SEDILLO AND ASSOCIATES, LLC

Tax Times

SEPTEMBER 2026

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IRS: 2026 Tax Rate Schedules

The Internal Revenue Service (IRS) announced the tax year 2026 annual inflation adjustments for more than 60 tax provisions, including the tax rate schedules and other tax changes.

Notable changes under the One, Big, Beautiful Bill

The tax year 2026 adjustments described below generally apply to tax returns filed in 2027. The tax items for tax year 2026 of greatest interest to most taxpayers include the following dollar amounts:

- **Standard Deduction.** For tax year 2026, the standard deduction increases to $32,200 for married couples filing jointly. For single taxpayers and married individuals filing separately, the standard deduction rises to $16,100 for tax year 2026, and for heads of households, the standard deduction will be $24,150.
- **Marginal Rates**: For tax year 2026, the top tax rate remains 37% for individual single taxpayers with incomes greater than $640,600 ($768,700 for married couples filing jointly). The other rates are:

35% for incomes over $256,225 ($512,450 for married couples filing jointly);
32% for incomes over $201,775 ($403,550 for married couples filing jointly);
24% for incomes over $105,700 ($211,400 for married couples filing jointly);
22% for incomes over $50,400 ($100,800 for married couples filing jointly);
12% for incomes over $12,400 ($24,800 for married couples filing jointly).

The lowest rate is 10% for incomes of single individuals with incomes of $12,400 or less ($24,800 for married couples filing jointly).

- **Alternative Minimum Tax Exemption Amounts**. For tax year 2026, the exemption amount for unmarried individuals is $90,100 and begins to phase out at $500,000 ($140,200 for married couples filing jointly for whom the exemption begins to phase out at $1,000,000).
- **Estate Tax Credits.** Estates of decedents who die during 2026 have a basic exclusion amount of $15,000,000, up from a total of $13,990,000 for estates of decedents who died in 2025.
- **Adoption Credits.** The maximum credit allowed for adoptions for tax year 2026 is the amount of qualified adoption expenses up to $17,670, up from $17,280 for 2025. For tax year 2026, the amount of credit that may be refundable is $5,120.
- **Employer-Provided Childcare Tax Credit.** For tax year 2026, the OBBB significantly enhances an important credit for **employers**; it increases the maximum amount of employer-provided childcare tax credit from $150,000 to $500,000 ($600,000 if the employer is an eligible small business).

Our office will be closed Monday, September 7, for Labor Day.

For those who have filed extensions, the last day to file will be Saturday, October 10, since Corinne will be on vacation October 13-20.

Other notable items affected by indexing

- **Earned Income Tax Credits**. The tax year 2026 maximum Earned Income Tax Credit (EITC) amount is $8,231 for qualifying taxpayers who have three or more qualifying children, up from $8,046 for tax year 2025. Revenue Procedure 2025-32 contains a table providing maximum EITC amount for other categories, income thresholds and phase-outs.
- **Qualified Transportation Fringe Benefit.** For tax year 2026, the monthly limitation for the qualified transportation fringe benefit and the monthly limitation for qualified parking increases to $340, up $15 from 2025.
- **Health Flexible Spending Cafeteria Plans.** For tax years beginning in 2026, the dollar limitation for voluntary employee salary reductions for contributions to health flexible spending arrangements increases to $3,400, up $100 from prior year. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount is $680, an increase of $20 from tax years beginning in 2025.
- **Medical Savings Accounts.** For tax year 2026, participants who have self-only coverage in a Medical Savings Account, the plan must have an annual deductible that is not less than $2,900, up $50 from tax year 2025 – but not more than $4,400, an increase of $100 from tax year 2025. For self-only coverage, the maximum out-of-pocket expense amount is $5,850, up $150. For tax year 2026, for family coverage, the annual deductible is not less than $5,850, up from $5,700 for 2025; however, the deductible cannot be more than $8,750, up $200 from the limit for tax year 2025. For family coverage, the out-of-pocket expense limit is $10,700 for tax year 2026, an increase of $200 from tax year 2025.
- **Foreign Earned Income Exclusion**. For tax year 2026, the foreign earned income exclusion is $132,900 up from $130,000 for tax year 2025.
- **Annual Exclusion for Gifts.** For tax year 2026, the annual exclusion for gifts remains at $19,000. (However, the annual exclusion for gifts to a spouse who is not a citizen of the United States increases to $194,000 for calendar year 2026, up $4,000 from calendar year 2025.)

Items unaffected by indexing

By statute, certain items that were indexed for inflation in the past are currently not adjusted.

- **Personal Exemptions.** For tax year 2026, personal exemptions remain at 0. The elimination of personal exemptions was a provision in the Tax Cuts and Jobs Act of 2017 and was made permanent by OBBB. (The personal exemption described here does not include the senior deduction added by OBBB.)
- **Itemized Deductions.** The limitation on itemized deductions was previously eliminated for tax years 2018 - 2025. The elimination of the limitation was made permanent by OBBB, although it imposes a limitation on the tax benefit from itemized deductions for those taxpayers in the highest tax bracket (37%).

Skillet Spiced Apples and Coconut

Ingredients

- 7-8 apples, 5 peeled/2 leaving skins on and cut into thin slices (types that work well: gala, fiji, honeycrisp, pink lady, etc.)
- 2 Tbl. coconut oil
- ¼ tsp. sea salt
- 1/3 cup freshly squeezed orange juice (I used small 'cutie' oranges.)
- ½ tsp. ground cinnamon
- ½ tsp. ground cardamom
- ¼ cup brown sugar, packed
- ½ cup coconut, preferably shaved
- 2 Tbl. butter, salted and melted
- 1 Tbl. fresh thyme leaves + sprigs for garnish

Instructions

1. In a heavy skillet (about 10") over medium high heat, put the oil. Add the apples, cover with a lid and cook for about 5-7 minutes tossing a couple of times with tongs.
2. Meanwhile, in a small bowl, combine the salt, orange juice, cinnamon, cardamom, brown sugar and blend into a liquid mixture.
3. Drizzle the liquid mixture on the apples and toss and blend. Reduce heat to medium low and cook another 15-20 minutes or until the apples are tender. (I don't like them mushy and falling apart—a tad bit al dente for me!)
4. Turn off heat. Toss in coconut and drizzle the butter on top. When ready to serve, toss in the thyme!

https://allyskitchen.com/skillet-spiced-apples-coconut/

SEPTEMBER 2026

SEP 3
Merchant Navy Day

SEP 5
National Hummingbird Day

SEP 7
National Salami Day

SEP 11
Stand Up To Cancer Day

SEP 15
National Online Learning Day

SEP 17
National Apple Dumpling Day

SEP 20
National Gymnastic's Day

SEP 21
Wife Appreciation Day

SEP 24
National Horchata Day

SEP 26
International Rabbit Day

SEP 29
National Biscotti Day

SEP 30
Nat'l Hot Muller Cider Day

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FORMS OF PAYMENT NOW ACCEPTED:

- VISA
- MASTERCARD
- AMERICAN EXPRESS
- DISCOVER CARD
- ZELLE
- CASH
- PERSONAL CHECK

FALL
AUTUMN
LEAVES
HARVEST
PUMPKIN
HALLOWEEN
THANKSGIVING
FOOTBALL
SWEATER
APPLE CIDER
SCHOOL
ACORN
ORANGE
YELLOW
BROWN

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We Love Referrals!