

TAX YEAR
2026

Standard vs. Itemized Deduction

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Standard Deduction

The standard deduction reduces taxable income. It is a benefit that eliminates the need for many taxpayers to itemize actual deductions, such as medical expenses, taxes, interest, and charitable contributions, on Schedule A (Form 1040). The standard deduction is increased by an additional amount for taxpayers who are age 65 or older, or are blind.

2026 Standard Deduction

The basic standard deduction for 2026 is:

Single or MFS	$16,100
MFJ or QSS	$32,200
HOH	$24,150

Age 65 and/or blind. The additional amounts for age 65 or older and/or blind, per person, per event in 2026 are:

MFJ, QSS, or MFS	$1,650
Single or HOH	$2,050

Dependent. The standard deduction in 2026 for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of $1,350, or earned income plus $450.

The standard deduction cannot be used if you are:

- Married filing as Married Filing Separately, and your spouse itemizes deductions.
- A nonresident alien or a dual-status alien during the year.

Itemized Deductions

Some taxpayers must itemize deductions because they cannot use the standard deduction.

You may benefit from itemizing deductions on Schedule A (Form 1040), *Itemized Deductions,* if you:

- Cannot use the standard deduction.
- Had large unreimbursed medical and dental expenses.
- Paid interest or taxes on a home.
- Had large uninsured casualty or theft losses resulting from a presidentially-declared disaster area, or
- Made large charitable contributions.

Itemized Deductions Limitations

- **Medical and dental expenses.** Qualified medical and dental expenses are deductible as itemized deductions to the extent they exceed 7.5% of adjusted gross income (AGI). For example, for an individual with an AGI of $50,000, only those expenses that exceed $3,750 (7.5% of $50,000) would be deductible.
- **Taxes paid.** Deductible state and local income, property, and sales taxes are limited to a total amount of $40,400 ($20,200 MFS), reduced by 30% of excess of MAGI over $505,000 ($252,500 MFS), but not less than $10,000 ($5,000 MFS). No deduction is allowed for foreign real property taxes.
- **Interest paid.** Deductible home mortgage interest is limited to total acquisition debt incurred after December 15, 2017, on a main and second home combined to $750,000 ($375,000 MFS). Acquisition debt before December 16, 2017, is limited to $1 million ($500,000 MFS). Interest on home equity debt is not deductible unless used to buy, build, or substantially improve a qualified home.
- **Mortgage insurance premiums.** Premiums paid or accrued for qualified mortgage insurance in connection with acquisition debt are treated as qualified residence interest. The deduction begins to phase out when your adjusted gross income (AGI) for the tax year exceeds $100,000 ($50,000 MFS).
- **Charitable contributions.** Your deductible charitable cash contributions are limited to 60% of AGI. Any amount over the limit can be carried forward up to the next five years. Your charitable deduction is allowed to the extent that it exceeds 0.5% of your AGI. Disallowed deductions because of this rule may be carried forward under special ordering rules. Nonitemizers may deduct up to $1,000.
- **Casualty and theft losses.** A personal casualty or theft loss is deductible (subject to limitations) only if such



Standard vs. Itemized Deduction

loss is attributable to a federally-declared disaster or state-declared disaster.

- **Gambling losses.** The deduction for gambling losses is limited to 90% of such losses incurred during the year. The deduction is also limited to gambling winnings. Disallowed losses may not be carried over to another year.
- **Educator expenses.** Educator expenses include non-reimbursed expenses of elementary and secondary school educators for books, supplies, computer and other equipment, and supplementary materials used as part of an instructional activity.
- **Other itemized deductions.** Other itemized deductions include:
  - Amortizable premium on certain taxable bonds acquired before October 23, 1986.
  - Casualty and theft losses from income producing property.
  - Federal estate tax on income in respect of decedent.
  - Impairment related work expenses for persons with disabilities.
  - Losses from Ponzi type investment schemes.
  - Repayments of more than $3,000 under a claim of right.
  - Certain unrecovered investment in a pension.

In addition, if you have a net qualified disaster loss, and are not itemizing deductions, you can claim an increased standard deduction.

Itemized Deductions Limitation

Itemized deductions begin to phase out when taxable income exceeds the dollar amount at which the 37% tax bracket begins. For 2026 these thresholds are:

- $640,600 – Single and HOH.
- $768,700 – MFJ and QSS.
- $384,350 – MFS.

Itemized Deductions or Standard Deduction?

You may decide to take the standard deduction even if your itemized deductions are higher. Conversely, you may choose to take itemized deductions in a lesser amount than the standard deduction.

Example #1: *David, 45, is single, has AGI of $100,000, and has the following itemized deductions:*

Medical expenses	$8,200
Less 7.5% of AGI threshold	($7,500)
Deductible medical expenses	$700
State and local income tax	$4,925
Real estate tax	$3,225
Mortgage interest paid	$6,525
Noncash charitable contributions	$800
Total itemized deductions	$16,175

Even though his itemized deductions are greater than the standard deduction by $75 ($16,175 minus $16,100), David chooses to take the standard deduction because he was not able to locate receipts to substantiate all of his charitable contributions.

Example #2: *Assume the same facts as Example #1, however David has no charitable contributions. His total itemized deductions are now $725 less than the standard deduction ($16,175 minus $800 charitable contribution equals $15,375. David's standard deduction is $16,100). David chooses to file with the lower itemized deductions because the tax benefit of itemizing on his state return is greater than the tax benefit he loses on the federal return by not taking the standard deduction.*

Schedule 1-A, *Additional Deductions*

Four deductions are available to itemizers and non-itemizers on Schedule 1-A. Each deduction is subject to phase out limitations.

- **No tax on tips.** A deduction is allowed for qualified tips received during the year, limited to $25,000 each year. For self-employed taxpayers, the deduction is limited to net profit from the taxpayer's trade or business.
- **No tax on overtime.** A deduction is allowed for qualified overtime compensation, limited to $12,500 ($25,000 MFJ) each year. Employers must separately account for the amount of qualified overtime compensation paid to the employee.
- **No tax on car loan interest.** A deduction is allowed for vehicle loan interest paid or accrued during the year on indebtedness incurred after 2024 for the purchase of, and secured by a first lien on, an applicable passenger vehicle, limited to $10,000.
- **Enhanced deduction for seniors.** The deduction is $6,000 for each taxpayer, and spouse if MFJ, who is age 65 or over before the close of the tax year.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 73.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

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