

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% |
| \$201,776 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 | |
| Married filing separately | \$16,100 | |
| Head of household | \$24,150 | |
| 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 |

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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Health Care

| Flexible spending account (FSA) for health care | |
|--|----------|
| Maximum salary reduction contribution | \$3,400 |
| 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 |