Upcoming Tax Changes:

The 2026 Sunset of the Tax Cuts and Jobs Act

As 2026 approaches, several key provisions from the Tax Cuts and Jobs Act of 2017 are set to expire. These changes will bring adjustments to tax rates, deductions, credits, and exemptions—potentially impacting tax strategies for individuals with higher net worths. **Here's a quick rundown of what to expect and how it may affect your financial planning:**

INCOME TAX RATES

Federal income tax rates will revert to higher, pre-TCJA levels, with the top rate increasing from 37% back to 39.6%.

SALT DEDUCTION

The $10,000 cap on the state and local tax (SALT) deduction will be removed, allowing for greater deductions on state and local income taxes, real estate taxes, and personal property taxes.

MISCELLANEOUS DEDUCTIONS

Deductions for items like investment and advisory fees, unreimbursed employee expenses, and other costs over 2% of adjusted gross income will be reinstated.

CHILD TAX CREDIT

The credit per qualifying child will decrease from $2,000 to $1,000.

STANDARD DEDUCTION

The nearly doubled standard deduction will return to its original level, reducing from $12,000 to about $6,000 for single filers and from $24,000 to approximately $12,000 for married couples filing jointly.

MORTGAGE INTEREST DEDUCTION

Mortgage interest deductions will be limited to the first $1 million of home mortgage debt, down from the current $750,000 cap, with an additional $100,000 allowed for home equity loan interest.

ESTATE AND GIFT TAX EXEMPTION

The doubled estate and gift tax exemption will be halved, limiting tax-free transfers significantly.

PERSONAL EXEMPTIONS

Personal exemptions, suspended under the TCJA, will return, with an exemption of around $2,000 per taxpayer and dependent, adjusted for inflation.

SUMMARY

These sunset provisions could have substantial implications for financial planning, particularly for those with estates, dependents, or higher state and local tax burdens. Re-evaluating your plan now can help ensure you're prepared for these upcoming changes. Reach out to us to discuss the best strategies for adapting to these new rules.