



# Module 10

## WHAT'S NEW FOR 2026

*Special thanks to: Brad Martin, Rebecca Thompson and Darren Liddell for their contributions to this module.*



## Objectives

# By the end of this module you will...

*Be prepared for the new issues that are included in the IRS Basic and Advanced tests for VITA Volunteer Tax Preparers, including:*

- Revisions to IRS forms.
- Revised numerical amounts and limits for some of the more important numbers for VITA programs.
- Tax law changes that apply to Advanced level tax returns. Note: there are no tax law changes that apply only to Basic level tax returns.
- Know where to find more information about what's new for tax year 2025 (filing season 2026).
- Have a basic understanding of tax law provisions related to One Big Beautiful Bill (OB3).

*Advanced preparers must read all of the information – Basic and Advanced – to learn all the changes for tax year 2026 (filing season 2025).*

## In this module...

- Changes to IRS Tax Forms
- Returns Prepared by VITA
- New Numbers
- Tax Law Changes
- One Big Beautiful Bill (OB3) Updates
- Resources and Summary

## Section 1

# Changes to IRS Tax Forms

# Changes to IRS Tax Forms

## Form 1040

- Form 1040, Created entry spaces for “Deceased” for both primary taxpayer and spouse and added a separate line for “other” special processing write-ins.
- Form 1040, Checkbox added for taxpayers (and spouse if MFJ) whose main home was in the U.S. for more than half of 2025.
  - The “Dependents” section was overhauled to provide more information on qualifying children and dependents who would qualify the taxpayer to claim the EIC, CTC, ACTC, or ODC.
  - Checkbox added for taxpayers whose filing status is MFS or HoH to check if they meet the requirements for the special rule for claiming the EIC.
  - Checkbox was added for those taxpayers who don’t want to receive the EIC and ACTC.

**Schedule 1** (Form 1040), removes the requirement for taxpayers to manually write in certain information.

- Part I, Line 7 Added checkbox and entry space to replace “Repaid” unemployment write-in.
- Part II, Line 20 Added checkbox to replace “D” write-in for married filing separately and lived apart from spouse all year.

**Forms 1099-R** and **Form 5498**, new code Y added for Box 7 to identify a qualified charitable distribution.

# Changes to IRS Tax Forms

**Form 5405**, Repayment of the First Time Homebuyer Credit has been eliminated and cannot be filed for Tax Year 2025.

**Form 5695**, Residential Energy Credit, Part II now requires taxpayers claiming the credit to include the unique qualified manufacturer identification number (MIN) assigned by a qualified manufacturer (QM) for specified property placed into service after 12/31/24. This number will be four digits long.

**Schedule 1-A**, Additional Deductions (Form 1040), includes deductions for following OBBA tax provisions:

- No Tax on Tips
- No Tax on Overtime
- No Tax on Car Loan Interest
- Enhanced Deduction for Seniors

**Affordable Care Act**, For taxpayers who are insured through the federal or state Marketplaces, 2025 will be the last year that repayment caps will be in place if a taxpayer has underestimated income.

# Changes to Form 136-14

## Key Changes

- Moved dependency question on page 1, closer to top of form
- Updated marital status questions on page 1 to mirror Pub 4012
- Added “Other” question on page 3
- Added tax return question on page 3 to mirror volunteer side

## Resources

- Review 13614-C Job Aid in [Pub. 4012](#) for details on interviewing using the updated form
  - Note that Pub. 4012 had to be finalized before the new form was finalized
- [Pub. 5101](#) Intake, Interview and Quality Review training for information on using this updated form as part of the interview process.



# Changes Coming in Tax Year 2026

**Special Note:** These changes below are expected to begin in Tax Year 2026. Taxpayers may ask questions and these may be opportunity to provide education around these pending changes.

## Charitable Giving in 2026

- Not this year! Many people have heard about the extra deduction for charitable giving of up to \$1,000 for taxpayers who don't itemize their deductions, but this provision does not take effect until Tax Year 2026.

## Educator Expense Deduction in 2026

- Also not this year! The educator expense deduction is moving from an above the line adjustment to income, to a Schedule A miscellaneous itemized deduction. The current limit of \$300 is being removed.
- Some analyses that suggest the first \$300 will remain an above the line deduction, with any additional educator expenses landing on Schedule A, but that isn't currently clear.



## Section 2

# Returns Prepared by VITA

## Returns Prepared by VITA

- IRS provides strict guidelines as to the types of tax returns that VITA tax sites can prepare.
- The tax issues that can be handled by VITA preparers are said to be “in scope.”
- The return issues that are in scope are designated as Basic or Advanced. For some issues, Military, Foreign Student, Puerto Rico 1 & 2, or International certification is required.
- A detailed Scope of Service chart is included in Publication 4012, Volunteer Resource Guide.

## Returns Prepared by VITA

- Do not prepare a tax return with any tax issue that is out of scope.
- If you encounter an issue that is in scope, but you don't understand it or it wasn't covered in your training, ask an experienced preparer or site coordinator. If they don't know, don't do the return.

***When you can't prepare a return because of an out of scope or difficult issue, apologize and advise the taxpayer to find another tax preparer.***

## Section 3

# New Numbers

# New Numbers – EITC & CTC

## Earned Income Tax Credit

AGI Limits & Maximum Credit Amounts - 2025

Qualifying Children Claimed	AGI Limits		Maximum Credit Amount
	Single, HOH, QSS*	MFJ	
Zero	\$19,104	\$26,214	\$649
One	\$50,434	\$57,554	\$4,328
Two	\$57,310	\$64,430	\$7,152
Three	\$61,675	\$68,675	\$8,046

\*and MFS qualifying for the limited exception

EITC Limit on Investment Income: \$11,950

**\*\*Child Tax Credit:** Maximum Refundable: \$1,700. Maximum Credit: 2,200

**\*\*A TP must include a valid SSN on the return (if MFJ, at least one spouse must have an SSN)**

# New Numbers - Standard Deduction

Standard Deduction	2025	2024
· Single/Married Filing Separately	\$15,750	\$14,600
· Married Filing Joint/Qualifying Surviving Spouse	\$31,500	\$29,200
· Head of Household	\$26,625	\$21,900
Additional Standard Deduction (65 and older or blind)		
• Single/Head of Household	\$2,000	\$1,950
• Married or Qualified Surviving Spouse	\$1,600	\$1,550
<b>Standard Deduction for a dependent: cannot exceed the greater of:</b>		
(1) \$1,300 or		
(2) the sum of \$450 and the individual's earned income (increased from \$1,250/\$400).		
Gross income limitation for determining Qualifying Relative Dependency	\$5,050	\$4,700

**Note: The Link & Learn Taxes Certification site is programmed for pre-OBBBA tax law answers only.**

# New Numbers - Mileage Rates

## Standard Mileage Rate

- For 2025 – the following rates are in effect
- 70 cents per mile for business miles driven
- 21 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations
- Note: the rate for charitable service is set at 14 cents per mile by statute.



# New Numbers – IRA and HSA

## IRA Contribution Limits

- For 2025, the maximum combined traditional IRA deduction or Roth contribution is \$7,000 (\$8,000 if age 50 or older).

## Qualified Plan Updates

- Individuals aged 50 or older by the end of the tax year may make catch-up contributions to certain qualified plans. For 2025, the catch-up limit for section 401(k) and 403(b) plans, the TSP, SARSEP plans, and governmental section 457 plans is \$7,500.
- New for 2025, a higher catch-up limit of \$11,250 applies for individuals who attain age 60 - 63 in 2025.

## Health Savings Account (HSA) Deduction

- For 2024, the annual contribution limits on deductions for HSAs for individuals with self-only coverage is \$4,150 and \$8,300 for family coverage. There is an additional contribution amount of \$1,000 for taxpayers who are age 55 or older

## Section 4

# Tax Law Changes

# Tax Law Changes

## New Provisions

- The State And Local Tax (SALT) deduction is increased temporarily. In 2025, the SALT deduction will increase to \$40,000 (\$20,000 if Married Filing Separately), and this will be indexed for inflation through Tax Year 2029.
- Form 1099-K:
  - OB3 has reversed the reporting requirement changes for Third Party Settlement Organizations (TPSOs).
  - If a taxpayer receives more than \$20,000 in payments and has more than 200 transactions in a year via a TPSO for sales of goods or services, the TPSO is required to send a Form 1099-K.
  - A TPSO can choose to send a 1099-K for lower amounts, and some states have lower reporting requirements.

# Tax Law Changes

## New Provisions

- **Energy credits claimed on Form 5695:** These credits were supposed to be valid through 2032, but now expire after Tax Year 2025. Also, for items claimed on Part II of the form, taxpayers are now required to provide the 4 digit qualified manufacturer identification number (MIN) for specified property placed into service after 12/31/24.
- **Affordable Care Act:** For taxpayers who are insured through the federal or state Marketplaces, 2025 will be the last year that repayment caps will be in place if a taxpayer has underestimated income. It's important to show Lines 27 and 28 of Form 8962 to taxpayers who owe a repayment. Explain to them that this year, the smaller of those two lines is what they are repaying; next year, Line 28 will no longer exist, and Line 27 will be the repayment amount if all things stay the same.

# Temporary Provisions

- An exclusion from gross income is available for student loan forgiveness after 2020 and before 2026 for most forgiven student loans. If eligible for the exclusion, the lender should not issue Form 1099-C. Ends in 2025 and 1099-Cs will be issued starting on TY2026.
- Employers may provide a student loan repayment benefit to employees on a tax-free basis up to \$5,250 annually. The \$5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer. This provision is extended through 2025. Starting in 2027, it will be adjusted for inflation annually.
- Exclusion from gross income of qualified principal residence indebtedness is extended through 2025 on a modified basis.
  - **See Chapter 2 of Pub. 4491 for details and scope.**
- Mortgage Insurance Premiums aka Private Mortgage Insurance (PMI): intemitized deduction is now permanent.

## Section 5

# One Big Beautiful Bill (OB3)

# One Big Beautiful Bill Act (OB3)

OB3 was signed on July 4th, 2025. You'll find a summary of the major changes below and in the following slides.

- **Individual tax rates:** Makes many the Tax Cuts & Jobs Act (TCJA) individual tax rates permanent
- **Standard deduction:** Increases the standard deduction and makes the increase permanent. The new 2025 amounts are \$15,750 for single filers, \$23,625 for heads of household, and \$31,500 for married couples filing jointly.
- **Senior deduction:** Creates a temporary, additional \$6,000 deduction for individuals aged 65 and older (from 2025-2028).
- **Child Tax Credit:** Permanently increases the child tax credit by \$200.
- **State and Local Tax (SALT) Deduction:** Increases the SALT deduction cap to \$40,000 for taxpayers earning under \$500,000 (this reverts to \$10,000 after five years).
- **Trump Accounts:** Creates new tax-deferred savings accounts for parents to set up for their children (expiring in 2028).
- **No Tax on Tips and Overtime:** Provides temporary deductions for tips and overtime pay to make these more attractive, particularly in the hospitality industry.



# Schedule 1A

- A new schedule for Form 1040, Schedule 1-A, will be used to capture the deductions related to OB3. As long as the schedule is a draft, it is subject to change. You can see the latest revision at <https://www.irs.gov/pub/irs-dft/f1040s1a--dft.pdf>
- Once the schedule is finalized, we expect the final version to be located at <https://www.irs.gov/pub/irs-pdf/f1040s1a.pdf>
- **Important:** Deductions captured on Schedule 1-A are not “above the line” deductions, meaning they do not affect a taxpayer’s adjusted gross income (AGI). These deductions are taken into account after the taxpayer’s standard or itemized deductions and after any Qualified Business Income Deductions (QBID).

# Standard Deduction

The standard deduction amounts for 2025 are as follows:

- **Married Filing Jointly and qualifying surviving spouse under age 65:** \$31,500 (was ~~\$30,000~~)
- **Heads of Household:** \$23,625 (was ~~\$22,500~~)
- **Single or Married Filing Separately:** \$15,750 (was ~~\$15,000~~)
- **Additional standard deduction for people who are age 65 or older or blind:** \$2,000 (single or head of household) and \$1,600 (all other filing statuses)

\*This excludes the additional deduction for seniors.

# New Deductions for Seniors

**Senior deduction:** *Creates a temporary, additional \$6,000 deduction for individuals aged 65 and older (from 2025-2028).*

## ELIGIBILITY:

- The taxpayer must have reached **age 65 on or before the last day of the tax year**.
- The taxpayer must have a **Social Security Number**.
- The taxpayer's filing status **cannot be Married Filing Separately**.

## AVAILABILITY:

- The deduction is available **whether the taxpayer itemizes or takes the standard deduction**. *(This is different from the usual expanded standard deduction seniors receive, which only applies if the taxpayer takes the standard deduction.)*

The deduction phases out for taxpayers with modified adjusted gross incomes (MAGI) over \$75,000 (\$150,000 for joint filers). The phase out is calculated at \$0.06 per dollar over the threshold amounts. MAGI includes AGI + excluded income from Puerto Rico and from foreign sources.

# No Tax on Tips

*NEW for tax years 2025 - 2028, taxpayers may be able to deduct up to \$25,000 in qualified tips from their income for federal tax purposes.*

## **ELIGIBILITY:**

- Tip earners must have a valid Social Security Number. In the case of a joint return, the tip earner must have a valid SSN to claim the deduction.
- Filing status cannot be Married Filing Separately.
- Tips must be received for work in occupations listed by the IRS as regularly and customarily receiving tips on or before December 31, 2024.
- Tips must be reported on a W-2, 1099-NEC, 1099-K, 1099-MISC, or other specified statement furnished to the individual, or reported by the taxpayer on Form 4137.

## **AMOUNT:**

- The maximum allowed deduction is \$25,000 for the year, and in the case of joint filers, this is per return, not per person.

## **PHASE OUT:**

- The deduction begins to phase out for individuals with a MAGI over \$150,000, and joint filers with a MAGI above \$300,000.

# No Tax on Tips

## QUALIFIED TIPS:

- Includes: Cash, card-based tips, and tips received under a tip sharing arrangement.
- This could also include something that can immediately be exchanged for a fixed value, such as casino chips.
- Does not include items such as event tickets or other goods that cannot immediately be exchanged for a specific cash amount, including most digital assets.
- Must be voluntary, not subject to negotiation, and determined solely by the customer. So for instance, automatic service charges such as those placed on a restaurant bill for a large party are not considered qualified tips because they were not set by the customer and are required to be paid.
- Tips received in a specified service trade or business (SSTB) are not eligible for the deduction.
  - SSTB definition: “any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees.”

# No Tax on Tips

**NOTES:**

- Taxpayers will generally need something from their employer or payer to claim that deduction.
- In TY2025, Forms W-2, 1099-MISC, 1099-NEC, and 1099-K will not be updated to include a separate accounting of qualified tips for 2025.
- Rules are slightly different for employees versus self-employed individuals (non-employees).
- These tips would still be counted when calculating self-employment taxes for self-employed individuals, as well as Social Security and Medicare taxes for employees.

# No Tax on Overtime

*NEW deduction for tax years 2025 through 2028: Individuals who receive “qualified overtime compensation” may deduct the pay that exceeds their regular rate of pay that is required by the Fair Labor Standards Act and reported on a W-2, 1099, or other specified statement furnished to the individual.*

## **ELIGIBILITY:**

- The taxpayer’s filing status cannot be Married Filing Separately.
- Taxpayers must include a Social Security Number on the return that is valid for employment as of the time the tax return is filed.

## **AMOUNT:**

- The maximum deduction is \$12,500 (\$25,000 for joint filers).

## **AVAILABILITY:**

- This deduction is available to taxpayers who itemize or who take the standard deduction.

## **PHASE OUT:**

- The deduction phases out for taxpayers with MAGI above \$150,000 (\$300,000 for joint filers) at a rate of \$100 per \$1,000 above the threshold amount.

## **NOTE:**

- **For tax year 2025 only**, the IRS has announced they will not penalize employers for not providing that information or filing information returns with the IRS containing those figures, but is encouraging them to provide that information in some format so that taxpayers can claim the deduction.
- Taxpayers will need **something** from their employer to demonstrate their overtime payments.



# No Tax on Car Loan Interest

*For tax years 2025 through 2028, taxpayers may deduct interest on a loan used to purchase a qualified vehicle, provided the vehicle was purchased for personal use and meets other tests.*

## ELIGIBILITY:

- The loan must have been taken out after December 31, 2024.
- The loan must have been used to **purchase a new vehicle** (not a used vehicle).
- The vehicle **must be for personal (not business or commercial) use**.
- The loan is secured by a lien on the vehicle.
- If a loan that meets the above criteria is later refinanced, the interest paid on the refinanced loan is generally eligible for the deduction as well.

## QUALIFIED VEHICLES:

- A qualified vehicle is a car, minivan, van, SUV, pick-up truck or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds, and that has undergone final assembly in the United States.
- The taxpayer must include the Vehicle Identification Number (VIN) on the tax return to claim this deduction. Vehicles which have undergone final assembly in the U.S. will have a VIN that begins with 1, 4, 5, 7f through 7Z, or 70.

# No Tax on Car Loan Interest

## AMOUNT:

- The maximum annual deduction is \$10,000.
- This deduction is available whether the taxpayer takes the standard deduction or itemizes.

## PHASE OUT:

- The deduction begins to phase out for taxpayers with MAGI above \$100,000 (\$200,000 for joint filers)

## NOTE:

Lenders must provide statements--similar to the 1098 for mortgages—showing the interest received by the lender during the year. Beginning in tax year 2026, this will likely be called a 1098-VLI. You can see a draft of the new form on the following page, but we probably won't see it this year.

## WANT TO LEARN MORE ABOUT OB3?

- Visit this resource to learn more about OB3, view more detailed explanations and examples: <https://is.gd/vitaob3>
- Big thank you to **Brad Martin** of United Way of SouthWest Alabama for creating this resource.

# Resources and Summary

# RESOURCES



- [Publication 4491, VITA/TCE Training Guide](#)
- [Publication 4012, Volunteer Resource Guide](#)
- [Form 13614-C, Intake, Interview & Quality Review Sheet](#)
- [Site Coordinator Corner](#)
- [Publication 17](#)

# SUMMARY

- There are few form changes.
- There are the usual changes to numerical limits.
- One Big Beautiful Bill updates (OB3). Additional information available [here](#).
- There are lots of [resources](#) available for further information.

# Thanks for being a VITA volunteer!

End of Module

