

Small Business Taxes

2026 Federal Tax Changes New Rules and Savings Opportunities

- Claim up to \$25,000 tax-free tip deductions for 2026 (*available through 2028*)
- Donate to charity without itemizing: \$1,000 (*single*) or \$2,000 (*married filing jointly*)
- IRA Contributions limits rise to \$7,500 (*under 50*) and \$8,600 (*age 50+*) for 2026
- Standard deduction increase by 2.22% for all categories of filers
- Business Standard Mileage rate increase to 72.5 cents per mile

DEDUCTION: NO TAX ON TIPS

For the 2026 tax year, eligible workers can deduct up to \$25,000 of qualified tips from taxable income. This provision applies to tax years 2025 through 2028.

WHO QUALIFIES FOR THE TIP DEDUCTION?

The 2026 federal tax changes include specific occupations eligible for the tip deduction. They include:

- Servers and bartenders at restaurants and bars
- Valet parking attendants
- Bellhops and hotel service workers
- Hair salon stylists and technicians
- Influencers earning tips through platforms like Patreon
- Home repair workers and contractors

However the IRS excludes certain specified service trades or businesses: performing arts, athletics, healthcare, law, accounting finance and other professional services.

IOWA CENTER TIP

Report all tips carefully on your 2026 return. Tips must appear on your Form W-2, Form 1099, or Form 4137 to qualify. Missing documentation means losing this valuable deduction.

CALCULATING YOUR TIP DEDUCTION FOR 2026

- The maximum tip deduction for 2026 is \$25,000 per tax return (*not per taxpayer*)
- The deduction "phases out" for higher income earners
- For self-employed workers (Sch C) the deduction cannot exceed gross income less other business deductions

DISCLAIMER: This information is for general education only and is not individualized tax, legal, or financial advice. Consult a qualified tax professional about your specific business, entity type, government obligations, and cash-flow situation.



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SELF EMPLOYMENT TAX

Self-employment tax remains at 15.3% for 2026 (12.4% Social Security + 2.9% Medicare.)

SMALL BUSINESS OWNERS

Self-employed professionals and 1099 contractors cannot avoid self-employment tax. Every deductible expense reduces your net self-employment income and thus your self-employment tax. Common deductions include:

- Home office expenses
- Vehicle mileage
- Professional services
- Contract labor
- Retirement plan contributions
- Health insurance premiums
- Professional development and education

CHARITABLE DEDUCTIONS CHANGE

For the 2026 tax year, non-itemizers can claim charitable deductions of up to \$1,000 (single) or \$2,000 (married filing jointly) without itemizing:

- Contributions must be to qualified charitable organizations (those with a 501(c)(3) status)
- Only cash contributions qualify
- Contributions of property, stock or donations to donor-advised funds and certain private foundations are excluded

CHANGES IN STANDARD MILEAGE RATES FOR 2026

For the 2026 tax year the standard mileage rates have been set at:

- 72.5 cents per mile driven for business use
- 20.5 cents per mile driven for medical purposes
- 14.0 cents per mile driven in support of charitable organizations

CHANGES IN RETIREMENT CONTRIBUTIONS

For 2026, IRA contribution limits increase to \$7,500 (under 50) and \$8,600 (age 50+). Roth IRA income limits also rise, expanding access for middle-income earners.

INCREASES IN THE STANDARD DEDUCTION FOR 2026

For the 2026 tax year the standard deduction increases by 2.22% over 2025 for all categories of filers. The new standard deduction amounts are:

- Single/married filing separately: \$16,100
- Married filing jointly: \$32,200
- Heads of Households: \$24,150

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