

2026 TAX NEWSLETTER



Important Items

IRS will accept Efiling January 26.

1. Last day to file taxes or extension is April 15, 2026.
2. IRS will **hold refunds** claiming the Earning Income Credit (EITC) and Additional Child Tax Credit (ACTC) **until mid February.**
3. If you file an extension, you must pay your balance due with the extension to avoid underpayment penalty. you **should pay your liability** with the extension to avoid further penalties. Filing an extension doesn't avoid penalties.
4. The 2025 rate for business use of a vehicle is 70 cents a mile. 2026 rate is 72.5 cents per mile. You are allowed for business purpose the actual cost of vehicle expenses or the standard rate. For mileage, you need to have a log of business miles.
5. Foreign Financial Assets for any account overseas with over 10,000 dollars balance any time during the year (if not done, minimum penalty is \$10,000) Reporting due in April 15.

IMPORTANT TIP

Check the IRS website for refund information.

www.irs.gov/refunds

The information is updated ONCE a Day.

WHAT'S NEW FOR THIS TAX SEASON VISIT OUR WEBSITE www.estelalorenzocpa.com

Welcome to a new tax season. As in previous years, we are prepared to offer you our professionalism and expertise in income tax return preparation. Our goal is to continue providing the highest quality service to our loyal clientele while ensuring accuracy, compliance, and timely filings.

As we prepare for the **2026 tax season**, it is important to highlight **new tax law provisions and adjustments that apply to 2025 income tax returns**. Some changes are automatic inflation adjustments, while others stem from recently enacted legislation and transitional rules ahead of larger changes expected in 2026

Below are **important tax updates and reminders for individual taxpayers** for the 2026 Tax Season. The tax law applies according to your individual situation.

- ◆ Tax rate brackets remain the same ranging from 10% to 37 %
- ◆ Higher Standard Deduction (\$31,500 MFJ, \$16,100 Single and \$24,150 Head of household)
- ◆ Higher Tax Child Credit for children under 17 years old increased to \$2,200 (+200)
- ◆ Effective 2025 through 2028, individuals age 65 and older may claim an additional \$ 6,000 deduction (\$12,000 for married couples). Limitations on adjusted gross income to qualify \$75,000 for single (\$150,000 for joint filers)
- ◆ State & Local Tax (SALT) Cap deduction increased to \$40,000 if you itemized. (was \$10,000)
- ◆ No tax on tips effective 2025 through 2028, employee and self employed individuals may deduct tips they received in occupations **the IRS identified as "customary and regularly receiving tips" and reported on w2 or 1099** or another statement furnished to the individual. Maximum deduction \$ 25,000. **(Must bring your last paystub)** Limits on Adjusted Gross income over \$150,000 (\$300,000 for joint filers)
- ◆ No tax on overtime effective 2025 through 2028, individuals may deduct the portion of qualified **overtime pay that exceeds their regular rate of pay)** Overtime must be reported on **W2 form, 1099 or another statement furnished to the individual**. Maximum annual deduction is \$12,500 (\$25000 for joint filers). **(Must bring your last paystub)**. Limits on Adjusted Gross income over \$150,000 (\$300,000 for joint filers)
- ◆ \$10,000 auto loan interest deduction for new autos purchased in 2025 for personal use (subject to income limits) (lease auto don't qualify). Must be **final assembly in the USA** (bring the bills of sale). Check IRS Vin # lookup Table.
- ◆ Trump accounts for children born in 2025. Federal government will make a one time \$1,000 contribution for each eligible child's account. (works like an IRA account)
- ◆ Notify us of life changes (marriage, divorce, dependents, property sale or purchase)

If you/dependents were insured through the Health Insurance **Marketplace**, we are required to complete the insurance reconciliation with your taxes to avoid delays. The delays could take 8-16 weeks.

You need FORM 1095A. Please contact the marketplace before your appointment. 1-800-318-2596 (open 24 hours a day/7 days a week)

Save Time—Send Documents in advance by **email, mail or fax**. Email your questions, deduction lists or any other important information ahead of your appointment.

We are open Monday to Saturday by appointments. Please call in advance

We offer telephone and zoom conferences instead of in person appointment. Email your documents in advance and we will call to set up a time.

Bring the following notes and information:

- Social security Card for all Dependents
- Work Permit if applicable
- Date of birth for all your dependents
- Copy of passport or residence card.
- College tuition paid **Form 1098-T and expenses paid for books and tuition.**
- Child Care provider information for your child: **name, address and tax ID**
- If you **Sold stock** we need year-end statement from brokerage company

Bring tax documents received:

- Form **W-2** from your employer.
- Form **1099s** for Interest, Dividends, Sale of Stocks **1099B** from Banks or Investment companies.
- Form **1099-NEC** for Self Employed
- Form **1099-MISC** Other Income.
- Form **1099-K** for third party transactions
- **If self employed**, list of business expenses (call us for a worksheet).
- **If rental income**, list of rental expenses (call us for a worksheet).
- Form **1099-R** for Pension Plan or IRA
- Form **1098** from your mortgage company for Principal Residence and Rental Properties.
- Form **1099-G** for unemployment
- Form **Form 1099-SSA** Social Security
- Form **1095A** from Market Place
- List your medical expenses and health insurance paid
- Bring a voided check for direct deposit.

We take this opportunity to thank you for the confidence you have bestowed on us.

**Maria Estela Lorenzo,
Certified Public
Accountant**

**Jacqueline Horta,
Tax Manager
IRS Enrolled Agent,
Certified Tax Coach,
& IRS Certified
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Established 1983



**Income Tax &
Accounting
Services**

**Please call our office
for guidance on all of
the provisions that
directly affect you.**

To avoid wrongful credits, deductions, etc. Make sure all your records and backup documents have the **correct current address for you and your children such as school records, medical records, bank statements, utility bills, lease agreement. Bring social security card, passport or residence card for you and all dependents.**

You need to submit all documents for the preparation of your taxes. Name must match Social security card and Immigration status according to the social security card. You must have an updated social security card if the name or immigration status changed. Having the incorrect immigration status on your social security card, could affect your credits.

Tax Credits:

Child Tax Credit: The child tax credit is increased for each **qualifying child under the age of 17 years of age** to \$2,200. A taxpayer may claim a \$500 credit for each dependent **child older than 17 years of age** or a dependent who is a qualifying relative for purposes of claiming a dependency exemption.

Child Care Credit: Taxpayer can claim a credit from 20% to 35% of qualified care expenses for tax year 2025. The exact percentage that you are eligible to deduct depends on your income level. The maximum amount of care expenses to which you can apply the credit is \$3,000 if you have one dependent and \$6,000 if you have more than one dependent. You must report the payments made to the childcare provider, name, address and Tax ID Number.

Educational Credits: American Opportunity Credit and Lifetime Learning Credits

You must Bring Form 1098 T from college and qualified college expenses.

To claim these credits, the student must be your dependent. The maximum credit is \$2,500 per student/year. Eligible expenses to include books. Allowing the credit for first 4 years of college. Higher education expense is expanded to include the purchase of new computer technology or equipment. The lifetime maximum credit remains at \$2,000 per return.

Earned Income Credit – You may receive a maximum credit up to:

If no Children	\$ 649	Income less than 19,104 (26,214 if married)
One Child	\$ 4,328	Income less than 50,434 (57,554 if married)
Two Children	\$ 7,152	Income less than 57,310 (64,430 if married)
Three or more	\$ 8,046	Income less than 61,555 (68,675 if married)

You must have a valid social security & work permit (if applicable) to claim this credit and be a U.S. citizen or a resident alien all year. Your child must be under 19 years old or under age 24 and a student.

Investment income (interest, dividends, etc.) must be less than **\$11,950 to qualify**. The EITC won't be allowed if qualified investment income exceeds **11,950**

Individual Retirement Accounts and Roth IRA:

- You can open an account per beneficiary for your children's education. The earnings withdrawals from this account are tax free if used for educational purposes (**Plan 529**).
- You and your spouse will be allowed an IRA deduction of **\$7,000 each (\$8,000 if you are age 50 or older)**. There are limits according to the **Adjusted Gross Income (AGI)**

Other Items:

- Long Term Care Deduction:** Depending on your age you will be allowed a deduction for a portion of your premiums as medical deduction subject to limits.

- Long Term capital gains and dividends:**

FILING STATUS	0% RATE	15% RATE	20% RATE
Single	Up to \$48,350	\$48,350 – \$533,400	Over \$533,400
Married filing jointly	Up to \$96,700	\$96,700 – \$600,050	Over \$600,050
Married filing separately	Up to \$48,350	\$48,350 – \$300,000	Over \$300,000
Head of household	Up to \$64,750	\$64,750 – \$566,700	Over \$566,700

- Foreign earned income exclusion** amount is **130,000**.
- Estate Tax exclusion** amount is **15,000,000**
- FBAR Filing requirement** - FBAR stands for "Foreign Bank Account Report", **Persons required to file a FBAR**: US persons (citizens and residents) who have ownership or control (for example signature authority) of **foreign accounts with an aggregate value of over \$10,000** in the calendar year. High penalties if not filed.
- Forgiveness of debts** such as Short Sales, and cancellation of debts might be taxable.
- All charitable contributions** must be supported by receipts and cancelled checks. Used clothing and household items must be in good used condition in order to be deducted.