Navigating 2026 Tax Changes to Strengthen Your Financial Strategy

Nadia Dubowyj, MBA, MST, CFA, CFP | Financial Planner

June 19, 2026

In 2026, several important tax law changes are creating new opportunities for financial and retirement planning. From new rules around retirement catch-up contributions to a higher cap on state and local tax deductions, understanding what has changed can help you make better financial decisions this year.

For investors, especially those over 50 with higher incomes, these updates are worth paying close attention to. Rather than seeing these shifts as obstacles, they can be seen as a chance to revisit and improve your financial plan.

Catch-up contributions now come with new Roth rules for high earners

Market and Economic Chartbook | June 19, 2026

U.S. Income Tax Brackets

2025 and 2026 IRS tax brackets by filing status

2025 Tax Rates

Tax Bracket	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	$11,925 or less	$23,850 or less	$11,925 or less	$17,000 or less
12%	$11,926 to $48,475	$23,851 to $96,950	$11,926 to $48,475	$17,001 to $64,850
22%	$48,476 to $103,350	$96,951 to $206,700	$48,476 to $103,350	$64,851 to $103,350
24%	$103,351 to $197,300	$206,701 to $394,600	$103,351 to $197,300	$103,351 $197,300
32%	$197,301 to $250,525	$394,601 to $501,050	$197,301 to $250,525	$197,301 to $250,500
35%	$250,526 to $626,350	$501,051 to $751,600	$250,526 to $375,800	$250,501 to $626,350
37%	Over $626,350	Over $751,600	Over $375,800	Over $626,350

2026 Tax Rates

Tax Bracket	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	$12,400 or less	$24,800 or less	$12,400 or less	$17,700 or less
12%	$12,401 to $50,400	$24,801 to $100,800	$12,401 to $50,400	$17,701 to $67,450
22%	$50,401 to $105,700	$100,801 to $211,400	$50,401 to $105,700	$67,451 to $105,700
24%	$105,701 to $201,775	$211,401 to $403,550	$105,701 to $201,775	$105,701 to $201,750
32%	$201,776 to $256,225	$403,551 to $512,450	$201,776 to $256,225	$201,751 to $256,200
35%	$256,226 to $640,600	$512,451 to $768,700	$256,226 to $384,350	$256,201 to $640,600
37%	Over $640,600	Over $768,700	Over $384,350	Over $640,600

Sources: Clearnomics, IRS

One of the biggest changes for 2026 involves retirement catch-up contributions. These are extra amounts that workers aged 50 and older can save in their retirement accounts on top of the regular annual limit. They are useful for people who started saving late or need to build up more retirement savings.

Starting in 2026, employees earning $150,000 or more in wages (as defined by the Federal Insurance Contributions Act, or FICA) must make all catch-up contributions as Roth contributions. With Roth contributions, you invest money that has already been taxed, but it then grows tax-free and can be withdrawn tax-free in retirement. The standard catch-up limit has increased by $500 to $8,000 for those aged 50 and older, and a higher "super catch-up" of $11,250 remains available for those aged 60 to 63.

Previously, high earners could choose to make catch-up contributions on a pre-tax basis, which lowered their taxable income right away. Now that this option is no longer available for those earning $150,000 or more, their taxable income in the current year may be higher. While Roth contributions offer real long-term benefits, they do not provide any immediate tax relief, which is an important consideration for those in their peak earning years.

The SALT deduction cap has been raised, opening new planning opportunities

Another significant change involves the state and local tax (SALT) deduction. This deduction allows taxpayers to subtract the state and local taxes they pay from their federal taxable income. Since 2017, this deduction had been capped at $10,000. Under the One Big Beautiful Bill Act (OBBBA), the cap has been raised to $40,000 for tax year 2025 and $40,400 for tax year 2026, increasing by 1% per year through 2029.

This change is especially meaningful for people in high-tax states such as California, New York, and New Jersey. It also means that more households may now benefit from itemizing their deductions rather than taking the standard deduction. Itemizing means listing out specific deductible expenses, such as mortgage interest, charitable donations, and state and local taxes, instead of using a flat standard deduction amount. The standard deduction for 2026 is $16,100 for single filers and $32,200 for married couples filing jointly.

As a simplified example, consider a married couple in California with $35,000 in state and local income tax, $8,000 in charitable giving, and $12,000 in mortgage interest. Under the old $10,000 SALT cap, their total itemized deductions would be $30,000 ($10,000 SALT cap + their other deductions). Since this falls short of the $32,200 standard deduction, this couple would not choose to itemize. Under the new 2026 rules, they can deduct the full $35,000 in state and local taxes, bringing their itemized deductions to $55,000 which reduces their taxable income by an additional $22,800.

How all these changes fit together in your financial picture

These tax changes do not exist in isolation. For retirees especially, it is important to understand how they interact with each other. For example, higher income resulting from the new Roth catch-up rules could cause more of your Social Security benefits to become taxable, since the income thresholds for Social Security taxation have not been updated in many years.

There is also a new "senior bonus" deduction available from 2025 through 2028 for those aged 65 and older. This provides an extra $6,000 deduction for single filers or $12,000 for married couples, even if you itemize. However, it phases out for modified adjusted gross incomes (AGIs) between $75,000 and $175,000 for single filers and between $150,000 and $250,000 for married joint filers. An AGI is essentially your total income minus certain adjustments. Any decision that increases your AGI could reduce or eliminate this bonus deduction.

It is also worth noting that the higher SALT cap is temporary and is scheduled to return to $10,000 in 2030. This creates a window to take advantage of higher deductions while they are available. Strategies such as grouping charitable donations into a single tax year or timing other deductible expenses may help maximize this opportunity, depending on your situation.

The bottom line? The tax landscape for 2026 is complex with multiple moving parts that affect households differently. Viewing these holistically, and planning accordingly, can increase the likelihood of financial success.

References

1. https://taxpolicycenter.org/briefing-book/what-are-itemized-deductions-and-who-claims-them

JKG