

How Wealth Management Can Help With Tax Planning and Strategies

Effective tax planning is a cornerstone of financial success, and Wealth Management Services can provide the strategic guidance needed to minimize tax burdens and maximize financial outcomes. By aligning investment strategies, retirement planning, and estate considerations with tax laws, a comprehensive wealth management approach ensures your financial goals are achieved efficiently while keeping more of your wealth working for you.

Income Tax (2026 tax rate tables)

Taxable income	Tax due	plus	% of income*
Single			
Up to \$12,400	\$0	+	10%
\$12,401 to \$50,400	\$1,240.00	+	12%
\$50,401 to \$105,700	\$5,800.00	+	22%
\$105,701 to \$201,775	\$17,966.00	+	24%
\$201,756 to \$256,225	\$41,024.00	+	32%
\$256,226 to \$640,600	\$58,448.00	+	35%
Over \$640,600	\$192,979.25	+	37%
Married filing jointly			
Up to \$24,800	\$0	+	10%
\$24,801 to \$100,800	\$2,480.00	+	12%
\$100,801 to \$211,400	\$11,600.00	+	22%
\$211,401 to \$403,550	\$35,932.00	+	24%
\$403,551 to \$512,450	\$82,048.00	+	32%
\$512,451 to \$768,700	\$116,896.00	+	35%
Over \$768,700	\$206,583.50	+	37%
Married filing separately			
Up to \$12,400	\$0	+	10%
\$12,401 to \$50,400	\$1,240.00	+	12%
\$50,401 to \$105,700	\$5,800.00	+	22%
\$105,701 to \$201,775	\$17,966.00	+	24%
\$201,776 to \$256,225	\$41,024.00	+	32%
\$256,226 to \$384,350	\$58,448.00	+	35%
Over \$384,350	\$103,291.75	+	37%
Head of household			
Up to \$17,700	\$0	+	10%
\$17,001 to \$67,450	\$1,770.00	+	12%
\$67,451 to \$105,700	\$7,740.00	+	22%
\$105,701 to \$201,750	\$16,155.00	+	24%
\$201,751 to \$256,200	\$39,207.00	+	32%
\$256,201 to \$640,600	\$56,631.00	+	35%
Over \$640,600	\$191,171.00	+	37%

*The percentage applies to each dollar of taxable income within the range until the next income threshold is reached.

Standard Deduction

Single	\$16,100	Additional deduction for blind or aged (age 65+)	
Married filing jointly	\$32,200	Single or head of household	\$2,050
Married filing separately	\$16,100		
Head of household	\$24,150	Married filing jointly or separately	\$1,650
Dependent*	\$1,350*		

*Dependent standard deduction can't exceed the greater of \$1,350 or \$450 plus earned income.

NEW Deduction for seniors (individuals 65 and older) \$6,000**

**Reduced by 6% of income exceeding \$75,000 (\$150,000 married filing jointly).

Alternative Minimum Tax (AMT)

	Maximum exemption amount	Exemption phaseout threshold
Single or head of household	\$90,100	\$500,000
Married filing jointly	\$140,200	\$1,000,000
Married filing separately	\$70,100	\$500,000
26% rate applies to AMT income up to \$244,500 (\$122,250 if married filing separately); 28% rate applies to AMT income over this amount.		

Education Credits and Deductions

MAGI phaseout ranges		
	Single or head of household	Married filing jointly
Lifetime Learning credit (\$2,000 max)	\$80,000 to \$90,000	\$160,000 to \$180,000
American Opportunity credit (\$2,500 max)	\$80,000 to \$90,000	\$160,000 to \$180,000
Education loan interest deduction (\$2,500 max)	\$85,000 to \$100,000	\$175,000 to \$205,000
U.S. Savings bond interest exclusion for higher-education expenses	\$101,800 to \$116,800	\$152,650 to \$182,650

Estate Planning

Annual gift tax exclusion	\$19,000
Noncitizen spouse annual gift tax exclusion	\$194,000
Top gift, estate, and GST tax rate	40%
Gift tax and estate tax applicable exclusion amount	\$15,000,000+DSUEA*
Generation-skipping transfer (GST) tax exemption	\$15,000,000**

*Basic exclusion amount plus decreased spousal unused exclusion amount (exclusion is portable).

**The GST tax exemption is not portable.



Retirement Planning

Employee contribution limits to employer plans*

401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs (includes Roth contributions to these plans)	\$24,500
Annual catch-up contribution (age 50+)	\$8,000
– Catch-up limit if age 60 to 63	\$11,250
SIMPLE 401(k) and SIMPLE IRA plans	\$17,000
Annual catch-up contribution (age 50+)	\$4,000
– Catch-up limit if age 60 to 63	\$5,250

IRA contribution limits**

Traditional and Roth IRAs (combined)	\$7,500
Annual catch-up contribution (age 50+)	\$1,100

*Lesser of these limits or 100% of participant's compensation.

**Lesser of these limits or 100% of earned income.

MAGI phaseout limits for deductible contributions to a traditional IRA (affects taxpayers covered by an employer-sponsored retirement plan)

Single or head of household	\$81,000 to \$91,000
Married filing jointly when the spouse who makes the contribution is covered by a workplace plan	\$129,000 to \$149,000
Married filing jointly when the spouse who makes the contribution is not covered by a workplace plan but the other spouse is covered	\$242,000 to \$252,000
Married filing separately	Up to \$10,000

MAGI phaseout limits to contribute to a Roth IRA

Single or head of household	\$153,000 to \$168,000
Married filing jointly	\$242,000 to \$252,000
Married filing separately	Up to \$10,000



Health Care

Flexible spending account (FSA) for health care

Maximum salary reduction contribution	\$3,400
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Health savings account (HSA)

Annual contribution limit – individual coverage	\$4,400
Annual contribution limit – family coverage	\$8,750
Annual catch-up contribution (age 55+)	\$1,000

High-deductible health plan (HDHP)

Minimum deductible – individual coverage	\$1,700
Minimum deductible – family coverage	\$3,400
Maximum out-of-pocket amount – individual	\$8,500
Maximum out-of-pocket amount – family	\$17,000



Social Security/Medicare

Maximum taxable earnings

Social Security (OASDI only)	\$184,500
Medicare (HI only)	No limit



Standard Mileage Rates

Business purposes	72.5¢ per mile
Medical purposes	20.5¢ per mile
Charitable purposes	14¢ per mile
Moving purposes	20.5¢ per mile



Investment Taxes

Single filer	Married filing jointly	Married filing separately	Head of household	Tax rate
Long-term capital gain & qualified dividend tax (taxable income thresholds)				
Up to \$49,450	Up to \$98,900	Up to \$49,450	Up to \$66,200	0%
\$49,451 up to \$545,500	\$98,901 up to \$613,700	\$49,451 up to \$306,850	\$66,201 up to \$579,600	15%
More than \$545,500	More than \$613,700	More than \$306,850	More than \$579,600	20%
Net investment income tax (MAGI thresholds)				
Over \$200,000	Over \$250,000	Over \$125,000	Over \$200,000	3.8%*

*The 3.8% net investment income tax (also referred to as the unearned income Medicare contribution tax) applies to the lesser of (a) net investment income or (b) modified adjusted gross income (MAGI) exceeding the above thresholds. It does not apply to municipal bond interest or qualified retirement plan/IRA withdrawals.

If you have questions regarding the topics in this document, or would like to work with a financial advisor, First Bank & Trust's Wealth Management Services team would be happy to assist you. Visit your local banker, and they will connect you with one of our officers. Alternatively, call us at 605.696.2202 or toll-free at 800.843.1552.

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