

Tax rules change often. The One Big Beautiful Bill Act (OBBBA), signed July 4, 2025, made many rules permanent and added new ones for 2026. When you know the rules, you can plan ahead. Here are the 12 steps Asset Strategy advisors review to help clients keep more of what they earn.

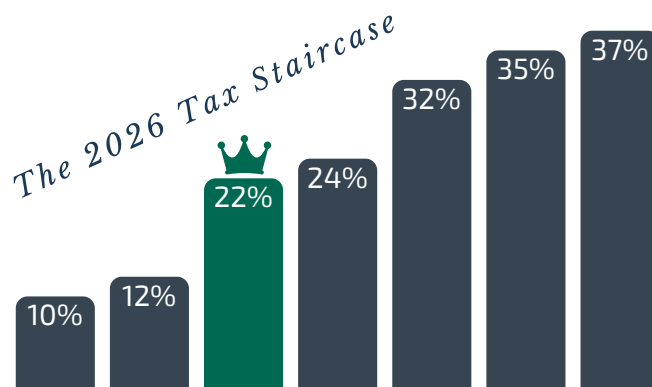
1) Marginal Tax Rate	2) Effective Tax Rate	3) Carry Forward Losses	4) IRMAA Surcharges	5) Capital Gains	6) Qualified Dividends
7) Roth Conversions	8) Itemized vs. Standard	9) NIIT	10) QBI Deduction	11) Phaseouts	12) Credits & Deductions

Step 1) Marginal Tax Rate

Your **marginal tax rate** is the rate on your **next** dollar of income. Picture a staircase, where each step is taxed a bit higher, but only the dollars on that step pay that rate.

Rate	Single	Married, joint
10%	Up to \$12,400	Up to \$24,800
12%	Up to \$50,400	Up to \$100,800
22%	Up to \$105,700	Up to \$211,400
24%	Up to \$201,775	Up to \$403,550
32%	Up to \$256,225	Up to \$512,450
35%	Up to \$640,600	Up to \$768,700
37%	Above \$640,600	Above \$768,700

2026 rates on taxable income (*income after deductions*).



Green Step: Where the Step 2 couple lands. Only their dollars on that step pay 22%.

Bottom Line: A low-income year can be a smart time to take IRA money out.

Step 2) Effective Tax Rate

Your effective tax rate is your **average** rate. **The total tax divided by total income.**

Example: A married couple earns \$182,200 in 2026 and takes the \$32,200 standard deduction, leaving \$150,000 of taxable income. Of that \$150,000, this is the breakdown.

NOT TAXED	10%	12%	22%
\$32,200 Deduction	on \$24,800	on \$76,000	on \$49,200
Tax: \$0	+ Tax: \$2,480	+ Tax: \$9,120	+ Tax: \$10,824

Total Tax
\$22,424

Marginal Rate (Highest Bracket)
22%

Effective Rate (\$22,424 / \$182,200)
12.3%

Step 3) Carry Forward Losses

Sell an investment for less than you paid and you have a **capital loss**. Losses first cancel out your **capital gains** (*profits*). If losses are bigger than gains, up to **\$3,000 a year** (\$1,500 if *MFS**) can lower your regular income. The rest **carries forward** to future years for as long as you live. *Here's an example:*



Watch Out for the Wash-Sale Rule: If you buy the same or a "substantially identical" investment within 30 days before or after selling at a loss, including in your IRA or spouse's account, you cannot claim the loss now.

**MFS = Married Filing Separately*

Step 4) IRMAA Surcharges

IRMAA (*Income-Related Monthly Adjustment Amount*) is an extra charge added to **Medicare Part B** and **Part D** premiums when income is higher.

It Works Like a Cliff: \$1 over a line raises your premium for the whole year.

2024 Tax Return	sets	2026 Premiums
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Income you earn in 2026 sets your 2028 premiums.
Income dropped due to retirement or another life change?
You can appeal with Social Security Form [SSA-44](#).

2024 MAGI** Single	Joint	Part B	Part D add-on
\$109,000 or less	\$218,000 or less	\$202.90	\$0.00
Up to \$137,000	Up to \$274,000	\$284.10	\$14.50
Up to \$171,000	Up to \$342,000	\$405.80	\$37.50
Up to \$205,000	Up to \$410,000	\$527.50	\$60.40
Under \$500,000	Under \$750,000	\$649.20	\$83.30
\$500,000 +	\$750,000 +	\$689.90	\$91.00

***MAGI = Modified Adjusted Gross Income*

Bottom Line: Big income moves, like Roth conversions or large sales, can raise Medicare costs 2 years later.

Step 5) Capital Gains

A **Capital Gain** is profit when you sell something for more than you paid. Hold it **more than 1 year** and the gain is "long-term," with lower tax rates. Sell sooner and it is taxed like a paycheck.

Long-Term Rate	Single	Married, Joint
0%	Up to \$49,450	Up to \$98,900
15%	Up to \$545,500	Up to \$613,700
20%	Above \$545,500	Above \$613,700

2026, based on taxable income. Higher earners may owe 3.8% more (Step 9).

Bottom Line: Waiting past the 1-year mark can shrink the tax on a gain.

Step 6) Qualified Dividends

- A dividend is cash a company pays its stock owners.
- **Qualified Dividends** get the same low rates as long-term gains. To qualify, you generally must own the stock more than 60 days in the 121-day window around the ex-dividend date (*the cutoff to get the next payment*).
 - **Ordinary** means the dividend does not qualify, so it is taxed like a paycheck, at the person's regular rate.

<i>Example: Tax on \$10,000 of Dividends (24% Bracket)</i>		
Ordinary	\$10,000 × 24% = \$2,400	
Qualified	\$10,000 × 15% = \$1,500	<i>You keep \$900 more</i>

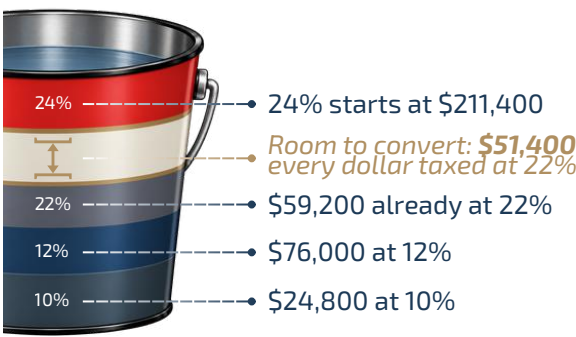
Bottom Line: The more of your dividends that qualify, the more tax-efficient your portfolio.

Step 7) Roth Conversions

A **Roth Conversion** moves money from a traditional IRA into a Roth IRA. You pay tax now on the amount moved. Later, qualified withdrawals are tax-free (*generally after age 59½ and 5 years*), and Roth IRAs have no RMDs (*Required Minimum Distributions: yearly withdrawals the IRS requires from traditional accounts at age 73 or 75*). We use planning software to model how much to convert to "fill the bucket" of your current bracket without spilling into the next.

Watch Out: Conversions cannot be undone, and the extra income can raise Medicare premiums (*Step 4*) and investment tax (*Step 9*).

Filling the 22% bucket
Example: Married couple, joint, 2026. Taxable income: \$160,000



Hypothetical example for educational purposes only. Figures are illustrative, and the graphic is not drawn exactly to scale.

Step 8) Itemized vs. Standard Deduction

Take the **standard deduction** (*a set amount*) or **itemize** (*add up costs like mortgage interest, taxes and gifts to charity*), whichever is **larger**.

2026 Standard Deduction	
Single	\$16,100
Married, Joint	\$32,200
Head of Household	\$24,150
Married, Separate	\$16,100

65+ or blind: add \$2,050 (*single*) or \$1,650 per spouse.

Senior Bonus: \$6,000
• Age 65+: up to \$6,000 more per person, 2025 through 2028.
• Works whether you itemize or not.
• Shrinks above \$75,000 MAGI (<i>single</i>) or \$150,000 (<i>joint</i>). Married couples must file jointly.

New in 2026
• SALT Cap: \$40,400 (<i>state & local taxes</i>); shrinks above \$505,000 MAGI.
• No Itemizing? Deduct up to \$1,000 (\$2,000 <i>joint</i>) of cash gifts to charity.
• Itemizers: charity counts above 0.5% of AGI.

Step 9) Net Investment Income Tax (NIIT)

The NIIT is an extra **3.8%** on investment income (*interest, dividends, gains, and rents*) for higher earners. It applies to whichever is **smaller**: your investment income or how far your MAGI is over the limit.

Filing Status	MAGI Limit
Single / Head of Household	\$200,000
Married, Joint	\$250,000
Married, Separate	\$125,000

Example: Joint MAGI of **\$290,000** with **\$60,000** of investment income. MAGI is **\$40,000** over the limit (290k - 250k), the smaller amount. So, we take the smaller amount and multiply it by 3.8% to get the NIIT.

\$40,000 x 3.8% = \$1,520 NIIT

Step 10) QBI Deduction (For Business Owners)

Do you own a pass-through business, where business income generally flows through to your personal tax return, such as a partnership, S corporation, or an LLC taxed as a disregarded entity, partnership, or S corporation? You may deduct up to **20%** of that **Qualified Business Income (QBI)**. The OBBBA made it permanent.

\$100,000 Business Profit

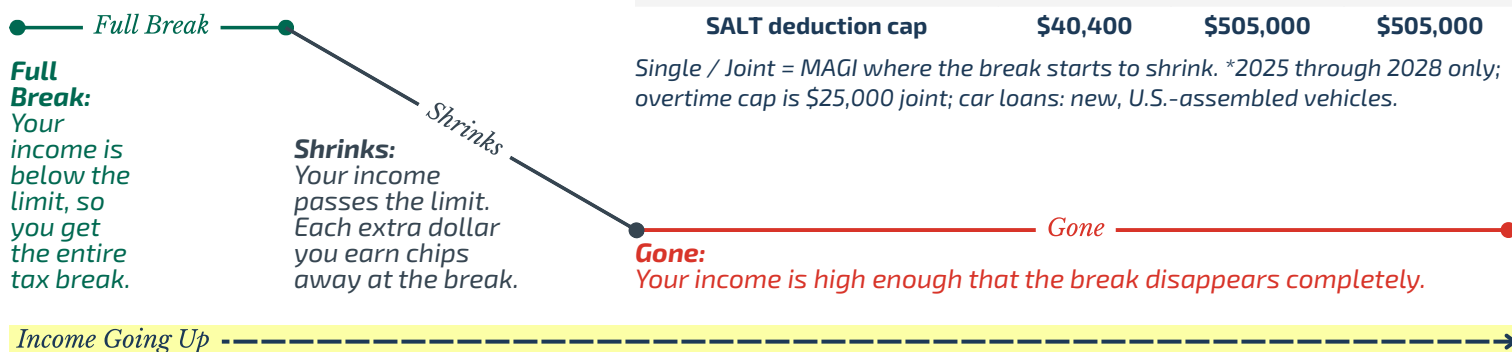
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\$20,000 Possible Deduction

- **Full deduction** below \$201,750 (*single*) or \$403,500 (*joint*) of 2026 taxable income.
- **Wider Ramp:** Limits phase in over the next \$75,000 (*single*) or \$150,000 (*joint*), up from \$50K and \$100K.
- **New \$400 minimum** if you have at least \$1,000 of QBI from a business you actively run.

Step 11) Phaseouts

A **Phaseout** is when a tax break shrinks as income goes up, like sliding down a ramp. Knowing where your phaseout starts lets us time your income so you keep more of your tax break.



2026 tax break	Up to	Single	Joint
Child Tax Credit	\$2,200/child	\$200,000	\$400,000
Senior bonus deduction	\$6,000/person	\$75,000	\$150,000
Tips deduction*	\$25,000	\$150,000	\$300,000
Overtime deduction*	\$12,500	\$150,000	\$300,000
Car loan interest*	\$10,000	\$100,000	\$200,000
Student loan interest	\$2,500	\$85,000	\$175,000
SALT deduction cap	\$40,400	\$505,000	\$505,000

Single / Joint = MAGI where the break starts to shrink. *2025 through 2028 only; overtime cap is \$25,000 joint; car loans: new, U.S.-assembled vehicles.

Step 12) Review of Credits and Deductions

Each year we review your income and every credit and deduction you claim, since the OBBBA added some breaks and ended others.

New or Bigger in 2026	New in 2026
Charity Without Itemizing: Up to \$1,000 (\$2,000 joint) in cash gifts. QBI Minimum: \$400 for active business owners (Step 10). Estate and Gift Exemption: \$15 million per person.	Electric Vehicle Credits: Ended Sept. 30, 2025. Home Energy and Solar Credits: Ended Dec. 31, 2025. EV Charger Credit: Ends June 30, 2026.

Call 781-235-4426 or visit www.assetstrategy.com/contact to discuss.



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- <https://www.irs.gov/pub/irs-drop/rp-25-32.pdf> as of 10.09.2025
- <https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill-as-of-10.09.2025>
- <https://www.cms.gov/newsroom/fact-sheets/2026-medicare-parts-b-premiums-deductibles> as of 11.14.2025
- <https://www.irs.gov/newsroom/one-big-beautiful-bill-act-tax-deductions-for-working-americans-and-seniors> as of 07.14.2025
- <https://www.irs.gov/newsroom/faqs-for-modification-of-sections-25c-25d-25e-30c-30d-45l-45w-and-179d-under-public-law-119-21-139-stat-72-july-4-2025-commonly-known-as-the-one-big-beautiful-bill-obbb> as of 08.21.2025
- <https://www.congress.gov/bills/119th-congress/house-bill/1/text> as of 07.04.2025