



# 2026 Filing Season Income Tax Update: Part 1

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Course #32301B

Taxes

2 Credit Hours

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# 2026 FILING SEASON INCOME TAX UPDATE: PART 1

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This course provides a comprehensive review of 2025 federal tax updates, including inflation adjustments, new provisions under the One Big Beautiful Bill Act (OBBBA), and updates from the SECURE 2.0 Act. Topics include changes to deductions (SALT, tip income, overtime, car loan interest), updated mileage rates, Direct File Pilot Program details, and third-party transaction reporting. The course also covers rules for retirement accounts, foreign accounts, taxable earnings, and filing as a qualifying surviving spouse, equipping taxpayers and professionals with the latest compliance insights.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

#### **New Tax Law/Recent Updates General Income Tax Review I**

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

#### **Objectives:**

- Identify the inflation and cost of living adjustments to various federal limits.
- Recall the 2025 individual taxpayer changes resulting from passage of the One Big Beautiful Bill Act (OBBBA) impacting 2025 income
- Recognize the criteria for filing as qualifying surviving spouse.
- Recall the rules governing contributions to and distributions from various retirement accounts.

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# CHAPTER 1: NEW TAX LAW/RECENT UPDATES

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## Chapter Objectives

### After completing this chapter, you should be able to:

- Identify the inflation and cost of living adjustments to various federal limits.
- Recall the 2025 individual taxpayer changes resulting from passage of the One Big Beautiful Bill Act (OBBBA) impacting 2025 income, including:
  - The deduction for state and local taxes (SALT Deduction),
  - The exclusion of tip income,
  - The exclusion of overtime pay, and
  - The car loan interest deduction.
- Recognize the applicable optional standard mileage rates.
- Recall the Third Party Network Transaction reporting requirements.
- Identify the salient features of the Direct File Pilot Program.
- Recognize the SECURE 2.0 Act provisions affecting:
  - Catch-up contribution rules, and
  - Increased age of eligibility for the onset of blindness or disability for qualified ABLE programs effective for tax years beginning after December 31, 2025.

## INTRODUCTION

Federal tax law requires that various limits be adhered to in the preparation of tax returns, and such limits may change from year to year based on an inflation adjustment or on other factors. Included in those changes for 2025 are changes to standard mileage rates, credits, deductions, and various other limits. These and additional changes brought about by recent legislation may affect taxpayers' income tax liability. Chapter 1 will examine these changes for 2025 and will offer some context within which they apply.

## ANNUAL INFLATION ADJUSTMENTS

Inflation adjustments are made annually to various limits that affect tax preparation, including adjustments to:

- Certain expenses of elementary and secondary school teachers;
- The income limitation for a qualifying relative;
- The interest on education loans;
- The foreign earned income exclusion;
- The unified credit against estate tax; and

- The annual exclusion for gifts.

## **Education Expenses of Elementary and Secondary School Teachers**

Education expenses of elementary and secondary teachers may be tax deductible. Deductible expenses, not exceeding the applicable limit, paid or incurred by an eligible educator include expenses in connection with:

- Books;
- Supplies (other than nonathletic supplies for courses in health or physical education);
- Computer equipment, including -
  - Related software,
  - Services, and
  - Other equipment; and
- Supplementary materials.

For 2025, the deduction for qualified education expenses used in the classroom of elementary and secondary school teachers allowed under §162 is limited to \$300.

## **Income Limitation for a Qualifying Relative**

A qualifying relative, for tax purposes, is an individual who:

- Bears a relationship to the taxpayer including -
  - A child or descendant of a child
  - A brother, sister, stepbrother, or stepsister
  - The father or mother, or an ancestor of either
  - A stepfather or stepmother
  - A son or daughter of a brother or sister of the taxpayer
  - A brother or sister of the father or mother of the taxpayer
  - A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law
  - An individual (other than spouse) who has the same principal place of residence as the taxpayer and is a member of the taxpayer's household;
- Has gross income below the exemption amount;
- Receives more than one-half of his or her support from the taxpayer; and
- Is not a qualifying child of the taxpayer or any other taxpayer for the taxable year.

For taxable years beginning in 2025, the gross income limitation for a qualifying relative is \$5,200.

## Interest on Education Loans

Student loan interest is, for purposes of the deduction of interest paid on education loans, interest paid by a taxpayer during the year on a qualified student loan. It includes both required interest payments and voluntary interest payments.

If the taxpayer paid \$600 or more of interest on a qualified student loan during the year, the taxpayer will receive a Form 1098-E, *Student Loan Interest Statement*, from the entity to which the taxpayer paid the student loan interest.

### Amounts Included as Interest

The amounts considered interest, for purposes of the student loan interest deduction, include simple interest on the loan and—provided all other applicable requirements are met—the following items:

- Loan origination fee, i.e., the one-time fee charged by the lender when the loan is made. If loan origination fees are not included in the amount reported on the taxpayer's Form 1098-E, the taxpayer can use any reasonable method to allocate the loan origination fees over the term of the loan;
- Capitalized interest, i.e., unpaid interest added by the lender to the outstanding principal balance;
- Interest on revolving lines of credit if the borrower uses the line of credit *only* to pay qualified education expenses;
- Interest on refinanced student loans. However, if the taxpayer refinances a qualified student loan for more than the original loan amount and uses the additional amount for any purpose other than qualified education expenses, the taxpayer *cannot deduct any interest* paid on the refinanced loan; and
- Voluntary interest payments, i.e., payments made on a qualified student loan during a period when interest payments are not required.

### Student Loan Interest Deduction

Although interest, other than mortgage interest or margin interest, is not generally tax-deductible, a special deduction is allowed for interest payments made on a student loan used solely to pay higher education expenses. The maximum student loan interest tax deduction is \$2,500 but is subject to certain limitations. The deduction for student loan interest is taken as an adjustment to income. Because of that, a taxpayer may claim the student loan interest deduction even if he or she does not itemize deductions.

The following is an overview of the student loan interest deduction: