American Association of Individual Investors

BetterInvesting

AAII + BetterInvesting: Year-End Tax Planning

Premieres November 25, 2025

Charles Rotblut, CFA

Christi Powell, CFP®, RICP®

The Changes Affecting Your 2025 & 2026 Taxes

Charles Rotblut, CFA

Vice President &
AAII Journal and Dividend Investing Editor

charles@aaii.com

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 deductions, plus new deductions for auto loans, overtime and tips

OBBBA Income Thresholds

OBBBA Comprehensive Income Threshold Matrix

Provision	What It Is	Married Filing Jointly Phaseout	Single Filers Phaseout	Effective Period
Enhanced Senior Deduction	Additional $6,000/$12,000 deduction for age 65+	Begins: $150,000 Complete: $250,000	Begins: $75,000 Complete: $175,000	2025 through 2028
SALT Deduction Cap	State/local tax deduction cap raised to $40,000	Begins: $500,000 $10,000 deduction floor	Begins: $500,000 $10,000 deduction floor	2025 through 2029 ($10,000 in 2030)
Auto Loan Interest Deduction	Up to $10,000 deduction for new U.S.-assembled vehicles	Begins: $200,000 Complete: $250,000	Begins: $100,000 Complete: $150,000	2025 through 2028
Tips Deduction	Up to $25,000 deduction	Begins: $300,000*	Begins: $150,000*	2025 through 2028
Overtime Deduction	Up to $12,500/$25,000 deduction for qualified overtime	Begins: $300,000*	Begins: $150,000*	2025 through 2028
Child Tax Credit	$2,200 credit per qualifying child under age 17	Begins: $400,000	Begins: $200,000	Permanent (2025+)
Standard Charitable Deduction	$1,000/$2,000 deduction for cash donations (standard deduction filers)	No income limits	No income limits	2026+
AMT Exemption	$88,100/$137,000 exemption with 50% phaseout rate**	Begins: $1,000,000	Begins: $500,000	2026+
Itemized Deduction Cap	Reduces itemized deduction value to 35% rate	At 37% bracket threshold	At 37% bracket threshold	2026+
Charitable Contribution Floor for Itemizers	0.5% of contribution base for charitable deductions	No income limits	No income limits	2026

**Tips and overtime deductions phase out by $100 for each $1,000 of MAGI above phaseout limits.*
***The $88,100 and $137,000 exemptions are subject to an inflation adjustment for 2026.*

Source: AAII.com.

Bigger Increase in Lower Brackets

Married, Joint	2026	Increase
12% Bracket	$24,800	+4.0%
22% Bracket	$100,800	+4.0%
24% Bracket	$211,400	+2.3%

Single	2026	Increase
12% Bracket	$12,400	+4.0%
22% Bracket	$50,400	+4.0%
24% Bracket	$105,700	+2.3%

Source: IRS.

Most Phaseouts Are Based on MAGI

- MAGI is Modified Adjusted Gross Income

- Adjusted gross income includes capital gains, taxable dividend income, taxable interest income and taxable retirement distributions

- MAGI for OBBBA phaseouts adds back income excluded under the Foreign Earned Income Exclusion and income earned while residing in U.S. territories

Standard Deduction

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

Source: IRS; H.R. 1.

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

Source: IRS; H.R. 1

Charitable Deduction for Cash Donations

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

- Available to those take the standard deduction
- Permanent

Source: IRS; H.R. 1.

Charitable Deductions for Itemizers

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

SALT (State & Local Tax) Deductions

	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: IRS; H.R. 1.

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: IRS; H.R. 1.

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

- Must be age 65 to claim
- Expires at the end of 2028

Source: IRS; H.R. 1.

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: IRS.

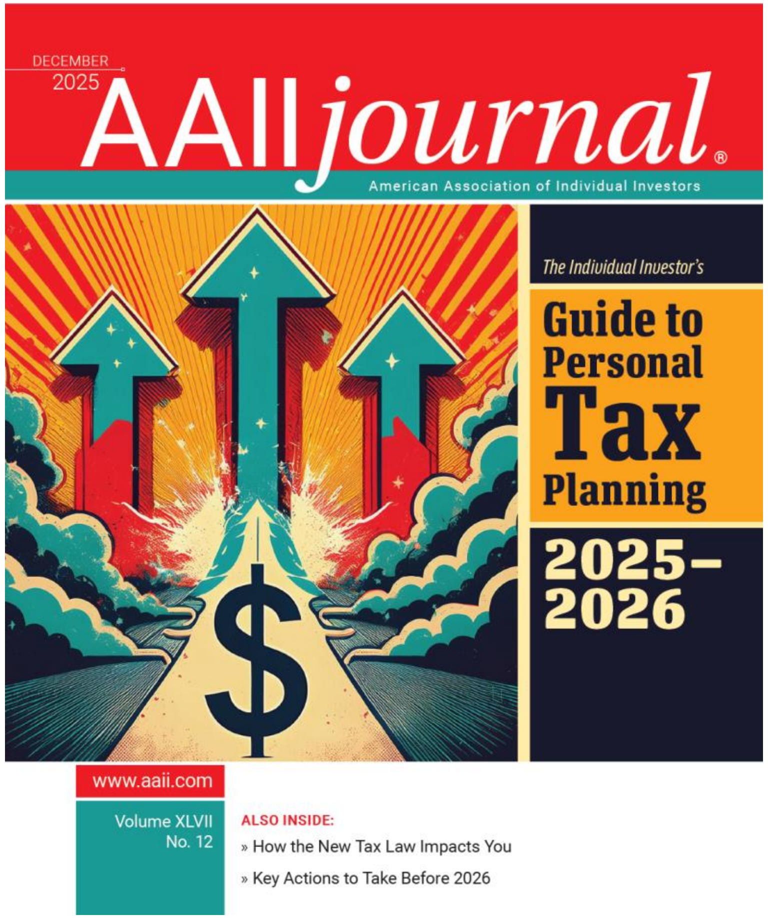
Trump Accounts for Minors

- $1,000 contribution by the government to every U.S. citizen born in 2025–2028
- Up to $5,000 contributions can be made each year starting in 2026
- 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

Tax-Planning Considerations

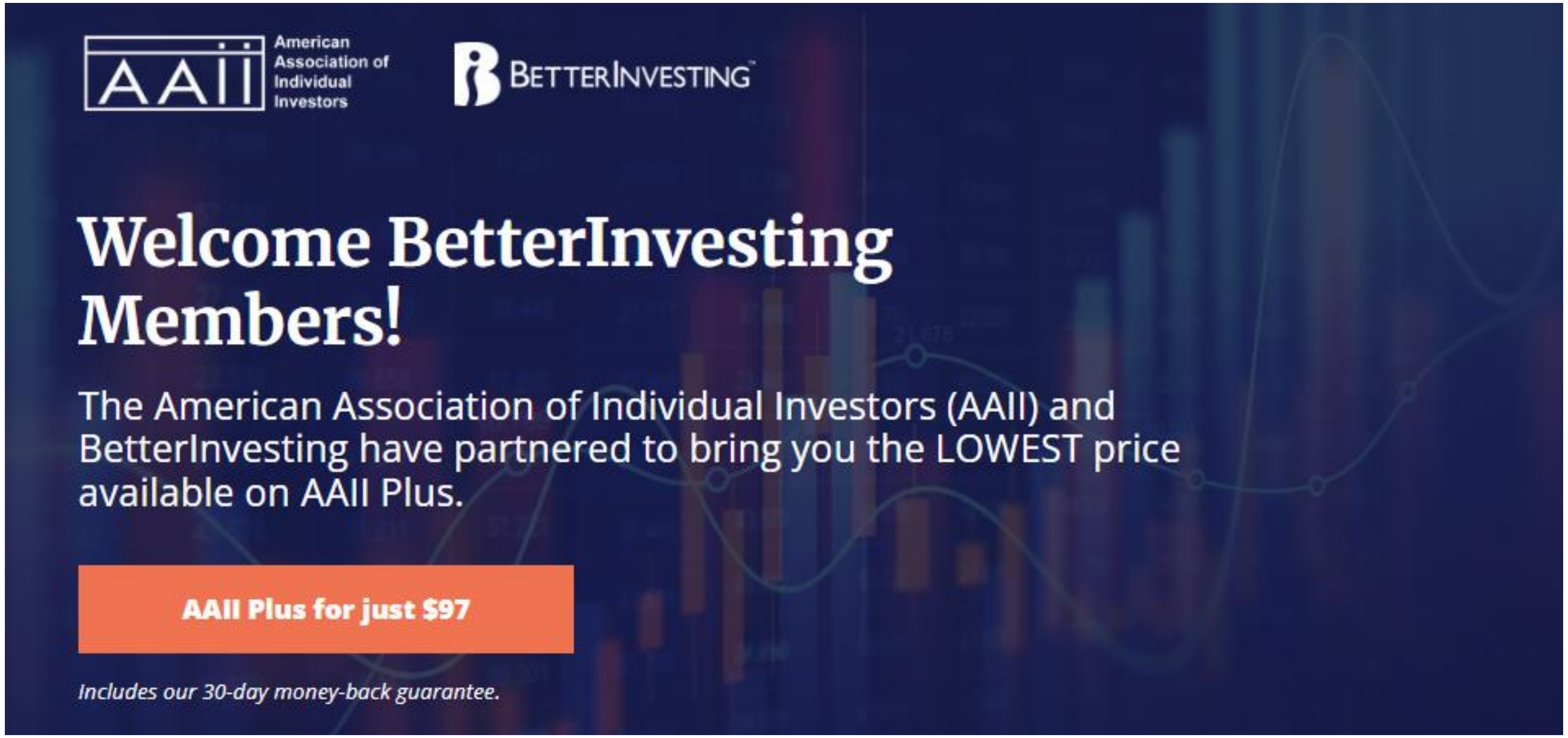
- Make charitable donations in 2025 if you have been bundling donations
- Make cash charitable donations in January instead of now if not itemizing
- The new enhanced senior deduction reduces the tax cost of Roth IRA conversions
- Many of the OBBBA provisions expire after 2028 or 2029

See Our Tax Guide for More



https://www.aaii.com/journal

Special AAII Promo



www.aaii.com/betterinvesting

AAII Disclaimer

AAII is not a registered investment adviser or a broker/dealer. Readers are advised that articles are provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities. The opinions and analyses included herein are based on sources believed to be reliable and written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or any delay or interruptions in the transmission thereof to the users. All investment information contained herein should be independently verified. Past performance is no guarantee of future results. Investment information provided may not be appropriate for all investors. Investment information is provided without consideration of your financial sophistication, financial situation, investing time horizon, or risk tolerance. Readers are urged to consult with their own independent financial advisers with respect to any investment.