

US Basics of US Taxation – Tax Year 2026

What is the US Tax System?

The US uses a **federal progressive income tax** administered by the IRS. The federal income tax has seven tax rates in 2026: 10%, 12%, 22%, 24%, 32%, 35%, and 37%, made permanent by the One Big Beautiful Bill Act (OBBBA). The tax year runs January 1 – December 31, with returns filed in early 2027.

Filing Status

Your filing status determines your bracket thresholds and standard deduction:

- **Single** – unmarried or legally separated
 - **Married Filing Jointly (MFJ)** – combined income
 - **Married Filing Separately (MFS)** – independent filing
 - **Head of Household (HOH)** – unmarried with qualifying dependent
 - **Qualifying Surviving Spouse** – widowed with dependent child
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How Income is Taxed (The Flow)

Gross Income → minus **Above-the-Line Adjustments** = **AGI** → minus **Standard or Itemized Deductions** = **Taxable Income** → apply **Tax Brackets** → minus **Credits** = **Final Tax Due or Refund**

2026 Tax Brackets – Single Filers

Taxable Income	Tax Rate
Up to \$12,400	10%
\$12,401 – \$50,400	12%
\$50,401 – \$101,050	22%
\$101,051 – \$201,775	24%
\$201,776 – \$256,225	32%
\$256,226 – \$640,600	35%
Over \$640,600	37%

2026 Tax Brackets – Married Filing Jointly

Taxable Income	Tax Rate
Up to \$24,800	10%
\$24,801 – \$94,300	12%
\$94,301 – \$211,400	22%
\$211,401 – \$403,550	24%
\$403,551 – \$512,450	32%
\$512,451 – \$768,700	35%
Over \$768,700	37%

These are **marginal rates** — only the income within each bracket is taxed at that rate, not your entire income.

Standard Deduction (2026)

Filing Status	Standard Deduction
Single / MFS	\$16,100
Married Filing Jointly	\$32,200
Head of Household	\$24,150

Seniors age 65 and older may claim an additional standard deduction of \$2,050 for single filers and \$1,650 for joint filers (per qualifying spouse). On top of this, taxpayers 65 and older may claim a new **\$6,000 senior deduction**, phasing out at \$75,000 (single) or \$150,000 (joint).

NEW New Deductions for 2026 (OBBBA)

Several brand-new deductions were introduced for 2026, available to both itemizing and non-itemizing taxpayers:

Deduction	Limit
Tip income deduction	Up to \$25,000
Overtime pay deduction	Up to \$12,500 (single) / \$25,000 (joint)
Vehicle loan interest	Up to \$10,000
Senior deduction (65+)	\$6,000 per qualifying taxpayer

Each of these phases out based on income level.

SALT Deduction Cap – Big Change!

For tax year 2026, the SALT (state and local tax) cap increases from the longstanding \$10,000 to **\$40,400 for most taxpayers** (joint filers) under the OBBBA, with a phase-out for higher-income taxpayers (MAGI over ~\$505,000). The cap is scheduled to revert to \$10,000 in 2030 unless further legislation is passed.

Capital Gains Tax Rates (2026)

High-income taxpayers may also be subject to an additional **3.8% Net Investment Income Tax (NIIT)** on capital gains and other investment income if their MAGI exceeds \$250,000 (MFJ) or \$200,000 (single).

Holding Period	Rate
Short-term (under 1 year)	Ordinary income rates (10%–37%)
Long-term (over 1 year)	0%, 15%, or 20%

Key Tax Credits (2026)

The maximum **Child Tax Credit** for 2026 is **\$2,220** per qualifying child, with up to **\$1,700 refundable**.

The maximum **Earned Income Tax Credit (EITC)** is **\$8,231** for taxpayers with three or more qualifying children.

Other important credits:

- **Child & Dependent Care Credit** – childcare expenses
 - **American Opportunity Credit** – up to \$2,500 for college
 - **Lifetime Learning Credit** – phases out between \$80,000–\$90,000 MAGI (single)
 - **Premium Tax Credit** – for ACA marketplace enrollees
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Retirement Contribution Limits (2026)

The maximum amount a person can contribute to 401(k), 403(b), and 457 plans is **\$24,500** for 2026, an increase of \$1,000 from 2025.

Account	2026 Limit
401(k) / 403(b) / 457	\$24,500

Account	2026 Limit
Catch-up (age 50+)	+\$7,500
Health FSA	\$3,400
FSA Carryover	\$680

Alternative Minimum Tax (AMT) – 2026

The AMT exemption for unmarried individuals is **\$90,100**, beginning to phase out at **\$500,000**. For married couples filing jointly, the exemption is **\$140,200**, phasing out at **\$1,000,000**.

Other Key 2026 Figures

Item	2026 Amount
Gift tax annual exclusion	\$19,000 per recipient
Estate tax exclusion	\$15,000,000
Foreign earned income exclusion	\$132,900
Qualified parking/transit benefit	\$340/month
Adoption credit	Up to \$17,670

Key Deadlines (2026 Filing Season)

Event	Deadline
File 2025 tax return	April 15, 2026
File extension (to Oct 15, 2026)	April 15, 2026
Q1 Estimated tax (2026 tax year)	April 15, 2026
Q2 Estimated tax	June 15, 2026
Q3 Estimated tax	September 15, 2026
Q4 Estimated tax	January 15, 2027
File 2026 tax return	April 15, 2027

The Golden Rules (Still Apply!)

1. All income is taxable unless specifically excluded by law
2. Deductions reduce income; credits reduce tax owed dollar-for-dollar
3. Tax brackets are **marginal** — earning more never hurts you overall
4. You pay taxes throughout the year via withholding or estimated payments
5. Keep records — IRS can audit up to **3 years** back (6 years if income is underreported)