



Happy New Year!!

JANUARY 2026

I hope you had a nice Holiday Season and were able to spend quality time with family and friends. In the Denver area, we had the warmest Christmas ever with temps reaching 70°! While the day was very enjoyable, I do wish for a White Christmas this year.

OBBBA

After several years of relative inactivity, Congress sprung into action mid-year 2025 and enacted a major tax and spending bill they named **One Big Beautiful Bill Act (OBBBA)**. The bill made permanent several expiring provisions of the **2017 Tax Cuts and Jobs Act (TCJA)** while adding several new tax laws. OBBBA contains too many changes to detail in such a short newsletter. Below I have summarized provisions which will impact most taxpayers.

TAX LAW CHANGES

- ◆ The 2017 TCJA had limited deduction of state and local taxes (SALT) to **\$10K**. For many taxpayers, that made it more beneficial to take Standard Deduction as opposed to Itemizing them. OBBBA increased the SALT cap to **\$40K**. Many taxpayers will now find it more advantageous to itemize.
- ◆ Interest paid on personal vehicles has not been deductible for nearly 35 years. OBBBA allows interest deduction on personal use vehicles for up to **\$10K**.
- ◆ Seniors born before January 2, 1961, may be eligible for an enhanced deduction of up to **\$6K**. Adjusted Gross Income (AGI) limits apply.
- ◆ Up to **\$25K** of tips income will not be subject to federal income tax. Likewise, up to **\$12.5K** (**\$25K MFJ**) of overtime income will be exempt from federal income tax. Again, AGI limits apply. Also, such income will be taxable for state income tax purpose in most states. Colorado **WILL TAX** such income.
- ◆ As usual, the standard deduction amounts have been adjusted for inflation. The amounts for 2025 are **\$15,750** for single filers and **\$31,500** for married filers. Taxpayers over 65 or blind will receive an additional deduction of **\$1,600 - \$2,000** depending on filing status.
- ◆ Child Tax Credit for children under the age 17 is increased from **\$2,000** to **\$2,200**. The amount of Additional Child Credit remains at **\$1,700**. Also, credit for other dependents remains at **\$500**.
- ◆ Credit for purchasing a new or used EV expired on September 30, 2025. Credit for installing solar panels on primary or secondary homes expired on December 31, 2025.

- ◆ For last year, the standard mileage rate was **70¢** for business use; medical mileage rate was **21¢**; and charity rate was **14¢**. The corresponding rates for 2026 are: **72.5¢, 20.5¢ and 14¢**.
- ◆ For 2026, IRA contribution limit is **\$7,500**, a **\$500** increase from 2025. The “catch-up” provision for age **50 and older** taxpayers is increased by **\$100** to **\$1,100**. Limit for 401K plan has been raised to **\$24,500**. Catch-up contribution for taxpayers over the age **50** is increased to **\$8,000**. SIMPLE IRA plan contribution limits are **\$17,000/\$4,000**.
- ◆ Limit for contributing to a Flexible Spending Account (FSA) has been increased slightly to **\$3,400** for the year 2026.
- ◆ The estate tax exemptions for 2025 and 2026 are **\$13.99M** and **\$15M** per individual. The federal estate and gift tax rates remain at **40%**. The annual gift exclusion amount remains at **\$19,000** in 2026.

PROCEDURAL CHANGES IN OUR PRACTICE

- ◆ We often get a request from clients to send them—or their agents—copies of their tax returns via email. Due to enhanced security requirements imposed by the IRS on the practitioner community, we **NO LONGER** will be able to do so. We have a secure portal available to all clients. The portal can be used for uploading and downloading tax documents. We encourage you to set up an account on our portal so we may securely send you copies of sensitive documents. Please call us or ask when you visit us about how to establish your own account on the portal.
- ◆ Per the IRS requirement, we will need to ask each taxpayer: a) if they had any off-shore bank accounts and b) if they engaged in trading in digital assets (e.g. crypto currency).

Soon, it will be time to set up your appointment. Please call **303.922.5522**, send an email to **info@eminance.com** or set up online (<https://www.eminance.com/book-appt/>). Either Emily or Kirit would be glad to help you reserve your favored time slot in our calendar. We take tax appointments from 7:30 am to 6 pm on weekdays (except Thursdays), and from 9 am to 4 pm on Saturdays. We use Thursdays for catching up on backlog. Please bring all tax documents as well as personal IDs (SS cards & Driver's licenses) with you when you come for your appointment. We hope to see you soon!

Thank you!!

Kirit P. Merchant

Emily E Garcia