

# Major tax changes in 2026

Provision	Current Status in 2024 (current policy)	Policy in 2026 After Expiration (current law)	Recommendation and IRC Section
<b>Individual marginal tax rates</b> Rates apply to taxable income within designated tax brackets.	Seven brackets: 10%, 12%, 22%, 24%, 32%, 35%, 37%	Seven brackets: 10%, 15%, 25%, 28%, 33%, 35%, 39.6% Above 15%, taxable income ranges generally capture more income in higher tax brackets.	Maintain current policy. Consolidate brackets as much as possible. (Sec. 1)
<b>Standard deduction</b> Standard deduction reduces taxable income to create a zero rate tax bracket. Not available for taxpayers who itemize.	Single: \$14,600 Married: \$29,200	Single: \$8,300 Married: \$16,600	Allow current law to take effect.  (Sec. 63)
<b>Personal exemptions</b> Exemptions reduce taxable income for each self, spouse, and child.	None. Exemption set at \$0.	Exemption: \$5,300	Maintain current policy.  (Sec. 151)
<b>Child tax credit</b> Tax credit reduces taxes owed. Some low-income taxpayers with little or no tax liability can receive a direct payment in the form of a refundable credit.	\$2,000 tax credit per child under 17 years old. Phase-out for higher-income taxpayers begins at \$400K for married filers.	\$1,000 tax credit per child under 17 years old. Phase-out for higher-income taxpayers begins at \$110K for married filers.	Allow current law to take effect or fully repeal child tax credit.  (Sec. 24)
<b>Credit for other dependents</b> Tax credit for dependents not eligible for the child credit.	\$500 credit per dependent.	No credit available.	Allow current law to take effect. (Sec. 24(h)(4))
<b>State and local tax (SALT) deduction</b> Itemized deduction for income or sales and property SALT payments.	Deduction capped at \$10K.	Unlimited deduction.	Repeal full SALT deduction for individuals and businesses. (Sec. 164)
<b>Mortgage interest deduction (MID)</b> Itemized deduction for interest paid on first and second homes.	Interest paid on up to \$750K of mortgage debt is deductible.	Limit increases from \$750K to \$1 million of mortgage debt.	Repeal the MID.  (Sec. 163(h))
<b>Limits on certain other individual itemized deductions</b>	Limits on deduction for personal casualty and theft loss and wagering losses. No deduction for miscellaneous expenses, such as employee expenses and tax preparation fees.	Fewer limits on deductions for losses and miscellaneous expenses.	Repeal all itemized deductions.  (Sec. 62, 67, 165, 212)
<b>Overall limitation on itemized deductions</b> Known as Pease limitation.	No overall limit.	For higher-income taxpayers, some itemized deductions reduced by 3% of income above certain thresholds.	Repeal all itemized deductions and associated limits. (Sec. 68)
<b>Fringe benefits exclusions</b> Exclusion of employer-provided bicycle commuter and moving expense reimbursements from taxable income.	Bicycle and moving expense reimbursement included in taxable income. Does not apply to moving expenses for Armed Forces.	Up to \$20 per month of bicycle expenses and all qualified moving expenses not subject to income or payroll taxes.	Include all non-wage employment benefits in taxable income. (Sec. 132)
<b>Moving expense deduction</b> Above-the-line (not itemized) deduction for qualifying moving expenses.	Only available for members of the Armed Forces.	Available to all qualifying individuals.	Repeal moving expense deduction. (Sec. 217)
<b>ABLE accounts</b> Tax-favored savings accounts for qualifying disabled individuals.	Higher ABLE account contribution limits for employed individuals, availability of savers credit, and tax-free rollovers from 529 education savings accounts.	Contribution limits return to annual gift tax exemption for all individuals. Savers credit not eligible, and 529 rollovers are taxable.	Replace ABLE and 529 accounts with universal savings accounts. (Sec. 25B, 529)
<b>Health insurance premium tax credit</b> Refundable tax credit to cover cost of insurance premiums purchased on ACA marketplace based on income, family size.	Full premium coverage up to 150% of poverty line for Medicaid-ineligible. No income limit on credit to offset premiums above required contribution percentages.	Higher premium contribution percentages at all income levels. Credit not available above 400% of poverty line.	Repeal premium tax credits. Create Large HSAs.  (Sec. 36B)
<b>Alternative minimum tax (AMT)</b> Parallel income tax system with different definition of taxable income. Tax rates of 26% and 28% after an AMT exemption.	AMT exemption of \$133,300 (married), phased down for high-income taxpayers. 2017-AMT applies to about 200K taxpayers.	Lower exemptions and phase-out income levels so that the AMT will likely apply to more than 5 million taxpayers.	Repeal AMT.  (Sec. 55)
<b>Expensing</b> Businesses generally must deduct the cost of new investments over time (3 years-39 years), depending on the asset.	Through 2022, 100% first-year bonus deduction (full expensing), phasing down 20% each year for 5 years. Bonus deduction of 60% allowed in 2024.	20% bonus deduction in 2026. Beginning in 2027, normal depreciation rules apply.	Full business expensing for all assets.  (Sec. 168)
<b>Pass-through deduction for business income</b> Personal business income is generally taxable at individual income tax rates.	Deduction equal to 20% of qualifying business income. Above certain income limits, deduction subject to restrictions based on industry and business wages paid.	No deduction.	Allow current law to take effect.  (Sec. 199A)
<b>Employer credit for paid leave</b> Business tax credit for wages paid to employees on family and medical leave.	Credit is up to 25% of wages paid for up to 12 weeks. Does not apply to leave pay required by law.	No credit available.	Allow current law to take effect. (Sec. 45S)
<b>Limitation on losses for noncorporate taxpayers</b> Business losses can generally be deducted from taxable income.	Non-c corporation losses in excess of income or gain from such activities, subject to annual limit of \$610,000 (married). Disallowed losses can be carried forward.	Losses can generally offset more income, subject to fewer limits. Takes effect 1/1/2029	Allow full business loss deductions.  (Sec. 461(l))
<b>International taxes</b> TCJA included three new international taxes on certain foreign income (GILTI, FDII) and cross-border transactions (BEAT).	Effective tax rates: GILTI: 10.5%-13.125% FDII: 13.125% BEAT: 10%	Effective tax rates increase to: GILTI: 13.125%-16.406% FDII: 16.406% BEAT: 12.5%	Full territorial tax system. Repeal GILTI, FDII, and BEAT.  (Sec. 59A, 250, 951A)
<b>Opportunity Zones (OZ)</b> Capital gains from qualified OZs deferred and excluded from income.	No election for deferral of gain after 12/31/2026.	After 2026 election date and staggered holding periods, no tax benefits for OZ investments.	Allow current law to take effect. (Sec. 1400Z)
<b>Estate and gift tax</b> Inheritances and gifts are taxed at 40% after excluding a fixed amount from taxation.	Exclusion of \$13.61 million per person.	Exclusion of \$7.15 million per person.	Repeal estate and gift tax.  (Sec. 2001, 2010)

Sources: Congressional Research Service, "Reference Table: Expiring Provisions in the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97)," November 21, 2023; Internal Revenue Code; and author's calculations.

Notes: Many details for taxpayers in specific circumstances are excluded for simplicity. Expirations happen on 12/31/2025 unless otherwise noted. 2026 values are adjusted for inflation assuming September 2024 through August 2025 Chained Consumer Price Index for all Urban Consumers (C-CPI-U) is 177. Excluded items include rule changes to charitable contributions deduction, combat zone tax benefits for members of the Armed Forces in the Sinai Peninsula, and capitalization rules for citrus plants lost by casualty. (ABLE) Achieving A Better Life Experience; (married) married filing jointly; (IRC) Internal Revenue Code; (BEAT) base erosion minimum tax; (FDII) foreign-derived intangible income; (GILTI) global intangible low-taxed income; (TCJA) Tax Cuts and Jobs Act; (HAS) health savings account; (ACA) Affordable Care Act.