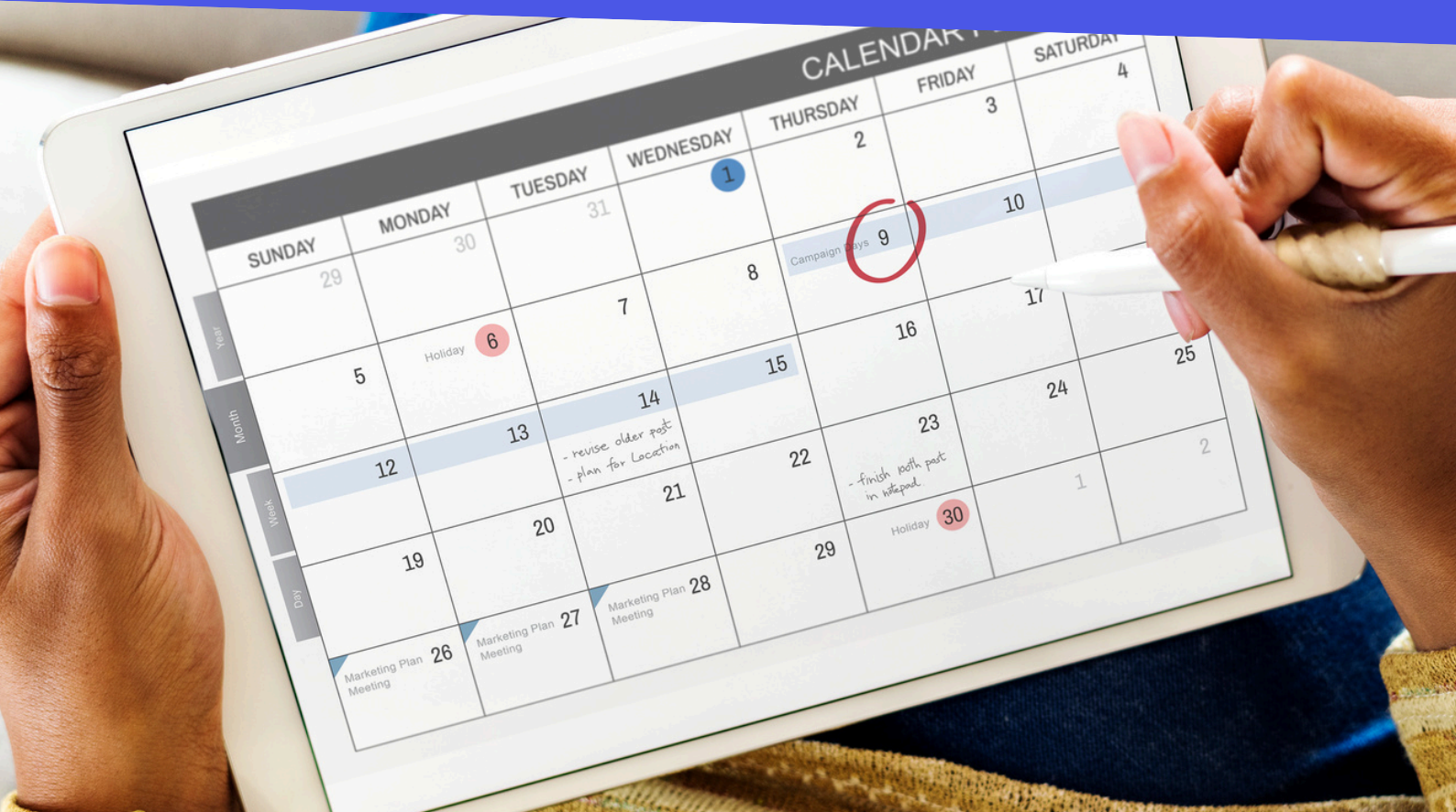


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The 2026 Tax Reset: Your Guide to Navigating the Biggest Tax Changes in a Generation

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The 2026 Tax Reset: Your Guide to Navigating the Biggest Tax Changes in a Generation

Comprehensive guide on how to leverage these tax changes to save money on taxes in 2026



INTRODUCTION

In my years as a tax strategist, I have witnessed countless changes to the U.S. tax code. Some were minor adjustments, others more significant. But nothing compares to the fundamental transformation we are about to experience in 2026. This is not just another year of new tax rules; it is a complete reset of the system, a once-in-a-generation event that will redefine how Americans build wealth, run businesses, and plan for their futures.

The convergence of the expiring Tax Cuts and Jobs Act (TCJA) and the arrival of the new One Big Beautiful Bill Act (OBBBA) has created a landscape of unprecedented complexity and opportunity. The old rules are fading, and a new playbook is being written. For the unprepared, this new era brings significant risks: higher tax bills, missed deductions, and costly strategic errors. But for those who are informed and proactive, the 2026 tax reset offers a remarkable chance to get ahead.

I founded **Uncle Kam** with a single mission: to provide trusted knowledge for a secure future. This book is the embodiment of that mission. It is the result of countless hours of research and analysis by our team of MERNA™ Certified Tax Strategists, designed to cut through the noise and deliver clear, actionable guidance.

We will walk you through every critical aspect of the 2026 changes, from the new tax-free status of tips and overtime to the revolutionary 10-year capital gains exclusion. We will show you how to navigate the new rules for your business, protect your investments, and secure your family's legacy with the permanent \$15 million estate tax exemption.

This is more than just a book about taxes. It is a guide to financial empowerment in a new world. The strategies within these pages are designed to put you in control of your financial destiny. The journey to mastering the 2026 tax reset begins now.

Kenneth Dennis

Founder, Uncle Kam

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PART 1: THE GREAT TAX RESET OF 2026

Chapter 1: Why 2026 is a Landmark Year for Taxpayers

The year 2026 marks a pivotal moment in the history of United States tax policy, representing the most significant and systemic shift in a generation. This is not a year of minor tweaks or routine inflation adjustments; it is a fundamental reset of the tax code that will impact every American, from individual wage earners and families to small business owners and large corporations. The changes are the result of a rare convergence of two powerful forces: the scheduled expiration of a major piece of tax legislation and the simultaneous enactment of a new, sweeping law designed to replace it.

At the heart of this transformation is the sunset of many key provisions from the Tax Cuts and Jobs Act of 2017 (TCJA). The TCJA was a landmark law in its own right, ushering in a period of lower individual income tax rates, a nearly doubled standard deduction, and significant new benefits for businesses. However, to comply with Senate budget rules, most of its individual tax changes were designed to be temporary, with a built-in expiration date of December 31, 2025. Without further legislative action, the tax code was set to automatically revert to its pre-2017 state, which would have resulted in a sudden and substantial tax increase for an estimated 62% of American taxpayers [1].

Sensing the economic and political ramifications of such a "tax cliff," Congress acted in 2025 to pass the One Big Beautiful Bill Act (OBBBA). Signed into law on July 4, 2025, OBBBA is a comprehensive piece of legislation that does far more than simply extend the TCJA. It selectively makes some TCJA provisions permanent, allows others to expire, and introduces a host of entirely new tax deductions, credits, and rules. The result is a hybrid system that creates a new tax landscape, presenting both unprecedented challenges and significant opportunities.

For the average American, this means re-evaluating everything from how their paycheck is taxed to how they save for retirement and plan for their family's future. For business owners, it necessitates a new playbook for entity structure, compensation, and investment strategy. The coming years are a critical window for understanding these changes and taking proactive steps to navigate them effectively. This book is designed to be your guide through that process, providing the trusted knowledge you need to secure your financial future.

Chapter 2: The End of an Era: Sunsetting TCJA Provisions

The Tax Cuts and Jobs Act of 2017 reshaped the financial landscape for millions of Americans. However, its temporary nature means that the end of 2025 marks the end of an era. As many of its key provisions expire, the tax code will, in some respects, turn back the clock. Understanding which benefits are disappearing is the first step in preparing for the new reality of 2026.

SOLE PROPRIETORSHIP TAX IMPLICATIONS

The TCJA lowered individual income tax rates across five of the seven tax brackets. With its expiration, rates will revert to their higher, pre-2017 levels. The top marginal tax rate, for instance, will climb back to 39.6% from 37%. This change, combined with narrower tax brackets, means that many taxpayers will find themselves in a higher bracket even if their income remains the same.

A SMALLER STANDARD DEDUCTION AND THE RETURN OF PERSONAL EXEMPTIONS

One of the most significant changes under the TCJA was the near-doubling of the standard deduction, which simplified tax filing for millions by reducing the incentive to itemize. In 2026, the standard deduction will be cut almost in half. In its place, the personal exemption, which was set to \$0 by the TCJA, will return.

This shift will have a profound impact on tax calculations. While the return of the personal exemption provides a per-person deduction, the dramatic reduction in the standard deduction means that many more taxpayers will once again need to consider itemizing their deductions to achieve the best tax outcome.



CHANGES TO FAMILY AND CHILD-RELATED CREDITS

The TCJA expanded several credits aimed at helping families. The expiration of these enhancements will significantly reduce the tax benefits available to many households.

- ⇒ **Child Tax Credit:** The maximum credit will be halved, falling from \$2,000 to \$1,000 per child. Furthermore, the income phaseout thresholds will be drastically lowered, making the full credit unavailable to many families who previously qualified.
- ⇒ **Other Dependent Credit:** The \$500 nonrefundable credit for other dependents (such as college students or elderly parents) will be eliminated entirely.

THE RETURN OF LIMITATIONS ON ITEMIZED DEDUCTIONS

While the TCJA limited certain itemized deductions, its expiration will see those limits removed, but it will also bring back an old, more complex limitation.

- ⇒ **State and Local Tax (SALT) Deduction:** The controversial \$10,000 cap on the SALT deduction will expire. However, as we will see in the next chapter, OBBBA introduces a new, higher cap with its own set of rules.
- ⇒ **Pease Limitation:** The TCJA eliminated the Pease limitation, an overall reduction on itemized deductions for high-income taxpayers. This limitation will return in 2026, effectively acting as a surtax for those with higher incomes who itemize.

THE END OF THE QUALIFIED BUSINESS INCOME (QBI) DEDUCTION

Perhaps one of the most significant changes for business owners was the introduction of the Section 199A Qualified Business Income (QBI) deduction, which allowed owners of pass-through entities (like S-corps, partnerships, and sole proprietorships) to deduct up to 20% of their business income. This valuable deduction was scheduled to expire at the end of 2025. While this would have been a major tax increase for millions of business owners, OBBBA intervened to make the deduction permanent, albeit with some important modifications, which we will explore in detail later in this book.

Chapter 3: OBBBA: A New Chapter in U.S. Tax Law

While the sunset of the TCJA created a potential tax crisis, the One Big Beautiful Bill Act (OBBBA) provided the resolution. Enacted in 2025, OBBBA is not a simple extension of the old law. It is a sweeping reform that creates a new tax paradigm. It preserves the most popular elements of the TCJA, introduces new tax breaks aimed at working families and seniors, and permanently alters the landscape for businesses and investors.



MAKING POPULAR PROVISIONS PERMANENT

At its core, OBBBA prevents the massive tax hike that would have occurred by making many of the individual tax changes from the TCJA permanent, though often with modifications. This includes maintaining the seven-bracket structure for individual income taxes, though the specific income thresholds and rates have been adjusted. For example, while the top rate remains at 37%, the income level at which it applies has been raised [2].

Most importantly for businesses, OBBBA makes the 20% Qualified Business Income (QBI) deduction permanent, providing long-term certainty for pass-through business owners who rely on this critical tax break [3].

A NEW SUITE OF DEDUCTIONS AND CREDITS

OBBBA goes beyond the TCJA by introducing several new, high-impact deductions and credits designed to provide targeted relief:

- ⇒ **No Tax on Tips (Sec. 70201):** In a major change for service industry workers, all income earned from tips is now tax-exempt at the federal level.
- ⇒ **No Tax on Overtime (Sec. 70202):** To reward hourly workers, all overtime pay is now exempt from federal income tax.
- ⇒ **Deduction for Seniors (Sec. 70103):** OBBBA introduces a new, additional standard deduction for senior citizens, providing extra tax relief for retirees.
- ⇒ **Enhanced Adoption Credit (Sec. 70402):** The bill increases the adoption credit and, for the first time, makes a portion of it refundable, meaning families can receive the benefit even if they have no tax liability [2].

A NEW APPROACH TO THE SALT DEDUCTION

OBBBA addresses the contentious State and Local Tax (SALT) deduction cap by replacing the TCJA's \$10,000 limit with a more generous, but also more complex, system. For the years 2025 through 2029, the cap is raised to \$40,000. However, this higher cap is subject to a phase-down for taxpayers with incomes above \$500,000, eventually returning to a \$10,000 cap for the highest earners [4]. This change provides significant relief to taxpayers in high-tax states, while still limiting the benefit for the wealthiest individuals.

A PERMANENT, HIGHER ESTATE TAX EXEMPTION

One of the most significant long-term planning victories in OBBBA is the permanent increase of the federal estate tax exemption. Under the TCJA, the exemption was set to revert to an inflation-adjusted \$5 million in 2026. OBBBA averts this by setting the exemption at \$15 million per person (\$30 million for a married couple) and making this new, higher level permanent [5]. This change provides immense relief and certainty for family businesses, farms, and individuals engaged in long-term wealth transfer planning.

In summary, OBBBA is a complex tapestry of old and new. It solidifies the structure of the post-TCJA world while weaving in new threads of targeted tax relief and social policy. The following parts of this book will unravel this tapestry, thread by thread, to give you a clear understanding of how each provision affects you.



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PART 2: NAVIGATING THE NEW TAX LANDSCAPE: A GUIDE FOR EVERYONE

Chapter 4: For Individuals & Families: Maximizing Your Take-Home Pay

The 2026 tax reset brings a host of changes that will directly affect the paychecks and financial plans of nearly every American individual and family. While the One Big Beautiful Bill Act (OBBBA) prevented a widespread tax increase by making many TCJA provisions permanent, the new law also introduces its own unique set of rules and benefits. Understanding these changes is the key to maximizing your take-home pay and ensuring your family's financial security.

UNDERSTANDING THE NEW 2026 TAX BRACKETS

OBBBA maintains the seven-bracket structure for individual income taxes, but with adjustments to both the rates and the income thresholds. While the top marginal rate remains at 37%, the income levels at which different rates apply have been modified. It is crucial to understand where you fall within these new brackets to accurately project your tax liability.

2026 Marginal Tax Rates

THE NEW STANDARD DEDUCTION LANDSCAPE

OBBBA continues the TCJA's policy of a higher standard deduction, a feature that simplifies tax filing for millions. For 2026, the standard deduction amounts have been increased for inflation.

- **Single Filers: \$16,100**
- **Married Filing Jointly: \$32,200**
- **Heads of Households: \$24,150**

This enhanced standard deduction means that fewer taxpayers will need to go through the process of itemizing. However, with the expanded SALT cap and other changes, it is more important than ever to compare the standard deduction to your potential itemized deductions to ensure you are choosing the most advantageous option.

MAJOR CHANGES TO FAMILY AND DEPENDENT CREDITS

OBBBA brings significant, positive changes for families, particularly through enhancements to key tax credits.

- ⇒ **Child Tax Credit (CTC):** The maximum CTC has been increased to \$2,200 per qualifying child for 2026 and is now indexed for inflation [3]. This provides additional, direct relief to families with children.
- ⇒ **Enhanced Adoption Credit:** The adoption credit is not only increased to \$17,670 for 2026, but a portion of it (up to \$5,000) is now refundable [2]. This is a major benefit, as it allows families to receive the credit even if their tax liability is zero, providing crucial financial support during the adoption process.
- ⇒ **Employer-Provided Childcare Credit:** OBBBA significantly enhances the tax credit for employers who provide childcare assistance, increasing the maximum credit from \$150,000 to \$500,000 (or \$600,000 for eligible small businesses) [2]. This creates a powerful incentive for businesses to support working families.

NEW TAX-FREE INCOME OPPORTUNITIES

Perhaps the most groundbreaking changes for individuals under OBBBA are the new categories of income that are now completely exempt from federal income tax.

- ⇒ **No Tax on Tips:** All income from tips is now tax-free. This is a monumental change for millions of workers in the service industry, from restaurant servers to rideshare drivers, whose take-home pay will see a direct and substantial boost.
- ⇒ **No Tax on Overtime:** All wages earned from overtime hours are now tax-free. This provides a significant financial incentive for hourly workers and directly rewards them for their extra labor.

Chapter 5:

For Business Owners: A New Playbook for Success

The 2026 tax changes ushered in by OBBBA create a new operating environment for businesses of all sizes. The law makes permanent some of the most beneficial aspects of the TCJA while introducing new rules and incentives. For owners of S-Corps, LLCs, sole proprietorships, and other pass-through entities, understanding this new playbook is essential for compliance, growth, and profitability.



THE QBI DEDUCTION IS HERE TO STAY

The single most important development for pass-through businesses is that OBBBA makes the 20% Qualified Business Income (QBI) deduction permanent. The looming threat of its expiration at the end of 2025 has been eliminated, providing much-needed certainty for long-term business planning. OBBBA not only preserves the deduction but enhances it in key ways:

- ⇒ **Higher Phase-In Thresholds:** The income limitations for the deduction have been expanded. The phase-in range for the wage and property limitations (and for the exclusion of Specified Service Trades or Businesses, or SSTBs) has been increased to \$75,000 for single filers and \$150,000 for joint filers [3]. This means more business owners, including those in service professions like law and consulting, will be able to claim this valuable deduction.
- ⇒ **New Minimum Deduction:** A new floor has been established for active businesses. If you have at least \$1,000 in aggregate QBI and materially participate in your business, you are entitled to a minimum deduction of \$400 [3].

NAVIGATING ENTITY-SPECIFIC CHANGES

While the QBI deduction applies broadly, OBBBA also has implications for specific entity types.

- ⇒ **LLC Tax Changes:** With the QBI deduction now permanent, the primary tax advantage of operating as a pass-through entity remains secure. LLC owners should focus on meticulous bookkeeping to accurately calculate their QBI and ensure they meet the material participation requirements to qualify for the new minimum deduction.
- ⇒ **S-Corp Tax Changes:** The permanence of the QBI deduction solidifies the S-Corp as a tax-efficient structure. The focus for S-Corp owners now shifts to optimizing the balance between reasonable compensation (which is subject to payroll taxes) and QBI-eligible distributions (which are not). The new, higher phase-in thresholds may allow more S-Corp owners to take the full 20% deduction without being constrained by wage limitations.

A GUIDE FOR THE SELF-EMPLOYED AND FREELANCERS

The gig economy and freelance workforce receive a significant boost under OBBBA. The combination of the permanent QBI deduction and the new tax-free income categories creates powerful opportunities.

- ⇒ **Maximizing QBI:** As sole proprietors, freelancers are prime candidates for the QBI deduction. The key is to maintain clear and accurate records of all business income and expenses to substantiate the deduction.
- ⇒ **Tax-Free Tips and Overtime:** For freelancers who receive tips or work on projects with overtime bonuses, this income is now tax-free, providing a direct increase in net earnings. It is critical to segregate and document this income separately from regular project fees.

Chapter 6:

For Investors: Protecting and Growing Your Wealth

The 2026 tax landscape under OBBBA presents a transformed environment for investors, with significant changes affecting capital gains, real estate, retirement, and estate planning. The new law creates powerful incentives for long-term investment and strategic wealth management.

A NEW ERA FOR CAPITAL GAINS

OBBBA introduces a revolutionary approach to the taxation of long-term capital gains, designed to reward patient capital.

- ⇒ **10-Year Exclusion:** Gains on investments held for 10 years or more are permanently excluded from federal taxation [6]. This is a landmark change that fundamentally alters the calculus for long-term investing.
- ⇒ **30-Year Basis Step-Up:** For assets held for 30 years or more, the cost basis is automatically stepped up to fair market value [6]. This eliminates the embedded capital gain, allowing for a tax-free sale or transfer.
- ⇒ **Expanded 0% Bracket:** OBBBA also expands the 0% capital gains tax bracket, making it easier for low and middle-income investors to realize tax-free gains on shorter-term investments [7].

These changes create a powerful incentive to adopt a long-term, buy-and-hold investment strategy.



REAL ESTATE: A RENEWED FOCUS ON INVESTMENT AND DEVELOPMENT

OBBBA revitalizes several key tax incentives for real estate investors and developers.

- ⇒ **Build-to-Rent (BTR) and Bonus Depreciation:** The law's enhancement of bonus depreciation rules is a major boon for the BTR sector. The ability to expense qualifying capital expenditures upfront, rather than depreciating them over many years, significantly improves after-tax yields and shortens the payback period on new construction and renovation projects [8].
- ⇒ **Short-Term Rentals (STRs) and the STR Loophole:** OBBBA preserves the so-called "STR Loophole," which allows investors who materially participate in their short-term rental operations to treat losses as non-passive. This means STR losses can be used to offset other income, such as W-2 wages, creating a powerful tax shield. The key is meeting the material participation tests, which requires active and substantial involvement in the rental activity [9].

RETIREMENT AND ESTATE PLANNING IN THE OBBBA ERA

OBBBA provides much-needed certainty and relief in the realms of retirement and estate planning.

- ⇒ **Retirement Plan Changes:** The law solidifies and enhances many of the provisions from the SECURE Act and SECURE 2.0, continuing to expand access to retirement savings plans and encourage higher contribution limits, which will be adjusted for inflation.
- ⇒ **The \$15 Million Estate Tax Exemption:** As discussed in Chapter 3, the permanent increase of the federal estate tax exemption to \$15 million per person (\$30 million per couple) is a cornerstone of the new law [5].
This removes the threat of a looming "tax cliff" and allows for stable, long-term estate planning. Families can now plan for wealth transfer with confidence, knowing that the vast majority of estates will not be subject to federal estate tax.

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PART 3: STATE-BY-STATE BREAKDOWN

Chapter 7: The State Tax Maze: Conformity and Divergence

Understanding the sweeping federal tax changes under the One Big Beautiful Bill Act (OBBBA) is only the first step in navigating the 2026 tax reset. The United States tax system is a dual framework; alongside the federal Internal Revenue Code, each state has its own distinct set of tax laws. The interplay between these two systems creates a complex maze for taxpayers, and the 2026 changes will make this relationship more intricate than ever before.

Your total tax liability—and the strategies available to minimize it—are determined not just by Washington, D.C., but also by your state capital. Whether your state chooses to adopt, ignore, or modify the new federal rules will have a profound impact on your financial picture.

THE CRITICAL CONCEPT OF STATE TAX CONFORMITY

At the heart of the state and federal tax relationship is the concept of conformity. In simple terms, conformity is the degree to which a state's income tax laws align with the federal tax code. For the sake of simplicity for both taxpayers and tax administrators, most states choose to conform to some portion of the federal code. However, the way they do so varies significantly.

- ⇒ **Rolling Conformity:** States with rolling conformity automatically adopt most changes made to the federal tax code as they are enacted. This is the simplest approach, but it also means these states have automatically adopted all the changes from OBBBA.
- ⇒ **Static (or Fixed-Date) Conformity:** These states conform to the federal tax code as it existed on a specific date. For these states to adopt the OBBBA changes, their legislatures must pass new laws to update their conformity date.
- ⇒ **Selective Conformity:** Many states practice selective conformity, where they pick and choose which federal provisions to adopt. A state might conform to federal definitions of income but “decouple” from certain deductions or credits.

THE GREAT DIVERGENCE OF 2026

The passage of OBBBA creates a major inflection point for state tax policy. State legislatures across the country must now actively decide how to respond. Will they conform to OBBBA's new provisions, such as the tax-free treatment of tips and overtime? Will they revert to their pre-TCJA rules? Or will they forge their own path entirely?

This creates a potential for wide divergence in key areas:



- ⇒ **Standard vs. Itemized Deductions:** While the federal standard deduction remains high, a state might choose to offer a smaller standard deduction, making itemizing more valuable on the state return.
- ⇒ **The SALT Deduction:** The new \$40,000 federal SALT deduction cap presents a complex issue. States with high income and property taxes, like California, New York, and New Jersey, will see many of their residents benefit from the higher federal cap. However, those same states must decide how to treat state tax deductions on their own returns.
- ⇒ **The QBI Deduction:** While OBBBA made the 20% QBI deduction permanent at the federal level, states must decide whether to offer a similar deduction for state income tax purposes.
- ⇒ **State Estate and Inheritance Taxes:** It is crucial to remember that the generous \$15 million federal estate tax exemption does not apply at the state level. Many states have their own estate or inheritance taxes with much lower exemption amounts, some starting at just \$1 million. Your estate could be completely exempt from federal tax but still face a significant state tax bill.

As the data shows, the impact of tax policy is not uniform across the country. The average SALT deduction claimed in 2022, for example, ranged from over \$9,000 in states like New York and Connecticut to under \$6,500 in states like Alaska and Wyoming [4]. This illustrates how a single federal rule can have a vastly different impact depending on where you live.

YOUR DEFINITIVE STATE-BY-STATE RESOURCE

Given the complexity and the sheer volume of information, a comprehensive, 50-state analysis is beyond the scope of a single book chapter. Tax laws are constantly evolving, and state legislatures will be debating and passing new conformity laws throughout 2025 and 2026.

To provide you with the most accurate, up-to-date, and detailed information possible, we have created a dedicated online resource.

For a complete breakdown of your state's specific tax changes, including bracket adjustments, conformity status, unique credits, and local deduction rules, please visit our 2026 Tax Changes State-by-State Guide at:

<https://unclekam.com/2026-tax-changes>

This online guide is continuously updated by our team of MERNATM Certified Tax Strategists to reflect the latest legislative changes in all 50 states. It is an essential companion to this book and the most reliable resource for navigating the specific rules that apply to you.

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[4] Bipartisan Policy Center. (2025, July 30). *SALT Deduction Changes in the One Big Beautiful Bill Act*. <https://bipartisanpolicy.org/explainer/salt-deduction-changes-in-the-one-big-beautiful-bill-act/>

PART 4: STRATEGIC PLANNING: RISKS, OPPORTUNITIES, AND ACTIONABLE STEPS

Chapter 8:

Don't Get Caught Off Guard: Major Risks to Avoid

The 2026 tax reset, while offering many new benefits, also contains hidden complexities and potential pitfalls. The end of the TCJA era and the dawn of OBBBA create a landscape where proactive planning is not just advantageous—it is essential for avoiding costly mistakes. Taxpayers who fail to understand the new rules risk facing higher tax bills, missing out on valuable deductions, and even triggering audits. This chapter highlights the most significant risks to help you stay ahead of the curve.

THE MISLEADING ALLURE OF HIGHER TAX BRACKETS

While OBBBA maintains the same top marginal tax rate of 37%, the income thresholds for all seven brackets have been adjusted. For many middle-income earners, this could mean creeping into a higher tax bracket sooner than expected.

The risk lies in assuming that because the rates look familiar, your tax liability will remain the same. Without careful planning, a modest pay raise or increase in business income could push you over a new threshold, resulting in a surprisingly high tax bill. It is more critical than ever to project your 2026 income and understand precisely where you will land in the new bracket structure.

THE COMPLEXITY OF THE NEW SALT DEDUCTION CAP

The increase of the State and Local Tax (SALT) deduction cap to \$40,000 is a welcome change for many, but it is not a simple, across-the-board increase. The most significant risk is the new income phase-down provision.

Taxpayers with incomes above \$500,000 will see this deduction systematically reduced, eventually falling back to the old \$10,000 limit for the highest earners [4]. Many taxpayers may overestimate their SALT deduction, leading to an underpayment of taxes and potential penalties. You must accurately calculate your eligibility for the full \$40,000 deduction based on your projected 2026 income.

THE MATERIAL PARTICIPATION TRAP FOR STR OWNERS

The preservation of the Short-Term Rental (STR) loophole is a major opportunity, but it comes with a significant risk: failing to meet the IRS's strict material participation tests. To deduct STR losses against your regular income, you cannot be a passive investor. You must be actively and substantially involved in the operations of your rental. The IRS requires you to meet one of seven tests, such as spending more than 500 hours on the rental activity during the year. Many investors, especially those with full-time jobs, may struggle to meet this requirement. Failure to do so means your losses will be classified as passive and can only be used to offset passive income, eliminating the primary tax benefit of the STR strategy.

THE RETURN OF THE PEASE LIMITATION

With the expiration of the TCJA, the Pease limitation on itemized deductions returns for high-income taxpayers. This provision, which was eliminated in 2018, acts as a stealth tax by reducing the value of your total itemized deductions by 3% for every dollar of income above a certain threshold. For high earners who itemize, this can significantly erode the value of deductions for mortgage interest, charitable contributions, and state and local taxes, effectively increasing their marginal tax rate.

Chapter 9:

Seizing the Moment: Major Opportunities in 2026

For every risk in the new tax code, there is an equally powerful opportunity. The One Big Beautiful Bill Act (OBBBA) was designed not just to prevent a tax cliff, but to actively reward work, investment, and family. Taxpayers who understand and leverage these new provisions can significantly reduce their tax burden and accelerate their wealth-building journey. This chapter is your guide to the most valuable opportunities in the 2026 tax landscape.

A REVOLUTION IN TAX-FREE INCOME

OBBBA introduces a concept that is truly revolutionary in the modern tax code: entire categories of earned income that are now completely exempt from federal tax. This is not a deduction or a credit; it is a 100% exclusion.

➞ **Opportunity: Tax-Free Tips.** For millions of Americans in the service industry, from restaurant staff to delivery drivers, every dollar earned in tips is now tax-free. This provides a direct, immediate, and substantial boost to their take-home pay.

- ⇒ **Opportunity: Tax-Free Overtime.** All wages earned from overtime hours are now exempt from federal income tax. This creates a powerful incentive for hourly workers and ensures that their extra effort is fully rewarded.

THE GOLDEN AGE OF LONG-TERM INVESTING

OBBBA has fundamentally reshaped the landscape for investors by creating unprecedented incentives for holding assets over the long term.

- ⇒ **Opportunity: 10-Year Capital Gains Exclusion.** The new rule excluding all capital gains on assets held for 10 years or more is a game-changer. This encourages patient, strategic investment over short-term speculation. Investors can now build wealth over a decade and realize their gains completely tax-free [6].
- ⇒ **Opportunity: 30-Year Basis Step-Up.** For those with the foresight to hold assets for 30 years, the reward is even greater: a full step-up in basis to fair market value [6]. This allows for a completely tax-free transfer or sale of highly appreciated assets, making it a cornerstone of multi-generational wealth planning.

UNLOCKING NEW BUSINESS AND FAMILY BENEFITS

Beyond these headline changes, OBBBA is packed with provisions that create new opportunities for businesses and families.

- ⇒ **Opportunity: The Permanent QBI Deduction.** With the 20% Qualified Business Income deduction now a permanent part of the tax code, pass-through business owners have the certainty they need to invest, hire, and grow. The enhanced income thresholds mean even more businesses can take full advantage of this powerful deduction [3].
- ⇒ **Opportunity: The Refundable Adoption Credit.** By making a portion of the enhanced adoption credit refundable, OBBBA provides direct financial support to families, regardless of their tax liability. This is a major step forward in supporting families through the adoption process [2].

Chapter 10: Your Pre-2026 Action Plan

Knowledge is the first step, but action is what secures your financial future. The transition to the 2026 tax rules requires proactive planning. Waiting until you file your 2026 tax return in 2027 will be too late. The time to prepare is now. This chapter provides a clear, actionable checklist to help you, your family, and your business get ready for the changes ahead.

FOR INDIVIDUALS AND FAMILIES:

- ⇒ [] **Project Your 2026 Income:** Sit down and create a realistic projection of your total income for 2026. Include salaries, bonuses, and any side income. This is the essential first step for all other planning.
- ⇒ [] **Identify Your New Tax Bracket:** Using your projected income, determine where you will fall in the new 2026 tax brackets. This will tell you your marginal tax rate and help you make informed decisions about additional income or deductions.
- ⇒ [] **Track Your Tax-Free Income:** If you work in an industry with tips or have the opportunity to work overtime, set up a system now to meticulously track this income separately from your regular wages. This documentation will be essential for claiming your tax-free benefits.
- ⇒ [] **Re-evaluate Your Investment Strategy:** Review your investment portfolio. Are you positioned to take advantage of the new long-term capital gains rules? Consider the 10-year and 30-year horizons when making new investments.
- ⇒ [] **Run the Numbers: Standard vs. Itemized Deduction:** Use your projected income and the new, higher SALT cap to estimate your potential itemized deductions. Compare this to the new standard deduction for your filing status to see which path will be more advantageous.

FOR BUSINESS OWNERS:

- ⇒ [] **Confirm Your QBI Eligibility:** Review the rules for the Qualified Business Income deduction. Ensure your business qualifies and that you have the proper documentation to calculate your QBI accurately.
- ⇒ [] **Optimize Your S-Corp Compensation:** If you operate as an S-Corp, consult with a tax professional to determine the optimal balance between your reasonable salary and your QBI-eligible distributions for 2026.

- ⇒ [] **Document Your STR Participation:** If you own a short-term rental, start a log now to track every hour you spend on the property. This documentation is your proof that you meet the material participation tests required to deduct losses.
- ⇒ [] **Explore Entity Restructuring:** The new tax landscape may mean that your current business structure is no longer the most tax-efficient. Consult with a professional to analyze whether a change in entity (e.g., from a sole proprietorship to an S-Corp) could save you money under the new rules.

YOUR ESSENTIAL TOOLS:

To help you with your planning, our team has developed two powerful online tools, available exclusively on our website:

- ⇒ **The 2026 Tax Calculator:** This tool allows you to input your projected income and deductions to get an estimate of your 2026 tax liability under the new OBBBA rules.
- ⇒ **The 2026 Deduction Checklist:** An interactive checklist that helps you identify every new and existing deduction and credit you may be eligible for.

Access these tools today at <https://unclekam.com/2026-tax-changes>



This action plan is your starting point. For a personalized strategy tailored to your unique financial situation, the next step is to consult with a professional. The 2026 tax reset is complex, but with the right guidance, it can be an opportunity to build a more secure and prosperous financial future.

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CONCLUSION:

SECURE YOUR FINANCIAL FUTURE

Chapter 11:

Why Professional Guidance is More Critical Than Ever

You have now journeyed through the intricate landscape of the 2026 tax reset. You understand the forces that have reshaped the tax code, the specific changes affecting individuals, businesses, and investors, and the strategic steps required to navigate this new world. You are equipped with more knowledge than 99% of taxpayers, and you have a clear action plan to begin preparing.

But knowledge, as powerful as it is, is only the beginning. The true key to unlocking the full potential of the opportunities within the One Big Beautiful Bill Act—and to safely navigating its risks—is personalized, professional guidance.

This book is a comprehensive map, but you still need an expert guide to help you chart the best course for your unique journey. The tax code is a living document, and its application is deeply personal. A strategy that creates wealth for one person may be inefficient for another. The right business structure, the optimal investment strategy, the most effective estate plan—these are not one-size-fits-all solutions. They depend on your specific income, your family structure, your business goals, and your long-term aspirations.



This is where a MERNATM Certified Tax Strategist becomes your most valuable asset. Our role is not simply to ensure you are compliant; it is to serve as your proactive partner in wealth creation.

We go beyond tax preparation to deliver strategic, forward-looking advice that turns the tax code from a burden into a powerful tool for financial growth.

- ⇒ **For individuals,** we can help you structure your income to maximize the new tax-free benefits and ensure you are claiming every credit and deduction you are entitled to.
- ⇒ **For business owners,** we can analyze your entity structure, optimize your compensation and distribution strategies, and ensure you are maximizing your QBI deduction.
- ⇒ **For investors,** we can help you build a portfolio designed to leverage the new long-term capital gains rules and create a multi-generational wealth transfer plan that takes full advantage of the permanent \$15 million estate tax exemption.

The 2026 tax reset is an event that will separate the prepared from the unprepared. It is a moment of opportunity for those who seek expert guidance and take decisive action. Your financial future is too important to leave to chance.

We invite you to take the next step. Book a strategy call with our team at Uncle Kam. Let us help you build a personalized plan that not only prepares you for 2026 but empowers you to thrive in the new era of taxation. Secure your financial future, starting today.

Appendix

Glossary of Key Tax Terms

- ⇒ **BTR (Build-to-Rent):** A sector of real estate focused on building single-family homes or small multi-family units specifically for the rental market.
- ⇒ **OBBBA (One Big Beautiful Bill Act):** The comprehensive tax legislation signed into law on July 4, 2025, which made many TCJA provisions permanent and introduced a wide range of new tax rules, deductions, and credits.
- ⇒ **Pease Limitation:** A provision in the tax code that reduces the value of itemized deductions for high-income taxpayers. It was eliminated by the TCJA but returns in 2026.
- ⇒ **QBI (Qualified Business Income):** The net income from a qualified trade or business, which is eligible for a 20% deduction under Section 199A for pass-through entities.
- ⇒ **SALT (State and Local Taxes):** The combined amount of state and local property taxes and either income or sales taxes that taxpayers can deduct on their federal returns.
- ⇒ **SSTB (Specified Service Trade or Business):** A category of businesses, including health, law, consulting, and financial services, that are subject to special limitations for the QBI deduction.
- ⇒ **STR (Short-Term Rental):** A rental property, such as an Airbnb, that is rented out for short durations and may be eligible for special tax treatment if the owner materially participates in its operation.
- ⇒ **TCJA (Tax Cuts and Jobs Act of 2017):** The landmark tax reform bill that lowered rates and made significant changes to the tax code, many of which were temporary and set to expire at the end of 2025.

Frequently Asked Questions (FAQs)

⇒ When do the 2026 tax changes take effect?

Most provisions of OBBBA take effect on January 1, 2026. However, some, like the increased SALT deduction cap, are effective beginning in tax year 2025.

⇒ Is the QBI deduction really permanent?

Yes. OBBBA removed the sunset provision, making the 20% Qualified Business Income deduction a permanent part of the U.S. tax code.

⇒ Do I have to be in the service industry to get tax-free tips?

The law applies to all income from tips, regardless of the industry. As long as it is classified as a tip, it is exempt from federal income tax.

⇒ What do I need to do to qualify for the 10-year capital gains exclusion?

You must hold the asset for a minimum of 10 years. The holding period begins the day after you acquire the asset and ends on the day you sell it. Meticulous record-keeping of purchase dates is essential.

⇒ Does the \$15 million estate tax exemption apply to my state?

No. The \$15 million exemption is for the federal estate tax only. Many states have their own estate or inheritance taxes with much lower exemption amounts. You must consult your state's specific laws.

ABOUT UNCLE KAM

Uncle Kam is a premier tax education portal and a network of the nation's top MERNA™ Certified Tax Strategists. Founded by Kenneth Dennis, our mission is to provide trusted knowledge for a secure future. We believe that proactive tax strategy is the cornerstone of financial freedom. We empower individuals and business owners to move beyond simple tax compliance and leverage the tax code to build generational wealth.

Our team is dedicated to demystifying the complexities of the tax system and providing clear, actionable, and personalized strategies that deliver real results. We are the definitive authority on the 2026 tax changes and the trusted partner you need to navigate the new era of taxation. If you need help saving money on taxes and want a comprehensive tax analysis.

NEXT STEP

BOOK A FREE CONSULTATION TODAY



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Uncle Kam is a platform that connects taxpayers with vetted tax strategists to help reduce legal tax liability through proactive planning. Results vary. Not financial or legal advice.