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OBBBA AND ALTERNATIVE MINIMUM TAX

Initially designed to ensure that high-income earners who benefit from various deductions and credits still pay a minimum level of tax, the Alternative Minimum Tax (AMT) is imposed at a flat tax rate of 26% or 28%. The 28% rate applies to taxpayers filing jointly with \$244,500 or more AMT income (AMTI) and \$122,500 or more for other taxpayers. You'll be subject to AMT if your tax calculated under the AMT rules is higher than your tax calculated under regular income tax rules.

Before the Tax Cuts and Jobs Act (TCJA), AMT had increasingly affected a broader range of taxpayers due to its different rules and exemption structure. TCJA reduced AMT exposure, but those relief measures shift under the One Big Beautiful Bill Act (OBBBA) starting in 2026. As you see in the table below, for 2025, the

phaseout of the exemption that single taxpayers may claim before AMT is imposed at \$626,350 in AMTI. For married couples filing jointly, the phase begins at \$1,252,700 AMTI.

Starting in 2026, however, OBBBA resets the exemption phase-out thresholds to the TCJA's \$500,000 and \$1 million AMTI, with annual inflation adjustments for 2026 and beyond. So, for 2026, these phase-out thresholds will be lower than in 2025. More bad news: OBBBA also increases the exemption phase-out percentage from 25% to 50%. As a result, more high-income individuals may be hit with the AMT starting in 2026.

The AMT is complicated. Contact your tax professional to determine your status under the OBBBA changes.

AMT EXEMPTIONS AND THRESHOLDS BY FILING STATUS

	2025	2026*
Exemption for Singles	\$88,100	\$90,100
Exemption for Married Filing Separately	\$68,650	\$70,100
Exemption for Married Filing Jointly	\$137,000	\$142,000
Exemption for Estates and Trusts	\$30,700	\$31,400
Phaseout for Singles Begins	\$626,350	\$500,000
Phaseout for Married Filing Jointly Begins	\$1,252,700	\$1,000,000

*IRS Rev. Proc. 2025-32.



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TIME TO REVIEW YOUR WITHHOLDINGS

As 2026 begins, reviewing your tax withholdings is a critical financial step. Withholdings determine how much income tax is deducted from your paycheck, directly impacting your cash flow and tax refund or liability. Life changes—marriage, a new job, or having children—can shift your tax bracket or eligibility for credits, making last year's settings outdated. Incorrect withholdings may lead to owing a hefty sum or receiving a large refund, which means you've overpaid and missed investment opportunities. Use the IRS Tax Withholding Estimator to accurately adjust your W-4 form, ensuring your withholdings align with your 2026 financial goals. This tool takes into account income, dependents, and deductions.

Checking early avoids surprises during tax season, optimizes your budget, and ensures compliance with evolving tax laws. Consult your trusted advisors for complex situations to maximize savings and minimize errors.

CLIENT PROFILE

The Rivera family—Maria, Carlos, and their two kids—faced a financial pinch after overspending during the holidays last year. To recover, they reviewed their finances and created a realistic budget. They listed their combined income from Maria's teaching job and Carlos's freelance work, then categorized their expenses: rent, groceries, debt payments, and discretionary spending, such as streaming services.



They identified cutbacks, reduced dining out, and canceled unused subscriptions. Maria set an initial goal to build a \$2,000 emergency fund, while Carlos focused on paying off a \$5,000 credit card balance. They automated \$200 monthly savings transfers post-payday to stay disciplined.

Using a budgeting app, they tracked spending weekly, ensuring accountability. To curb impulse buys, they made grocery lists and stuck to them. Each month, they adjusted their budget for rising utility costs and new school expenses.

By following these budgeting tips, the Riveras regained financial control, reduced stress, and laid a foundation for a secure upcoming year.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

TAX CREDITS FOR SMALL BUSINESS RETIREMENT PLANS

Small businesses can significantly benefit from tax incentives designed to encourage the establishment of employee retirement plans. According to recent updates, small business owners who launch a new retirement plan can claim a tax credit of up to \$5,000 annually for the first three years. This credit offsets the costs of setting up and administering these plans, making it easier for small businesses to provide valuable retirement benefits to their employees.

Additionally, businesses that implement automatic enrollment for new hires can qualify for an extra \$500 tax credit per year, for up to three years. The One Big Beautiful Bill Act (OBBBA) has enhanced this incentive by increasing the credit to cover up to 100% of plan startup costs, a substantial improvement from the previous 50% cap. This allows small businesses to invest more confidently in their employees' financial futures.

For plans with auto-enrollment, the maximum contribution in the first year is set at 10% of an employee's compensation. Employees must retain the right to opt out of this automatic enrollment to ensure flexibility and choice. After the first year, safe harbor plans can incrementally increase

contributions up to 15% of compensation, with the opt-out option still available. This



structure encourages consistent retirement savings while respecting employee choice.

Business owners also have flexibility in timing. You can establish a retirement plan and claim the associated tax credit for the previous year as late as the due date of your company's tax return, including extensions. This

extended timeline enables businesses to make strategic profit-sharing contributions and maximize tax benefits.

These credits and flexible options make 2026 an ideal time for small businesses to explore or expand retirement plan offerings. Consult with your tax professional to ensure compliance and optimize these opportunities for your business and employees.

73% of US adults believe they would be further ahead financially if they'd had early personal finance education.

Source: Financial Literacy Crisis in America, Ramsey Solutions, 2025

GETTING YOUR FINANCES BACK ON TRACK

The holiday season often leaves wallets strained, but 2026 can start with financial recovery.

REVIEW SPENDING

First, assess your spending by reviewing bank and credit card statements to identify holiday overspending. Create a budget that prioritizes essentials, such as rent and utilities, while allocating funds to pay off high-interest debt, like credit cards, which averaged 20% interest in 2025.

TAKE ACTION

Cut discretionary expenses, such as dining out or subscriptions, temporarily to free up cash. Rebuild your emergency fund by aiming for 3–6 months' worth of expenses, setting aside small,



consistent savings. Adjust tax withholdings using the IRS Tax Withholding Estimator to avoid surprises and optimize cash flow. If eligible, explore tax deductions (e.g., charitable donations) or credits to reduce your tax burden. Consider a side hustle to boost income and accelerate debt repayment.

Meet with your financial professional to refine your budget and investment strategy, ensuring that long-term goals, such as retirement savings, stay on track. Act promptly to regain control of your finances.

Q

What's the difference between the American Opportunity Credit and the Lifetime Learning Credit?

A

The American Opportunity Credit is designed for undergraduate expenses (up to \$2,500 per student per year), while the Lifetime Learning Credit (up to \$2,000 per student per year) offers more flexibility.

You cannot claim both credits in the same tax year for the same student, nor can the student be declared a dependent by someone else.

Calculate the value of the tax benefits to see who should claim education deductions and/or credits: you or your child.

SOCIAL SECURITY TAX

The 2025 Social Security Board of Trustees Report projects the maximum wage subject to Social Security taxes will rise to \$183,600 in 2026, up \$7,500 from 2025's \$176,100 cap. Employees and employers each contribute 6.2% (totaling 12.4%) to Social Security, while employees also pay a 1.45% Medicare tax, with an additional 0.9% tax applied to wages exceeding \$200,000. Self-employed individuals cover the full 12.4% Social Security tax.

Retirees may face taxes on up to 85% of their Social Security benefits, depending on their provisional income. This includes other taxable income, tax-exempt interest, and half of their Social Security benefit.

To estimate your 2026 tax liability, review your income sources, consult the IRS guidelines, and talk to your tax advisor. Stay informed to plan effectively for your financial future.

WILL YOUR SOCIAL SECURITY BENEFITS BE TAXED?

RATE	JOINT	SINGLE OR HEAD OF HOUSEHOLD
0%	\$137,000	\$142,000
50%	\$88,100	\$90,100
85%	\$68,650	\$70,100

TEACH YOUR CHILDREN WELL

Teaching children about finances isn't just about numbers and assets; it's about equipping them with the skills they'll need to manage wealth responsibly. To foster a productive learning environment, separate financial education from discussions about assets and investments.

EASY DOES IT

Begin with broad, non-financial topics. Covering subjects like cybersecurity or financial etiquette allows everyone to engage, regardless of their financial knowledge. Starting with foundational concepts can nurture curiosity and spark interest among family members, even those who might feel intimidated.

MEANINGFUL DIALOGUE

These conversations are opportunities to reinforce your family's historic values. Framing your discussions

through a contemporary lens can cultivate a shared vision to guide the family's financial philosophy moving forward.

Storytelling is a powerful tool. Share experiences that highlight the values behind wealth. Maybe it's a story about a family member who built a business from scratch or times when money was tight, and the lessons learned from those moments. Anecdotes can make seemingly dry topics more relatable and meaningful.

START SMALL

Begin with a few interested family members and expand the conversation from there. The goal is to create a culture that views financial discussions as enriching rather than uncomfortable.



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