



Dear Tax Clients,

We hope you had a great year and are off to a strong start in 2026. This filing season brings significant changes following recent federal tax legislation enacted in 2025. These updates affect nearly every taxpayer and include changes to tax brackets, deductions, and credits. The changes outlined below are still subject to final IRS guidance.

**New Schedule 1-A (Additional Deductions)**-This new federal form reports several newly added or

Deduction	Who Qualifies	Maximum Deduction	MAGI Limit / Phaseout	Key Rules & Notes
<b>Qualified Tip Income Deduction**/**</b>	Employees receiving W-2 reported tips (hospitality, service workers)	Up to \$25,000 of qualified tip income	Phases out starting at \$150,000 MAGI (Single) / \$300,000 (MFJ)	Only <b>reported tips</b> count; cash tips not reported to employer do <b>not</b> qualify
<b>Qualified Overtime Pay Deduction*</b>	Hourly employees receiving overtime pay	Up to \$12,500 (Single) / \$25,000 (MFJ)	Same phaseout as tips: \$150k / \$300k	Only the <b>overtime premium portion</b> qualifies (not base hourly pay)
<b>Qualified Vehicle Loan Interest Deduction</b>	Taxpayers with loans on new U.S.-assembled vehicles	Up to \$10,000 of interest	Phases out beginning at \$100,000 MAGI (Single) / \$200,000 (MFJ)	Vehicle must be <b>new</b> , personal-use, and final assembly must occur in the U.S. Additional information required
<b>Senior Bonus Deduction (65+)</b>	Taxpayers age 65 or older	\$6,000 (Single) / \$12,000 (MFJ)	Phases out starting at \$75,000 (Single) / \$150,000 (MFJ)	Available <b>even if itemizing</b> ; taken in addition to regular standard deduction
<b>Student Loan Interest (Expanded)</b>	Taxpayers paying qualified student loan interest	Up to \$5,000	Phaseout begins at \$80,000 / \$160,000	Expanded from prior \$2,500 limit; above-the-line
<b>Educator Expense (Expanded)</b>	K-12 teachers and aides	Up to \$300	No income phaseout	Covers supplies, tech, and classroom materials
<b>All deductions listed above, except Educator Expense, are not available for Married Filing Separately</b>				
*Some W-2s will break out this expense in box 14. If your W-2 does not break this out, you will need to review your final pay stub. We will need to retain a copy of the document used to support your calculation.				
**Sch. C income will need to be separated into two amounts. Total income including tips and total income excluding tips.				

expanded deductions, outlined below.

**Tips and Overtime Pay-** Remain taxable income subject to Social Security and Medicare taxes. These exclusions apply only to federal income tax. Most states continue to tax this income, including Massachusetts, Connecticut, Rhode Island, and New York.

**Form 1099-K Reporting-** Third-party payment platforms issue Form 1099-K only when gross payments exceed \$20,000 and there are more than 200 transactions. Even without a 1099-K, all taxable income must still be reported.

**Child Tax Credit-** The federal Child Tax Credit has increased to a base amount of \$2,200, with the refundable portion remaining at \$1,400. Income limits apply. The Massachusetts Child Tax Credit remains \$440 per qualifying dependent and is fully refundable.

**State and Local Tax Deduction Increase (Schedule A)-**The SALT deduction has increased from \$10,000 to \$40,000 for 2025 (\$20,000 for Married Filing Separately). The deduction phases out for MAGI over \$500,000 for all filing statuses. Please complete our tax organizers carefully, as this change allows more taxpayers to benefit from itemizing. We cannot maximize your tax savings without complete information.

**Paying the IRS by Check-** The IRS is phasing out paper check payments. The IRS strongly encourages alternative payment. Details are available at [irs.gov/payments](https://irs.gov/payments). Options include:

- Paying on [irs.gov](https://irs.gov) via bank account (no fee) or credit/debit card (fees apply)
- IRS2Go mobile app
- Cash payments (up to \$500) at participating retailers (e.g., Walgreens, CVS)
- Direct Pay from your bank (no fees)
- Direct Debit with the e-filing of your tax return (fees apply; fixed withdrawal dates)

**Tax Refund by Check-** The IRS largely discontinued paper refund checks in fall 2025. If no direct deposit information is provided, the IRS will request banking details by mail. A paper check will be issued only as a last resort, typically after a delay of about six weeks.

**U.S. Postal Service-** USPS postmarks now reflect the date mail is first processed, not the drop-off date. To document timely mailing, you must request a hand-stamped postmark at the post office counter when mailing documents to the IRS or Massachusetts Department of Revenue.

**Social Security Fairness Act & Lump Sum Election-** The Social Security Fairness Act restored full benefits for many public servants, resulting in lump-sum retroactive payments and increased monthly benefits. The Lump Sum Election is a complex re-calculation to determine how much of the lump sum would have been taxable in prior years based on each year's income and filing status. A new IRS worksheet allows us to compare this "spread-out" method versus taxing the full amount in the current year. We will elect the option that results in the lowest tax.

**Trump Accounts-** Trump Accounts allow parents to open a savings account for an eligible child using Form 4547. The child must have a valid SSN and be under age 18. Children born January 1, 2025-December 31, 2028 may qualify for a one-time \$1,000 Treasury contribution. No contributions are allowed before July 4, 2026. There will be three ways to establish an account- with the e-filing of your tax return, e-filing of the Form 4547 as a standalone, or through a portal on the U.S. Treasury website. As of the writing of this letter no option is currently available and Form 4547 is still in draft form. We will offer the service of establishing accounts when it does become available.

**O'Brien Deadlines-** To meet the April 15 deadline, we will need to receive all documents and relevant information by March 15. Any Client information received after April 1st will be placed on extension.

As always, our goal is to help you navigate these changes and ensure your return is prepared accurately and efficiently. Please review the information carefully and reach out with any questions as you gather your tax documents. We appreciate the opportunity to work with you and look forward to assisting you this tax season.

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