment Sequence No. **07**

Name(s) shown on Form 1040 or 1040-SR

Your social security number

Medical and Dental Expenses

Caution: Do not include expenses reimbursed or paid by others.

1	Medical and dental expenses (see instructions)	1		
2	Enter amount from Form 1040 or 1040-SR, line 11b	2		
3	Multiply line 2 by 7.5% (0.075)	3		
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4

Taxes You Paid

5	State and local taxes (SALT).			
5a	State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ☐	5a		
5b	State and local real estate taxes (see instructions)	5b		
5c	State and local personal property taxes	5c		
5d	Add lines 5a through 5c	5d		
5e	Enter the smaller of line 5d or $40,400 ($20,200 if married filing separately). If Form 1040 or 1040-SR, line 11b, is more than $505,000 ($252,500 if married filing separately), or if you completed Form 2555, Form 4563, or excluded income from Puerto Rico, see instructions	5e		
6	Other taxes. List type and amount:	6		
7	Add lines 5e and 6			7

Interest You Paid

Caution: Your mortgage interest deduction may be limited. See instructions.

8	Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box ☐			
8a	Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a		
8b	Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address	8b		
8c	Points not reported to you on Form 1098. See instructions for special rules	8c		
8d	Mortgage insurance premiums (see instructions)	8d		
8e	Add lines 8a through 8d	8e		
9	Investment interest. Attach Form 4952 if required. See instructions	9		
10	Add lines 8e and 9			10

Gifts to Charity **Caution:** If you made a gift and got a benefit for it, see instructions.	11	Gifts by cash or check. If you made any gift of $250 or more, see instructions	11		
	12	Other than by cash or check. If you made any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500	12		
	13	Enter the amount from line 6 of the Charitable Contribution Limitation Worksheet	13		
	14	Carryover from prior year	14		
	15	Add lines 13 and 14			15
Casualty and Theft Losses	16	Casualty and theft loss(es) from a federally or state-declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions			16
Other Itemized Deductions	17	Other itemized deductions (see instructions).			
	17a	Deductible gambling losses	17a		
		If you have gambling winnings that you reported on Schedule C or Schedule E, check here ☐			
	17b	Net qualified disaster loss	17b		
	17c	Standard deduction claimed with qualified disaster loss	17c		
	17d	Casualty and theft losses of income-producing property	17d		
	17e	Federal estate tax on income in respect of a decedent	17e		
	17f	Deduction for amortizable bond premium	17f		
	17g	Ordinary loss attributable to a contingent payment debt instrument or an inflation-indexed debt instrument	17g		
	17h	Deduction for repayment of amounts under a claim of right if over $3,000	17h		
	17i	Certain unrecovered investment in a pension	17i		
	17j	Impairment-related work expenses of a disabled person	17j		
	17k	Deductible educator expenses not reported on Schedule 1 (Form 1040)	17k		
	17z	Add lines 17a through 17k			17z
Total Itemized Deductions	18	Is the amount on Form 1040 or 1040-SR, line 11b, minus the amounts on lines 13a and 13b of that form, more than $384,350? ☐ **No.** Your deductions are not limited. Add the amounts in far-right column for lines 4 through 17z. Also enter this amount on Form 1040 or 1040-SR, line 12e. ☐ **Yes.** Your deductions may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter			18
	19	If you elect to itemize deductions even though they are less than your standard deduction, check this box ☐			

Schedule A Makes it to 2 Pages!

Other Itemized Deductions	17	Other itemized deductions (see instructions).	
	17a	Deductible gambling losses	17a
		If you have gambling winnings that you reported on Schedule C or Schedule E, check here ☐	
	17b	Net qualified disaster loss	17b
	17c	Standard deduction claimed with qualified disaster loss	17c
	17d	Casualty and theft losses of income-producing property	17d
	17e	Federal estate tax on income in respect of a decedent	17e
	17f	Deduction for amortizable bond premium	17f
	17g	Ordinary loss attributable to a contingent payment debt instrument or an inflation-indexed debt instrument	17g
	17h	Deduction for repayment of amounts under a claim of right if over $3,000	17h
	17i	Certain unrecovered investment in a pension	17i
	17j	Impairment-related work expenses of a disabled person	17j
	17k	Deductible educator expenses not reported on Schedule 1 (Form 1040)	17k
	17z	Add lines 17a through 17k	17z

Much more detail than in past years.

Standard Deduction

2026 Standard Deduction Summary

Filing Status	2026 Std Deduction	2027 Std Deduction
Single	$ 16,100	
HOH	$ 24,150	
MFJ/QW	$ 32,200	
MFS	$ 16,100	

Blind and elderly add on is $2,050 ($1,650 per person MFJ)

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Direct Care and Health Care Sharing Ministries

- **Still waiting! – Proposed regs say medical expense deduction includes expenses for**

  1. **Direct care primary arrangement (aka: concierge medicine)**
     - **Internal, family, geriatric and pediatric MDs for sure**
     - **Maybe add PAs, NPs and clinical nurse specialists as well – Regs vague**

- **Regs say deductible as medical expense**

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Direct Care and Health Care Sharing Ministries

- **Still waiting! – Proposed regs say medical expense deduction includes expenses for**

  2. Payments to health care sharing ministries
  - **Must have been in existence since Dec. 31, 1999 without interruption**
  - **Annually audited**

- **Regs say deductible as medical insurance**

- ***BUT,*** **not authoritative until finalized**

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Other Medical Deductions Update

Age at close of tax year	2025	2026
40 or less	$ 480	$ 500
Over 40, not over 50	$ 900	$ 930
Over 50, not over 60	$1,800	$ 1,860
Over 60, not over 70	$4,810	$ 4,960
Over 70	$6,020	$ 6,200

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State and Local Tax (SALT) Deduction Limit

- SALT tax includes
  - State income tax and/or sales tax
  - Real estate taxes
  - Personal property taxes

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State and Local Tax (SALT) Deduction Limit

- SALT 2026 deduction cap
  - 2026 – $40,400 ($20,200 MFS)
  - 2027 – 2029 increase 1% per year
  - 2030 and beyond – goes back down to $10,000 ($5,000 MFS)
- Amount reduced by 30% of MAGI >$505,000 ($252,500 MFS)
  - But not below $10,000 ($5,000 for MFS)
  - The AGI phase out threshold is also increased by 1% per year
- PTE still the best way to go in most cases

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2026 Schedule A Deduction

5	State and local taxes (SALT).		
5a	State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ☐	**5a**	
5b	State and local real estate taxes (see instructions)	**5b**	
5c	State and local personal property taxes	**5c**	
5d	Add lines 5a through 5c	**5d**	
5e	Enter the smaller of line 5d or $40,400 ($20,200 if married filing separately). If Form 1040 or 1040-SR, line 11b, is more than $505,000 ($252,500 if married filing separately), or if you completed Form 2555, Form 4563, or excluded income from Puerto Rico, see instructions	**5e**	
6	Other taxes. List type and amount:	**6**	
7	Add lines 5e and 6		**7**

State and Local Tax (SALT) Deduction Limit

- Don’t forget election capitalize property taxes (§266 election)
  - Non-income producing, unimproved property only
  - Includes
    - Property taxes
    - Mortgage interest
    - Carrying costs
  - Election is made annually

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2026 Mortgage Interest Update

- **Three changes to the mortgage interest rules apply in 2026**
  1. **The $750,000 limit was made permanent**
  2. **The prohibition for deducting home equity debt was made permanent**
  3. **Mortgage insurance premiums are permanently deductible as mortgage interest**
- **For mortgages taken out prior to December 12/15/2017 the debt limit is $1 million – even if refinanced as long as no additional amounts are borrowed**

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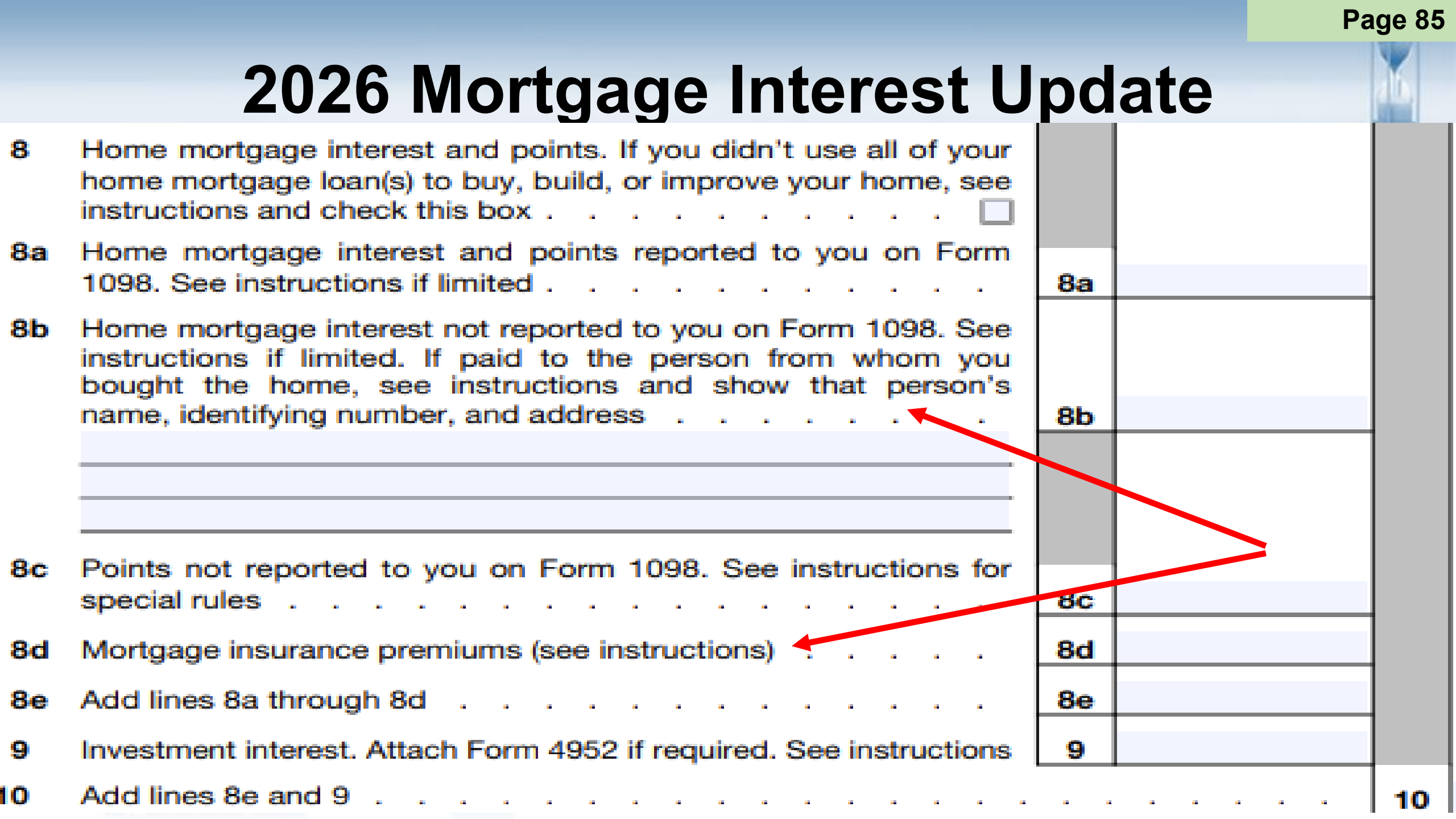
2026 Mortgage Interest Update

8	Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box . . . . . ☐		
8a	Home mortgage interest and points reported to you on Form 1098. See instructions if limited	8a	
8b	Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address	8b	
8c	Points not reported to you on Form 1098. See instructions for special rules	8c	
8d	Mortgage insurance premiums (see instructions)	8d	
8e	Add lines 8a through 8d	8e	
9	Investment interest. Attach Form 4952 if required. See instructions	9	
10	Add lines 8e and 9		10



OBBBA Charitable Contribution Changes

- **Three notable changes to charitable contributions in 2026**
  1. **60% of AGI limit made permanent – up from pre-TCJA limit of 50%**
  2. **Contribution floor of .5% of MAGI (AGI plus NOLs) now applies to charitable contributions – nothing deducted up to the threshold**
  3. **Non-itemizers are now allowed cash charitable contributions deduction of up to $1,000 ($2,000 for MFJ)**

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Charitable Contributions

- Example 1 – Harold and Maude have 2026 MAGI of $300,000 and donate $6,000 to charity
- Their charitable contribution deduction is reduced by $1,500 ($300,000 x .005), making their net deduction $4,500
- The $1,500 does not carry forward

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Charitable Contributions

- Example 2 – Harold and Maude have MAGI of $300,000 and donate $200,000 to charity
- Their charitable contribution deduction is first reduced to 60% of AGI – $180,000 ($300,000 x 60%)
- Then the .5% floor is applied – $1,500 ($300,000 x .005)
- Net deduction is $178,500
- Their carryforward to 2027 is $21,500 – the carryforward includes the .5% threshold amount

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Bunching Expenses

- "Floor amounts" apply to itemized deductions

1. Standard Deduction threshold
2. Medical Expense 7.5% of AGI threshold
3. The .5% charity deduction threshold



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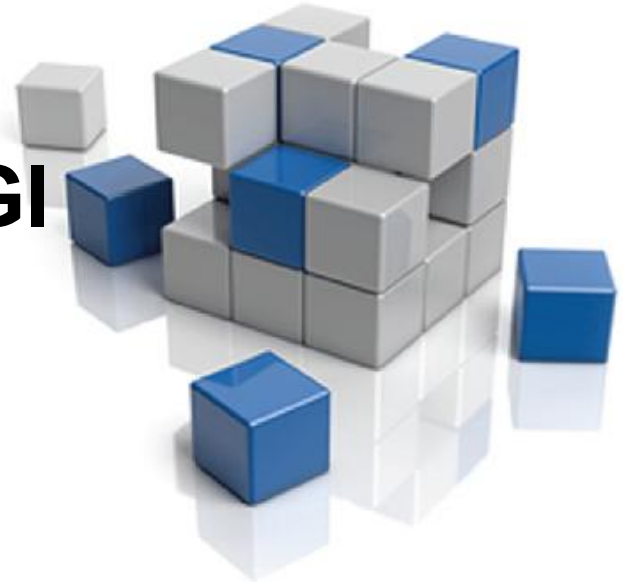
Extra

Bunching Medical & Charity in 2025



- **Bunch medical and charity to exceed standard deduction and only have the AGI thresholds apply once**

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Charitable Contributions

- Example 3 – Harold and Maude have MAGI of $300,000 and they typically donate $6,000 to charity
- If Harold and Maude donate $12,000 every other year instead of $6,000 per year, they reduce the AGI threshold impact by half
- If they donate $6,000 per year, after four years they've deducted $18,000 ($4,500 x 4 years)
- If they donate $12,000 every other year, they've deducted $21,000 ($10,500 x 2) over 4 years
- Donor advised funds work well for this strategy

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Extra

2025 Planning: Donor Advised Funds

- Maximize 2025 donations but don't determine recipients until future
- Avoids 2026 charity floor, utilizes standard deduction floor, capitalizes on bunching
  - Avoids itemized deduction phase out in 2026
- See major mutual fund families



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Charity Documentation Requirements

- Cash
  - Up to $250, proof of payment only
  - Greater than $250, proof of payment and receipt
- Non-cash – same as above plus
  - Greater than $500 complete and attach Form 8283
  - Greater than $5,000 obtain appraisal
  - Greater than $500,000 attach receipt

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Charity Documentation Requirements

- Don’t learn the hard way – no flexibility (Steve Martin)
  - Bought land for $11,000 (Steve’s 50%) and donated it to Highland City in Utah
  - Steve claimed deduction of $332,500 (50%) based on appraisal
  - AGI limits limited donation to $146,553 on return
  - IRS argued
    - No contemporaneous receipt from City
    - No competent appraisal
    - Appraisal not attached to return
  - Court sides with IRS with summary opinion!

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Charity Documentation Requirements

- Don’t learn the hard way – no flexibility (William Wells)
  - TP lost $4.4 million deduction because no receipt saying “no goods or services provided”
  - The donation was denied years after the donation even though the statute was closed because contribution was being carried forward

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Casualty Loss Changes

- Personal casualty and theft losses no longer deductible
  - Result is no deduction for any personal casualty or theft loss – includes scams or other thefts
  - Business casualty losses unchanged – still deductible
    - If a theft loss is a theft of assets used for trade, business, or investment, a deduction is allowed – more on this in a bit

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Federal Disaster Losses

- The IRS recognizes three different qualifying Federally declared disaster losses
  1. Federal casualty losses
  2. Disaster losses
  3. Qualified disaster losses
- All three of these losses qualify for deduction as a Federal disaster loss. The distinction is when they were declared and the related tax treatment

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Federal Disaster Losses

1. Federal casualty losses – loss on personal use property as a result of a declared disaster. Loss is deducted on Schedule A subject to the 10% of AGI and $100 rule

2. Disaster losses – loss from personal, business, and/or investment property attributable to a declared disaster and in area eligible for assistance. Loss is deducted on Sch. A subject to the 10% of AGI and $100 rule

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Federal Disaster Losses

3. Qualified disaster losses – specific disaster on which Congress established benefits
   - Declared by the President January 1, 2020 – September 2, 2025. See list on page 93
   - Taxpayer receives additional tax benefits including
   - Apply $500 threshold instead of the $100 plus 10% of AGI
   - Elect to claim without itemizing – added to standard deduction
   - See procedure for claiming on page 93 – new in 2026 add to Sch A

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Other Itemized Deductions	17	Other itemized deductions (see instructions).			
	17a	Deductible gambling losses	17a		
		If you have gambling winnings that you reported on Schedule C or Schedule E, check here ☐			
	17b	Net qualified disaster loss	17b	$25,000	
	17c	Standard deduction claimed with qualified disaster loss	17c	$32,200	
	17d	Casualty and theft losses of income-producing property	17d		
	17e	Federal estate tax on income in respect of a decedent	17e		
	17f	Deduction for amortizable bond premium	17f		
	17g	Ordinary loss attributable to a contingent payment debt instrument or an inflation-indexed debt instrument	17g		
	17h	Deduction for repayment of amounts under a claim of right if over $3,000	17h		
	17i	Certain unrecovered investment in a pension	17i		
	17j	Impairment-related work expenses of a disabled person	17j		
	17k	Deductible educator expenses not reported on Schedule 1 (Form 1040)	17k		
	17z	Add lines 17a through 17k			17z 142 57,200

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Qualified Disaster Losses Expanded

- 2026 Doug LaMalfa Federal Disaster Tax Relief Certainty Act extended Qualified Disaster treatment through 2026
- This effectively makes ALL disasters “qualified disasters”
- This means all Federally declared disasters are deductible in addition to the standard deduction and without regard to 10% AGI limit

- Review FEMA.gov for latest declarations

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Comparison of Federal Disaster Types

Description	Federal Casualty Loss	Disaster Loss	Qualified Disaster Loss
Declaration	Presidentially declared – a major or emergency disaster	Presidentially declared and specifies eligible area for aid	Congressionally determined disaster area
Eligibility	Covers personal property	Covers personal, business, and investment property	Covers personal-use property
Calculation	Loss less $100 plus 10% AGI	Loss less $100 plus 10% AGI	Loss less $500 – no AGI limit
Itemize deductions	Must itemize to claim	Must itemize to claim	Add-on to Standard Deduction – no Itemizing
Tax Year	May claim in prior year	May claim in prior year	May claim in prior year

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Casualty Loss Changes

- **State declared disasters now qualify as deductible casualty losses**

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Casualty and Theft Loss Summary

Description	Deduction
Personal theft loss	None
Business theft loss	Fully, no limits
Personal casualty loss	None
Business casualty loss	Fully, no limits
Federal declared disaster loss	Yes, subject to the $100 and 10% AGI limits
State declared disaster loss	Yes, subject to the $100 and 10% AGI limits
"Qualified Disaster Loss"	Yes, subject to the $500 limit, no AGI limit

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Theft Losses – Glimmer of Hope

- CCM 202511015 sheds light
- Rule #1 – personal theft losses are no longer deductible
- Rule #2 – theft loss is a business loss if asset stolen was used for trade, business, or investment
- To get a deduction, the taxpayer must
  - First establish a theft has occurred
    - "Theft" is defined broadly and includes any criminal appropriation of another's property.
    - Includes theft, swindling, larceny, and embezzlement
  - Loss is sustained in a year the loss is discovered, not when the theft occurs

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Theft Losses – Glimmer of Hope

- CCM 202511015 sheds light
  - Only business losses are deductible, so the AGI and $100 rules do not apply – Sch A line 17d
  - Business loss includes any transaction "entered into for profit" – there is no statutory definition
  - Courts and IRS say profit motive is the key – why did you enter the transaction? If it was to make a profit, it is trade, business or investment
  - See examples on page 97-99

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Theft Losses – Glimmer of Hope

- Now I have a loss, how do I report it?
  - Deductible theft losses are claimed on Form 4684, Section B – Business and Income Producing Property
  - Calculate the loss in Part I and then transfer it to Part II
  - For individual taxpayers, the loss is transferred to Schedule A, Other Itemized Deductions
    - Note that the 10% and $100 thresholds are not applied

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Miscellaneous Itemized Deductions

- 2% miscellaneous itemized deductions permanently repealed

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Gambling Losses

- TCJA eliminated the deduction for gambling losses in excess of gambling income, even for Sch C filers
- OBBBA went a step further by limiting recreational gamblers' losses to 90%, creating phantom income
- Example – Marilyn has gambling winnings of $9,200 and losses of $10,000. Her gambling income is calculated:

	2025 and Prior	2026 and After
Gambling income	$9,200	$9,200
Gambling losses	$9,200	$9,000
Phantom income	$ 0	$ 200

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Gambling Losses

- Losses are first reduced to 90% of the total and then limited to income
- Example – Marilyn has gambling winnings of $9,200 and losses of $12,000. Her losses before limiting for income are $10,800 ($12,000 x 90%)

	2025 and Prior	2026 and After
Gambling income	$9,200	$9,200
Gambling losses	$9,200	$9,200
Phantom income	$ 0	$ 0

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Gambling Losses

- **IRS adds new reporting for professional gamblers**

Other Itemized Deductions	17	Other itemized deductions (see instructions).	
	17a	Deductible gambling losses	17a
		If you have gambling winnings that you reported on Schedule C or Schedule E, check here . . . . . ☐	

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Miscellaneous Itemized Deductions

- Educator out of pocket expenses no longer subject to 2% reduction – therefore now deductible
- Plus the $350 above the line deduction
- Includes
  - Classroom supplies and equipment
  - Continuing education and related expenses
  - Etc.

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Itemized Deduction Phase Out

- New overall itemized deduction limit applies
  - Itemized deductions reduced by 2/37 (5.4%) of the lesser of
    1. Taxpayer's itemized deductions, or
    2. Amount in excess of the beginning of the 37% tax bracket without regard to any itemized deductions
    - NOTE – those in the 35% or lower backet will always have zero as the lesser amount - phaseout only applies to those in the 37% bracket

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Itemized Deduction Phase Out

- Example – Sarah's (single) 2026 income before itemized deductions is $690,000. Sarah's itemized deductions total $52,000
- Sarah's itemized deduction limit is
  - TI in excess of 37% bracket threshold ($690,000 - $640,600) $ 49,400
  - Itemized deductions $ 52,000
  - Lesser of the two $ 49,400
  - Times 5.4% (2/37) x 5.4%
  - Itemized deduction reduction $ 2,668
- Sarah may claim itemized deductions of $49,332 ($52,000 - $2,668)

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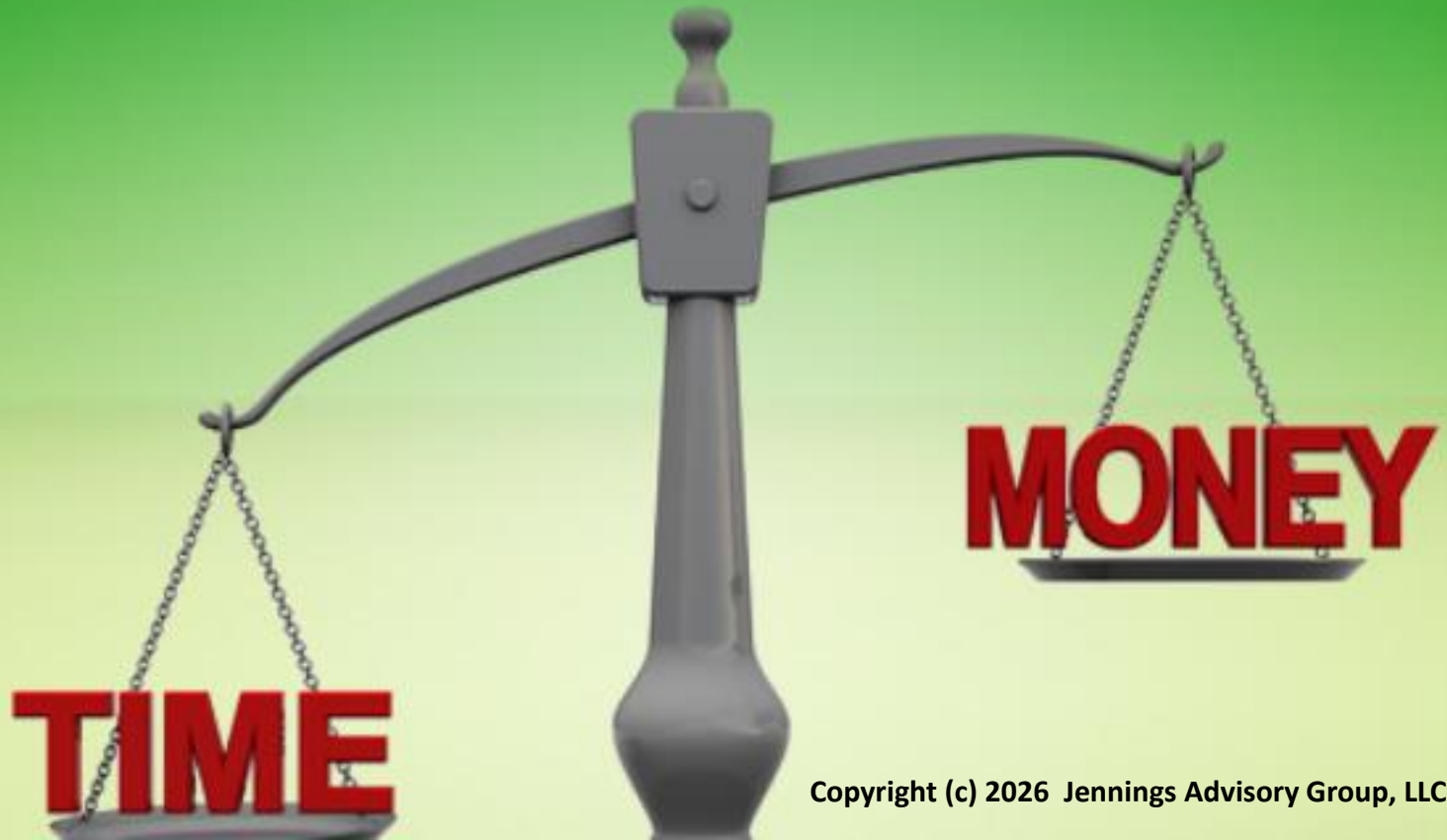
New Other Deductions – Sch 1A





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New OBBBA Deductions



- OBBBA created 3 brand new deductions and brought two old deductions back:
  1. NEW – Tip income deduction
  2. NEW – Overtime deduction
  3. NEW – Senior deduction
  4. BACK – Car loan interest deduction
  5. BACK – Non-itemizer charitable contribution deduction

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New Deduction Commonalities



- These new deductions have several commonalities, including all:
  - Have MAGI threshold – all define MAGI as AGI plus the foreign earned income exclusion and any excluded income from US territories
  - Require Social Security numbers – no TINs
  - Require married taxpayers to file jointly
  - Are allowed for itemizers and non-itemizers
- All except contributions are reported on IRS Form Schedule 1-A – 2026 version is 3 pages long!

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Tip Income Deduction

- **Final regulations make it very clear – if the tips aren't on the employee's W-2 or Form 4137, deductions are not**

Part II **No Tax on Tips**

Caution: Fill out Part II only if you received qualified tips. These tips must have been received in an occupation listed at *www.irs.gov/TippedOccupations*. You and/or your spouse who received qualified tips must have a valid social security number to claim the deduction. If married, you must file jointly to claim this deduction. See instructions.

4 Qualified tips received as an employee.

	(i) Name of employer	(ii) Employer's identification number (EIN) from Form W-2, box (b), or Form 4137, line 1, column (b)	(iii) Qualified tips included in Form W-2, box 12, code "TP" (see instructions)	(iv) Qualified tips included in Form 4137, line 1, column (c). If Form 4137 is not filed, enter -0-.	(v) Enter the larger of column (iii) or column (iv).
4a					
4b					

Tip Income Deduction



- Deduction of up to $25,000 of tip income allowed
  - Same limit applies to single, HOH, and MFJ taxpayers
  - For employees and self-employed persons
  - Ends after 2028
- Other requirements
  - AGI phase out begins at $150,000 ($300,000 for MFJ) – deduction reduced $100 per $1,000 over these amounts
  - Not applicable to specified service trades or businesses – defined under 199A
  - Self-employeds must reduce QBI income for excluded tips – no double dipping

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Tip Income Deduction – Example



- Alma is a restaurant server who
  - Receives wages of $42,000 and tips of $26,000 in 2026
  - Has AGI of $68,000
  - $25,000 of her tips are excludable
  - Her taxable income is

Wages	$ 42,000
Tips	$ 26,000
Less standard deduction	($16,100)
Less tip deduction	($25,000)
Taxable income	$ 26,900

  - Alma's tax savings from the tip deduction is $3,000 (12% of $25,000)

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Tip Income Deduction – Example



- James is a high-end salon stylist who
  - Received wages of $170,000 plus tips of $30,000 in 2026
  - AGI of $200,000 is $50,000 over limit
  - His tip deduction is first reduced by the excess over $25,000 ($30,000-$5,000)
  - Then his tip deduction is reduced for AGI limit - $5,000 (50 x $100)
  - James' taxable income is

• Wages	$ 170,000
• Tips	$ 30,000
• Less tip deduction	($ 20,000) ($25,000 - $5,000)
• Less standard deduction	($ 16,100)
• Taxable income	$ 163,900

  - James' saves $4,400 (22% x $20,000) from tip deduction

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Regs Clarify Tip Deduction Rules



- Qualified tips – per final regs released in 2026
  - Paid for services over amount agreed to or required – tip pools okay for servers
  - Paid to a person in a qualified occupation
  - Must be reported to IRS via W-2 or Form 4137
  - Must be paid
    - Voluntarily
    - Not be from a specified service trade or business

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Tip Income Deduction



- "Cash" tips only, which include
  - Tips received directly or indirectly from payor, or
  - For employees, from a tip sharing arrangement
  - Cash tips includes cash, check, gift card, debit card, tangible intangible tokens (e.g. casino chips), and foreign currency
    - Does not include tickets, meals, services, or other assets
    - Does not include digital assets
  - Managers and supervisors – tip sharing or tip pools do not count – only actual tips received from payor counts

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Tip Income Deduction



- "Cash" tips only, which are paid voluntarily without any consequence for nonpayment
- Does not include
  - Service charges, automatic gratuities, mandatory fees automatically added to customer bill do not count
  - Exception – allowed if customer is expressly allowed to disregard, then service charge qualifies

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Tip Income Deduction



- Employees participating in voluntary tip reporting programs
  - Amounts reported under programs such as TRDA and GITCA plus amounts reported on Form 4137 qualify instead of actual tips
- FICA and FUTA still apply – tip deduction is for income tax only
- See list of occupations from Regs starting on page 110

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Tip Income Deduction



- Specified service trades or businesses (SSTB) are not eligible for the tip deduction even if occupation is listed in regs
  - The definition of an SSTB is the same used under QBI
  - This includes employees who work for an SSTB
  - There is an exception for workers performing SSTB services for employer who is not an SSTB
  - If the worker is self employed and her/his work is an SSTB they are not eligible

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Tip Income Deduction



- Married couples
  - Must file married filing joint to claim deduction
  - SSN must be provided for spouse claiming tip deduction but not the non-claiming spouse
  - If both spouses have qualified tips, both must provide SSN to claim the deduction
  - Max deduction is $25,000 per return, not per spouse

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Tip Income Deduction



- Other tip related points
  - Employees whose tips aren't reported by the employer may still qualify if they report the tips to the IRS on Form 4137
  - QBI income does not include deducted tips
  - Qualified tips do not include tips for performing illegal acts
  - Cannot tip yourself – if you own the company where you earn tips they don't count
  - Employers and other payers must report tips separately on Forms W2 and 1099-NEC

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Tip Income Deduction



- Self employed persons and the tip deduction
  - Tips must be reported to qualify
  - Employee tips are reported on Forms W-2 or Form 4137
  - Self employeds must receive 1099-MISC, 1099-NEC or 1099-K on which tips are separately reported – otherwise no deduction (§1.224-1(d))
  - Tip deduction is limited to the lesser of the
    - Amount of tips included in gross income and
    - Net income from the SE activity
  - Tip deduction is not an SE tax deduction

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Tip Income Deduction

6 Qualified tips received in the course of a trade or business.

	(i) Business name	(ii) Employer identification number (EIN) from Schedule C, line D; Schedule E, Part II, line 28(d); or Schedule F, line D	(iii) Net profit of business from Schedule C, line 31; the sum of Schedule E, line 28(g) through 28(k); or Schedule F, line 34	(iv) Other allocable deductions	(v) Subtract column (iv) from column (iii).
6a					
6b					
6c					
6d					
6e					

	(vi) Payer's/ Filer's taxpayer identification number (TIN) from **first** Form 1099-NEC, Form 1099-MISC, or Form 1099-K	(vii) Qualified tip amount included in **first** Form 1099-NEC, box 1(b); Form 1099-MISC, box 13(a); or Form 1099-K, box 1(c)	(viii) Payer's/ Filer's taxpayer identification number (TIN) from **second** Form 1099-NEC, Form 1099-MISC, or Form 1099-K	(ix) Qualified tip amount included in **second** Form 1099-NEC, box 1(b); Form 1099-MISC, box 13(a); or Form 1099-K, box 1(c)	(x) Payer's/ Filer's taxpayer identification number (TIN) from **third** Form 1099-NEC, Form 1099-MISC, or Form 1099-K	(xi) Qualified tip amount included in **third** Form 1099-NEC, box 1(b); Form 1099-MISC, box 13(a); or Form 1099-K, box 1(c)	(xii) Total qualified tip amount; add columns (vii), (ix), and (xi).	(xiii) Enter the smaller of column (v) or column (xii).
6a								
6b								

Overtime Pay – Sch 1A

Part III **No Tax on Overtime**

Caution: Fill out Part III only if you received qualified overtime compensation. See instructions to learn more about what is qualified overtime compensation. You and/or your spouse who received the qualified overtime compensation must have a valid social security number to claim this deduction. If married, you must file jointly to claim this deduction. See instructions.

16 Qualified overtime compensation reported on Form W-2.

	(i) Name of employer	(ii) Employer's identification number (EIN) from Form W-2, box (b)	(iii) Qualified overtime compensation included in Form W-2, box 12, code "TT" (see instructions)
16a			
16b			
16c			
16d			
16e			

17 Add lines 16a through 16e, column (iii) **17**

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Overtime Pay – Sch 1A

18	Qualified overtime compensation reported on Form 1099-MISC or 1099-NEC.				
	(i) Business name	(ii) Employer identification number (EIN) from Schedule C, line D; Schedule E, Part II, line 28(d); or Schedule F, line D	(iii) Payer's taxpayer identification number (TIN) from Form 1099-NEC or Form 1099-MISC	(iv) Qualified overtime compensation included in Form 1099-NEC, box 1d, or Form 1099-MISC, box 14	
18a					
18b					
18c					
18d					
18e					
19	Add lines 18a through 18e, column (iv)			19	
20	Add lines 17 and 19			20	

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Overtime Pay (FLSA)



- Overtime most commonly referred to as work over 40 hours a week and paid at 1½ times the regular pay rate
- Enhanced overtime pay rates are required by Fair Labor Standards Act (FLSA) for non-exempt employees
- Overtime pay is included with regular wages for payroll tax and withholding tax

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OBBBA Creates Overtime Income Deduction



- Taxpayers may deduct up to $12,500 ($25,000 MFJ) of overtime pay received
- Qualified overtime pay is defined:
  - Premium paid in excess of regular pay rate, as defined by the FLSA (i.e., 1½ x regular pay amount) for working overtime
  - Tips are not included
  - Overtime must be reported by payer to payee and the IRS – either on Form W2 or Form 1099
  - Deduction reduced by $100 for every $1,000 taxpayer MAGI exceeds $150,000 ($300,000 MFJ)

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Overtime Income Deduction



- Example – Daniel and Rosa's AGI is $275,000. Rosa received documented overtime premium pay of $20,000
- Daniel and Rosa qualify for an overtime pay deduction of $20,000 on their joint return
  - Note that the overtime limit is $25,000 for a married couple, not $12,500 for each spouse

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Overtime Income Deduction



- Qualified overtime is limited to the overtime premium paid, not the entire pay amount – only the premium per FLSA
  - Example – Brandon worked 50 hours in one week, where his regular pay rate is $40 per hour. Brandon is paid 1½ times his regular rate for overtime. Brandon's pay is calculated:
  - 50 hours at regular pay rate ($40 x 50 hours) $ 2,000
  - Overtime premium - 10 hours x $20* OT premium $ 200
  - Total pay for the week $ 2,200
  - Qualified overtime pay for the deduction is $200 – pay in excess of the regular pay rate

*$60 OT rate less $40 regular rate x 10 hours

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Overtime Pay Deduction

- Overtime defined by Federal law, not state law/employee agreements

- FLSA Overtime
  - Overtime = >40 hrs/week at ≥ 1.5x regular rate
  - Workweek = fixed 168-hour period (7 x 24)
  - Covers most interstate commerce employers
  - No OT requirement for weekends/holidays unless >40 hrs/week

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OBBBA Creates Overtime Income Deduction

- **Example with FLSA rules**
  - **Brandon normally earns $40 an hour. Brandon's employer has him on call on Christmas day, a normal day off.**
  - **Brandon is paid $40 an hour to be on call and will be paid $80 an hour if he is called out. Brandon was called out and worked 4 hours. His pay is summarized**

• Regular pay ($40 x 40 hours)	$ 1,600
• On call standby pay ($40 x 4 hours)	$ 160
• Overtime worked on Christmas ($80 x 4 hours)	$ 320
• Total pay for the week	$ 2,080
• Qualified overtime = $20 (half time) x 4 hours	$ 80

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Overtime Pay Deduction



- Overtime defined by Federal law, not state law/employee agreements
- FLSA Exemptions
  - Executive, administrative, professional employees
  - Certain sales & computer professionals
  - Seasonal, farm, sailors, fishing, small newspaper, companions, etc.
  - Commissioned retail employees, auto/boat/aircraft sales, mechanics
  - Transportation workers (rail, air, taxi, certain drivers)
  - Movie theater employees

- But, if the employer chooses to pay an employee as an hourly employee, even if exempt, they are not exempt and the FLSA rules apply

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Overtime Pay Deduction



- Other notable rules
  - High income phaseout – same thresholds as the tip deduction - $150,000 and $300,000
  - Married taxpayers must file MFJ and provide SSNs for anyone claiming the deduction
  - Coordinating overtime and tip deductions
    - Tip income cannot create overtime
    - But if overtime is paid in addition to tips, taxpayer may qualify for both deductions
    - The SSTB rules for tips does NOT apply to overtime

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Other Overtime Items

- 2026 W2 adds box 14B for tip occupation code
  - Box 12, Code TA for employer contributions to Trump account
  - Box 12, Code TP for amount of qualified tips non-SSTB
  - Box 12, Code TS – tips paid to employee in SSTB
  - Box 12, Code TT for qualified overtime

- No reporting, no deduction in 2026 and beyond!

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Last Example

- Dave is 66 years old and earns wages of $65,000, which includes $8,000 of qualified overtime
- Dave contributes $30,000 to his 401k

• W-2 income	$ 65,000
• 401k deferral	($ 30,000)
• Overtime deduction	($ 8,000)
• Senior deduction	($ 6,000)
• Standard deduction	($ 18,150)
• Taxable income – be like Dave!	$ 2,850

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Personal Exemption Changes



- 2 OBBBA changes
  1. Pre-2018 personal exemption rules are permanently repealed
     - But amounts will continue to be calculated where necessary for other law provisions – e.g. earnings limit for other dependents
     - $5,300 in 2026
  2. In 2025 through 2028 taxpayers age 65 and older may claim a $6,000 personal exemption ("senior deduction")
     - MAGI must be less than $75,000 ($150,000 MFJ) – 6% reduction for MAGI in excess of limits
     - Note – AGI phase out applies to each spouse's deduction, not to the total
- NOTE - Has nothing to do with Social Security

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Senior Deduction

- **Example – Jim and Colleen are both 76 years old and their MAGI is $180,000. Their Senior Deduction is calculated:**
  - **MAGI** $ 180,000
  - **MFJ Threshold** ($150,000)
  - **Excess above threshold** $ 30,000
  - **Phaseout rate** 6%
  - **Phase out amount** $ 1,800
  - **Net Senior Deduction ($6,000-$1,800 x2)** $ 8,400
  - **Correct final number in manual page 120**

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Senior Deduction Reporting



Part V Enhanced Deduction for Seniors

Caution: You and/or your spouse must have a valid social security number. If married, you must file jointly to claim this deduction. See instructions.

37	Enter the amount from line 3	37	180,000
38	Enter $75,000 ($150,000 if married filing jointly)	38	150,000
39	Subtract line 38 from line 37. If zero or less, enter $6,000 on line 41	39	30,000
40	Multiply line 39 by 6% (0.06)	40	1,800
41	Subtract line 40 from $6,000. If zero or less, enter -0-	41	4,200
42a	If you have a valid social security number (see instructions) and were born before January 2, 1962, enter the amount from line 41	42a	4,200
42b	If you are married filing jointly, your spouse has a valid social security number (see instructions), and your spouse was born before January 2, 1962, enter the amount from line 41	42b	4,200
43	**Enhanced deduction for seniors.** Add lines 42a and 42b	43	8,400

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Senior/Personal Deductions



Revised 2026 Standard Deduction				
	Standard Deduction	65 and over/Blind	Senior Deduction	Filing Threshold
Single	$16,100	$ 2,050	$6,000	$24,150
HOH	$24,150	$ 2,050	$6,000	$32,200
MFJ	$32,200	$ 1,650 each	$6,000 each	$47,500

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Senior/Personal Deductions



- Top of the 10% and 12% brackets and zero capital gains

Senior Bracket Tops Assuming 65 and Older					
	Std. Deduct	Taxable Income for 10% Limit	TRUE Top of 10% Bracket	Taxable Income for 12% Limit	TRUE Top of 12% Bracket
Single	$24,150	$12,400	$36,550	$50,400	$74,550
Head House	$32,200	$17,700	$49,900	$67,450	$99,650
Married Joint	$47,500	$24,800	$72,300	$100,800	$148,300

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Planning Example – Capital Gains

- Al and Susan (both age 65) have gross income of $80,000, comprised of pensions, interest and taxable Social Security
- Susan owns 500 shares of Disney stock with FMV of $75,000, cost basis $10,000

	No Stock Sale	With Stock Sale
Income w/o stock sale	$ 80,000	$80,000
Stock sale capital gain	$ 0	$65,000
Deductions*	($47,500)*	($47,500)*
Taxable income	$ 32,500	$ 97,500
Tax	$ 3,404	$ 3,404

*Deductions $32,200 + $1,650 + 1,650 + $6,000 + $6,000 = $47,500

Senior/Personal Deductions



- Planning cautions
  - Consider Senior deduction phaseout
  - If above std deduction maximize itemized if income is slightly above limits
  - Remember to include taxable Social Security
  - Consider IRMAA
  - Consider state tax ramifications

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Car Loan Interest Deduction (2025-2028)



- OBBBA reinstates deductions for qualified auto loan interest – for itemizers and non-itemizers
- Deduction of up to $10,000 for interest paid on loan used to purchase a passenger vehicle (car, van, SUV, truck, motorcycle) with GVRW less than 14,000 lbs
- Deduction phases out for those with AGI in excess of $100,000 ($200,000 MFJ)
  - Phase out is $200 per $1,000 over the threshold

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Sch 1A - Auto Loan Interest Deduction



- See the new form on page 123
- Note additional reporting
  - If any interest is deducted elsewhere – e.g., Sch C, Sch. F, etc.
  - Original use question
  - Final assembly question

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Car Loan Interest Deduction (2025-2028)



- To qualify:
  - Loan initiated in 2025 or after – no refinancing unless loan originally initiated in 2025
  - Loan must be used to buy new auto which is used for personal transportation – used cars don't count
    - Personal use determined once at time of purchase based on TP intent
  - Lender cannot be related party
  - No salvage or scrap title
  - Loan secured by vehicle
  - Lenders are required to issue Form 1098 type statements

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Vehicle Loan Interest Statement

RECIPIENT'S/LENDER'S name

Street address | Room/suite no.

City/town | Telephone number

State/province | Country | ZIP/foreign code

RECIPIENT'S/LENDER'S TIN | PAYER OF RECORD'S TIN

PAYER OF RECORD'S name

Street address | Apt. no.

City/town

State/province | Country | ZIP/foreign code

Account number (see instructions)

* **Caution:** The amount shown may not be fully deductible by you. Limits based on the amount of interest paid, your income, and the passenger vehicle may apply. Generally, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.

OMB No. 1545-2334

Form **1098-VLI**

(December 2026)

For calendar year

1 Vehicle loan interest received by lender*

$

2a Year | **2b** Make | **2c** Model

2d VIN

3a Loan origination date | **3b** Loan acquisition date

4 Outstanding principal

$

5 Refund of overpaid interest

$

6 Check if original use of the vehicle began with the payer of record ☐

7 Check if final assembly of the vehicle occurred within the United States ☐

Copy B

For Payer of Record

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for vehicle loan interest. Explore options to file for free at *www.irs.gov/FFForm*.

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Charitable Contributions



- Starting in 2026 - Non-itemizers may deduct up to $1,000 ($2,000 MFJ) of contributions starting in 2026 – after AGI and standard deduction
- Notables
  - Cash contributions made to public charities, churches, nonprofit education institutions, etc. only
  - .5% threshold does not apply if not itemizing deductions
  - Donations to DAFs and supporting organizations do not qualify
  - Prior year carry over amounts do not qualify

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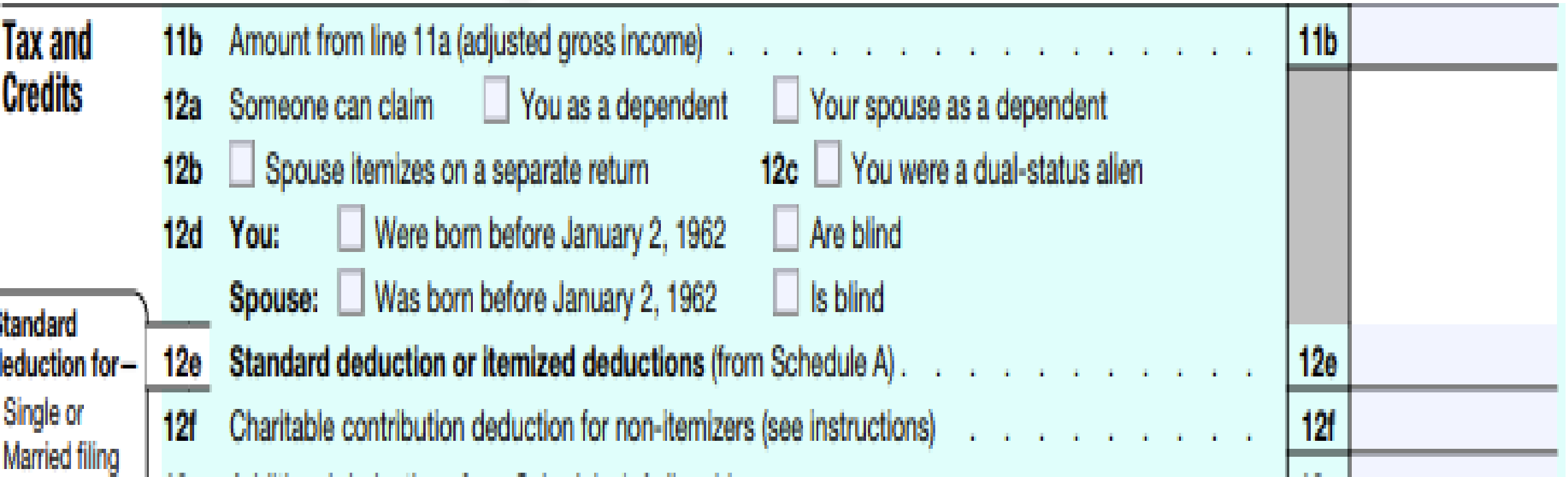
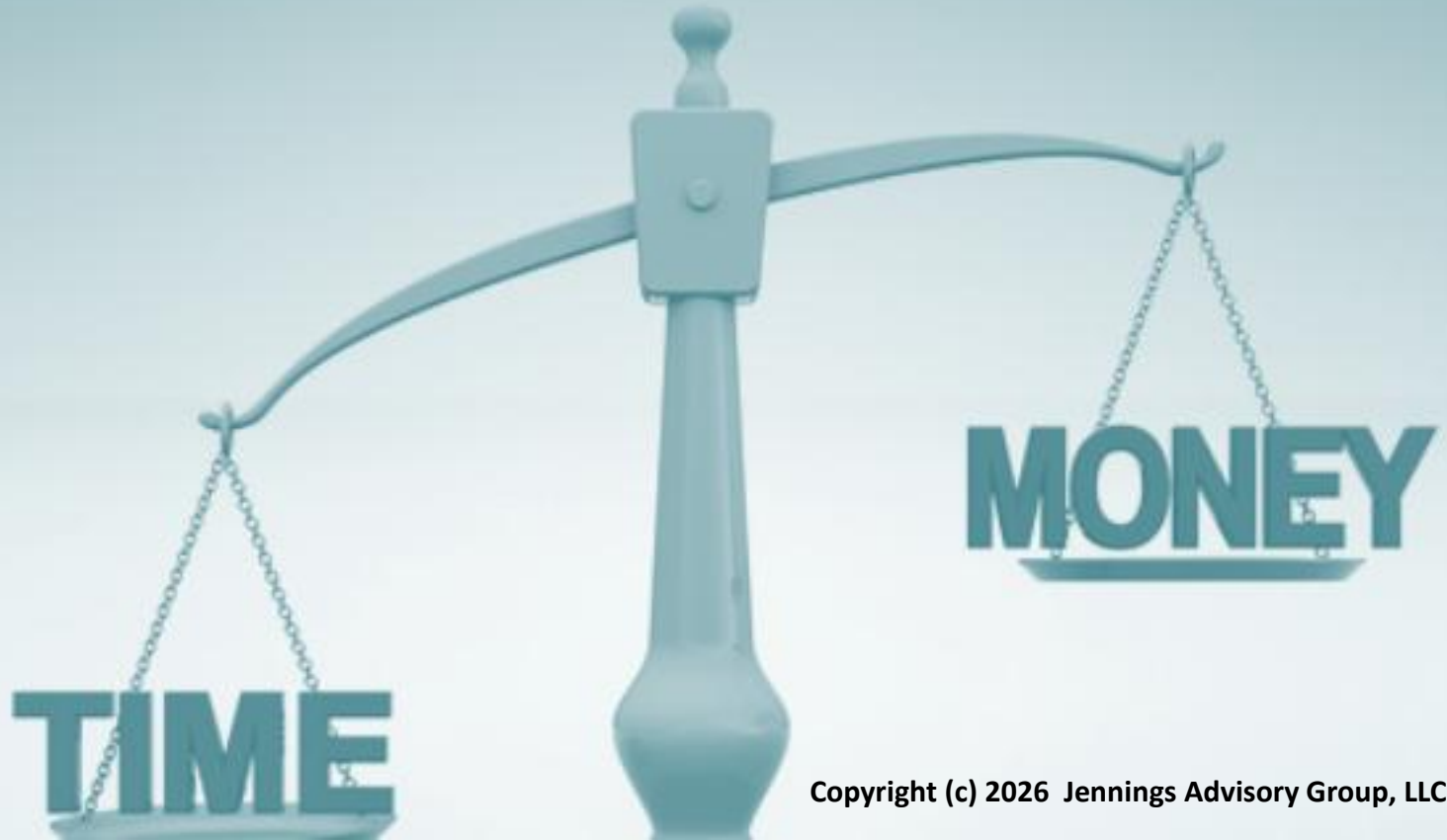
Charitable Contributions

- No AGI limit
- Documentation required
- Reported on Form 1040, Line 12f



Other Taxes, Credits, and Tax Payments





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Schedules 2, 3, and 3-A

- Schedule 2 – Additional Taxes
- Schedule 3 – Additional Credits and Payments
  - No significant changes from 2025
- Schedule 3-A – Federal Public Benefit
- See draft forms on pages 129-132

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Schedules 2, 3, and 3-A

- Schedule 2 – Additional Taxes changes include
  - Part II now broken into 2 sections – A and B
  - Section A is Additional Income Taxes
  - Section B is Additional Employment Taxes
  - Sections together are now 22 lines (13 lines in 2025)

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Schedule 2 – Additional Taxes

13a	Recapture of other credits. List type, form number, and amount:	13a	
13b	Recapture of federal mortgage subsidy. If you sold your home, see instructions	13b	
13c	Additional tax on HSA distributions. Attach Form 8889	13c	
13d	Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	13d	
13e	Additional tax on Archer MSA distributions. Attach Form 8853	13e	
13f	Additional tax on Medicare Advantage MSA distributions. Attach Form 8853 .	13f	
13g	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	13g	
13h	Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	13h	
13i	Compensation you received from a nonqualified deferred compensation plan described in section 457A	13i	
13j	Section 72(m)(5) excess benefits tax	13j	
13k	Golden parachute payments	13k	
13l	Tax on accumulation distribution of trusts	13l	

Schedule 2 – Additional Taxes

15	Add lines 4 through 11 and line 14		

Section B—Additional Employment and Other Taxes

16	Additional social security and Medicare taxes:		
16a	Social security and Medicare tax on unreported tip income. Attach Form 4137	16a	
16b	Uncollected social security and Medicare tax on wages. Attach Form 8919	16b	
16c	Total additional social security and Medicare tax. Add lines 16a and 16b		
17	Other employment taxes:		
17a	Household employment taxes. Attach Schedule H	17a	
17b	Additional Medicare tax on Medicare wages and RRTA compensation. Attach Form 8959	17b	
17c	Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12	17c	
17d	Total other employment taxes. Add lines 17a through 17c		
18	Additional tax on excess contributions or accumulations in IRAs or other tax-favored accounts. Attach Form 5329		
19a	Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund	19a	
19b	Any interest from Form 8621, line 24	19b	
19c	Add lines 19a and 19b		
20	Total additional employment and other taxes. Add lines 16c, 17d, 18, and 19c		

Section C—Total Additional Taxes

Schedule 3-A

- Schedule 3A – Federal Public Benefit
  - Used to report additional info for those claiming refundable credits
    - EIC
    - Additional child tax credit
    - AOTC
    - Refundable adoption credit
- Must attest to citizenship or other qualifying criteria

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Schedule 3-A

7 Do you want to receive your federal public benefit?

- ☐ **Yes.** Go to line 8.
- ☐ **No.** Stop. Enter the amount from line 6 on Form 1040, 1040-SR, or 1040-NR, line 32b. If you are filing Form 1040-SS, enter the amount from line 6 on Part I, line 12b.

Part II Verification of Eligibility for Federal Public Benefit

8 Are you or your spouse a U.S. citizen, U.S. national, or qualified alien? See instructions.

- ☐ **Yes.** Enter -0- here and on Form 1040, 1040-SR, or 1040-NR, line 32b. If you are filing Form 1040-SS, enter -0- on Part I, line 12b.
- ☐ **No.** Enter the amount from line 6 here and on Form 1040, 1040-SR, or 1040-NR, line 32b. If you are filing Form 1040-SS, enter the amount from line 6 on Part I, line 12b 8

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Tax Credits

- Refundable and nonrefundable
- Refundable credits include
  - Adoption credit (up to $5,120)
  - Child Tax Credit
  - American Opportunity Credit
  - Earned Income Credit
  - Excess Social Security or RR tax withheld
  - Premium Assistance Credit

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Tax Credits

- Nonrefundable credits include
  - Adoption credit (over $5,120)
  - Child Care Credit
  - Holders of Tax Credit Bonds
  - Disabled Access Credit
  - Foreign Tax Credit
  - Other Dependent Credit
  - Residence Energy Credits
  - Retirement Savings Credits

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Credit for Contributions to Scholarship Granting Organizations

- New nonrefundable tax credit for contributions to "Scholarship Granting Organizations" (SGO) – begins in 2027
  - Requires states to establish "Scholarship Granting Organizations" (SGO)
    - New regulations provide details on how to qualify as an SGO
  - May fund tuition, fees, special needs services, room and board, uniforms, transportation, technology and internet
  - Scholarships are not taxable to recipients

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Credit for Contributions to Scholarship Granting Organizations

- Eligible credit – dollar for dollar credit for donations to SGOs up to $1,700 ($3,400 MFJ)
  - Credit is nonrefundable
  - Related scholarships are not taxable to recipients
- Eligible student
  - Eligible to enroll in public elementary or secondary school
  - Student's prior year family income did not exceed 300% of the area's median gross income

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Credit for Contributions to Scholarship Granting Organizations

- Qualifying contributions – cash contributions made by an individual to an SGO that uses donations to fund scholarships
  - Normal contribution documentation rules apply
- SGO must be §501(c)(3) and
  - Not be a private foundation
  - Not comingle funds between qualifying and nonqualifying
  - Be included in state list of qualifying organizations
- NOTE – the IRS is going to maintain a list of SGOs on its website

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Idaho SGO Survives Supreme Ct. Challenge

- Group argued Idaho SGO was unconstitutional because
  - Harm to public schools
  - Private benefit for public funds
- Idaho Supreme Court ruled 5-0 in favor of SGO, finding
  - Idaho constitution establishes baseline public education but doesn't preclude private education funding
  - Any harm to public education was hypothetical at best
- Why care in a Federal tax update – multiple similar lawsuits in several states – this is only the first

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Adoption Credit - Review

- Nonrefundable credit with 5-year carryover
- Lesser of $17,670 *per adoption* or actual amount spent
  - Limit for special needs child is $17,670 regardless of what is spent
- No credit for adopting spouse's child ***if married***
- Payment in advance is allowed
  - Unsuccessful adoption expenses allowed, but included in $$ max for a later successful adoption
- Foreign adoptions count, but no credit until adoption is final

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Adoption Credit - Review

- Qualified adoption expense definition is very broad and includes 100% of
  - Legal and adoption fees
  - Travel
  - Court costs
  - Costs required by state to complete adoption (e.g., construction costs to modify home)
  - Any other necessary expenses

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Adoption Credit - Review

- Employer tax-free reimbursement allowed up to annual limit - $17,670 in 2026
- Child must be <18 or disabled
- AGI phaseout begins at $265,080 (all taxpayers), fully gone at $305,080
- Claim later of year of adoption or year after paid

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Adoption Credit

- Recent changes to adoption rules
  - Up to $5,120 is refundable in 2026
    - Schedule 3-A required
  - Only the non-refundable portion may be carried forward
  - Indian tribal governments determine if child is special needs child
  - For employer benefits, written plan required
    - No more than 5% of benefits for >5% owners and family

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Adoption Credit

- Other adoption credit notables
  - Adoption credit limits are per adoption, not per return
  - Special needs definition is different for different circumstances, especially with regard to Native American children – see info on page 137
  - Employers may provide tax-free reimbursement of adoption related expenses - up to $17,670 in 2026.
    - NOTE – This is in addition to the amount claimed for the credit

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Child Tax Credit Expanded

- Child tax credit permanently increased to $2,200 for children under age 17
  - Up to $1,700 refundable based on earned income in excess of $2,500
- Phase out for those with AGI over $200,000 ($400,000 MFJ)
- Child's Social Security number required to claim
- Amount is now inflation adjusted – no change in 2026
- Must file Schedule 3A to claim

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Child And Dependent Care Credit

- Review
  - Non-refundable dependent care credit provided if paid to allow work or education
    - Max credit for one child = $1,050 ($3,000 x 35%)
    - Max credit for two or more children $2,100 ($6,000 x 35%)
  - Credit rate ranges from 20% to 35% based on AGI
  - Credit rate reduced 1% every $2,000 of AGI in excess of $15,000
  - Credit rate capped at 20% once AGI hits $43,000
  - No AGI limit - all taxpayers get at least 20% credit

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Child And Dependent Care Credit

- 2026 changes include
  - Maximum credit percent increased to 50% of amount paid
    - Max credit for one child = $1,500 ($3,000 x 50%)
    - Max credit for two or more children $3,000 ($6,000 x 50%)
  - Phase out is now a step down
    - Credit rate reduced by 1% per $2,000 of AGI over $15,000, but not below 35%
    - Credit further reduced 1% per $2,000 ($4,000 for MFJ) of AGI above $75,000 ($150,000 MFJ), but not below 20%

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Child And Dependent Care Credit

Credit Rate	AGI Ranges	
	Single, HOH, MFS	MFJ
50%	$0 – $15,000	$0 – $15,000
36% to 49%	$15,001 - $43,000	$15,001 - $43,000
35%	$43,001 – $75,000	$43,001 - $150,000
21% - 34%	$75,001 - $105,000	$150,001 - $210,000
20%	$105,001 & up	$210,001 & up

Education Credits

- New for 2026 – Social Security number is required – TIN is no longer allowed for these credit
- Name and SSN required for student, not just taxpayers
  - SSN must be issued to a US citizen or a person on work visa
  - Must be issued by date return is due – no retroactive treatment
- For the American Opportunity Credit
  - EIN required for school
  - Schedule 3-A must be completed
- Failure to provide required SSNs or EINs results in auto assessment

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Premium Assistance Credit (PAC)

- 2020 – 2025 PAC formulas were adjusted to
  1. Reduce or eliminate PAC recapture in most instances
  2. Allow more people to qualify for the credit, even those with AGI in excess of 400% of FPL
- For 2026, these rules are gone – taxpayers with AGI greater than 400% of FPL will have to pay back 100% of any advance PACs

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Applicable Percentage Table for 2026 (Rev. Proc. 2025-25)

As a % of the Poverty Level	Initial Premium %	Final Premium %
Up 133%	2.10%	2.10%
133% to 150%	3.14%	4.19%
150% to 200%	4.19%	6.60%
200% to 250%	6.60%	8.44%
250% to 300%	8.44%	9.96%
300% to 400%	9.96%	9.96%

2026 Federal Poverty Levels

Family Size	100% FPL	138% FPL	150% FPL	200% FPL	250% FPL	300% FPL	400% FPL
1	$15,960	$22,025	$23,940	$ 31,920	$ 39,900	$ 47,880	$ 63,840
2	$21,640	$29,863	$32,460	$ 43,280	$ 54,100	$ 64,920	$ 86,560
3	$27,320	$37,702	$40,980	$ 54,640	$ 68,300	$ 81,960	$109,280
4	$33,000	$45,540	$49,500	$ 66,000	$ 82,500	$ 99,000	$132,000

Premium Assistance Credit (PAC)

- Planning note – don't forget flexibility of 2 or more taxpayers under same coverage
- Jenna and Jacob (Jenna's 23-year-old son) are insured through the same Marketplace policy – Jacob is not a dependent on Jenna's return
- Jenna received an advance PAC of $12,324
- Jenna AGI was higher than anticipated so she owes a PAC repayment of $4,020
- If the PAC is applied to Jacob instead, he gets additional PAC of $1,473 and Jenna pays zero

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Premium Assistance Credit (PAC)

Form 8962 (2022) Page **2**

Part IV Allocation of Policy Amounts

Complete the following information for up to four policy amount allocations. See instructions for allocation details.

Allocation 1

30	(a) Policy Number (Form 1095-A, line 2)	(b) SSN of other taxpayer	(c) Allocation start month	(d) Allocation stop month

Allocation percentage applied to monthly amounts	(e) Premium Percentage	(f) SLCSP Percentage	(g) Advance Payment of the PTC Percentage

Allocation 2

31	(a) Policy Number (Form 1095-A, line 2)	(b) SSN of other taxpayer	(c) Allocation start month	(d) Allocation stop month

Allocation percentage applied to monthly amounts	(e) Premium Percentage	(f) SLCSP Percentage	(g) Advance Payment of the PTC Percentage

Allocation 3

32	(a) Policy Number (Form 1095-A, line 2)	(b) SSN of other taxpayer	(c) Allocation start month	(d) Allocation stop month

Allocation percentage applied to monthly amounts	(e) Premium Percentage	(f) SLCSP Percentage	(g) Advance Payment of the PTC Percentage

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Premium Assistance Credit (PAC)

- Some argue "household income" rule negates this planning opportunity
- Household income is defined as (Reg §1.36B(1)(d))
  - HI is the sum of the TP's MAGI plus all others who are included in the "TP's family"
  - ***TP's family is defined as individuals the TP properly claims as dependents under §151***
- Therefore, in the previous example, Jenna and Jacob's household income is separately calculated and doesn't include each other's income, even if they live in the same home

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Form 8867 – Paid Preparer's Due Diligence Checklist

- Form 8867 used to establish preparer due diligence
- Addresses four main areas:
  1. EIC
  2. Child tax credit, additional child tax credit, and other dependent credit
  3. AOTC
  4. HOH filing status
- New SSN and citizenship questions added to the 2026 version

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Form 8867 – Paid Preparer's Due Diligence Checklist

Part III **Due Diligence Questions for Returns Claiming CTC/ACTC/ODC** (If the return does not claim CTC, ACTC, or ODC, go to Part IV.)

		Yes	No	N/A
10a	Have you determined that the taxpayer's social security number is eligible to claim the CTC/ACTC?	☐	☐	
10b	Have you determined that each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the United States?	☐	☐	
11	Did you explain to the taxpayer that he/she may not claim the CTC/ACTC if the child has not lived with the taxpayer for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?	☐	☐	☐
12	Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?	☐	☐	☐

Part IV **Due Diligence Questions for Returns Claiming AOTC** (If the return does not claim AOTC, go to Part V.)

		Yes	No
13a	Have you determined that the taxpayer's social security number is eligible to claim the AOTC?	☐	☐

TaxSpeaker

AMT – Review

- AMT calculation
  1. Start with taxable income
  2. Factor in preferences and adjustments (e.g. standard deduction, SALT tax, ISOs, etc.)
  3. Subtract the AMT exemption amount (think standard ded.)
  4. Result is AMTI - multiply x the applicable AMT tax rate (26% or 28%)
  5. Subtract any AMT tax credits (e.g., foreign tax credit)
  6. Compare to regular tax and, if higher, AMT is the excess

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AMT

- Recent AMT changes
    1. Significantly increased the AMT exemption amount
    2. Significantly increased the exemption phase out threshold
    3. Inflation adjusted the exemption and phaseout amounts

- Exemption reduced by 25% of amount above threshold until gone

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AMT – 2026 Changes

- Additional changes taking place in 2026
  1. The increased exemption amounts and phase out thresholds permanent
     - But, the threshold amount was reset to $1 million (MFJ) in 2026
     - $500,000 for others
     - Inflation adjusting restarts in 2027
  2. Exemption is reduced by 50% of the excess over the threshold – up from 25%
  3. Application of individual exemption to minor children made permanent (if subject to kiddie tax, earned income + $9,550)

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AMT – 2026 Changes

Exemption Amounts and Phaseout Thresholds			
Description	**Prior to 2018**	**TCJA: 2018 – 2025**	**OBBBA: 2026 & Beyond***
Exemption amount	S - $54,300 MFJ - $84,500	S – $88,100 MFJ - $137,000	S – $90,100 MFJ - $140,200
Phaseout threshold	S - $120,700 MFJ - $160,900	S - $626,350 MFJ - $1,252,700	S - $500,000 MFJ - $1,000,000

* Amount is annually adjusted for inflation.

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AMT – 2025 v. 2026 Example

Example MFJ, $1.4 million AMTI	2025	2026
a. AMTI	$1,400,000	$1,400,000
b. Threshold	$1,252,700	$1,000,000
c. Excess over threshold (a. – b.)	$ 147,300	$ 400,000
d. Reduction (c. x 25% 2025, 50% 2026)	$ 36,825	$ 200,000
e. Net exemption amount ($137,000 – d.)	$ 100,175	$ 0
f. Net AMTI	$1,299,825	$1,400,000
g. AMT (26% up to $239,100, then 28%)	$ 359,169	$ 387,218

AMT increase in 2026 is $28,049

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Sch. D, Sch. E and Investors



Sales and Capital gains - Overview

- Schedule D summarizes transactions from
  - Form 4797 – business and rental asset sales
  - Form 6252 – installment sales
  - Form 8949 – sales and dispositions of other capital assets
  - Form 4684 – casualty gains
  - Tax rates are 0%, 15%, 20%, 25%, 28% and ordinary rates

Capital Gains Planning



2026 Capital Gain Tax Brackets (Rev. Proc 2025-32)			
Filing Status	**0%**	**15%***	**20%***
Single	$0 - $49,450	$49,451 - $545,500	$545,501 or more
HOH	$0 - $66,200	$66,201 - $579,600	$579,601 or more
MFJ	$0 - $98,900	$98,901 - $613,700	$613,701 or more
MFS	$0 - $49,450	$49.451- $306,850	$306,851 or more
Estates/trusts	$0 - $3,300	$3,301 - $16,250	$16,251 or more

Plus standard deduction – MFJ = $131,100, S = $65,550

For those 65 and older – MFJ = $146,400, S = $73,600



Property Received for Services

- §83 says
  - –Property received for services is taxable when received
  - –But, substantial risk of forfeiture (e.g. vesting claw back) means property hasn't been received
    - FMV included in income in year forfeiture risks are removed
    - Holding period begins when property is vested
    - Any income from property (e.g. dividends) are included in income in year received



Property Received for Services

- **Cassie exercises 1000 stock options in 2026 for $50 per share, when the FMV of the stock was $110 per share**
  - **Cassie has to work for five years to vest the options (June 2031)**
  - **Cassie has $60,000 of income ($110 FMV less $50 option price x 1,000 shares), but there is a substantial risk of forfeiture**
  - **Cassie delays recognizing the option income until June 2031, when the stock value is $200 per share**
  - **Cassie's W2 income is increased by $150,000 in 2031, the difference between the $200 FMV and the $50 price per share Cassie paid**



§83(b) Election

- §83(b) allows taxpayers to report the property related income in the year the option is exercised, not vested
- Future appreciation is a capital gain instead of ordinary income and holding period starts immediately
- After making the §83b election, Cassie
  - Recognizes $60,000 of wage income in June 2026
  - Any future appreciation of the stock is taxed a capital gain rates
- Note – once made, the §83b election is irrevocable



§83(b) Election Update

- Risk of making the §83(b) election
- Following our previous example, assume Cassie makes the §83(b) election and then leaves her job in 2029, forfeiting her stock
  - Cassie realizes a capital loss of $110,000
    - There is no way to go back and reduce her 2026 wage income, the year the options were exercised
  - At best, she has a capital loss she can deduct at $3,000 per year



§83(b) Election Update

- Risk of making the §83(b) election
- Assume Cassie makes the §83(b) election and in 2031, when the stock is fully vested, the FMV is $10 per share
  - Cassie has an unrealized loss of $100,000 ($110 - $10 FMV x 1000)
  - If she sells the stock, the loss will be a capital loss deductible at $3,000 per year
- Note the §83(b) election is not available for non-qualified stock options



§83(b) Case – Connie Feige v. Comm.

- Connie Feige was granted 400,000 Linc Energy stock options in July 2013 – 100,000 per year for 2013-2016
- Linc became financially distressed and Feige signed a separation agreement in November 2014, before her 2014 options were exercised – the agreement forfeited all her options
- Linc's board transferred 100,000 shares to Feige in December 2014 and added $75,000 to her W-2 for the value

§83(b) Case – Connie Feige v. Comm.

- Feige didn't even know about the transfer until January 2015 when she saw the activity in her Schwab account
- Feige excluded the $75,000 from her 2014 income, arguing the transfer was in error, the 83(b) election wasn't made, and the shares were not transferable
- The Court ruled the shares were transferable and there was no substantial risk of forfeiture because the shares were transferred into Feige's name with no restrictions
  - 83(b) election wasn't necessary – entire $75,000 was taxable



§83(b) Election Mechanics

- Taxpayers making the §83(b) election must notify the IRS and their employer within 30 days of the property transfer
- Historically this has been a very informal process
- IRS recently released Form 15620 to make the election – see page 155
- The form is filed within 30 days of the property transfer with the IRS office the taxpayer would normally file a return



Farmland Sales

- Taxpayer may elect to pay tax from the sale of farmland to a qualified farmer over 4 years
- Election required by the original due date of the tax return
- Qualified farmland is real property located in the US
  - That was used for 10 years prior to sale by taxpayer as a farm, or
  - Was leased to a qualified farmer for the 10 years prior to the sale
  - And, such property is subject to a legal restriction requiring use as a farm for 10 years after the sale

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Farmland Sales

- 1062 Property Covenant is a legally enforceable restriction that
  - Prohibits use of property for anything other than farming for at least 10 years from date of sale
  - Is executed prior to close of property sale
  - Is recorded on the deed as a restriction with the proper authority
  - Is enforceable against the buyer and all future owners
  - Does not end prior to 10 years after the sale
- Copy of the legal restriction must be attached to the return
- Is zoning enough or is easement required?

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Farmland Sales

- If property is partially used for farming, tax may only be deferred on that portion of the sale
- Occasional periods of non-farming use is okay – examples
  - Taken out of farming pursuant to government program;
  - Taken out of farming pursuant to good farming practices – laying fallow or conditioning the soil
  - Taken out of farming due to unforeseen events out of taxpayer's control such as a natural disaster

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Farmland Sales

- Election is made prior to extended due date of return by filing Form 1062 and Form 1062 Schedule A
- Farmland used by a passthrough entity is considered used or leased by each owner individually
  - Election may be made at owner level by owner filing Form 1062
  - The passthrough entity files Form 1062 Sch A and reports the qualifying sale on the K-1
- Qualified farmer is any individual who is actively engaged in farming activity

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Farmland Sales

- Farmland sale payment due dates
  - First payment due on April 15th the year after the original sale
  - Each succeeding payment is due on April 15th of the succeeding year
  - Because the payment is not due until April 15th, the related tax is excluded from the calculation of estimated taxes (Notice 2026-3)

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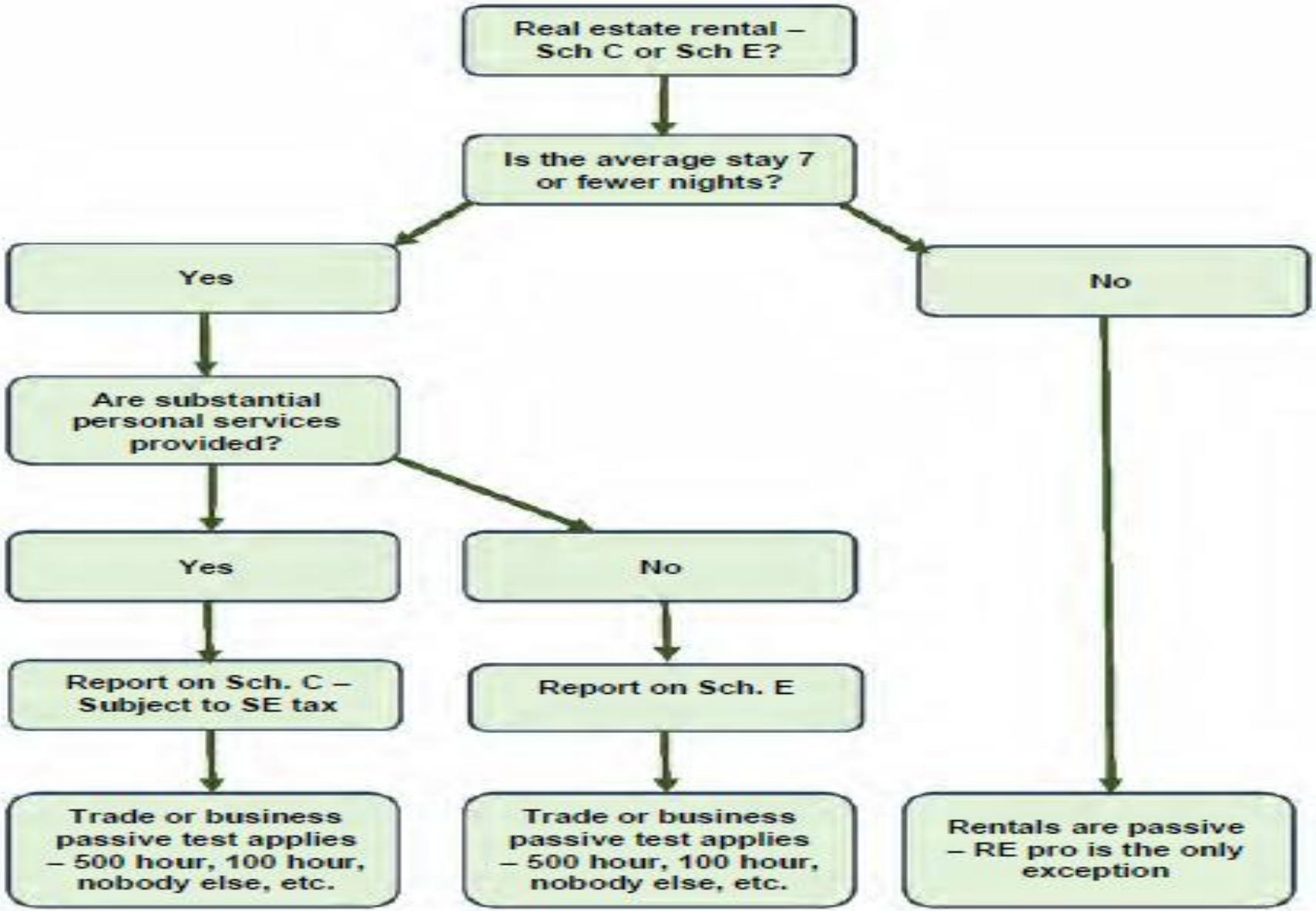
Passive Activities – Overview

- **Passive activities include**
  - **Any activity if the owner doesn't materially participate**
  - **All rental real estate activities except**
    1. **Average stay is 7 or fewer days**
    2. **Average stay is 30 days or less and significant personal services**
    3. **Extraordinary personal services provided**
    4. **Property rental is incidental to nonrental activity – minimal rent**
    5. **Property regularly available for nonexclusive use by various customers**
    6. **Self rentals**
    7. **Other situations based on facts and circumstances**



Sch E and Rental Activities

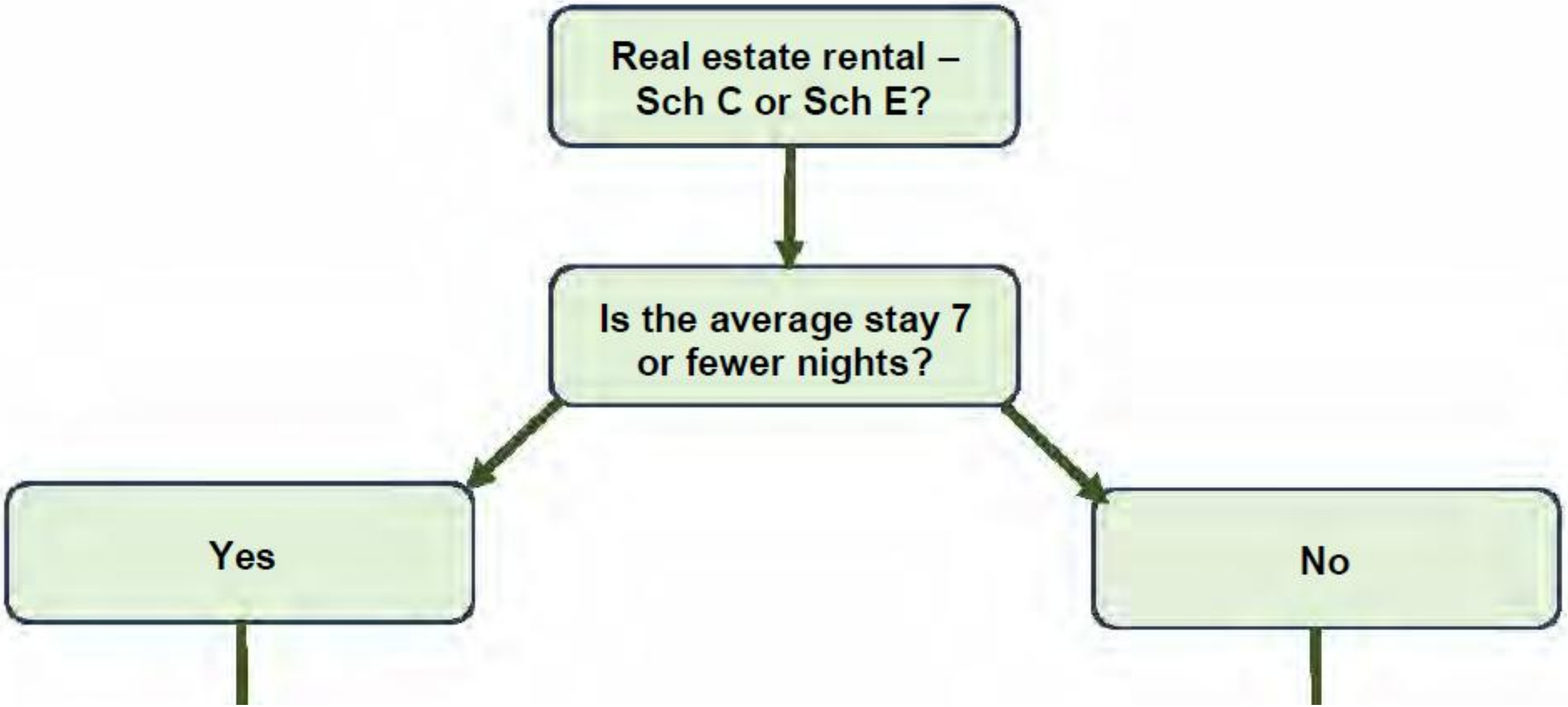
- Do you know about the Short Term Rental tax loophole? – me neither!!
- It goes like this:
  - Buy rental property and rent it on average of 7 days or less
  - Passive activity rules don't apply
  - Cost seg the rental and write losses off against your other income sources
  - See flow chart on page 151



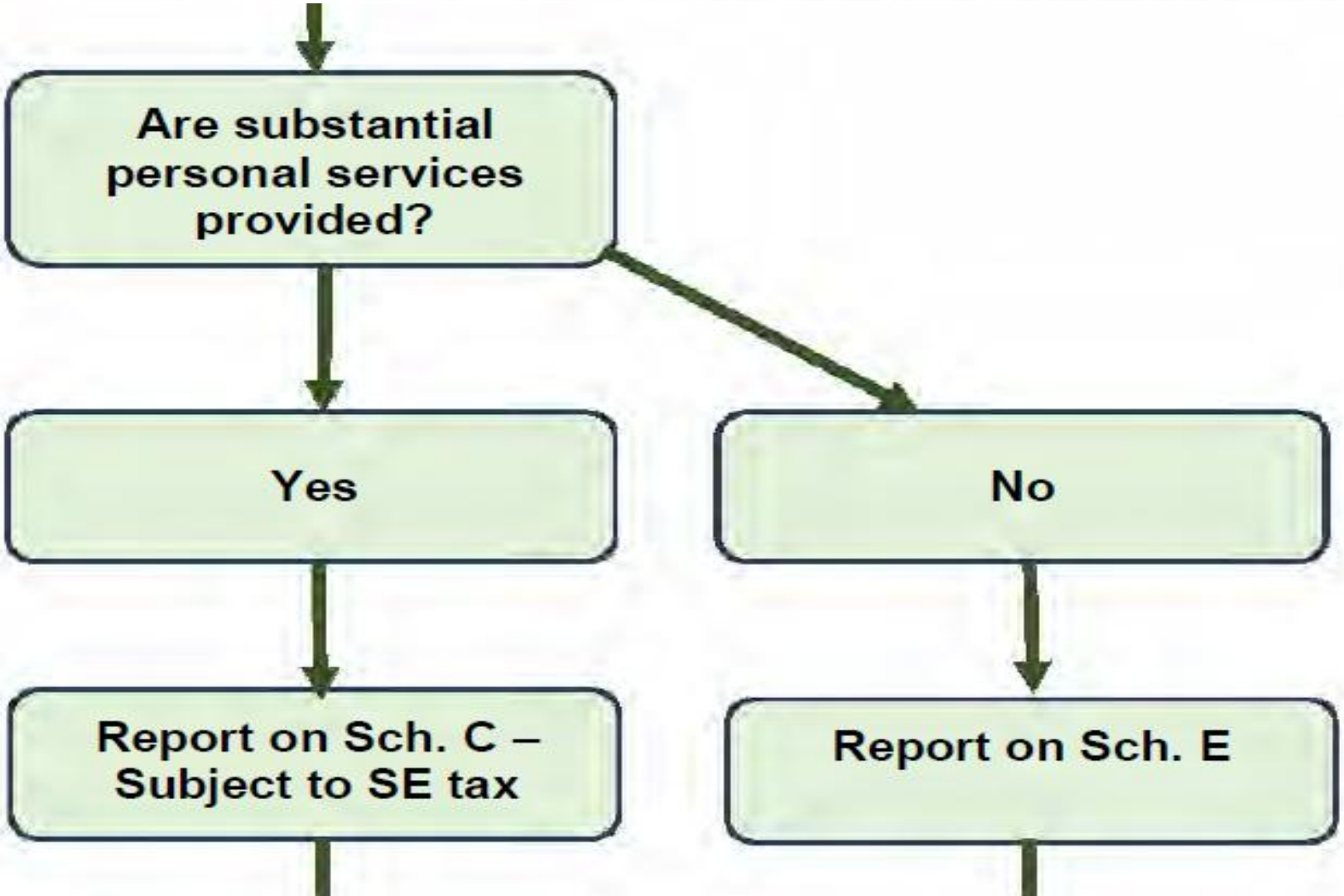
OTHER NOTABLES – short-term rentals on Schedule E stand alone:

- No grouping for material participation hours with other rentals.
- Not available to satisfy RE professional hour requirements.
- Passive income cannot be offset by long-term rental passive losses.

Sch E and Rental Activities



Sch E and Rental Activities



Sch E and Rental Activities

Report on Sch. C – Subject to SE tax

Report on Sch. E

Trade or business passive test applies – 500 hour, 100 hour, nobody else, etc.

Trade or business passive test applies – 500 hour, 100 hour, nobody else, etc.

Rentals are passive – RE pro is the only exception

OTHER NOTABLES – short-term rentals on Schedule E stand alone:

- No grouping for material participation hours with other rentals.
- Not available to satisfy RE professional hour requirements.
- Passive income cannot be offset by long-term rental passive losses.



Real Estate Professionals

- Real estate professionals are allowed tax privileges not available to others
- To qualify, the taxpayer must pass two tests

1. More than 50% of all work must be work provided in a real estate related industry (may not include spouse's time)

2. Must work more than 750 hours during the year in a real estate related industry (may include spouse's time)
   - Hours in multiple activities may be combined to meet the 2 tests

Real Estate Professionals



- **Real estate related industries**
  - **Real estate brokers and agents**
  - **Landlords**
  - **Property management**
  - **Construction contracting**
  - **Real estate development**

Real Estate Professionals



- Roland example
- Managing rentals 365 hours
- Contracting business 520 hours
- Working as a carpenter employee* 690 hours
- Total hours worked 1,575 hours

* Worked as an employee but owned less than 5%

- Roland has 885 qualifying real estate professional hours – more than 750 hours and more than 50% his total work hours – Roland is a RE professional

Real Estate Professionals



- **See multiple court cases where taxpayers were unable to satisfy the RE Pro rules on page 163-164**

Real Estate Professionals



- You passed the RE professional tests – so what? Time to pass another time test!
- Material participation test
  - Unlike the RE professional tests, for the material participation test you may include spouse's time
  - Per rental unless election to aggregate activities is made
    - IRS regularly allows late aggregation election via PLRs



Grouping Election

- Grouping – anyone fighting material participation rules
- Appropriate economic unit
  - Similarities and differences
  - Common control
  - Common ownership
  - Geographical location
  - Interdependencies (customers, suppliers, employees, etc.)
  - Common products or services
- Do not have to group all activities – may pick and choose



Grouping Election

- Real property rentals cannot be grouped with non-rental activities including personal property or other rentals
- Other activities that may not be grouped
  - Farming
  - Leasing 1245 property
  - Oil and gas exploration or exploiting
  - Geothermal exploration or exploiting
- Once grouped no regrouping allowed later
- See sample election on page 159



Grouping Election

- **Making the election**
  - –Election is filed with tax return, preferably in the year the group is first formed
  - –Disclose the names, addresses and ID#s for grouped activities
  - –Attest that activities form an appropriate economic unity
  - –If changing an existing grouping, justification must be attached
  - –See example election on page 159

Grouping Versus Aggregation



- Aggregation is only allowed for Real Estate Professionals
- Election is all or nothing – cannot cherry pick specific rentals
- If already aggregated, then new properties are automatically added – not true with grouping election
- Rental real estate activities only – non rental activities cannot be aggregated



Aggregation Election

- IRS liberally grants late aggregation elections if
  - Qualify to aggregate
  - Reasonable cause (blame the tax pro)
  - Filed tax returns as if election were in place
  - All tax returns filed with treatment consistent with aggregation election
  - All tax returns timely filed
- See election procedure and sample election on page 161

Foreign Bank Account Reporting: Form FinCEN 114 (FBAR)



FBAR Penalties

- Non-willful – max is $10,000
  - Waived if account owner can establish reasonable cause

- Willful – max is higher of $100,000 or 50% of the highest account value for the year
  - No reasonable cause for willful violations



FBAR Penalty Update

- Eugene Niksich self-prepared his 2006-2012 tax returns
- He failed to report multiple foreign investments and related income
- Each return included Sch B and he marked "No" where it asked if he had foreign bank accounts
- He filed all delinquent FBAR reports in 2017
- IRS sent him a bill for $2,287,000 of FBAR penalties
- Court ruled failing to report, checking box No on Sch B, and opening foreign accounts in his dog's name was reckless – but 11th Circuit remanded to have tax court address excessive fines clause of the 8th amendment





2026 Estate and Trust Update

2026 Estate and Trust Update

	2026	2027
Exclusion (estate, gift and GST)	$15,000,000*	
Estate asset tax rate	18% - 40%*	18% - 40%
Annual gift limit	$19,000	

*40% applies once assets exceed $1 million.

Estate and Trust Tax Rates Made Permanent

Estate/trust Tax Rates Permanently Set	
Income Brackets	**2026 Rates**
$0 - $3,300	10%
$3,301 - $11,700	24%
$11,701 - $16,000	35%
$16,001 and above	37%

Capital gain rates of 0%, 15% and 20% rates retained. 20% starts at $16,250

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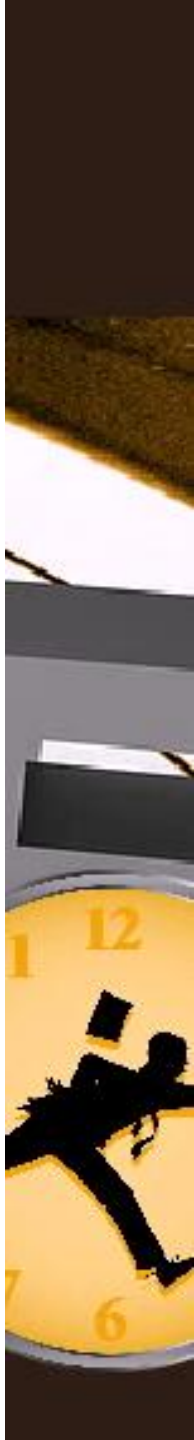
Form 706 – When to File

- **Estates of a US citizen or resident that**
  - **Has gross assets valued at date of death, plus adjusted taxable gifts and specific exemption, that exceed $15,000,000, or**
  - **Whose executor elects to transfer DSUE to the surviving spouse**
- **If two or more persons are responsible for filing, they both file what they have**



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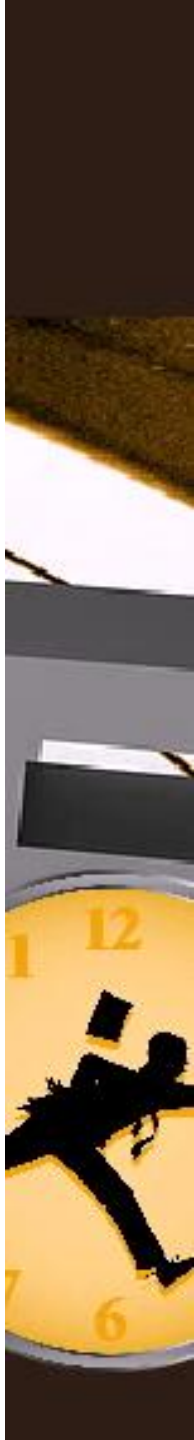
Form 706 Changes

- **Latest Form 706 had multiple changes, including**
  - **Schedule separation – all schedules have been taken out of Form 706 and are now separate attachments. Form 706 went from 29 pages to 5 pages**
  - **New Sch T – replaces former Schedule A-1 for §2032A property (qualified real/farm property)**
  - **New Sch W – replaces former continuation schedule for Form 706**



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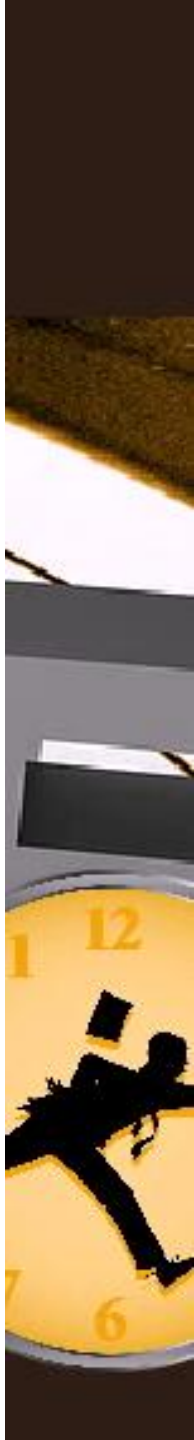
Form 706 Changes

- **Latest Form 706 has multiple changes, including**
  - **Representation authorization – removed. Executors and representatives must file Form 2848 to represent estates**
  - **Direct deposit and electronic payments – IRS is phasing out physical payments so banking info was added**



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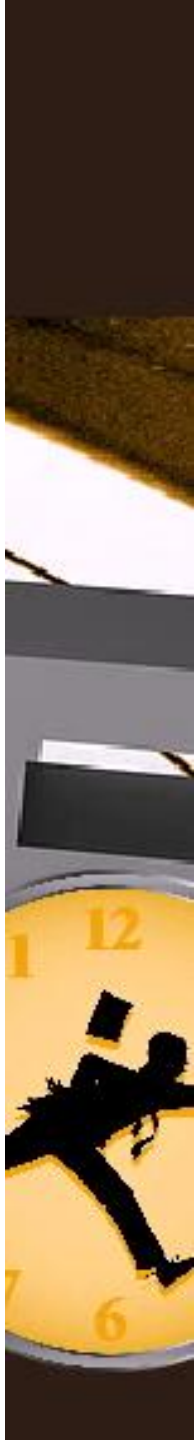
Form 706 Changes

- New Regs change estate closing letter fee again!
- May 2025 estate closing letter went from $67 to $56
- Starting October 26, 2026 cost went to $76
- Alternative
  - An account transcript can be requested instead and provides the same assurance
    - Request via Transcript Delivery Service (TDS) online or mail or fax Form 4506-T
    - Transcripts reflect Form 706 acceptance
  - For more info – look to FAQs for Estate Closing Letter



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Gift Overview and Update

- 2026 annual gift limit increased to $19,000
- Some gifts are unlimited, including gifts to
  - Spouses who are U.S. citizens
    - Non-US citizen spouse limit is $194,000 (2026)
  - Charities and political organizations
  - Tuition payments made directly to school
  - Medical expenses paid directly to the care provider
- Gifts in excess of $19,000 must be reported on Form 709

Gift Overview and Update

- Gift splitting – each spouse must file Form 709
- Exception if either
  1. Only one spouse made gifts that don't exceed $38,000 and all present interests, or
  2. During the calendar year
     - Only one spouse made gifts in excess of $19,000 but not more than $38,000, and
     - Gifts made by other spouse <$19,000 to other donees, and
     - All gifts were present interests

Gift Overview and Update

- **Gift splitting – if spouses agree to treat gifts as given 50% from each spouse**
  - **Both spouses must agree**
  - **Allows married couples to give up to $38,000 to any one recipient – must be present interest in gifted property**
  - **Consenting spouse no longer required to sign Form 709 but Notice of Consent must be attached to Form 709 – Part III**
  - **In year of divorce or death, only gifts made prior may be split**
- **Form 709 is now a 10-page form**

Gift Overview and Update

Part III Spouse's Consent on Gifts to Third Parties

		Yes	No
1	**Gifts by spouses to third parties.** Do you consent to have the gifts (including generation-skipping transfers) made by you and by your spouse to third parties during the calendar year considered as made one-half by each of you? See instructions. (If the answer is "Yes," the following information must be furnished. **If the answer is "No," skip lines 2–7.**)	☐	☐
2	Name of consenting spouse		
3	SSN of consenting spouse		
4	Were you married to one another during the entire calendar year? See instructions	☐	☐
5	If line 4 is "No," check whether ☐ married ☐ divorced or ☐ widowed/deceased, and give date. See instructions		
6	Will a gift tax return for this year be filed by your spouse? If "Yes," mail both returns in the same envelope	☐	☐
7	**Consent of Spouse.** Have you obtained required spousal consent for gifts made to third parties to be considered as made one-half by each spouse? If "Yes," **you must attach a Notice of Consent**. See instructions	☐	☐

Trump Account Contributions are Not Future Gifts

- Gifts that include future right to use, possess, enjoy, etc. are future gifts and are not included in the $19,000 annual gift exclusion
- IRS recognized this could be an issue for Trump Accounts
- RP 2026-25 provides a safe harbor that, if met, allows Trump Account contributions to be treated as a completed gift

Trump Account Contributions are Not Future Gifts

- **Safe harbor requirements include**
  1. **Taxpayer is an individual**
  2. **Only taxable gifts during year were cash gifts to Trump account(s)**
  3. **Total gifts for year do not exceed $19,000**
  4. **No gift tax liability for the year**
  5. **If Trump account contributions weren't made, there would not be any gift tax return requirements**

Portability After OBBBA

- Certainty finally achieved with OBBBA - $15 million plus inflation adjustments
- IRS notes the only way to elect portability is to file Form 706 – there are no shortcuts
- Filers of Form 706 only for DSUE have abbreviated valuation requirements for estate assets
  - But these asset values must be estimated and included in the total reported assets
- IRS has generous – 5 years – late portability election rules
- But, not much mercy if rules not met for late elections

Portability After OBBBA

- **Filing incorrect Form 706 invalidates portability election (Estate of Billy Rowland)**
  - **Billy Rowland died in January 2018, two years after his wife Fay**
  - **Fay's estate value was $1,738,000, leaving DUSE of $3,712,000**
  - **The 706 for Fay's estate was filed late and, while it listed all assets, it did not provide any values**
  - **Billy's estate claimed the DSUE from Fay's estate plus its own exemption of $11,180,000, giving a total exemption of $14,892,000**
  - **Court ruled that Fay's estate called for some assets to be passed to beneficiaries other than Billy, in which case more detailed valuations were required**
  - **Billy's estate was not allowed to use the DSUE**

Estate and Gift Developments

- **Final regs set basis reporting rules**
  - **Law says basis used by estates and heirs must be consistent**
  - **Final regulations differed from the proposed regs**
    - **Zero basis rule – the final regs provide that assets get basis in hands of heirs even if left off Form 706**
    - **Basis notification due date – basis notification for distributed assets is required within 30 days of the 706 filing, or, if earlier, the due date of the Form 706**

Estate and Gift Developments

- **Final regs set basis reporting rules**
  - **Form 8971 is used to report basis, but only for estates required to file Form 706**
  - **Form is filed directly with the IRS**
  - **Beneficiaries receive Sch A, which has the basis (see page 184)**
  - **Commenters asked for a path to challenge estate set values – IRS says they are still considering future guidance**

IRS Changes and Update



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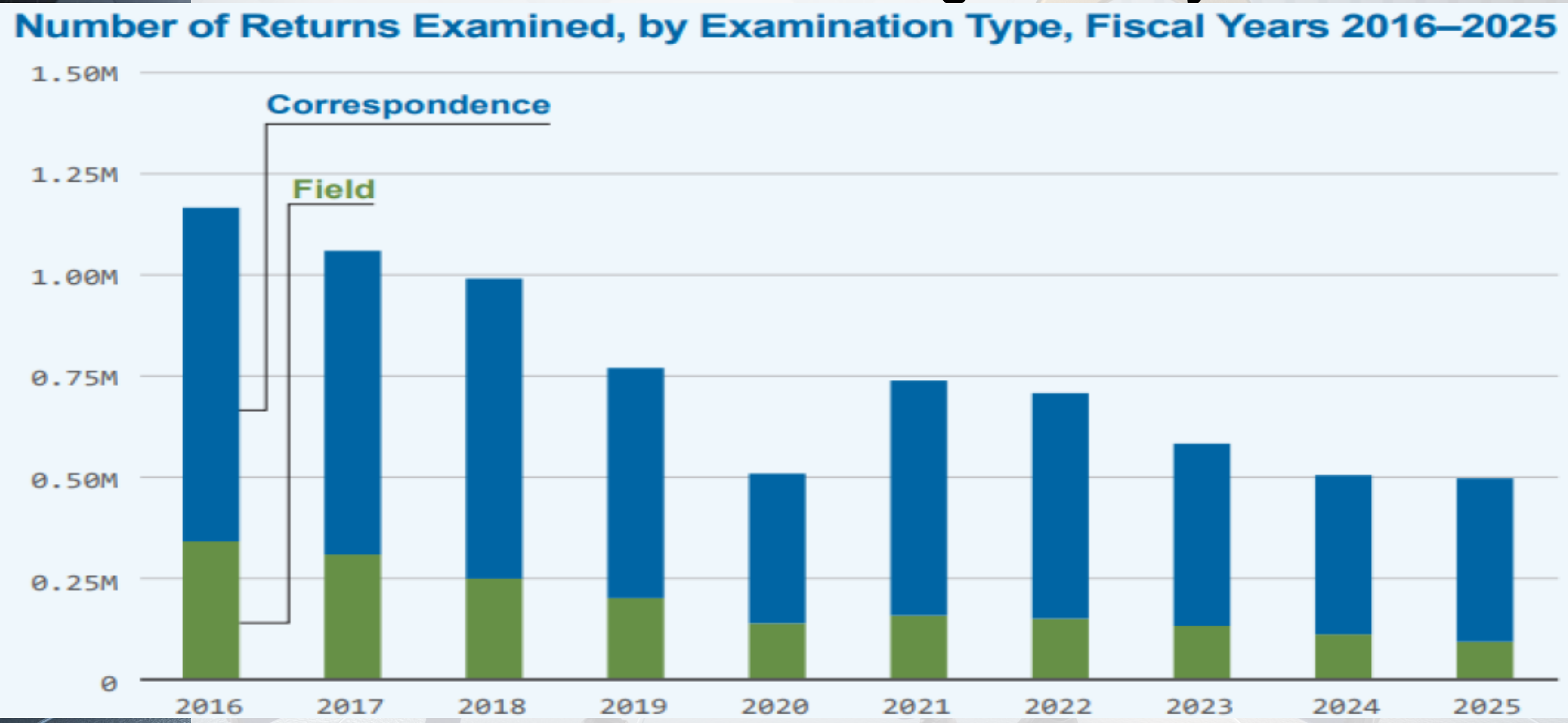
IRS Audit Update

- **Audit Stats – Hovering near 10-year low**



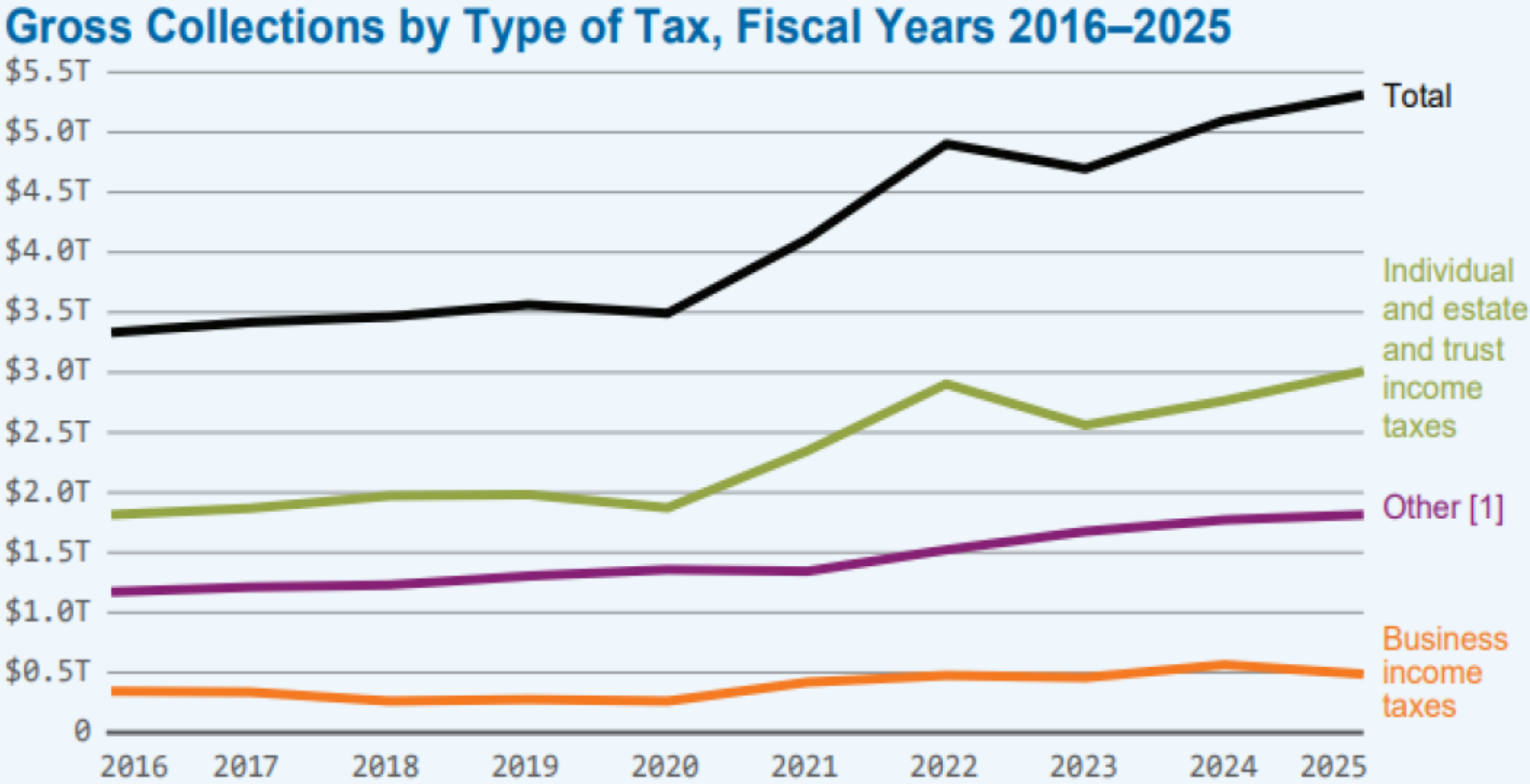
IRS Audit Update

- **Audit Stats – Hovering around 10-year low**

2025 and 2024 IRS Audits of Individual Tax Returns (2023 Tax Returns)

Taxpayer Income	2024	2025*
Up to $100,000	.23%	.12%
$100,000 to $1,000,000	.10%	.038%
$1,000,000 to $10,000,000	1.22%	.33%
More than $10,000,000	3.95%	5.16%
Returns with Earned Income Credit	0.74%	0.74%
Total percentage of returns audited	0.29%	0.10%

Federal Revenue Sources



IRS Workforce Woes

- The IRS had 7 Commissioners in 2025 – Scott Bessent, Secretary of the Treasury, gave up and did it himself – he is Acting Commissioner
- IRS started FY 2024 with 90,516 FTE workers
- By September 2025 they had 80,967 FTEs
- Units with the biggest decline in staff were
  - 28% reduction in management and program analysis
  - 27% reduction in tax examiners
  - 26% reeduction revenue agents

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IRS Mobile App on the Rise – Paper Banking on the Way Out

- IRS mobile app is now called IRS2Go and it will allow taxpayers to
  - Check refund status on original and amended returns
  - View, pay, and schedule payments for taxes owed
  - Access and download transcripts and other tax records
  - Read notices and letters from IRS
  - Access IP-PIN info
  - Access free filing options

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Paper Banking On the Way Out

- Executive Order #14247 requires IRS to stop issuing and receiving paper checks
- IRS announced paper check refund phase out
- Tax refunds can be received
  - Direct deposit to bank account
  - Deposit to debit or credit card
  - Deposit to digital wallet
  - Other electronic payment methods coming
- In 2025, IRS sent CP53E notice and delayed refunds

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Paper Banking On the Way Out

- For payment to the IRS – nothing required yet, but it's coming
  - DirectPay – Free, fast and secure with the IRS
    - Can pay balances due, estimated tax, amended returns, extensions and more
    - See differences between DirectPay (guest) and individual online account (TP account) at page 202
  - Pay directly through business accounts
  - EFTPS for personal payments is phasing out in 2026 – still around for businesses

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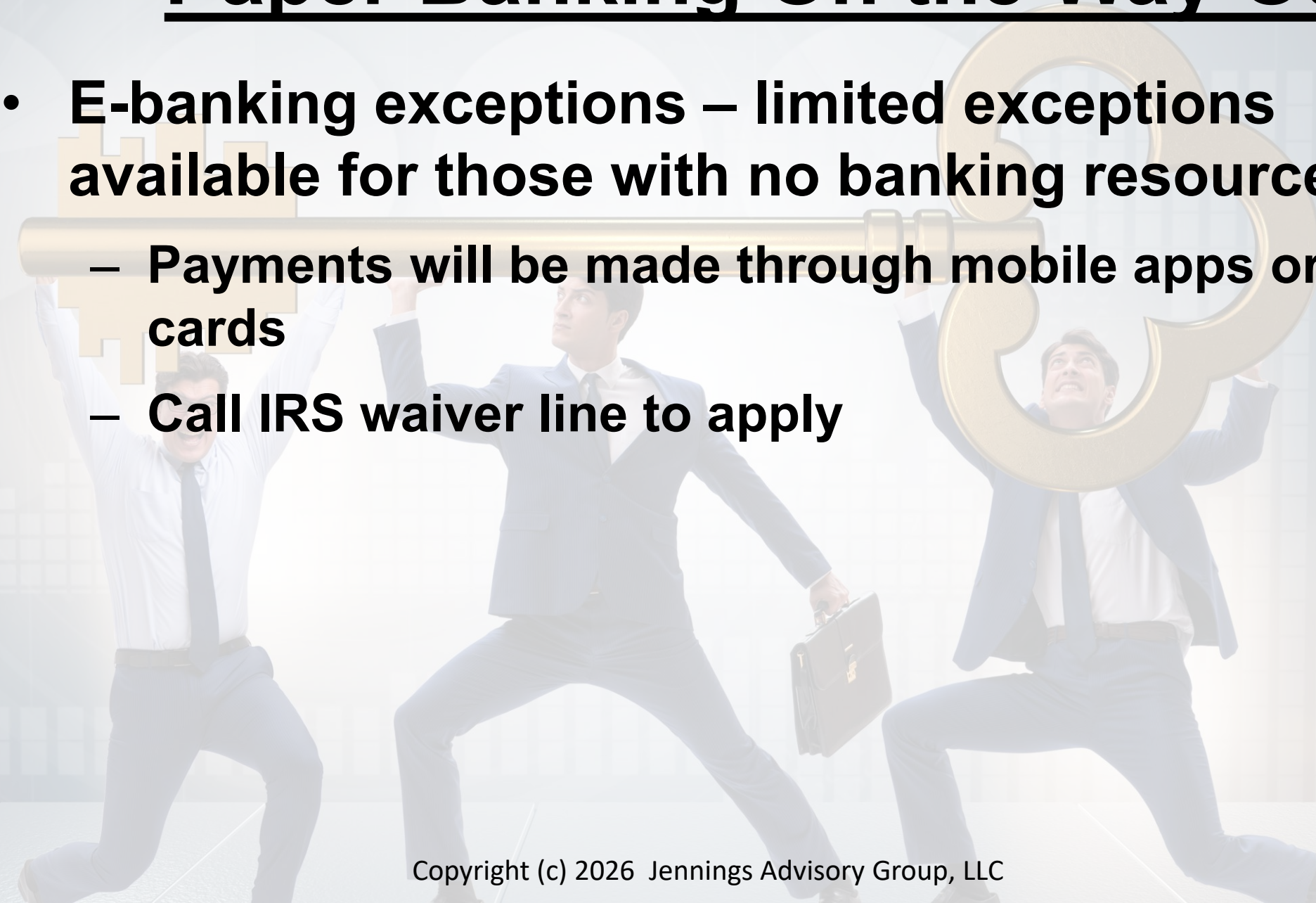
Paper Banking On the Way Out

- E-banking exceptions – limited exceptions available for those with no banking resources
  - Payments will be made through mobile apps or bank cards
  - Call IRS waiver line to apply



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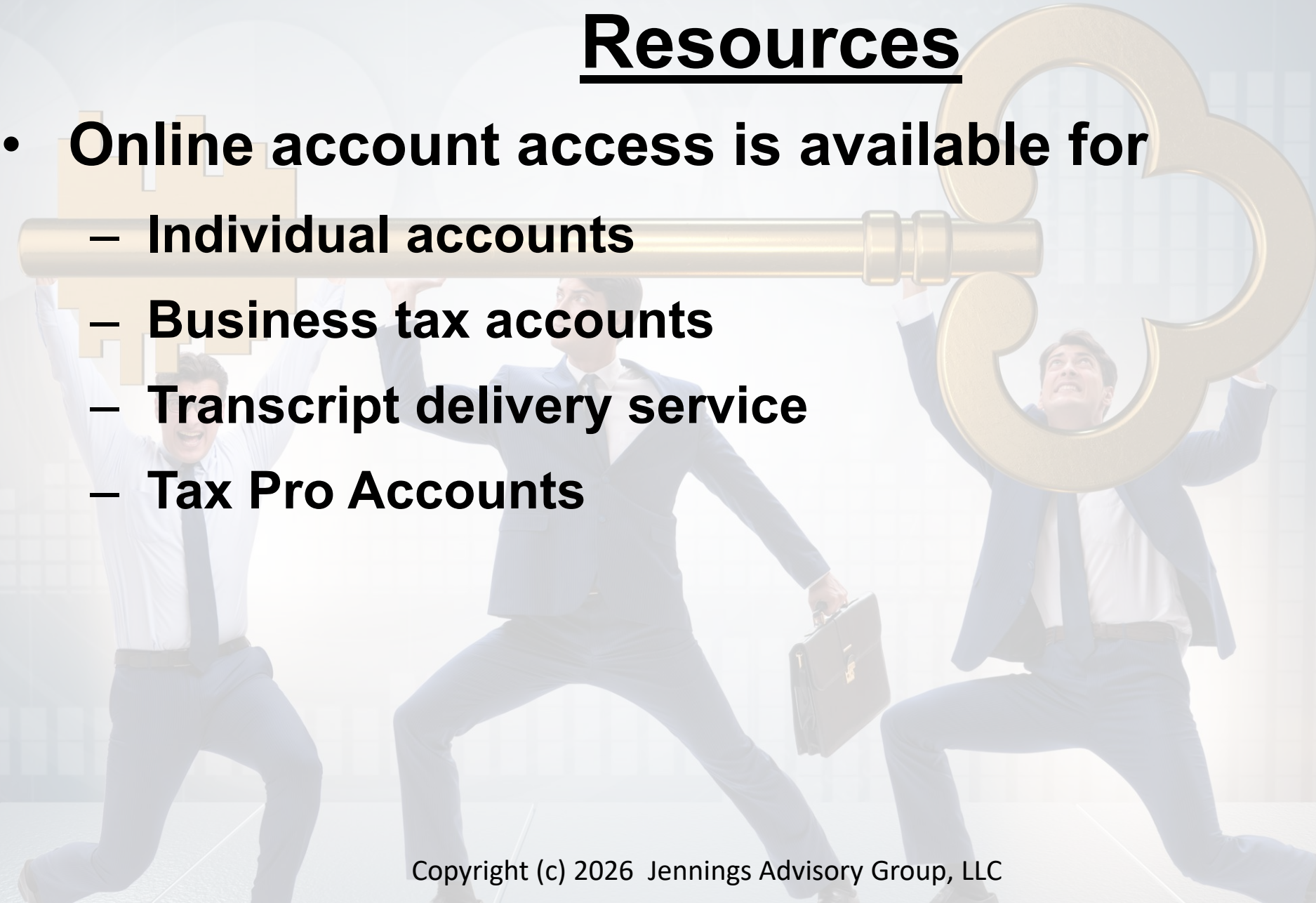
IRS Encouraging Taxpayers To Use Online Resources

- Online account access is available for
  - Individual accounts
  - Business tax accounts
  - Transcript delivery service
  - Tax Pro Accounts



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IRS Encouraging Taxpayers To Use Online Resources

- Individual Online Accounts
  - View balance by year
  - Make payments or schedule future payments
  - View payment history
  - Access transcripts and available returns docs (e.g. 1099s, W-2s, etc.)
  - Check refund status – can do this without signing in
  - View digital IRS notices

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IRS Encouraging Taxpayers To Use Online Resources

- Business Accounts – available to SP, Partnerships, Corporations, Tax Exempts, etc.
  - View business info on file – EIN, S corp election, etc.
  - View account balances and payment history
  - Make Federal tax deposits
  - View transcripts, and compliance reports
  - View IRS notices and letters
  - Manage account access for users

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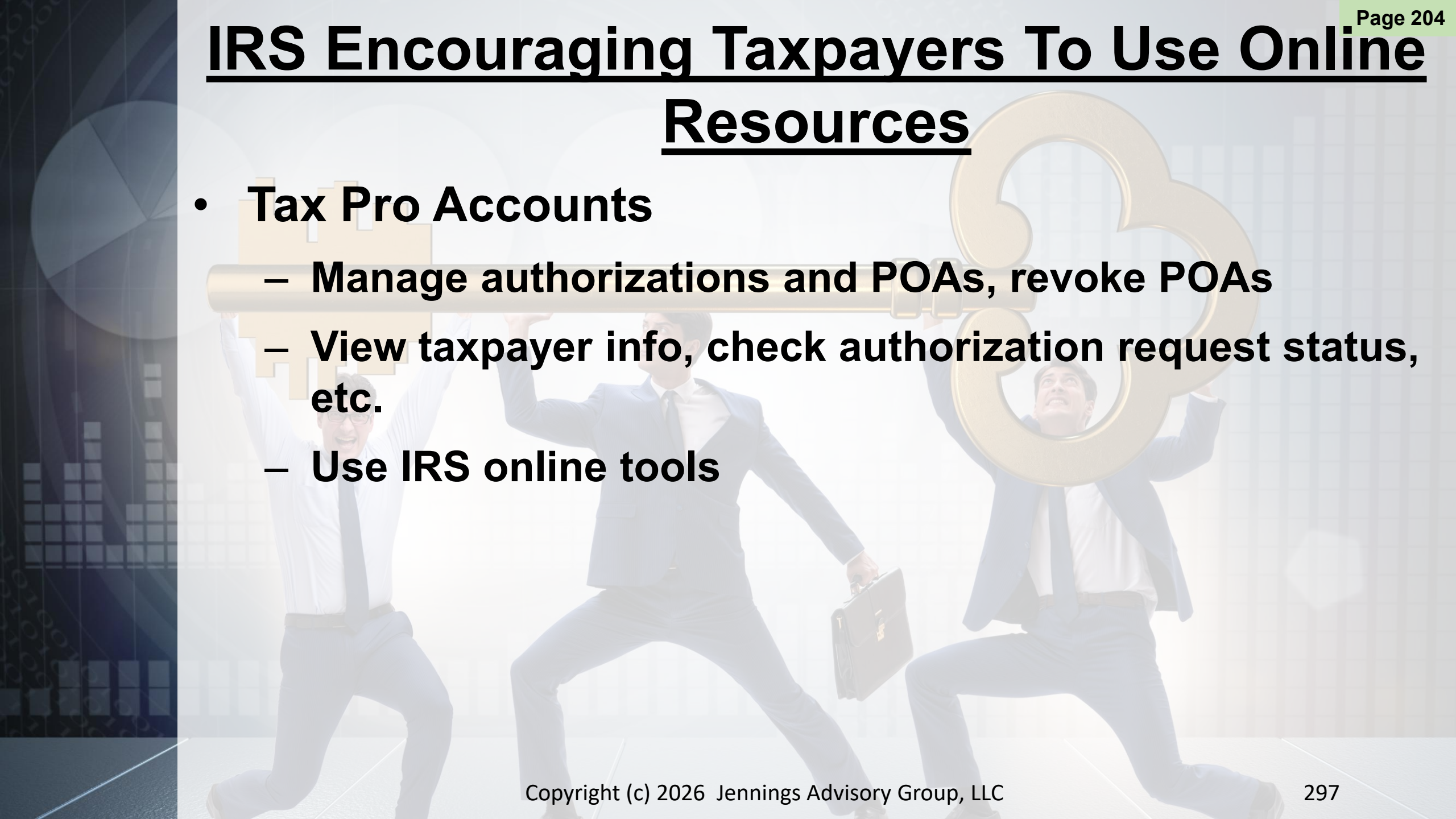
IRS Encouraging Taxpayers To Use Online Resources

- Tax Pro Accounts
  - Manage authorizations and POAs, revoke POAs
  - View taxpayer info, check authorization request status, etc.
  - Use IRS online tools



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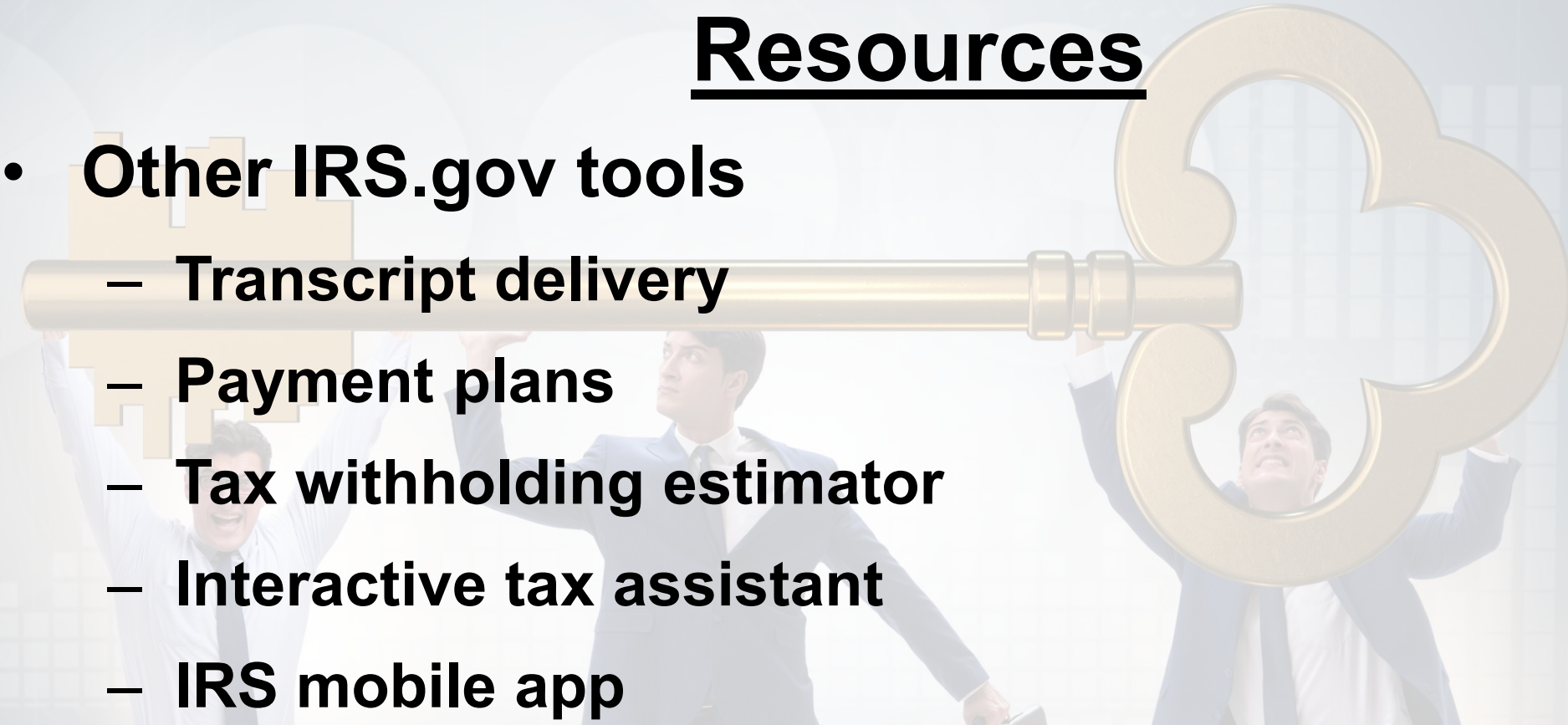
IRS Encouraging Taxpayers To Use Online Resources



- Other IRS.gov tools
  - Transcript delivery
  - Payment plans
  - Tax withholding estimator
  - Interactive tax assistant
  - IRS mobile app
- IRS reminds TPs it does not email, text, call or otherwise contact taxpayers – mail or through online tools only

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Other IRS Online Resources

- Online tax compliance report – for job applications and other that require proof of tax compliance
- Tax Debt Tool – help those who owe the IRS to get paid off – see example on page 206-207
- Document upload tool (DUT) is gaining slowly
  - QR code is on notice – responding through QR code allows faster response
  - See training seminar info at page 208

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Post Appeals Mediation Program

- IRS launches Post Appeals Mediation pilot program
  - Alternative dispute resolution prior to tax court
  - Requested at close of appeals process
  - Generally available when limited number of legal or factual issues remain in disagreement
  - Accelerated mediation process lasting no more than one day
  - Mediator will be appeals officer unaffiliated with case – taxpayer may bring a second mediator

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Post Appeals Mediation Program

- Added to IRS's current ADR programs
  1. Fast Track Settlement – while still in examination, issue heard by Appeals Officer trained in mediation
  2. Fast Track Mediation Collection – designed to efficiently resolve OIC and trust fund recovery issues
  3. Rapid Appeals Process – if in Appeals, may use pre-Appeals conference to work issue for settlement
  4. Early Referral – transfer issue to Appeals while return still under audit

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PTIN Developments

- PTIN fee for 2026 renewal is $18.75 ($10 for the IRS and $8.75 for the TPP)
- PTIN required for anyone who prepares or assists in preparing a tax return for compensation
- PTIN renewal process modified
- IRS transitioning the applicant and renewal process to ID.me
  - User name and PW will soon be phased out for those with SSNs

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Death of the 150 Hour CPA License Requirement

- CPA Societies, and now the AICPA, are reversing course on the 150 hour CPA licensing requirement
  - Prior to 1988. most states only required a Bachelors
  - Dearth of applicants prompting change (estimated that 75% of today's CPAs are Baby Boomers (born 1946-1964)
  - 43 states have added alternative routes to CPA licensing
    - Combination of school and experience
      - Most common is "Bachelors plus 2"
      - Masters or other graduate plus one year
    - CPA exam must still be passed
    - Holdouts are Wyoming, North Dakota, Maine, Florida, Rhode Island, Massachusetts and Michigan

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Goodbye FTA Relief, Hello Auto-Relief

- First time penalty abatement relief is being stopped as of summer 2026
- In its place will be new Automatic Exemption for those who haven't had any other penalties in the past three years
- Applies to
  - Failure to file
  - Failure to pay
  - Failure to deposit
- No action is required by the taxpayer – if qualified, the IRS will waive the penalties automatically

Other IRS Developments

- Withholding estimator available on website
- IRS continues to advise taxpayers to use IP PINs to avoid ID theft (Pub 5367)
  - IP PIN is good for a calendar year, not a tax year
  - If you have ID.me login, it is literally a click button
- See list of possible preparer penalties on page 219
- See helpful IRS phone numbers on page 221

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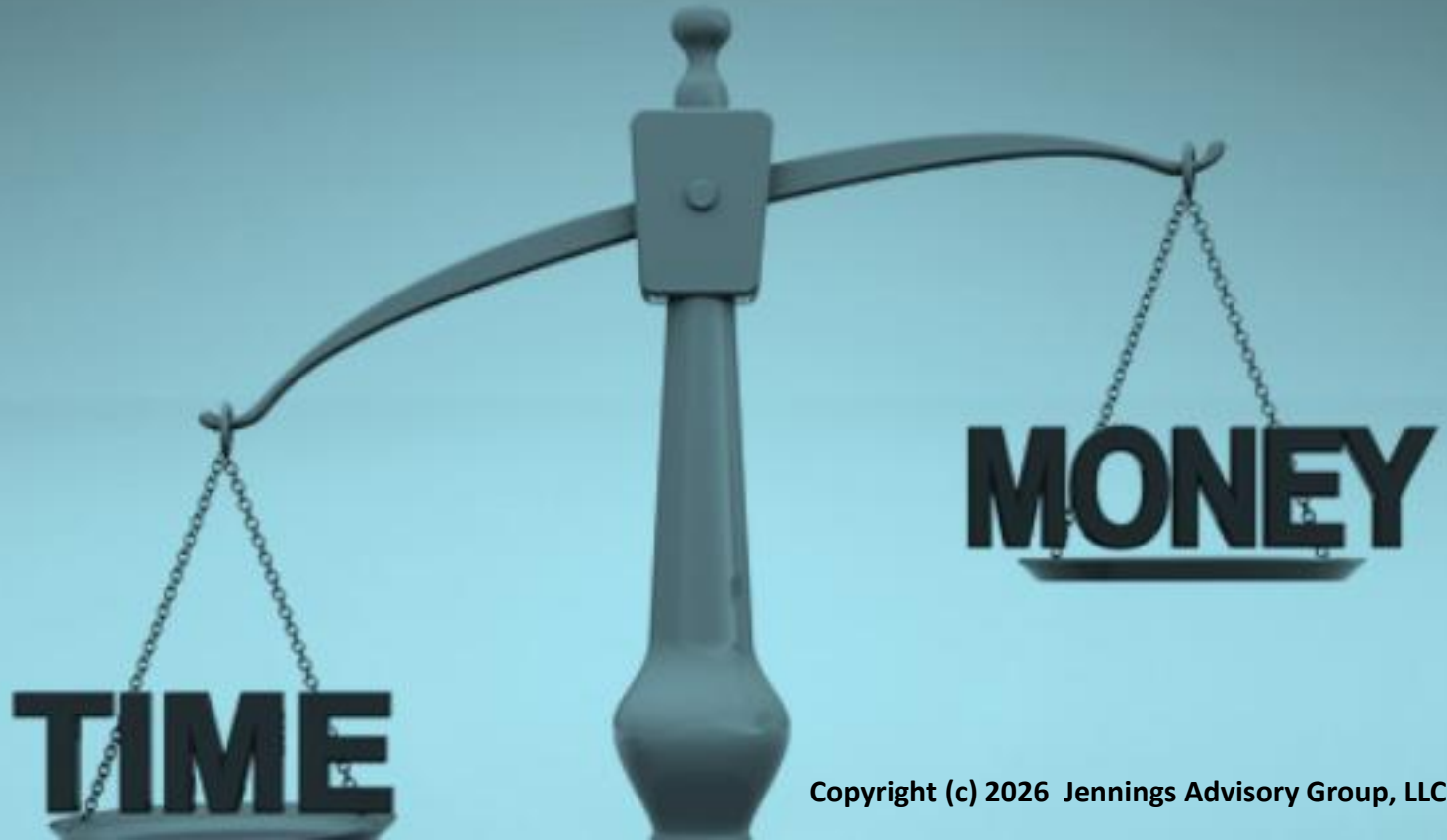
Thank You!





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