



TAX UPDATE



Greetings to Clients and Friends!

Tax filing season is quickly approaching. This Tax Update newsletter provides information on the tax law changes and key exemptions and deductions. Schedule your tax appointment today -Miriam Woods, Enrolled Agent

January 2026

Key Exemptions and Deductions

Personal Exemptions:

In 2025, there are no personal exemptions.

Standard Deductions:

The standard deductions for those who do NOT itemize are as follows:

	<u>2025</u>	<u>2026</u>
Married Filing Joint	\$31,500	\$32,200
Head of Household	\$23,625	\$24,150
Single	\$15,750	\$16,100

Standard Mileage Rates

The standard mileage rates for 2025 and 2026 are:

	<u>2025</u>	<u>2026</u>
Business	\$.70	\$.725
Medical	\$.21	\$.205
Charitable Work	\$.14	\$.14

Social Security Earning Limits

The maximum amount of income subject to social security tax is \$184,500 in 2026.

Individuals under 66 can earn up to \$24,480 without losing benefits.

Individuals who turn 66 in 2026 (or full retirement age) can earn up to \$65,160

Earned Income Credit Amounts

The 2026 maximum amount of earned income and qualify for the credit is:

\$62,974 with three children (\$70,224 if married filing joint)

\$58,629 with two children (\$65,899 if married filing joint)

\$1,593 with one child (\$58,863 if married filing joint)

What's New for 2025 tax year?

We have moved

We've moved! Our new address is 1373 Kristina Dr, Charlotte MI - just one mile from our former home.

Last year for Energy Efficient Home Improvement Credit

The "One Big Beautiful Bill" Act of 2025 accelerated the phase out of several energy tax incentives. If you installed new windows, doors, insulation, or qualifying equipment such as water heaters, furnaces, air conditioners, or heat pumps, you may still be eligible for a federal energy tax credit on your 2025 tax return. Be sure to keep your receipts.

Senior Bonus Deduction

Individuals age 65 and older may qualify for an additional tax deduction of up to \$6,000. This deduction is available whether you choose to itemize deductions or take the standard deduction.

New Car Interest Deduction

A new tax deduction is available for interest paid on new car loans for vehicles purchased in 2025. Eligible taxpayers may deduct up to \$10,000 of interest per year. To qualify, the vehicle must be new and assembled in the United States. When claiming the deduction, you will need the vehicle's VIN and a statement from your lender showing the amount of interest paid.

No Tax on Overtime

The "No Tax on Overtime" provision allows certain workers to deduct up to \$12,500 in qualified overtime compensation from their taxable income on their federal tax return. To claim the deduction, substantiation of overtime wages will be required, such as your final pay stub for the year.

No Tax on Tips

The "No Tax on Tips" provision allows eligible employees and self-employed individuals to deduct up to \$25,000 of qualified tip income on their federal tax return. To qualify, the occupation must customarily and regularly receive tips, and the tip income must be reported before being deducted. Tips must be voluntary, meaning the customer determines the amount without negotiation or compulsion; automatic service charges do not qualify.

Trump Saving Accounts

"Trump Accounts" are new tax-advantaged savings accounts created by the One Big Beautiful Bill Act to help families save for a child's future expenses, such as education and housing. Personal contributions to these accounts may begin after July 4, 2026, with an annual contribution limit of \$5,000. The fastest and easiest way to make the election for a Trump Account is by filing Form 4547 with your 2025 tax return. Notify me if you want to make this election.

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Schedule Your Appointment Online

Schedule an appointment at a time that works for you and choose your preferred meeting format—in person, virtual via Zoom, or by phone using the following link: <https://calendly.com/woodstaxservice/15min>
You may also contact me by email, phone, or text to arrange your appointment.

Client Portal

You can securely submit your tax documents through my client portal, SmartVault. Please upload your documents to the 2025 folder. If you do not yet have an account, I can send you an email invitation to create one and upload your documents. Once your tax return is finalized, an electronic copy will be available in your portal. Please email me if you need an invitation or a link to your account. If you prefer, you may also bring your documents in person or send them by mail.

2026 Tax Rates

The following shows the 2026 income brackets for each tax rate.

<u>Tax Rate</u>	<u>Single</u>
10%	\$0 to \$12,400
12%	\$12,400 to \$50,400
22%	\$50,400 to \$105,700
24%	\$105,700 to \$201,775
32%	\$201,775 to \$256,225
35%	\$256,225 to \$640,600
37%	\$640,600 and up
<u>Tax Rate</u>	<u>Married Filing Joint</u>
10%	\$0 to \$24,800
12%	\$24,800 to \$100,800
22%	\$100,800 to \$211,400
24%	\$211,400 to \$403,550
32%	\$403,550 to \$512,450
35%	\$512,450 to \$768,700
37%	\$768,700 and up
<u>Tax Rate</u>	<u>Head of Household</u>
10%	\$0 to \$17,700
12%	\$17,700 to \$67,450
22%	\$67,450 to \$105,700
24%	\$105,700 to \$201,750
32%	\$201,750 to \$256,200
35%	\$256,200 to \$640,600
37%	\$640,600 and up



All returns will be electronically-filed FREE!

Checklist of what to bring to your tax appointment

Personal Information:

- Social Security numbers and dates of birth for taxpayer, spouse & dependents
- 2024 income tax return (unless prepared by Woods Tax & Accounting Service)
- Direct deposit information: bank routing number and account number

Income

- All W-2 forms and last pay stub (if overtime was earned)
- 1099-Int, 1099-Div, 1099-B or K-1s for investment or interest income
- 1099-G forms for unemployment income or state & local tax refunds received
- Business income and expenses: profit/loss statement
- All equipment purchases related to your business (date & cost of purchase)
- Mileage log for business miles and total vehicle mileage
- 1099-R, Form 8606 for IRAs or retirement plans distributions
- 1099-C forms for cancellation of debt
- SSA-1099 for Social Security benefits received
- Rental property income and expenses: profit/loss statement
- 1099-S for income from sale of a property: closing papers from purchase and sale
- Miscellaneous income: jury duty, gambling winnings, scholarships, etc.
- 1099-K Income from third-party payment networks like PayPal or Venmo, etc.

Adjustments to Income

- IRA contribution amounts
- Form 1098-E student loan interest paid
- Form 1098-T for tuition paid for college and cost of required materials
- Teachers: total amount spent on classroom supplies
- HSA or MSA contributions (Health Savings Account or Medical Savings Account)
- Keogh, SEP, SIMPLE and other self-employed pension plan contributions

Deductions and Credits

- Child care expenses: provider's name, address, SSN or Federal ID and amount paid
- Form 1098: Mortgage interest, private mortgage insurance (PMI), points paid
- Health Insurance Forms 1095-A, 1095-B or 1095-C received
- 2025 Taxable value of your home (for MI Homestead Property Tax Credit)
- Charitable contributions (cash, non-cash gifts, mileage)
- Energy-efficient improvements to your primary residence
- Interest paid on new car Loan, vehicle VIN

Taxes Paid

- Real estate property tax bills showing amount assessed/paid in 2025
- Michigan Sales Tax paid in 2025 for vehicle, boat or motorcycle purchases
- Auto license and registration fees (autos, trailers, boats, etc)
- 2025 estimated tax payments (Federal, State & City)
- Internet/ catalog purchases subject to MI Sales & Use Tax

Other

- Total rent paid in 2025 and landlord's name and address
- Foreign bank account info: location, bank, account number, account value during year
- Trump Account election for children under the age of 18