



Your 2026 Year-End Tax Update

Parkers Prairie Tax Service | PO Box 53, Parkers Prairie, MN 56361
218-338-6078 | jessica@parkersprairietaxservice.com | parkersprairietaxservice.com

Dear Clients,

2026 is the first full year under the federal tax law passed in July 2025 (the "One Big Beautiful Bill"), and several of its changes show up for the first time on the return you will file this spring. This two-page letter covers **what's new**, **what to do before December 31**, and **how to get your information to us**.

WHAT'S NEW ON YOUR 2026 RETURN

Health insurance through MNsure or the Marketplace	The extra premium help from recent years ended after 2025. For 2026 coverage, households earning more than 400% of the poverty level (about \$62,600 single, \$84,600 for a couple, \$128,600 for a family of four) get no premium credit. And if your income comes in higher than you told MNsure, you must now repay the full overpayment – the old repayment cap is gone. ► You: Report income changes to MNsure now. Call us before year-end if your income is up – timing a sale or bonus can matter a lot.
Charitable giving rules changed	Don't itemize? New this year, you can deduct up to \$1,000 (\$2,000 married) of cash gifts to qualified charities. Do itemize? Only gifts above 0.5% of your income count (Minnesota: above 1%). ► You: Keep a receipt for every gift, even if you have never itemized.
Tips, overtime, car-loan interest & age 65+ deductions (year 2 of 4)	These continue for 2026. Overtime: only the extra "half" of time-and-a-half pay is deductible. Car loans: new, U.S.-assembled vehicles bought for personal use after 2024. Age 65+: extra \$6,000 per person. Income limits apply to all four, and Minnesota does not allow them. ► You: Your 2026 W-2 should now show overtime and tips separately – if not, bring your year-end pay stub. Bring your car-loan interest statement.
Energy & electric vehicle credits: what ended, what's left	Ended: electric vehicles (new, used or commercial) bought after 9/30/2025, and home improvements (windows, doors, insulation, furnaces, heat pumps) and home solar, batteries or geothermal installed after 12/31/2025. Still counts: unused home solar credit from earlier years carries forward; a home EV charger installed by 6/30/2026 in a qualifying area (many rural areas qualify); business or farm solar and wind under stricter rules (generally in service by the end of 2027); and 100% depreciation still applies to business energy equipment. ► You: Bring receipts for any energy work done in 2026 and we'll check what qualifies.
Refunds by direct deposit	The IRS has largely stopped mailing paper refund checks. Returns without bank information are held until you respond to an IRS letter. ► You: Confirm your routing and account numbers with us.
Trump Accounts for children	Children born 2025–2028 can receive a one-time \$1,000 government deposit once the account is set up. Family can add up to \$5,000 per year. ► You: Sign up directly at trumpaccounts.gov or through the Trump Accounts app.
Gambling	W-2G forms now start at \$2,000 of winnings, but only 90% of losses are deductible starting 2026 – so even a break-even year can leave taxable income. ► You: Keep a win/loss log or casino player-card statement.
Child care	The federal dependent care credit is larger for many families, and the dependent care FSA limit rose to \$7,500. Minnesota's credit now has its own rules. ► You: Bring the provider's year-end statement with their tax ID.

FARM & BUSINESS OWNERS

- **1099 threshold is now \$2,000** for payments you make in 2026 (was \$600). Forms are due **February 1, 2027**. Keep a W-9 on file for everyone you pay. Payment apps send a 1099-K only over \$20,000 and 200 transactions – but all income is still taxable.
- **100% bonus depreciation is permanent** and Section 179 is \$2.56 million. Equipment must be **delivered and in use by December 31** – a deposit isn't enough. Minnesota adds back 80% of bonus depreciation and spreads it over five years, so your state savings are smaller.

- **Selling farmland?** A new option lets you pay the tax in four yearly installments when you sell to an active farmer and the land carries a 10-year farm-use restriction. It has to be built into the sale – **call us before you sign.**
- **The mileage rate changed mid-year:** business miles are 72.5¢ for January 1 – June 30 and **76¢ for July 1 – December 31** (medical 20.5¢ / 23.5¢; charity 14¢ all year). **Please give us your miles split into those two periods.**
- **Minnesota Paid Leave** premiums started January 1, 2026; the Minnesota pass-through entity tax (PTE) was extended through 2027.

MINNESOTA & IRS UPDATES

- **Minnesota followed most of the new federal law, but not all of it.** Because it skips the tips, overtime, car-loan and senior deductions and limits bonus depreciation, your Minnesota income may be higher than your federal income.
- **Homeowners:** the 2025 property tax refund (M1PR) was increased by about 15%. If you already filed, the state adjusts it automatically. Haven't filed for 2025? You have until August 15, 2027.
- **Good news from the IRS:** if you have a clean three-year history of filing and paying on time, the IRS will now waive first-time late penalties automatically.

BEFORE DECEMBER 31 – YOUR CHECKLIST

- | | |
|---|--|
| <ul style="list-style-type: none"> ☐ Max out retirement: 401(k) \$24,500 (+\$8,000 age 50+, +\$11,250 ages 60–63); IRA \$7,500 (+\$1,100) by April 15; HSA \$4,400 single / \$8,750 family. ☐ Take required distributions (RMDs) by Dec. 31. Age 70½+? Giving straight from your IRA to charity (a QCD) is now the most tax-efficient way to give. ☐ Roth conversion: a lower-income year is the time to consider one – ask us to run the numbers first. ☐ Investments: sell losers to offset gains; give appreciated stock instead of cash. ☐ Gifts: \$19,000 per person (\$38,000 per couple) with no gift tax return. | <ul style="list-style-type: none"> ☐ Farmers: before prepaying inputs or deferring grain sales, call us – an uneven year can cost you in tax and MNsure credits. ☐ Business owners: put equipment in service; reconcile your books; total your mileage log separately for Jan.–June (72.5¢) and July–Dec. (76¢). No retirement plan yet? Ask us about a SEP or Solo 401(k). ☐ Estimates: 4th-quarter payment is due Jan. 15, 2027. Raise withholding now if you're short. ☐ Tell us about life changes: marriage, divorce, new baby, death, new job or business, home purchase, college. |
|---|--|

2027 TAX SEASON – KEY DATES

Jan. 15	4th-quarter 2026 estimates due. Farmers who pay by today can file by April 15.	March 1	Farm returns due (if no Jan. 15 estimate was paid).
Jan. 22	Your W-2/1099 information to us to guarantee on-time filing.	March 15	Partnership & S corporation returns due.
Feb. 1	W-2s and 1099s due to workers and the IRS (no extensions).	March 26	Individual information to us for April 15 filing.
Feb. 22	Partnership & S corporation information to us.	April 15	Individual & C corp returns and any tax owed. An extension gives more time to file, not to pay.

GETTING YOUR INFORMATION TO US

- **Use your TaxDome portal or app** to send documents and answer our questions – your organizer arrives there in January. You can also drop off or mail your file. **Please don't email Social Security numbers, tax forms or bank details** – use the portal.
- Returns enter our work queue only when **all** your documents are in. Answering our follow-up questions quickly keeps your return moving. Rush service is available for an added fee.
- New baby? Bring their full name, Social Security number and birth date. Newly married? Update your name with Social Security first.



Scan to visit our website

Thank you for trusting us with your taxes. Questions before year-end? Send a portal message or call – planning now is always cheaper than fixing later.

Sincerely,

Jessica Christensen, EA
Parkers Prairie Tax Service

Our privacy policy has not changed; a copy is available on request or on our website. This letter is general information, not advice for your specific situation.