The Key OBBBA Tax Changes for 2026–2028 and Beyond

Charles Rotblut, CFA

Vice President &
AAII Journal and Dividend Investing Editor

charles@aaii.com

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Changes Made by the OBBBA

- Made Permanent: TCJA tax brackets, higher standard deduction and larger estate tax exemption
- New (starting in 2026): Charitable cash deduction for those who itemize and 0.5% floor for itemizers
- Temporary provisions (through 2028/2029): Larger SALT and senior deduction plus new deductions for auto loans, overtime and tips

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Standard Deduction

	2025	2026
Married	$31,500	$32,200
Single	$15,750	$16,100
Separate	$15,750	$16,100
HOH	$23,625	$24,150
Elderly or Blind	$1,600	$1,650
Unmarried Too	$2,000	$2,050

Source: Internal Revenue Service and H.R. 1.

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Enhanced Deduction for Seniors

Deduction	2025	2026
Married, Filing Joint	$12,000	$12,000
Single	$6,000	$6,000

Phaseouts	2025	2026
Married, Filing Joint	$150,000	$150,000
Single	$75,000	$75,000

- Must be age 65 to claim
- Expires at the end of 2028
- The phaseout rate is 6% per $1,000 above threshold

Source: Internal Revenue Service and H.R. 1.

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State & Local Tax (SALT) Deduction

	2025	2026
Married	$40,000	$40,400
Single	$40,000	$40,400
Separate	$20,000	$20,200

Phaseouts	2025	2026
Married	$500,000	$505,000
Single	$500,000	$505,000
Separate	$250,000	$252,500

- Must itemize to claim
- Expires at the end of 2029

Source: Internal Revenue Service and H.R. 1.

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Three Planning Zones for Seniors

- Zone 1: MAGI under $150,000; Full enhanced senior deduction; Simplest planning situation
- Zone 2: MAGI between $150,000 and $250,000; Partial enhanced senior deduction; Benefit most from tax planning
- Zone 3: MAGI above $250,000; No enhanced senior deduction; Focus on SALT, charitable donations, etc.

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Charitable Deduction for Cash Donations

	2025	2026
Married	$0	$2,000
Single	$0	$1,000

- Available to those who take the standard deduction
- Permanent

Source: Internal Revenue Service and H.R. 1.

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Charitable Deductions for Itemizers

- 0.5% of contribution base floor on charitable deduction goes into effect in 2026
- The contribution base is typically your AGI
- Donations below this floor cannot be deducted, but they can be carried forward for up to five years

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How the Charitable Floor Works

Adjusted Gross Income (AGI)	$200,000
0.5% Floor	($1,000)
Total Charitable Donations	$8,000
Deductible Donations	$7,000
Carry-Forward Amount	$1,000

Source: Internal Revenue Service and H.R. 1.

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Auto Loan Interest

Deduction	2025	2026
Married	$10,000	$10,000
Single	$10,000	$10,000

Phaseouts	2025	2026
Married, Filing Joint	$200,000	$200,000
Single	$100,000	$100,000

- Can be taken with the standard deduction
- Also available to itemizers
- Expires at the end of 2028

Source: Internal Revenue Service and H.R. 1.

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An Opportunity for Roth Conversions

- The enhanced standard deduction offsets the tax cost of $12,000/$6,000 conversions
- The higher SALT deduction also offsets conversion income for those who itemize
- Other deductions, like the auto loan interest deduction, help too
- Note that Medicare premiums are based on income calculated before these deductions are claimed

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Trump Accounts for Minors

- $1,000 contribution by the government to every U.S. citizen born in 2025 to 2028
- Contributions of up to $5,000 can be made starting on July 4
- Contributions are not tax deductible
- No withdrawals until after age 18
- Qualified withdrawals are for college, first home purchase or certain business start-up costs
- 10% penalty on nonqualified withdrawals

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MK1 [@Charles Rotblut] Should this be enhanced “senior” deduction?
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Estate and Gift Tax Exemptions

Estate Tax ($ Mil)	2025	2026
Per Spouse	$13.99	$15.00
Combined	$27.98	$30.00

Gift Tax	2025	2026
Per Person	$19,000	$19,000
Married, Filing Joint	$38,000	$38,000

Source: Internal Revenue Service and H.R. 1.

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Alternative Minimum Tax

AMT Exemption	2025	2026
Joint	$137,000	$140,200
Single	$88,100	$90,100
Separate	$68,500	$70,100

AMT Phaseout	2025	2026
Joint	$1,252,700	$1,000,000
Single	$626,350	$500,000
Separate	$626,350	$500,000

Source: Internal Revenue Service.

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Tax-Planning Considerations for All Taxpayers

- Calculate your 2026 MAGI—it determines your eligibility for many deductions
- Estimate what you will pay in state and local taxes (SALT)
- Determine if it makes sense to itemize this year, given the changes made by the OBBBA
- If taking the standard deduction, take advantage of the new $2,000/$1,000 cash charitable donation deduction

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Tax-Planning Considerations for Those Age 65+

- Claim the enhanced senior deduction if eligible
- Watch your MAGI levels, especially Medicare MAGI, which includes tax-exempt income
- If age 70½+, consider QCDs; these reduce your AGI dollar for dollar

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Most of the temporary provisions put in place by the OBBBA expire at the end of 2028 or 2029.

So, take advantage of them while you can.

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AAII Tax Guide

2026 Allowable Tax Benefits

Standard Deduction

Under Age 65	
Married, Filing Joint	$32,200
Single	$16,100
Married, Filing Separate	$16,100
Heads of Household	$24,150
Additional—Age 65 or Older	
Married (or Qualifying Widow)	$1,650
Single	$2,050
Additional—Blind	
Married (or Qualifying Widow)	$1,650
Single	$2,050
Enhanced Deduction for Seniors	
Married Filing Joint	$12,000*
Single	$6,000

*Both spouses must be age 65 by 12/31/2025.

Maximum Child Tax Credit

$2,200 per child under age 17

Standard Mileage Deductions*

Business Standard Mileage Rate	70 cents
Medical Standard Mileage Rate	21 cents
Moving Standard Mileage Rate	21 cents
Charitable Serv Standard Mile Rate	14 cents

*The IRS had yet to update these deductions at press time. The online version of this guide will be updated when the information is made available.

Deductible IRA Contribution

If taxpayer and spouse not covered by employer-sponsored plan:

If younger than 50	$7,500
If 50 or older	$8,600

Maximum 401(k) Employee Contribution

If younger than 50	$24,500
If 50 or older	$32,500
If 60, 61, 62 or 63	$35,750*

*($24,500 + $11,250 catch up)

Self-Employed Medical Insurance Premium Deduction

100%

Annual Gift Tax Exclusion (per person)

$19,000

Estate Tax Exclusion

$15 million

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AAII Tax Forecasting Worksheet

Income		2025	2026
1.	Salaries per Form W-2	1. _____	_____
2.	Nonqualified dividends and interest income	2. _____	_____
3.	Net business income (losses)	3. _____	_____
4.	Net capital gains and qualified dividend income[a]	4. _____	_____
5.	Other gains (losses)	5. _____	_____
6.	Passive income (losses) (subject to limitations)	6. _____	_____
7.	Other income, including 85% of Social Security benefits, if applicable	7. _____	_____
8.	**Total income** (sum of lines 1 – 7)	8. _____	_____
Adjustments			
9.	Keogh contributions	9. _____	_____
10.	Deductible IRA contributions	10. _____	_____
11.	Other _____	11. _____	_____
12.	**Adjusted gross income (AGI)** (subtract lines 9 – 11 from line 8)	12. _____	_____
Deductions			
13.	Medical and dental expenses [excess over 7.5% of line 13; regardless of age] or self-employed health insurance	13. _____	_____
14.	Lower of sum of lines 14a and 14b or $40,000 ($40,400 in 2026)	14. _____	_____
	14a. State and local income taxes (or sales taxes) _____		
	14b. Real estate and property taxes (non-business property) _____		
15.	Home mortgage interest (for acquisition debt only, capped at $750,000)	15. _____	_____
16.	Investment interest (limited to investment income)	16. _____	_____
17.	Charitable contributions[b]	17. _____	_____

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