

# INCOME TAX UPDATE

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Wayne Otchis, CPA



# Limited Content

- This presentation is geared toward Del Mar's seniors and the tax issues they may encounter in preparing their 2025 tax returns.
- There will be *plenty of time for questions at the end!*
- *2025 One Big Beautiful (or ugly) Bill provisions*
- 2025 Forms
- 2026 Changes

# Disclaimer

- To keep our attorneys happy, please note that this presentation is not rendering legal, accounting, or other professional advice and DMCC does not assume any liability in connection with the information you may receive today
- In addition, the facts and circumstances in your particular situation may not be the same as those presented this morning. **We urge you to do additional research and to consult with your tax adviser!**
- Also, any political views expressed are those of the presenter and do not necessarily reflect those of Del Mar Community Connections.

# Slide from last year's talk

## The 2017 Tax Cuts and Jobs Act

- Many provisions expire 12/31/2025 including:
  - Lowered income tax rates
  - State and Local Tax Limitation
  - Relaxed Alternative Minimum Tax
  - Estate Exemption of \$13.99 Million
- Congress will NOT let these provisions expire

# One Big Beautiful (?) Bill Provisions (OBBB)

Signed into law July 4, 2025 and has provisions for 2025 and going forward.

- Reminder...we are NOT going to talk about tips, overtime or other changes that generally do not affect Del Mar seniors
- There is a new deduction for interest paid on new car loans if the car was purchased in 2025 and manufactured in the U.S.
- We WILL talk about the new deduction for Seniors
- We WILL also talk about the relaxed SALT limitation

Let's review other provisions first:

- Tax rates and brackets made *permanent (sort of)*
- Energy credits basically gone

Many other expiring provisions were extended

# OBBB Provisions Cont'd

- New personal exemption deduction for **Seniors** of **\$6,000** (in lieu of “No tax on Social Security”)
  - **Married** filing joint maximum is **\$12,000**
  - Effective for tax years **2025-2028**
  - **BUT.....subject to phaseout** if Adjusted Gross Income exceeds \$75,000 for single or \$150,000 for married.
  - Must be age 65 or older at end of year to qualify
  - You don't have to be on Social Security to qualify.
  - This is **in addition** to the standard or itemized deduction.
- CA does **NOT** conform to the provisions of the OBBB

# Relaxation of SALT Limitation

- Since the Tax Cuts and Job Act passage in 2017, most Del Mar married taxpayers could NOT itemize their deductions on their federal returns since the total state and local tax claimed could not exceed **\$10,000**.
  - This was enacted to penalize the blue states like CA, NY, CT, NJ, IL, etc. which have high income and other state taxes.
- NY House Republicans told ***you know who*** that they could not be re-elected in 2024 unless this changed.....so.....
- The limit was raised to **\$40,000 for tax years 2025-2029**
- The AGI phaseout for this begins at \$250,000 for Single and \$500,000 for Married Filing Joint and is indexed for inflation.
- This is a MAJOR change for Del Martians who generally pay more in state income and property taxes than \$10,000. **This may allow them to ITEMIZE their deductions again!!!**

# Charitable Contribution Deduction

**New deduction for Non-Itemizers starting tax year 2026:**

- \$1,000 for Single filers, \$2,000 for Married filing joint
- New 0.5% Adjusted Gross Income floor (or hurdle you have to get over to deduct the excess)
  - Example.....if your income is \$200,000 and you donate \$4,000, only \$3,000 would count.
  - This is another reason to consider Qualified Charitable Distributions from your IRA (if eligible) where 100% of your donations count!

# More on Qualified Charitable Distributions

## Qualifications:

- Must be over 70 ½ (vs 73 for RMD purposes)
- Must be transferred directly from custodian to qualified charity (like DMCC)
- Maximum for 2026 is \$111,000 per eligible taxpayer
- Reduces Adjusted Gross Income
- There is also an option to contribute \$55,000 to a type of charitable remainder annuity once in your lifetime. This is part of the \$111,000 annual maximum for 2026
- Schwab has a checkbook option that makes QCD's easy. But make sure the check is *cashed* by 12-31-26.

# Other changes for 2026 tax year

Upper income taxpayers will have itemized deductions reduced

Mortgage insurance premiums will again be deductible

Educator expenses are expanded

Gambling losses are no longer fully deductible against gambling winnings

Most energy credits like solar for your home are gone so I guess it's time to load up on coal and other dirty energy sources (sorry, I couldn't resist this)

Electric vehicles purchased after 9/30/25 are no longer eligible for that credit either

# Trump Accounts

- Created by the OBBB, deposits to these accounts can begin July 4, 2026
- This is an IRA-like account that accumulates funds for children under 18
- For those born in 2025-2028, \$1,000 will be deposited by the federal government as seed money.
- Additional maximum annual non-deductible contributions of \$5,000 can be made by parents, relatives, and other taxable entities.
- Distributions cannot begin until the child turns 18
  - Earnings and seed money are taxable on distribution, unlike 529 account funds spent on education.

# 2025 Filing notes

- Tax Season officially opened January 26, 2026.
- Not all forms and instructions are out yet
- In spite of this, if you have all of your information, you are encouraged to file as early as possible because:
  - Identity theft is on the rise
- Consider getting an Identity Theft Pin from **IRS.gov** if applicable
- IRS Customer service will be poor again due to:
  - Budget cuts mandated by Republican senators
  - **27%** of the IRS workforce has either retired or been laid off
  - The agency is now under its **7<sup>th</sup> Executive Officer since January of 2025** and like many other appointees, is pretty much unqualified. He also heads the Social Security Administration, so there you go.

# Filing notes continued

- Complete the itemized deduction checklist from your tax preparer since many more taxpayers will be able to itemize this year
- If you're doing your own return, put it aside for a day or two and then review for possible omissions
- Virtual currency transactions and health insurance questions will again need to be answered
- Definitely use direct deposit if you're getting a refund
- IRS is encouraging direct debit for balance due returns but is still accepting paper checks mailed in

# Other items of note

- A continuing provision allows a ***non-taxable* rollover of excess 529 college funds** to Roth IRA's (this began in tax year 2025)
  - 529 Plan must have been in existence for at least 15 years
  - Annual limit is \$7,000
  - May be of interest to children and particularly grand children
  - Lifetime limit is \$35,000
  - Beneficiary must have at least as much earned income
- **Annual Gift Exclusion is \$19,000**
- **Estate Exclusion** has been made *permanent* at **\$15,000,000** and this is indexed for inflation!

## Q & A Rules

- **Please try to NOT ask about your personal tax situation, but rather issues that might affect others in the audience**
- **I will try to answer questions based on available information**
- **You are usually better off discussing your situation with your own tax adviser**
- **Please try to direct questions on the changes and the new developments discussed today**

