TaxBrief

Keeping you informed

Your 2026 Year-End Tax Checkup

The end of the year is a great time to look ahead to what's in store for your taxes. Several tax rules changed for 2026, and decisions you make before Dec. 31 can affect what you owe or deduct when we file in 2027.

Tax breaks for tips, overtime and car loan interest

These newer deductions, available for 2025-2028, may affect your 2026 return. Each has its own eligibility requirements and income-based limits. These deductions can reduce federal income tax, but tips and overtime pay are still generally subject to Social Security and Medicare taxes. We'll help determine whether you qualify.

The qualified tips deduction is capped at $25,000, and the qualified overtime deduction is capped at $12,500 ($25,000 if married filing jointly). Both begin phasing out when modified adjusted gross income exceeds $150,000 ($300,000 if married filing jointly). For overtime, only the additional pay required by federal overtime rules qualifies, not your entire overtime paycheck. If you're married, you must file jointly to claim these deductions, and Social Security number requirements also apply.

For the car-loan-interest deduction, the maximum is $10,000, with the phaseout beginning when modified adjusted gross income exceeds $100,000 ($200,000 for married filing jointly). The loan must have been taken out after Dec. 31, 2024, for a new qualifying vehicle purchased for personal use and finally assembled in the United States.

Make sure to keep payroll records showing qualified tips or overtime separately. If claiming car loan interest, retain your vehicle and loan records and bring these documents to your appointment.

Should we itemize your deductions in 2026?

The decision to itemize deductions may look different this year; some taxpayers who usually take the standard deduction could benefit from itemizing instead.

If you itemize deductions in 2026, you may be able to deduct up to $40,400 of the state and local taxes you paid. The limit is $20,200 if you're married filing separately and may be reduced for higher-income taxpayers.

Charitable giving changed too. For 2026, taxpayers who itemize generally can deduct only the portion of their charitable contributions that exceeds 0.5% of adjusted gross income. For example, if your adjusted gross income is $100,000 and you donate $1,500, only $1,000 of those donations is generally deductible. If you don't itemize, you may still qualify for a deduction of up to $1,000 ($2,000 for married couples filing jointly) for eligible monetary donations, including those made by cash, check, credit card or electronic payment. Keep receipts or bank records for your donations, along with any required written acknowledgments, and bring them to your appointment.



For comparison, the base 2026 standard deduction is $16,100 for single taxpayers and married individuals filing separately, $32,200 for married couples filing jointly and surviving spouses, and $24,150 for heads of household. Additional standard deduction amounts may apply if you or your spouse are age 65 or older or blind. Taxpayers age 65 or older may also qualify for an additional deduction of up to $6,000 ($12,000 for married couples filing jointly if both qualify). This deduction is available whether you itemize or take the standard deduction and begins phasing out when modified adjusted gross income exceeds $75,000 ($150,000 for joint filers).

We'll add up your potential itemized deductions and compare them with the standard deduction to determine your best tax outcome.

Make the most of your family tax breaks

If you support a child or other family member, you may qualify for tax benefits such as the child tax credit, credit for other dependents, child and dependent care credit, or earned income tax credit.

For 2026, the child tax credit is $2,200 per qualifying child, with up to $1,700 refundable. The maximum child and dependent care credit rate also increased from 35% to 50%, depending on income. Employer-provided dependent-care benefits can reduce the expenses eligible for the credit. Identification-number requirements are key, so ensure names and Social Security numbers match government records.

Bring your Form W-2 showing any dependent-care benefits, along with child-care receipts or provider statements showing the provider's name, address, tax ID number and amount paid.

Coordinate your education tax benefits

Education expenses can potentially produce more than one type of tax benefit, but keep in mind that you can't use the same expense twice.

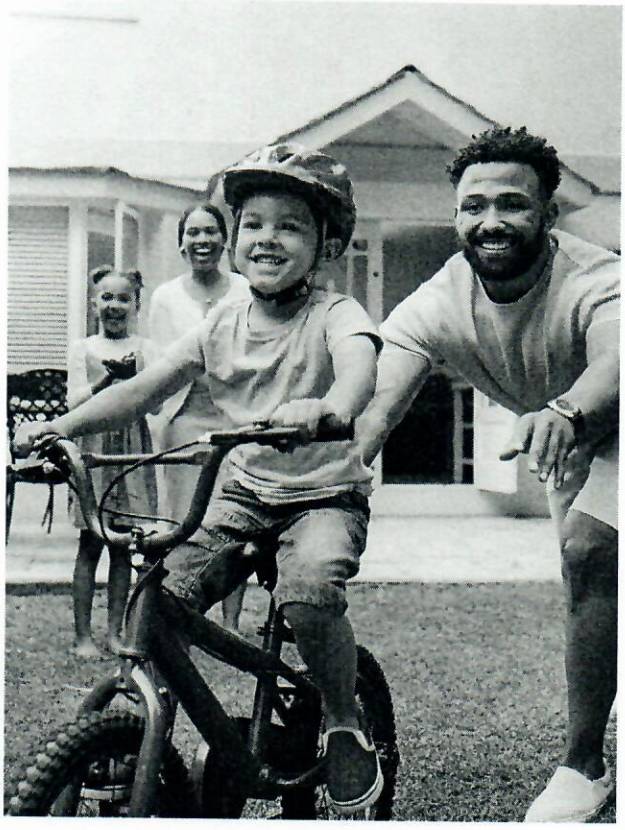
Families using §529 plans should coordinate distributions with other tax-free education benefits and keep records showing how the funds were spent. The annual K-12 distribution limit is $20,000, and qualifying expenses include additional items such as curriculum, tutoring, testing and certain therapies. Section 529 funds may also be used for certain recognized postsecondary credential-program expenses.

Before we prepare your return, gather tuition statements and payment records, along with information about financial aid and §529 distributions.

Income that can still surprise you at tax time

Not receiving a tax form doesn't necessarily mean the income is nontaxable. This is especially important for gig workers and taxpayers with digital-asset transactions. Payment-app reporting can create confusion, too.

Keep records of gambling winnings, prizes and losses. Beginning in 2026, taxpayers who itemize may deduct only 90% of their gambling losses, up to the amount of their winnings. Come to your tax appointment ready to disclose all income sources, including digital asset activity and side-hustle information; bring payment-platform records that separate personal transfers from business income.



Workplace benefits worth a year-end look

If you have benefits through work, review your elections and balances before year-end. For 2026, the health FSA salary-reduction limit is $3,400; if your plan permits, up to $680 of unused funds may carry over. Up to $7,500 of dependent-care assistance may be excluded from income ($3,750 if married filing separately). Employer educational assistance of up to $5,250 may also be tax-free, including qualifying student-loan payments.

Give your retirement activity a closer look

Year-end is also a good time to revisit retirement contributions, required minimum distributions (RMDs) and any withdrawals taken during 2026.

If you took any early retirement-plan distributions, let us review whether an exception to the additional tax applies. Taxpayers subject to RMDs should also verify that the required amount has been taken before the applicable deadline.

Stay on track with withholding and estimated payments

Review the taxes you've already paid through withholding or estimated payments, especially if you had self-employment or other income with no taxes taken out or sold investments at a gain.

The final estimated tax payment for calendar-year taxpayers is generally due Jan. 15, 2027. An extension gives you additional time to **file a return**, but it doesn't extend the time to **pay any tax due**.

If you expect to owe, making an additional payment before year-end may help reduce a potential underpayment penalty. If you're unsure where you stand, you're not alone; reach out, and we can help you take a closer look.

Life changes that can alter your tax picture

Some less-common situations can still change a tax return significantly. Mention it if you:

- Opened or contributed to a Trump Account for a child
- Adopted a child or paid adoption expenses
- Paid a household employee
- Sold a home
- Lost a spouse
- Have a child with significant investment income
- Started or substantially changed a business

A short conversation before next year can help determine which tax rules apply and what records you'll need to bring in. If anything in your tax picture changed this year, or you're unsure what applies to you, we can help you sort through it before 2027 filing begins.

