Planning Ahead:
How the end of TCJA provisions will affect your taxes

Many provisions of the Tax Cuts and Jobs Act are slated to expire at the end of 2025 and stand to affect tax brackets, the standard deduction, and many itemized deductions. Unless Congress takes action to extend these provisions or make them permanent, the tax rules will revert to their pre-TCJA status beginning in 2026.

In this document, we'll outline some of the changes to expect and discuss a few ways to prepare for the shift.

Key tax changes for individuals

Lower marginal tax brackets

The TCJA lowered individual tax rates by roughly 2%, but in January 2026, these rates will revert to their original levels, with the top rate increasing back to 39.6%.

Current marginal tax rates	2026 marginal tax rates
10%	10%
12%	15%
22%	25%
24%	28%
32%	33%
35%	35%
37%	39.6%

To prepare, consider strategies to accelerate income into the years before 2026, if possible. Evaluate your income trajectory and work with a tax advisor to plan for the higher rates, as you might be able to spread income more evenly across the years to avoid bracket jumps.

Increased standard deduction

The TCJA nearly doubled the standard deduction. As of 2024, it's $14,600 for single filers and $29,200 for married filing jointly. Starting in 2026, the standard deduction will be cut roughly in half; however, it will still be adjusted for inflation. So, expect it to be somewhere in the ballpark of $6,000-$16,000, depending on your filing status.

To prepare for this change, take advantage of the higher standard deduction now and plan to maximize your itemized deductions, such as charitable contributions, down the road.

Child tax credit

The TCJA increased the child tax credit to $2,000 per qualifying child, but it will revert back to $1,000 in 2026. Currently, the phase-out threshold begins at $400,000 for married filers, but this will decrease to $110,000, which will reduce the number of taxpayers able to take the full credit. If possible, adjust your financial planning to account for the reduced credit and bolster your savings for child-related expenses.

Alternative Minimum Tax (AMT) exemption and phaseout

The TCJA increased both the Alternative Minimum Tax exemption amounts and the phaseout threshold, reducing the number of taxpayers subject to the AMT to about 200,000 people. In 2026, the exemption and phaseout thresholds will drop significantly. This change could result in the AMT applying to an estimated 5-7 million taxpayers, a considerable leap from the number of taxpayers currently exposed to the tax.

Before 2026, work with a tax advisor to review your potential AMT exposure and explore strategies to minimize it once the exemptions are lower.

Estate and gift tax exclusion

The TCJA effectively doubled the estate and gift tax basic exclusion amount from $5.49 million in 2017 to $13.61 million per person as of 2024.

At the end of 2025, the exclusion amount will revert to $5 million per person, adjusted for inflation. Assets exceeding this threshold will be subject to a federal tax rate up to 40%.

It's important to start planning now to prepare for the reduced exclusion amount because many estate tax strategies take time to implement.

State and Local Tax (SALT) deduction

Not all of the impending changes are bad news. The TCJA capped the State and Local Tax, or SALT deduction, at $10,000. However, this limitation will expire, allowing taxpayers to deduct the full amount of state and local taxes paid. This includes real estate taxes, state or local income taxes, and personal property taxes.

There isn't much you can do to prepare for this because you can't delay paying state and local taxes, but if you've seen an increase in those taxes, you'll soon be able to deduct the full amount from your federal tax liability.

Mortgage interest deduction

The TCJA limited the home mortgage interest deduction to the first $750,000 of debt for loans originating after December 15, 2017, and also placed conditions and limitations on taxpayers' ability to deduct interest from home equity loans.

In 2026, the mortgage interest deduction will revert to pre-TCJA levels, allowing interest deductions on the first $1 million in home mortgage debt and $100,000 in home equity loans. So, if you're planning on taking out a home equity loan, it might make sense to wait until the deduction is restored.

Miscellaneous itemized deductions

The TCJA temporarily eliminated most miscellaneous itemized deductions like advisory fees, legal fees, and unreimbursed employee expenses. These deductions will be reinstated in 2026 to the extent they exceed 2% of your adjusted gross income.

Personal exemptions

The TCJA temporarily suspended personal exemptions, which were previously $4,050 per taxpayer and dependent. The exemptions will be reinstated in 2026 at $2,000 per taxpayer and qualified dependent, adjusted for inflation - which is expected to be around $4,700. The personal exemption will phase out at higher income levels.

Be ready to incorporate personal exemptions back into your tax planning. This might slightly lower your taxable income. If you are a high-income earner, be aware of the phaseout thresholds and plan accordingly to minimize the impact.

Moving expense deduction

Under the TCJA, only members of the Armed Forces can claim an above-the-line deduction for qualifying moving expenses. In 2026, this deduction will once again be available to all qualifying individuals.

Preparing for the post-TCJA landscape

This document provides a brief overview of some of the upcoming tax changes due to the expiration of the Tax Cuts and Jobs Act. By understanding and planning for these changes, you can reduce their impact on your financial situation. For more information and personalized guidance on these changes, please contact our office to speak with one of our expert advisors.

Preparing for the post-TCJA landscape

This document provides a brief overview of some of the upcoming tax changes due to the expiration of the Tax Cuts and Jobs Act. By understanding and planning for these changes, you can reduce their impact on your financial situation. For more information and personalized guidance on these changes, please contact our office to speak with one of our expert advisors.

About Olsen Thielen

Olsen Thielen is a full service accounting and consulting firm, and a "Top 25" firm in Minneapolis and St. Paul, Minnesota. We focus on providing top quality solutions for our clients through our traditional accounting and tax services, as well as non-traditional services like valuations, business succession planning, employee benefits and human resources consulting, back-office cloud accounting solutions, estate, gift and financial planning, and fraud and forensic accounting.

Olsen Thielen was founded on the belief that personal attention, trust, and quality service were the key elements to helping our clients succeed. As we celebrate our centennial, that commitment remains stronger than ever. Our longevity and growth can be attributed to building strong relationships with our clients and continuing to earn their trust.

Olsen Thielen
Roseville Office:
2675 Long Lake Road
Roseville, MN 55113

Eden Prairie Office:
300 Prairie Center Dr. Ste. 300
Eden Prairie, MN 55344

Roseville: 651-483-4521
Eden Prairie: 952-941-9242

resources@otcpas.com

http://www.otcpas.com