Your Tax Navigator
Guiding you through the 2026 tax filing season

Your Bi-Weekly Tax Tip Newsletter

13 JANUARY 2026

💌 Welcome to Issue #3: Deductions, Brackets & Status—Oh My! 🧾

By now, you've hopefully started gathering your documents and mentally prepping for this year's tax season, if not, don't worry! We're in this together. In **Issue #1**, we got organized. In **Issue #2**, we explored the latest changes that could impact your 2025 return. And now? It's time to decode the basics that have the biggest impact on your refund.

Here's what we're diving into today:

🔍 **Filing Status:** Choosing the right one can make a big difference in your refund (or your bill).

📊 **Tax Brackets:** Understand where you fall so you know how much you'll really owe.

📋 **Standard vs. Itemized Deductions:** Which one gives you the bigger bang for your buck?

💰 **Taxable vs. Non-Taxable Income:** Spoiler alert—just because money hits your account doesn't always mean it's taxable (but sometimes it is!).

Whether you're filing solo, with a spouse, or running a business on the side, these tips are designed to help you maximize your refund, reduce your stress, and file with confidence.

🚨 **And here's a timely reminder:** The IRS has officially announced that it will begin accepting and processing 2025 tax returns starting **Monday, January 26, 2026**. If you want to be in the early wave of filers, now's the time to finalize your strategy and get ahead.

In this newsletter you can expect:

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Your tax filing status is a key factor in determining how much tax you owe, the forms you need to complete, and which deductions or credits you qualify for. Selecting the correct status ensures accurate filing and could save you money. Life changes, such as marriage or becoming financially independent, may impact your filing status, so it's essential to review it each year.

Here's a breakdown of what you need to know:

Why Filing Status Matters

- Whether you need to file a return
- The type of tax form you need file
- Your standard deduction amount
- The tax credits and deductions you can claim
- How much tax you owe or if you'll get a refund

If more than one filing status applies to you, choosing the one that results in the lowest tax owed is usually best.

Filing status	Who might use it
Single	Unmarried people who don't qualify for another filing status.
Married filing jointly	Most married couples.
Head of household	Unmarried people paying at least half the cost of housing and support for others.
Qualifying surviving spouse (formerly known as qualifying widow or widower)	People who lost a spouse recently and are supporting a child at home.
Married filing separately	Married high earners, people who think their spouses may be hiding income, or people whose spouses have tax liability issues.

The Five Filing Statuses

There are **five filing statuses** to choose from, and the right one depends on your marital status and living situation. Your status may change after major life events like getting married, divorced, or becoming a parent. Here's a quick breakdown of each status:

- **Single** – If you're unmarried, divorced, or legally separated on the last day of the year.
- **Married Filing Jointly** – For married couples filing together, even if your spouse passed away during the tax year.
- **Married Filing Separately** – For married couples who choose to file separately. This may be beneficial if filing separately lowers your tax liability.
- **Head of Household** – For single individuals who paid more than half of their household expenses and have a qualifying dependent.
- **Qualifying Surviving Spouse** – If your spouse passed away in the last two years and you have a dependent child, you may qualify for this status.

💡 **Not sure which status applies to you?** Use the **IRS "What is My Filing Status?"** tool to help you choose the option that results in the lowest tax liability

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Take a few minutes to review your filing status carefully, and best fits your circumstances — getting it right can make a big difference and optimize your tax return and potentially lowering your tax bill!

Other Important Considerations That Can Impact Your Filing Status

1. Report a Name Change

If you've recently changed your name, make sure you update it with the Social Security Administration (SSA). The name on your tax return must match what's on file with the SSA, or it could delay your refund. To update your name, visit the SSA website and search for “Change name with Social Security”, call 800-772-1213, or visit your local SSA office.

2. Update Your Address

If you’ve moved, notify the U.S. Postal Service, your employer, and the IRS of your new address. You can update your address with the IRS by submitting Form 8822, using their online tools, or updating your information when you file your next tax return.

3. Check Your Withholding

If your marital status has changed, it may impact how much tax is withheld from your paycheck. Use the IRS Tax Withholding Estimator to calculate your withholding and submit a new Form W-4 to your employer if needed.

- If you qualify for exempt status, meaning you had no tax liability last year and expect none this year, you can update Form W-4 to stop federal tax withholding.

4. Review Your Filing Status

If you got married in 2024, review your filing status options carefully. You can choose to file jointly or separately, and it's wise to calculate both to see which option saves you more.
Remember, if you’re married as of December 31, the IRS considers you married for the entire year for tax purposes.

UNDERSTANDING YOUR TAX BRACKET

🍰 **How the Progressive System Works — Think Layer Cake**

Let's say you're a single filer with $60,000 in taxable income for 2025:

- You pay 10% on the first $11,925
- You pay 12% on income from $11,926 to $48,475
- You pay 22% on income from $48,476 up to $60,000

👉 **Bottom line:** You never pay 22% on all $60,000 — only on the amount that falls into that bracket. This is why moving into a higher bracket doesn't mean all your income is taxed at the higher rate — only the portion in that bracket is.

📈 **How This Differs from 2024 Brackets**

For comparison, the 2024 tax year had slightly lower bracket ranges for many filers. For example, in 2024:

- The 12% bracket for single filers ended at about $47,150, and
- The 22% bracket started at $47,151.

In 2025, those ranges moved up a bit (e.g., 12% up to $48,475) — meaning your income can grow somewhat without bumping you into a higher tax bracket. These changes help protect you from "bracket creep" (when inflation pushes you into higher taxes even though your buying power didn't increase).

🧠 **Why Knowing Your Bracket Matters**

Here's what understanding your bracket does for you:

- 📉 Helps you estimate your tax liability as you earn more
- 💵 Lets you plan deductions and credits to keep more income in lower brackets
- 📅 Supports better withholding or estimated tax payment decisions

💡 **Helpful Tip**

Knowing your tax bracket isn't about avoiding paying taxes — it's about planning smart. You can legally reduce what you owe by maximizing deductions (like retirement contributions or business expenses) so more of your income stays taxed at lower rates.

2025 Federal Income Tax Brackets

Tax Rate	Single Filers	Married Filing Jointly	Head of Household
10%	$0 to $11,925	$0 to $23,850	$0 to $17,000
12%	$11,926 to $48,475	$23,851 to $96,950	$17,001 to $64,850
22%	$48,476 to $103,350	$96,951 to $206,700	$64,851 to $103,350
24%	$103,351 to $197,300	$206,701 to $394,600	$103,351 to $197,300
32%	$197,301 to $250,525	$394,601 to $501,050	$197,301 to $250,500
35%	$250,526 to $626,350	$501,051 to $751,600	$250,501 to $626,350
37%	Over $626,350	Over $751,600	Over $626,350

Standard vs. Itemized Deductions

🧾 **Should You Take the Standard Deduction or Itemize?**
When it's time to file your 2025 tax return, one of the most important choices you'll make is whether to take the standard deduction or itemize your deductions. You can only choose one, and the goal is to lower your taxable income as much as possible to save on taxes.

📍 **What Is the Standard Deduction?**
The standard deduction is a fixed dollar amount set by the IRS that automatically reduces your taxable income. Its value depends on your filing status and is adjusted annually for inflation. **Standard Deduction Amounts for 2025:**

- Single or Married Filing Separately: $15,750
- Head of Household: $23,625
- Married Filing Jointly: $31,500
- Married Filing Separately (each): $15,750

These amounts are higher than they were for the 2024 tax year, meaning you can shelter more income from tax simply by taking the standard deduction.

💡 **Why It Matters**
The standard deduction is easy, no receipts, no itemizing. You just take the deduction that corresponds to your filing status and it reduces your taxable income. This is often the best choice if you don't have many qualified expenses to itemize.

Standard Deduction Example
Let's say Maria is a single filer and her deductible expenses (like medical costs or charitable giving) total $9,000 for 2025. Since the standard deduction of $15,750 is larger than her $9,000 in itemized deductions, Maria saves more by taking the standard deduction.

📍 **What Are Itemized Deductions?**
Itemized deductions allow you to list out specific tax-deductible expenses to reduce your taxable income. You report these on Schedule A (Form 1040) and must have proof of each expense. **Common Expenses You Can Itemize**

- Mortgage interest on a qualified home loan
- State and local taxes (SALT) — now potentially deductible up to $40,000 (or $20,000 if Married Filing Separately)
- Charitable donations to qualifying nonprofit organizations
- Medical and dental expenses (only the portion above a certain threshold of your AGI)
- Casualty and theft losses (in federally declared disaster areas)

🧠 **Itemized Deductions Example**
John and Lisa are married and file jointly. In 2025 they paid:

- $12,000 in mortgage interest
- $9,000 in property taxes
- $12,000 in other qualified itemized expenses

Their total itemized deductions = $33,000, which is greater than the 2025 standard deduction of $31,500.
💡 John and Lisa would save more by itemizing because it reduces their taxable income more than the standard deduction.

Standard vs. Itemized Deductions

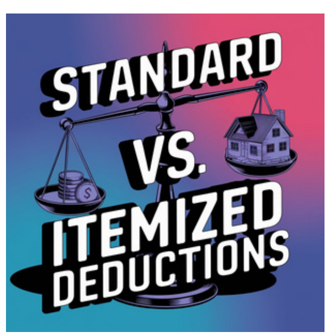
❓ **When Should You Consider Itemizing?** You should look at itemizing if:
✓ Your total qualifying expenses exceed your standard deduction
✓ You paid significant mortgage interest
✓ You had high property or state/local taxes
✓ You gave generously to charities
✓ You had big medical or dental expenses

⚠️ **When You May Be Required to Itemize.** Some taxpayers are required to itemize, even if it's less beneficial:
- Married Filing Separately taxpayers whose spouse itemizes
- Nonresident aliens
- Estates and trusts

✨ **Helpful Tips Before You Decide**
- Compare both — standard vs. itemized — before filing. The larger deduction wins.
- Use tax software or ask your preparer to run both versions; sometimes itemizing only becomes worthwhile with certain deductions.
- Keep supporting documents for all itemized costs (receipts, statements, bills) in case the IRS ever asks.

🧠 Quick Comparison at a Glance

Filing Status	2024 Standard Deduction	2025 Standard Deduction
Single	$14,600	**$15,750**
Head of Household	$21,900	**$23,625**
Married Filing Jointly	$29,200	**$31,500**
Married Filing Separately	$14,600	**$15,750**



#RheeTip: Use tools like the IRS's "Should I Itemize?" calculator to help you figure out which option will save you the most money.

TAXABLE VS. NON TAXABLE

Understanding Taxable and Nontaxable Income
Taxable income is the portion of your income that the IRS uses to calculate how much tax you owe for the year. It includes wages, salaries, tips, bonuses, investment income, and other earnings. Essentially, your taxable income is your adjusted gross income (AGI) minus any standard or itemized deductions you're eligible to claim.

What's Considered Taxable Income?
The IRS requires you to report most types of income on your tax return, including:

- Wages and salaries
- Commissions and bonuses
- Self-employment income
- Rental income
- Dividends and interest from investments
- Stock options
- Royalties
- Strike pay
- Alimony (for divorce decrees finalized before 2019)
- Unemployment compensation

Even income you haven't yet deposited into your bank account may be considered taxable. For example, if you receive a check before the end of the year but haven't cashed it, it still counts as income for that year.

Fringe benefits provided by your employer, like company vehicles, gym memberships, or gift cards, are also generally considered taxable. The same goes for miscellaneous income like bartered services, forgiven loans, or payments from offshore accounts.

What's Not Taxable?
The IRS lists specific types of income that are nontaxable, meaning they won't be included in your taxable income calculation. These include:

- Inheritances, gifts, and bequests
- Cash rebates from purchases
- Child support payments
- Most healthcare benefits
- Adoption reimbursements
- Welfare payments
- Alimony (for divorce decrees after 2018)

TAXABLE VS. NON TAXABLE

Under certain conditions, some other forms of income may also be nontaxable:

- Life insurance payouts are typically tax-free if received due to someone's death. However, if you cash in a life insurance policy, a portion of it may be taxable.
- Scholarship money used for tuition is usually tax-free, but if it's used for room, board, or personal expenses, that portion is taxable.

Unearned Income

Unearned income includes earnings that don't come from work, like interest, dividends, capital gains, rental income, and lottery winnings. These types of income are still taxable, even though they aren't directly related to employment.

Lowering Your Taxable Income

Reducing your taxable income can help lower your tax bill and possibly keep you in a lower tax bracket. Here are a few strategies to consider:

- Take the Standard Deduction or Itemize – Most people reduce their taxable income by taking the standard deduction, but if your eligible expenses exceed the standard deduction, itemizing might save you more.

- Contribute to a Retirement Account – Contributions to a 401(k), IRA, or HSA (Health Savings Account) can reduce your taxable income.

- Utilize Flexible Spending Accounts (FSAs) – Setting aside pre-tax dollars for medical expenses or dependent care through an FSA can help lower your taxable income before you even file your return.

The Bottom Line

Most income you earn or receive is **taxable,** but there are some exceptions. Understanding what's taxable and what's not can help you better plan your taxes and potentially reduce your tax bill. Make sure to keep track of all income sources, and don't overlook tax credits and deductions that can help lower your taxable income and save you money! 💰

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Thank you for reading!