



2025/2026 Individual Tax Update

SIFM Holiday Conference

December 3, 2025



2025 Tax Reform – One Big Beautiful Bill Act

Overview of OBBBA

Legislative Overhaul

- OBBBA revises key Tax Cuts and Jobs Act provisions, creating clarity and new tax planning opportunities.

Business Incentives

- The act enhances capital investment incentives via immediate expensing, benefiting manufacturing and businesses.

Individual Tax Benefits

- Individuals gain from changes including increased estate and gift tax exemptions and adjustments to state and local tax caps.

International Tax Changes

- Significant changes to the way US businesses are taxed on foreign operations

Strategic Planning Needs

- Immediate effective dates require quick reassessment of tax strategies and financial impact modeling.

Phased Implementation Timeline

- Certain provisions affect 2025 retroactively, while others begin in 2026, ensuring gradual transition.

Major Corporate Tax Changes

Bonus Depreciation Reinstatement

- Section 168(k) reinstates 100% bonus depreciation for qualified property after January 19, 2025, encouraging asset investments.

Immediate Expensing for Production

- Section 168(n) allows immediate expensing for Qualified Production Property to boost domestic manufacturing investments.

Business Interest Deduction Changes

- Section 163(j) modifies interest deduction limits, allowing addback of depreciation and amortization through 2029.

Research and Experimentation Expensing

- Section 174A permits immediate expensing of domestic research and experimentation costs through 2030 to promote innovation.

*Note that corporate tax changes can directly impact an individual taxpayer when the business is structured as a pass-through entity or is a single member LLC.

Key Provisions for Individuals

SALT Cap Changes

- The SALT deduction cap increases to \$40,000 with phase-out starting at \$250,000 AGI (\$500,000 MFJ), reverting for high incomes. Cap increases by 1% for tax years 2026-2029 and then returns to \$10,000 in 2030.
- Phase-out begins at \$500,000 AGI (indexed annually). Deduction is reduced by 30% of income over threshold, but never below \$10,000 minimum.
- PTET still available for flow-through structures.
- Planning opportunities for use of trusts.
- Planning note: beware of AMT

Estate and Gift Tax Exemption

- Estate, gift, and GST tax exemptions rise permanently to \$15 million, indexed for inflation, starting 2026.
- 2026 annual exclusion increased to \$19,000.

Charitable Provisions

- New Above-the-line Deduction. Non-itemizers get up to \$1,000 or \$2,000 (MFJ) deduction for cash donations, beyond standard deduction.
- Limits on Itemized Deductions. Charitable donations on Schedule A reduced by 0.5% of taxpayer's AGI, limiting high-income benefits.
- Cap on High-Income Deductions. 37% tax bracket capped at 35% on itemized deductions to balance tax benefits across incomes.
- Encouraging Broad Philanthropy. Changes aim to balance benefits and encourage more taxpayers to participate in charitable giving.

Key Provisions for Individuals Continued

Qualified Business Income Deduction made permanent

- Deduction for certain qualified businesses structured as a sole proprietorship, partnership or S corporation. Goal is to align effective tax rate for these types of businesses closer to the reduced corporate rate of 21%.
- Also applicable to REIT dividend income.
- Small enhancements to deduction rate and income thresholds beginning in 2026.

Qualified Small Business Stock (QSBS)

- Enhances the ability to sell qualifying stock with no federal income tax.
- QSBS gain exclusion cap raised to \$15 million with relaxed holding period exclusions at 50%, 75%, and 100%.

Opportunity Zone (OZ)

- OZ program introduced with TCJA made permanent. Opportunity to defer capital gains by reinvesting in a qualified OZ fund. 10% basis step-up after 5 years and rural investments qualify for an enhanced 30% basis step-up.
- Focus in rural areas beginning in January 2027.

Key Provisions for Individuals Continued

Child Tax Credit

- Permanently increased to \$2,200 per qualifying child under age 17 beginning in 2025 (up from \$2,000).
- Refundable portion remains at \$1,400 for 2025. Indexed for inflation beginning 2026.
- Phase-out thresholds remain at \$200,000 AGI (\$400,000 MFJ)

Trump Accounts

- Children born 2025-2029 receive \$1,000 Federal contribution into a tax-advantaged savings account Families can contribute up to \$5,000 annually, indexed for inflation.
- Automatically enrolled with filing of income tax return unless opted out.
- Converts to a traditional IRA at age 18.
- According to the Whitehouse, a fully funded account could be worth \$303,800 by age 18.

New Deductions for Tips and Overtime

Tip Income Deduction

- IRC §224 allows up to \$25,000 deduction for qualified tips in tipped occupations annually.

Overtime Compensation Deduction

- IRC §225 permits up to \$25,000 deduction for qualified federal overtime pay with phaseout thresholds.

Eligibility and Phaseouts

- Deductions apply to employees and contractors with phaseouts starting at \$150,000 single AGI.

Reporting and Implementation

- Employers report tips and overtime separately using new W-2 and 1099-NEC codes starting 2026.

Conformity and Compliance Challenges

Variable State Conformity

- States differ in adopting federal OBBBA tax provisions, causing complexity for multistate tax compliance and planning.

Dual-Conformity Challenges

- Some states partially conform to old and new federal tax rules, complicating compliance and financial planning.

Audit and Planning Importance

- Businesses must prepare for audits and proactively model tax impacts to optimize compliance and reduce risks.

New Compliance Reporting

- Tax forms for the 2025 filing year will have significant updates for preparers to learn.

2026 Individual Tax Rates and Credit/Deduction Limits

2026 Federal Tax Rate Table – Ordinary Income

RATE	SINGLE	MARRIED FILING JOINTLY
10%	Up to \$12,400	Up to \$24,800
12%	\$12,401 – \$50,400	\$24,801 – \$100,800
22%	\$50,401 – \$105,700	\$100,801 – \$211,400
24%	\$105,701 – \$201,775	\$211,401 – \$403,550
32%	\$201,776 – \$256,225	\$403,551 – \$512,450
35%	\$256,226 – \$640,600	\$512,451 – \$768,700
37%	Over \$640,600	Over \$768,700

2026 Federal Tax Rate Table – Capital Gains

Filing Status	0% Rate	15% Rate	20% Rate
Single	Up to \$49,450	\$49,451 – \$545,500	Over \$545,500
Married Filing Jointly	Up to \$98,900	\$98,901 – \$613,700	Over \$613,700
Married Filing Separately	Up to \$49,450	\$49,451 – \$306,850	Over \$306,850
Head of Household	Up to \$66,200	\$66,201 – \$579,600	Over \$579,600

Net Investment Income Tax of 3.8% may also apply if AGI exceeds \$200,000 (\$250,000 MFJ)

2026 NYS & NYC Tax Rate Table (MFJ)

BRACKET	RATE
Up to \$17,150	4.00%
\$17,151 – \$23,600	4.50%
\$23,601 – \$27,900	5.25%
\$27,901 – \$161,550	5.90%
\$161,551 – \$323,200	6.41%
\$323,201 – \$2,155,350	6.85%
\$2,155,351 – \$5,000,000	9.65%
\$5,000,001 – \$25,000,000	10.30%
Over \$25,000,000	10.90%

BRACKET	RATE
Up to \$21,600	3.08%
\$21,601 – \$45,000	3.68%
\$45,001 – \$90,000	3.88%
\$90,001 – \$500,000	3.88%
Over \$500,000	3.65%

High Combined Tax Rates

Federal, state, and city taxes combine to create a top marginal tax rate of approximately 51.55% for NYC high-income residents.

Tax Planning Importance

Effective tax planning is critical to managing liabilities through income timing, deductions, and credits in high-tax jurisdictions.

Federal Standard Deduction

Filing Status	2025	2026
Single	\$ 15,750	\$ 16,100
Married Filing Jointly	\$ 31,500	\$ 32,200
Head of Household	\$ 23,625	\$ 24,150

Common Itemized Deductions:

- State and Local taxes (up to limit)
- Mortgage Interest (up to \$750,000 of debt)
- Investment Interest Expense
- Charitable Deductions

Note: investment expenses and professional fees no longer deductible as 2% miscellaneous deductions after TCJA

401(k), IRA, and Employer Contributions Limits

YEAR	401(K) LIMIT	IRA LIMIT	CATCH-UP (50+)	EMPLOYER + EMPLOYEE TOTAL
2025	\$23,500	\$7,000	\$7,500	\$70,000
2026	\$24,500	\$7,500	\$8,000	\$72,000

IRA and Roth IRA Phase Out Ranges

YEAR	TRADITIONAL IRA (SINGLE)	TRADITIONAL IRA (MFJ)	ROTH IRA (SINGLE)	ROTH IRA (MFJ)
2025	\$79K–\$89K	\$126K–\$146K	\$150K–\$165K	\$236K–\$246K
2026	\$81K–\$91K	\$129K–\$149K	\$153K–\$168K	\$242K–\$252K

Things to do before year end

Loss harvesting

- Review accounts for opportunities to realize losses to help offset any capital gain income. Be aware of wash sale rules and do not repurchase the same stock within 30 days.

Charitable giving

- Consider making larger donations in 2025 to avoid the limitations beginning in 2026. Donor advised funds are a powerful tool to use.

Annual exclusion giving

- Take advantage of annual exclusion gifting to help move wealth to future generations tax free.

Review payroll withholding and deferral elections

- Ensure adequate withholding based on your effective tax rate
- Fund tax deferred retirement accounts to the maximum level

Calculate Q4 Estimated Payment Due

- Avoid late payment interest by paying estimated taxes by 1/15/26 (if necessary)

ADDITIONAL INFORMATION ABOUT GRANT THORNTON

“Grant Thornton” refers to the brand name under which the Grant Thornton member firms provide services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton LLP and Grant Thornton Advisors LLC (and their respective subsidiary entities) practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. Grant Thornton LLP is a licensed independent CPA firm that provides attest services to its clients, and Grant Thornton Advisors LLC and its subsidiary entities provide tax and business consulting services to their clients. Grant Thornton Advisors LLC and its subsidiary entities are not licensed CPA firms. Grant Thornton Advisors LLC may use resources from its subsidiaries and domestic and/or international affiliates during the course of providing professional services to its clients.

Grant Thornton International Limited (GTIL) and the member firms, including Grant Thornton LLP and Grant Thornton Advisors LLC, are not a worldwide partnership. GTIL and each member firm are separate legal entities. Services are delivered by the member firms, GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions.

This proposal is the work of Grant Thornton Advisors LLC, U.S. member firm of Grant Thornton International Ltd, and is in all respects subject to negotiation, agreement, and signing of specific contracts. The information contained within this document is intended only for the entity or person to which it is addressed and contains confidential and/or proprietary material. Dissemination to third-parties, copying, or use of this information is strictly prohibited without the prior written consent of Grant Thornton.

Tax Professional Standards Statement

This document supports Grant Thornton Advisors LLC’s marketing of professional services, and is not written tax advice directed at the particular facts and circumstances of any person. If you are interested in the subject of this document we encourage you to contact us or an independent tax advisor to discuss the potential application to your particular situation. Nothing herein shall be construed as imposing a limitation on any person from disclosing the tax treatment or tax structure of any matter addressed herein. To the extent this document may be considered to contain written tax advice, any written advice contained in, forwarded with, or attached to this document is not intended by Grant Thornton to be used, and cannot be used, by any person for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.

