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Charitable Contribution Rule Changes for 2026

In recent years, many people haven't received any tax benefit for their charitable donations. The *Tax Cuts and Jobs Act* almost doubled the standard deduction, so most taxpayers stopped itemizing, and charitable gifts no longer showed up on their federal returns. Thanks to the *One Big Beautiful Bill Act (OB3)*, charitable contributions are making a comeback in 2026.

A New Deduction For Non-Itemizers

The OB3 Act introduced (well, reintroduced) a new deduction for charitable donations for taxpayers who do not itemize deductions. This one is just for people who take the standard deduction. While this deduction won't reduce your adjusted gross income (AGI), it will reduce the amount of income that you pay tax on, and for most people who use the standard deduction, this is the first time since 2021 that donations can lower your tax bill.

The rules are simple: Single filers can deduct up to \$1,000 in qualified charitable cash donations. Married couples filing jointly can deduct up to \$2,000. These limits will not increase with inflation in the future.

Only cash donations made directly to qualified public charities count—this includes cash, checks, or credit card gifts. Non-cash donations like clothes, household items, or stock do not qualify for this new deduction and will not give you a tax benefit unless you itemize. Donations to donor-advised funds or private non-operating foundations also do not qualify.

For example, if you are a single filer taking the standard \$16,100 deduction in 2026 and you write an \$800 check to a local food bank and give \$200 cash to a disaster relief group, you can deduct the full \$1,000. Because this deduction lowers your taxable income if you are in the 22% tax bracket, your donation would save you about \$220 in taxes.

New Restrictions for People Who Itemize

It's not all good news for charitable donations. While most people now have a new deduction, those who still itemize face two new rules that affect how much they can deduct for their charitable gifts.

First, there is a new minimum. If you itemize, you can only deduct charitable donations that are more than half of one percent of your adjusted gross income. Anything below that does not count. For example, if your adjusted gross income is \$200,000, the first \$1,000 of your donations is not deductible. Only amounts above \$1,000 qualify.

Second, if you are in the top 37% tax bracket and you itemize, all of your itemized deductions, including your charitable contributions, will only save you 35% instead of 37%. The difference is small, but for large donations it adds up. For example, a \$50,000 donation would save you about \$1,000 less in taxes.

What This Means Going Forward

If you take the standard deduction, your donations to qualified public charities now give you a tax benefit that was not available before. To make sure your donation counts, check that the group is a qualified public charity. Most well-known charities also list their 501(c)(3) status on their website or can provide proof if you ask. Checking before you donate helps make sure your gift qualifies for the deduction.

If you give larger amounts, you might want to try a strategy called "bunching." This means combining two or three years of planned donations into one year. That bigger total can put you over the standard deduction limit, so it makes sense to itemize and deduct the full amount that year, though this strategy may not give you as much bang for your buck with the new limitation. Give me a call if you're looking for strategies to get the most out of your donations.

When we file your 2026 tax return next year, keep in mind that these changes are new for this year, so your deductions may look different even if you gave the same amount.



No matter how much you give, keep good records. For cash, check, or credit card donations, save your bank statements or receipts. If you donate \$250 or more, you get a written acknowledgment from the charity. For non-cash gifts, write down the date, a description of the item, and its fair market value.

The Bottom Line

The new deduction is not large, but it is a tax break that about 90% of people did not have last year. Whether you use it on its own or as part of a bigger giving plan depends on your donations, your income, and how close you are to itemizing. If you want help, reach out and we can review your numbers together.

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You Win Some, You Lose Some, But Now You Pay Tax on More.

Whether you're a card shark or just enjoy an occasional Super Bowl pool, new rules make it harder to deduct gambling losses. Under the new laws even if you break even for the year, you could face a higher tax bill. This applies to all forms of gambling: casinos, sports, racing, lotteries, poker, bingo, and more.

How It Used to Work

Previously, you could deduct gambling losses equal to your winnings if you itemized deductions. Win and lose \$5,000? You fully offset the income, making it tax-free (though all those winnings would still land in your AGI, potentially reducing other tax benefits).

The New 90% Cap

Starting this year, the deduction for gambling losses is limited to 90% of your losses for the year. That 10% gap might create "phantom income." But this new rule only hurts break-even or winning gamblers. So, if you always lose money at the casino, this shouldn't be a problem. If you're lucky, you'll want to read this article to get a better idea of how this new rule works.

How the Math Changes

Let's say you hit a \$10,000 jackpot, but keep pulling that lever and wind up giving all \$10,000 back to the casino. Under the old law, the full \$10,000 would offset the winnings, but now you can only deduct \$9,000, meaning you're paying taxes on money you didn't keep.

What about a heavier gambler who wins and loses \$100,000 in a break-even year? They'll only be able to deduct \$90,000 in losses, creating \$10,000 in phantom taxable income. That's thousands of dollars in extra taxes they didn't have to pay prior to 2026!

For a less-fortunate gambler, as long as your winnings are 90% or less than your total losses, you won't feel the sting of this new limitation. Let's say you won \$40,000, but lost \$50,000. The rule says that gambling losses are first limited to 90% of the total gambling losses ($\$50,000 \times 90\% = \$45,000$), then limited to gambling winnings. So in this case, the losing gambler still gets to offset all \$40,000 of their winnings with \$40,000 of losses.

You Still Have to Itemize

Gambling losses are an itemized deduction on Schedule A. If you're claiming the standard deduction, this means your winnings are fully taxable with zero offset.

There are some cases where same-day gambling losses can be claimed if you don't itemize, but you have to keep really careful records for this strategy to work. If you keep a log of your wins and losses every time you go to the casino, let me know so we can see if there's a way to reduce the impact of gambling on your tax return.

Plan Ahead

If you gamble regularly, give me a call to see how these changes might impact your tax return.

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Electronic Payment Mandate



Starting early last year, the federal government began updating how payments are made to and from the IRS by requiring electronic payments.

If you've been reluctant to get your refunds by direct deposit, or if you don't have a bank account, you'll find some extra steps are required this year to get your hands on your refund. If you don't include your banking information on your return, the IRS will send you a CP53E letter requesting banking details to get your refund electronically.

When that letter shows up, you have a few options.

Option 1 Provide your routing and account number to the IRS using your IRS.gov account, or respond to the letter and explain that you do not have access to a bank account. In either case, the refund will be issued shortly after you respond.

Option 2 Ignore the letter because you want your refund as a check and don't want to provide an explanation for why they cannot transfer it to you electronically. If you go this route, it may take more than 6 weeks to get your refund (but they will eventually send you the money).

If you are concerned about the status of your refund, visit irs.gov/refunds. If you receive a CP53E and need some extra guidance, please reach out so I can make sure you're taken care of.



The Child and Dependent Care Credit Got a Boost

If you pay for child care or dependent care so you can work or pursue a degree, there's good news: this credit just got a permanent, meaningful increase.

Bigger Credit Rates

Under the old rules, the credit covered 20%–35% of qualifying care expenses, depending on your income. The new law raises that range to 20%–50%.

The rate you get depends on your adjusted gross income (AGI):

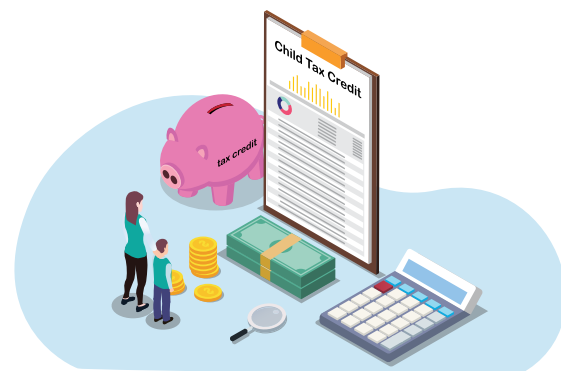
- If your AGI is under \$15,000, you get the full 50% rate.
- As income goes up, the rate gradually steps down — phasing down to 35% until you hit \$75,000 (single/HOH) or \$150,000 (joint).
- The rate continues stepping down to the 20% floor at about \$105,000 (single/HOH) or \$210,000 (joint).
- Above those thresholds, the rate stays at 20%.

What That Means in Dollars

The qualifying expense limits are the same as before: \$3,000 for one qualifying dependent, \$6,000 for two or more. But with the higher rate, the maximum credit is now:

- \$1,500 for one dependent (50% x \$3,000)—up from \$1,050 under the old rules
- \$3,000 for two or more (50% x \$6,000)—up from \$2,100

Even at the 20% floor, you're looking at \$600 for one dependent or \$1,200 for two or more.



The Dependent Care FSA Got a Raise Too

If your employer offers a dependent care flexible spending account (FSA), the annual limit has increased from \$5,000 to \$7,500 for most filing statuses. The limit is cut in half for married taxpayers filing separately. This is the first increase to that limit since 1986—yes, it really took that long.

If you're currently contributing to a dependent care FSA, you may want to check with your employer about raising your election to take advantage of the higher limit. The extra \$2,500 in pre-tax dollars can make a noticeable difference.

Keep in mind: this credit is nonrefundable. It can reduce your tax bill to zero, but it won't generate a refund by itself.

TRUTH VS. MYTH

MYTH: The new "Trump accounts" work like a Roth IRA—the money grows tax-free.

TRUTH: These accounts are not Roth accounts. The \$1,000 federal contribution and any investment growth are tax-deferred, meaning taxes are owed when the money is eventually withdrawn—similar to a traditional IRA. Family and friends can contribute up to \$5,000 per year for a child under 18 with a Social Security Number, and the account effectively converts to a traditional IRA when the child turns 18. These contributions are not deductible. If you had a child born in 2025 through 2028, you may be

eligible for the \$1,000 government contribution. Details are still coming out, but in the meantime, you can set up these accounts online at trumpaccounts.gov (unless we filed Form 4547 with your tax return). **Call me if you'd like to know more about how these work.**

MYTH: My marketplace health insurance credits haven't changed.

TRUTH: The enhanced premium tax credits that kept marketplace coverage more affordable since 2021 expired at the end of 2025. Starting this year, the percentage of income you're expected to pay toward your premium has gone back up to pre-2021 levels—roughly \$1,000 more per year on average. The income cliff is also back: if your household income exceeds 400% of the federal poverty level, you no longer qualify for any credit at all. And if you received advance credits and your actual income came in

higher than you estimated, you now have to repay the full excess—the safety-net caps that used to limit your repayment are gone. **If you buy insurance through the marketplace, review your income estimate now and call me if you need help adjusting.**

MYTH: If I don't receive a 1099, I don't owe taxes on that income.

TRUTH: All income is taxable whether or not you receive a 1099. That said, the reporting rules did change this year. The minimum amount that triggers a 1099-NEC or 1099-MISC went from \$600 to \$2,000—the first increase since 1954. If you do freelance or contract work, you'll get fewer forms for smaller jobs. The 1099-K reporting level for payment platforms like Venmo and PayPal is permanently set at \$20,000 and 200 or more transactions. These changes affect which payments get reported to

the IRS, not which payments you owe tax on. **If you received income and aren't sure how it should be reported, call me.**

MYTH: I can only withdraw \$10,000 per year from a 529 plan for K-12 tuition.

TRUTH: That limit doubled. Starting this year, you can withdraw up to \$20,000 per student per year from a 529 plan for K-12 expenses without owing federal tax on the withdrawal. One important catch: your state may not follow the federal rules. California, for example, has historically taken a narrower view of what counts as a qualified 529 expense. A withdrawal that's perfectly fine at the federal level could trigger state taxes and penalties. **Give me a call before making any large 529 withdrawals for K-12 costs.**

Retirement and Savings: 2026 Contribution Limits



Retirement contribution limits are up across the board this year. Here are the numbers worth knowing.

401(k), 403(b), and 457 Plans

The employee deferral limit is \$24,500. Those 50+ can add an \$8,000 catch-up, or \$11,250 if you're between 60 and 63. Note: if you made over \$150,000 from your employer last year, you must now make catch-up contributions on a Roth basis. Check with HR to confirm your plan is set up for this.

Traditional and Roth IRAs

The contribution limit is \$7,500, with a \$1,100 catch-up for those 50+. The catch-up is now tied to inflation and will adjust going forward.

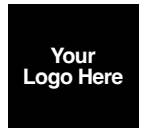
SEP and SIMPLE IRAs The SEP IRA maximum is \$72,000. SIMPLE IRA deferrals are \$17,000, with a \$4,000 catch-up (or \$5,250 for ages 60–63).

Health Savings Accounts (HSAs)

Limits are \$4,400 for self-only and \$8,750 for family coverage, plus an extra \$1,000 for those 55+. If you have a high-deductible health plan, HSAs are one of the best savings tools available.

Call me if you'd like to discuss your contributions for 2026.

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2026 TAX CALENDAR

- Jun 15** | Second quarter estimated tax payment due (Form 1040-ES)
- Sept 15** | Third quarter estimated tax payment due
- Oct 15** | Extended 2025 individual tax returns due
- Jan 15** | Fourth quarter estimated tax payment due

There are often postponements for deadlines for federally declared disasters. If you live in an area where a disaster has occurred, or if you're unsure whether this applies to you, please call me.

Tip Reporting: New Rules for Tipped Workers

If you work in a job where you earn tips—restaurants, salons, rideshare, delivery—there's a change in how your tips will be reported starting this year. W-2 and 1099 forms now include separate fields specifically for tip income. Previously, tips were lumped in with your regular wages or other compensation. Now they'll be broken out on their own line.

Why does this matter?

The new law created a deduction for qualified tip income, and the IRS will verify eligibility by tracking tips separately. This should relieve the burden of having to track your own tips throughout the year. If you run a small business that processes credit cards, you may want to request a Form 1099 even if the income you earned was below the threshold for issuing one, so we can ensure you are eligible for the deduction. **If you have questions about how the tip deduction works or whether you qualify, give me a call.**

