



SALT Deductions: Important Changes Coming in 2026

Understanding the Current SALT Limitations

Under the Tax Cuts and Jobs Act (TCJA) of 2017, deductions for State and Local Taxes (SALT) have been capped at \$10,000 for taxpayers who itemize deductions. SALT includes:

- Property Taxes
- State Income Taxes
- Local Income Taxes

Currently, the standard deduction is \$15,000 for single filers and \$30,000 for joint filers, with additional amounts for those over 65 or blind (between \$1,550 and \$3,900). To benefit from SALT deductions, your total itemized deductions—including mortgage interest, charitable donations, and qualifying medical expenses—must exceed your standard deduction.

Major Changes on the Horizon for 2026

Unless Congress takes action, the TCJA will sunset at the end of 2025, reverting to the American Taxpayer Relief Act of 2012 (ATRA) tax code. This creates two significant changes:

- 1. **The \$10,000 SALT deduction cap will be eliminated**, allowing full deductibility of state and local taxes—particularly beneficial for residents of high-tax states.
- The standard deduction will decrease by nearly half, making itemizing deductions advantageous for many more taxpayers.

These combined changes mean that significantly more taxpayers will likely benefit from itemizing deductions starting in 2026, with SALT playing a major role in tax planning strategies.

Potential Legislative Actions

The passing of the current version of the One Big Beautiful Bill by the house as of May 30th.:

- Increases in the SALT deduction cap to \$40,000 starting in 2025
- Phases out the deductions for taxpayers with MAGI over \$250,000 for single taxpayers and \$500,000 for married taxpayers
- Sets income caps to increase by 1% per year through 2033

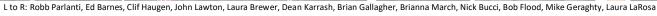
The final outcome remains uncertain as Washington develops new tax legislation. We will keep you informed as changes develop.

What This Means For You: If you pay significant property taxes or state income taxes, 2026 could bring meaningful changes to your tax situation. Now is the time to begin planning for these potential changes.

For more information on how SALT changes might affect your financial plan, please contact your Financial Advisor at BLBB: 215-643-9100.

BLBB does not provide tax advice. Please consult your personal tax advisor.







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