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FREE 2026 CLIENT REFERENCE

33
Verified 2026 Federal Tax Rules, Myths & Truths

A client-friendly reference to major federal tax rules and common misconceptions.

UPDATED & FACT-CHECKED FOR TAX YEAR 2026

RULE

A current federal rule or threshold.

MYTH

A statement clients often hear that needs correction.

TRUTH

A useful federal tax fact or planning point.

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Important: This guide summarizes federal tax rules and is not individualized tax advice. State rules may differ. Eligibility, phaseouts, definitions and exceptions can change the result for a specific taxpayer.

The 2026 numbers, at a glance

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Every figure below is drawn from the 33 verified items in this guide. The small number points to the full item.

Standard deduction, single / MFS [1]	$16,100
Married filing jointly	$32,200
Head of household	$24,150
Federal rates unchanged [2]	10–37%
401(k) deferral [4]	$24,500
Catch-up, 50+	$8,000
Catch-up, 60–63	$11,250
HSA, self-only [7]	$4,400
HSA, family	$8,750
HSA catch-up, 55+	$1,000
Mortgage debt limit [5]	$750,000
MFS	$375,000
Annual gift exclusion [8]	$19,000
Estate & gift exclusion	$15 million
RMD applicable age [11]	73
From 2033	75
Self-employment tax [32]	15.3%
Soc. Sec. / Medicare	12.4% / 2.9%

1099-K threshold [12]	$20,000
and transactions over	200
Qualified tips [15]	$25,000
Overtime premium [3]	$12,500
Overtime, joint	$25,000
Car-loan interest [23]	$10,000
Student loan interest [17]	$2,500
Non-itemizer charitable [20]	$1,000
Joint filers	$2,000
Extra deduction, 65+ [21]	$6,000
Both spouses qualify	$12,000
Dependent-care FSA [25]	$7,500
MFS	$3,750
SALT cap [27]	$40,400
MFS	$20,200
Child Tax Credit, per child [29]	$2,200
Care credit rate [26]	up to 50%

MFS = married filing separately. Amounts are federal and subject to eligibility rules, phaseouts and exceptions described in the full items.

Deductions, brackets & benefits

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01 RULE 2026 Standard Deduction Increased

$16,100 single/MFS, $32,200 married filing jointly, and $24,150 head of household.

02 RULE 2026 Federal Tax Brackets Are Inflation-Adjusted

The seven federal income-tax rates remain 10%, 12%, 22%, 24%, 32%, 35% and 37%, with higher income thresholds for 2026.

03 TRUTH Qualified Overtime Can Create a New Deduction

For 2025-2028, qualifying taxpayers may deduct the overtime premium portion above the regular rate, up to $12,500 ($25,000 joint), subject to income phaseouts.

04 RULE 401(k) Contribution Limit Is $24,500

For 2026, the employee deferral limit is $24,500. The regular age-50+ catch-up is $8,000; ages 60-63 may qualify for an $11,250 catch-up.

05 RULE Mortgage Interest Debt Limit Is Permanent

For qualifying acquisition debt, the general limit remains $750,000 ($375,000 MFS). Mortgage insurance premiums may again qualify as home mortgage interest beginning in 2026.

06 MYTH Social Security Benefits Are Never Taxable

False. Depending on filing status and combined income, up to 85% of Social Security benefits may be included in taxable income.

Accounts, transfers & reporting

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07 RULE 2026 HSA Contribution Limits Increased

The 2026 HSA limit is $4,400 for self-only coverage and $8,750 for family coverage, plus a $1,000 catch-up for eligible individuals age 55+.

08 RULE Gift and Estate Exclusions Are Higher

The annual gift-tax exclusion is $19,000 per recipient. The 2026 federal estate and gift basic exclusion amount is $15 million per individual.

09 MYTH No Tax Form Means No Taxable Income

False. Income can still be taxable even when no W-2, 1099 or other information return is issued.

10 MYTH Federal Home Energy Credits Still Apply to New 2026 Improvements

Generally false. The Energy Efficient Home Improvement Credit ended for property placed in service after Dec. 31, 2025, and the Residential Clean Energy Credit ended for expenditures after that date.

11 RULE RMD Starting Age Is 73 for Current 2026 Retirees

Under current law, the applicable RMD age is 73 for people who reach the applicable age before 2033; it rises to 75 beginning in 2033.

12 RULE 1099-K Federal Threshold Returned to $20,000 + 200 Transactions

For third-party settlement organizations, federal reporting generally applies only when payments exceed $20,000 AND transactions exceed 200. A form may still be issued below that threshold.

Records, income & write-offs

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13 MYTH No Receipt Under $75 Means No Records Needed

False. Certain expenses under $75 may not require a receipt, but taxpayers still need records showing the amount, date, place and business purpose; lodging has stricter documentation rules.

14 TRUTH Qualified HSA Withdrawals Can Be Tax-Free

HSA distributions used for qualified medical expenses can be excluded from federal taxable income.

15 TRUTH Qualified Tips May Be Deductible

For 2025-2028, eligible workers may deduct up to $25,000 of qualified tips, subject to occupation, reporting and income requirements.

16 MYTH Side-Hustle Income Is Tax-Free

False. Income from gig work, freelancing and other side businesses is generally taxable and may also be subject to self-employment tax.

17 TRUTH Student Loan Interest Deduction Still Exists

Eligible taxpayers may generally deduct up to $2,500 of qualified student loan interest, subject to income and other eligibility rules.

18 RULE Personal Exemptions Are Permanently Eliminated

The personal and dependency exemption deduction is permanently set at zero for tax years after 2025.

Home, giving & new deductions

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19 MYTH Home Improvements Are Always Immediately Deductible

False. Personal home improvements generally are not currently deductible, but qualifying capital improvements can increase the home’s tax basis.

20 TRUTH Non-Itemizers Get a New Charitable Deduction in 2026

Beginning in 2026, eligible non-itemizers may deduct up to $1,000 ($2,000 joint) of qualifying cash charitable contributions when calculating taxable income.

21 TRUTH Many Seniors Can Claim an Extra $6,000 Deduction

For 2025-2028, eligible taxpayers age 65+ may claim an additional $6,000 deduction per person ($12,000 if both spouses qualify), subject to MAGI phaseouts.

22 MYTH An LLC Automatically Avoids Self-Employment Tax

False. Federal tax treatment depends on the LLC’s classification and the owner’s activity; many active owners can owe self-employment tax.

23 TRUTH Qualified Car-Loan Interest May Be Deductible

For 2025-2028, eligible taxpayers may deduct up to $10,000 of interest on a qualifying personal-use vehicle loan, subject to income, vehicle and U.S.-assembly requirements.

Business expenses, families & SALT

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24 MYTH Calling an Expense “Business” Makes It Deductible

False. A business expense generally must be ordinary and necessary, properly substantiated, and not primarily personal.

25 RULE Dependent-Care FSA Limit Rises to $7,500

Beginning in 2026, the annual dependent-care assistance exclusion generally increases to $7,500 ($3,750 MFS).

26 TRUTH Child and Dependent Care Credit Can Reach 50%

Beginning in 2026, the credit rate can reach 50% of qualifying expenses for lower-income taxpayers, then phases down as AGI rises.

27 RULE 2026 SALT Deduction Cap Is $40,400

For itemizers, the state and local tax deduction cap rises to $40,400 ($20,200 MFS) for 2026, with a reduction for taxpayers above the applicable MAGI threshold.

28 TRUTH HSA Tax Benefits Can Be Triple-Layered

Eligible contributions can be pre-tax or deductible, earnings can grow tax-deferred, and qualified medical withdrawals can be tax-free.

Credits, dependents & digital assets

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29 RULE Child Tax Credit Rules Continue With Enhanced Amounts

The Child Tax Credit is up to $2,200 per qualifying child under current law, with future inflation adjustments and SSN requirements for the taxpayer and qualifying child.

30 MYTH

Anyone You Support Automatically Qualifies as Your Dependent

False. A person must satisfy the applicable IRS qualifying-child or qualifying-relative tests before you can claim dependent-related tax benefits.

31 TRUTH Digital Assets Can Trigger Taxable Income or Gains

Digital assets are treated as property for federal tax purposes. Sales or exchanges can create capital gain or loss, while coins or tokens received for services can be ordinary income.

32 RULE Self-Employment Tax Rate Remains 15.3%

The basic self-employment tax rate remains 15.3%: 12.4% Social Security plus 2.9% Medicare, applied under the Schedule SE rules and applicable wage limits.

33 TRUTH Good Recordkeeping Is Still Your Best Audit Defense

Keep organized records that support income, deductions, credits, basis and business purpose. Documentation matters even when no form is filed with the return.

Verification notes & IRS sources

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Verified through August 19, 2026. Source hierarchy prioritized current IRS guidance and official IRS publications.

- IRS, Working Families Tax Cuts - Individuals and workers (updated 2026): standard deduction, brackets, senior deduction, tips, overtime, car-loan interest.
- IRS, Understanding the Working Families Tax Cuts: Individual Tax Provisions (July 14, 2026): mortgage interest, SALT, charitable deductions, dependent care, personal exemptions, energy-credit expirations.
- IRS, 401(k) limit increases to $24,500 for 2026 / Retirement plan COLA guidance.
- IRS Publication 969 / Rev. Proc. 2025-19: 2026 HSA limits.
- IRS Form 1099-K FAQs and Understanding Your Form 1099-K: $20,000 and more than 200 transactions federal TPSO threshold.
- IRS retirement guidance / SECURE 2.0 materials: RMD applicable age 73 before 2033 and 75 beginning in 2033.
- IRS digital asset guidance and Taxpayer Advocate Service: digital assets treated as property; treatment depends on transaction.
- IRS guidance on dependents, Social Security benefits, student loan interest, self-employment tax and recordkeeping.

Editorial note: Several entries in the earlier infographic used 2025 amounts, repeated topics, or rules superseded by 2025 legislation. This version replaces those items with current 2026 federal guidance and adds material 2026 provisions.