

Rogers & Associates CPAs, P.C.

2025/2026 Tax Law Changes/Updates/Mortgage Interest/Medical Deductions

Key Legislative Changes Affecting Individuals and Small Business for 2025/2026@ As Provided in the OBBBA, CAA 2023, SECURE Act 2.0, IRA & various other recent acts

Individuals

- SALT tax limitation 2025-2029 maxes out at \$40k. Phased out w/AGI \$500-600k down to \$10k old rules.
- New Senior personal exemption deduction \$6000 with phaseout with AGI at \$75/\$150k single/joint filers.
- 2026 Sch A deductions limited at 35% rate for higher income taxpayers. Higher taxed persons lose benefits.
- Overtime Pay – deduct up to \$25k/12.5k of overtime pay (not base pay). AGI limits \$300k/150k joint/single.
- Tip Income – tax free up to \$25k/return. AGI limits \$300/150k exclusion begins to phase out.
- PMI deduction allowed beginning 2026 for incomes below \$100k or \$50k MFS.
- TCJA (2017 tax cuts, etc.) were made permanent (this is great for most every taxpayer).
- Car Loan(s) Interest deduction – up to \$10k/return: new vehicle, made in US, 2025-2028 purchases, expires thereafter.
- New form 1099-DA (digital asset) for reporting/taxation: Virtual Currency(crypto); Nonfungible Tokens (NFTs) used in Gaming/Sports/Music/Film/Social Media.
- Medicare Part D catastrophic coverage OOP max cost reduced from \$8k to \$2k in 2025.
- Energy Efficient Home Improvement Credit – increased to: \$1200 heat pumps/windows/doors; \$2000 for specified heat pumps/heat pump water heaters/other biomass stoves & boilers. Credits end in 2025.
- Residential Clean Energy Credit (Solar on primary/2nd home) – 30% of total costs up to \$500/half KW hour, exp's 2026.
- 529 Plans – may be used for elementary/secondary/private/religious schools. Increased QHEE amounts to \$20,000.
- Student loans – up to \$10k of 529 plan funds may be used to pay both principal and interest.
- Child/Dependent Care Tax Credit increased to 35% (lower income) 20% X \$3,000 for 1 or \$6,000 for 2 dependents
- FSA (employer sponsored) use pre-tax pay for kids/elder care for dependents. \$7500/yr joint or \$3750 MFS.
- Child Tax Credit – increased to \$2,200 per child.
- Capital Gains – tax rates did not change but the income brackets were adjusted upward for inflation.
- Standard Deduction – increased for inflation: Single \$15,000, MFJ \$30,000, HH \$22,500.
- 1099-K Forms – will be issued by 3rd party payors in 2025 for those who sold goods/services over \$20,000 & 200 transactions. **E-bay/Venmo/Zelle/PayPal** type transactions may create an IRS reporting requirement – even in 2025!
- Charity 2025 - .5% of AGI is the floor before any are allowed. 2026 \$1000/\$2000 cash contributions allowed w/o itemizing.
- Retirement – most plan contribution limits have increased - complex rules require analysis of all the facts.
- IRA distribution (pre 59 1/2) may be taken w/o penalty for you or your descendent' s higher Educ exp.
- Adoption credits – up to \$15,950 federal and \$6k for GA (yearly till 18 for kids who were in the foster system).
- Educators – up to \$300 each per taxpayer incurred classroom expense deduction.
- Education Credits/Deductions – up to \$10k from a 529 plan can be applied to student loans. Up to \$10k/year from 529 plan for K-12 tuition. Am Opportunity Tax Credit – up to \$2500 for 4 years. Lifetime Learning Tax Credit – 20% x up to \$10k for a max of \$2,000 credit (income phaseouts apply).
- New Electric Vehicle(s) Credit expired 9/30/25 max credit \$7500/vehicle. Credit disallowed if income >\$300k/\$150k.
- Used Clean Veh. Credit thru 9/30/25 = 30% x \$price up to \$4k for dealer purchases costing up to \$25k. Income limits.
- Tax Relief in Disaster Situations – numerous locals affected by weather/fire, etc. may qualify. Up to \$22k from retirement/IRAs may be taken w/o penalty and taxed over 3 years. Repayment to the fund is available.
- Digital Assets 1099-DA - Reporting by brokers beginning 1/1/2026 transactions. Failure to report may result in tax evasion!
- Mortgage Interest - Mortgage interest for primary residence, HELOC and 2nd home interest is deductible within certain limits \$750k (\$1.0mil loan for pre-12/16/17 loans). Be sure to notify us if you refi (cash-out) as there may be limits. PMI is deductible starting 2026 (continues to be so for investment/rental/commercial property).
- Medical Exp – Emotional Support Animals – should be 'prescribed' by licensed healthcare provider.
- Gambling/gaming losses 2026 – limited to 90% of winnings and to be claimed on Sch A Itemized deductions.

Business & Retirement Plans

- QBI – 20% business deduction allowed but phaseout for certain taxpayers (Dr.,lawyer,CPA,celebrities,etc.)
- SALT tax limitations for high income business owners – pay taxes thru business entity to circumvent \$40k limit.
- Corp Transparency Act (CTA) – most small businesses (Corp/LLCs) have ownership & officers reporting requirements (BOI) to FinCEN (US Treas.) by 12/31/2024. **THIS HAS BEEN SUSPENDED FOR DOMESTIC COMPANIES.**
- Bonus Depreciation – increased to 100% 1/20/25.
- Excess Business Losses – 2026 loss limit/yr = \$500k/250k Joint/single. Remainder of EBL converts to an NOL carryforward.

- 1099NEC/MISC reporting floor raised from \$600 to \$2000 beginning 2026.
- Retirement plan tax rules – lots of changes. MRD raised to age 73 in '23. Hardship withdrawals. Qualified Plans (401(k), etc.) 'Catch-Up' increased up to \$11,250 for those 60 to 63 starting 2025/26.
- Domestic Abuse withdrawals – exemption from 10% penalty up to 50% of account and max of \$10,000.
- Employers may match/contribute to an employee's 401-K, IRA, etc. based upon his repayment of student loans.
- 529 Plans – penalty free rollover allowed to ROTH IRA in 2024.
- MRD Penalty – reduced from 50% to 25%. However, 'corrective action' appeal is available for you.
- Commercial Clean Vehicle Credit expired after 9/30/25 - **30% of cost up to \$7500(EV or fuel cell)**
- Mileage rate increased to 70 cents for business beginning 2025.

Mortgage Interest Deduction under the OBBB and Tax Cuts and Jobs Act of 2017©

What is deductible? Qualified Residence Interest for Acquisition Indebtedness on a Qualified Residence (QR). This is defined as your principal residence **and/or** any other residence (condo, time-share, etc.).

What is QRI? This is the interest on a 1st mortgage, 2nd mortgage or HELOC used to either acquire, construct or substantially improve the QR.

More about a HELOC – while the new law suggests that interest on these are not deductible they may be **IF** the funds are used to purchase/build/improve a QR home and the loan is secured by a QR. Other deductions may be allowed using the 'tracing principle' that attaches the interest to the purpose, say, for an investment, rental property or for a business, etc.

What about HELOC/2nd mortgage interest NOT used for the above – say, for debt consolidation – the answer is NO deduction. Points & Loan Origination Fees may still qualify if the loan meets QRI status.

What are the debt limits - \$1mil incurred before 12/16/2017 and \$750k for after 12/15/2017 acquisitions (singles and separate filers = half these limits). Where two unmarried persons co-own a QR they each can claim up to the maximum limit of \$500/\$375k.

PMI or MIP – see above for OBBB revised rules.

Note – when you have refinanced a QR one or more times the interest may or may not be fully deductible. It depends upon all the facts and circumstances. Re-fi's and the use of funds are subject to complex allocation rules. Proper analyses should be performed to ensure you receive the fullest deduction possible. We offer the service to calculate allowable QRI deductions and mortgage histories

Medical & Other Itemized Deductions for 2023©

Acupuncture
 Alcoholism Treatment
 Alternative healing
 Ambulance
 Artificial limbs & teeth
 Bandages & supplies
 Breast reconstructions
 Birth control pills
 Braille books, etc.
 Capital improvements
 Car – modification
 Chiropractor
 Contact lenses
 Crutches
 Dental treatment (not whitening)
 Diagnostic equip.
 Disabled assistance care
 Drugs – Rx
 Eye exams & glasses
 Eye surgery & laser
 Fertility enhancements
 Founder's fee for retirement home
 Guide dog, etc. (all expenses)
 Hair transplant -corrective
 Health Savings Acct (HSA) 100%**
 Hearing aids, etc.
 Home nursing care
 Hospital costs & meals/lodging
 Insurance premiums – usually
 Lab fees
 Learning disability – tutoring/school
 Lifetime care advance payments

Lodging (limited)
 Long-term care (depends)
 Medical conference – fee & travel only
 Medical Savings Account
 Medicines – Rx
 Mental – special home
 Non-Rx – only insulin
 Nursing home – some limits
 Nursing services – some limits
 Nutritional supplements – some limits
 Organ donors – all expenses
 Orthopedic Massage
 Osteopath
 Oxygen & equip.
 Physical Therapy
 Prosthesis
 Psychiatric care
 Psychoanalysis
 Special education & schools
 Sterilization
 Smoking cessation
 Surgery – no unnecessary cosmetic
 Swimming – therapeutic only
 Telephone – hearing impaired
 TV – hearing impaired type
 Transplants
 Transportation for medical & Rx
 Vasectomy & reversal
 Weight loss & special diet if Rx
 Wheelchair
 Wig if due to disease
 X-rays

Certain Other Deductions

Ad Valorem Tax
 Alimony (Pre-2019 Awards)
 Bad debts
 Casualty/disaster area losses
 Certain loan costs
 Charitable contributions – cash & non-cash
 Foreign taxes – depends
 Gambling losses including travel - limited
 Moving exp. – Military Only
 R/E tax
 Reservist's travel exp.
 Self-Employment Health Ins.
 Self-Employment Tax
 State Estimated Tax Pmts.
 State/local income tax or General sales tax
 Stock losses
 Student loan interest
 Teacher supplies \$300 each TP
 Vehicle/MH/boat sales tax

***Note – many items subject to limitations. The federal income tax laws are complex. Consult your tax advisor.**

** HSA OTC drugs now allowed

Note – this list is not comprehensive. Several provisions have differing dates of applicability, limitations and phase-outs. Federal income tax laws are complex and may require the use of a CPA, tax attorney or qualified EA for interpretation. Ver 1.11.2026.