2027 CLIENT RESOURCE

TAX PLANNING & FINANCIAL UPDATES

A practical guide to federal tax brackets, deductions, credits, savings limits and planning opportunities

TAX YEAR 2027 | GENERALLY FILED IN 2028

$33,200	$25,500	$2,300
Standard deduction · Married filing jointly	401(k) employee deferral limit	Maximum Child Tax Credit per qualifying child

At a glance: what is changing for 2027?

- Federal income tax brackets and standard deduction amounts are adjusted for inflation.
- Several deductions created or expanded by the Working Families Tax Cuts continue, including deductions for eligible seniors, qualified tips, qualified overtime and certain passenger-vehicle loan interest.
- The state and local tax (SALT) deduction cap is scheduled to rise to $40,804 for most filers before its income-based reduction; this amount is calculated under the statute rather than separately listed in the IRS inflation-adjustment notice.
- Retirement plan, HSA and health FSA contribution limits increase or remain at updated levels.
- The Child Tax Credit, estate and gift tax exclusions, and business expensing limits increase.

This guide summarizes selected federal provisions. State tax rules—including Illinois and other state-specific deductions and credits—may differ.

1. Federal income tax brackets

The United States uses a progressive income tax system. Your marginal tax rate applies only to the portion of taxable income within each bracket—not to all of your income.

Tax rate	Single filer – taxable income	Married filing jointly – taxable income
10%	$0 – $12,800	$0 – $25,600
12%	$12,801 – $52,025	$25,601 – $104,050
22%	$52,026 – $109,125	$104,051 – $218,250
24%	$109,126 – $208,325	$218,251 – $416,650
32%	$208,326 – $264,550	$416,651 – $529,100
35%	$264,551 – $661,375	$529,101 – $793,650
37%	Over $661,375	Over $793,650

Head of household and married filing separately have different bracket thresholds. These figures are taxable income, after deductions—not gross salary or adjusted gross income.

2. Standard deduction

Filing status	2026	2027
Single / Married filing separately	$16,100	$16,600
Married filing jointly	$32,200	$33,200
Head of household	$24,150	$24,925

Taxpayers generally choose the standard deduction or itemize eligible deductions on Schedule A, whichever produces the larger allowable deduction. Certain additional deductions—such as the senior, tips, overtime and qualifying vehicle-loan-interest deductions—may be available even when a taxpayer does not itemize.

3. Deductions to know about

Enhanced deduction for eligible seniors

- Individuals age 65 or older may qualify for an additional deduction of up to $6,000 per eligible person for tax years 2025–2028.
- A married couple may qualify for up to $12,000 if both spouses meet the requirements.
- The deduction phases out when modified adjusted gross income exceeds $75,000 for most individual filers or $150,000 for joint filers. It is separate from the existing additional standard deduction for age 65+.

Deduction for qualified tips

- Eligible workers may deduct up to $25,000 of qualified tips received in occupations that customarily and regularly received tips by December 31, 2024.
- The deduction is available for tax years 2025–2028, subject to eligibility and reporting rules. It phases out above modified adjusted gross income of $150,000 ($300,000 for joint filers).

Deduction for qualified overtime

- Eligible workers may deduct the qualified overtime premium—the portion above their regular rate, such as the extra half in time-and-a-half pay.
- The maximum deduction is $12,500, or $25,000 for joint filers, for tax years 2025–2028. Income phase-outs begin above $150,000 ($300,000 joint).

Deduction for qualifying passenger-vehicle loan interest

- Individuals may deduct up to $10,000 of interest paid annually on a qualifying loan for a new vehicle purchased for personal use, subject to eligibility requirements.
- The loan generally must originate after December 31, 2024, be secured by the vehicle, and relate to a qualifying vehicle whose final assembly occurred in the United States. Leases do not qualify.
- The deduction phases out above modified adjusted gross income of $100,000 ($200,000 joint) and is available for tax years 2025–2028.

State and local tax (SALT) deduction

- The 2027 maximum SALT deduction is calculated at $40,804 for most filers and $20,402 for married filing separately.
- The cap begins to phase down when modified adjusted gross income exceeds $510,050 ($255,025 for married filing separately), but generally cannot fall below $10,000 ($5,000 for married filing separately).

The 2027 SALT cap and threshold reflect the statutory 1% annual increase from the 2026 amounts. Confirm the final calculation and applicable state/local taxes with a tax professional.

Charitable contribution deductions

- Taxpayers who take the standard deduction may deduct qualifying cash contributions up to $1,000 ($2,000 for married filing jointly) to eligible charitable organizations.
- For taxpayers who itemize, a new 0.5% of contribution-base floor generally limits the charitable deduction: contributions are deductible only to the extent aggregate eligible contributions exceed 0.5% of the taxpayer's contribution base.
- Keep receipts and written acknowledgments. Gifts to individuals, donor-advised fund contributions for the non-itemizer deduction, and many payments where goods or services are received do not qualify for the new non-itemizer deduction.

Other common itemized deductions

- Mortgage interest on qualifying debt, subject to applicable debt limits and acquisition-date rules.
- State and local income or sales taxes, real property taxes and personal property taxes, subject to the SALT cap.
- Qualified medical and dental expenses generally only to the extent they exceed 7.5% of adjusted gross income.
- Eligible charitable gifts, subject to substantiation, percentage limits and the new floor.

The broad overall limitation on itemized deductions is eliminated, but the tax benefit of itemized deductions is limited for taxpayers in the 37% bracket. Certain deductions have their own restrictions.

4. Retirement plan contribution limits

Account / contribution	2026	2027

401(k), 403(b), most 457(b), TSP employee deferral	$24,500	$25,500
Age 50+ catch-up – most workplace plans	$8,000	$8,500
Age 60–63 enhanced catch-up – most workplace plans	$11,250	$11,750
IRA contribution (Traditional and Roth combined)	$7,500	$7,500
IRA catch-up age 50+	$1,100	$1,100
SIMPLE IRA standard employee deferral	$17,000	$17,500
SIMPLE IRA certain eligible employer plans	$18,100	$19,100
Defined contribution annual additions limit	$72,000	$75,000
SEP IRA maximum employer contribution	$72,000	$75,000

The workplace-plan catch-up for ages 60–63 applies to individuals who attain age 60, 61, 62 or 63 during the year, subject to plan terms. Employer contributions count toward the annual additions limit. SEP contributions are subject to compensation and self-employed calculation rules.

- Roth catch-up rule: for 2027, certain participants whose 2026 wages from the plan sponsor exceed $155,000 generally must make catch-up contributions as Roth contributions, if permitted by the plan.
- Traditional IRA deductibility and direct Roth IRA eligibility depend on income, filing status and workplace plan coverage. Review current IRS phase-out ranges before contributing.

5. Health savings and workplace benefit limits

Account / limit	2026	2027
HSA contribution – self-only coverage	$4,400	$4,500
HSA contribution – family coverage	$8,750	$9,000
HSA catch-up contribution – age 55+	$1,000	$1,000
Health FSA salary reduction limit	$3,400	$3,500
Health FSA maximum carryover, if plan allows	$680	$700
Qualified transportation / parking monthly limit	$340	$350

To contribute to an HSA, an individual generally must be covered by an HSA-eligible high-deductible health plan and meet other eligibility rules. Employer contributions count toward the HSA annual limit. FSA carryovers depend on the employer's plan design.

6. Tax credits and family-related provisions

Credit / provision	2026	2027
Child Tax Credit – maximum per qualifying child	$2,200	$2,300
Refundable portion of Child Tax Credit – maximum	$1,700	$1,800
Adoption credit – maximum qualified expenses	$17,670	$18,250
Refundable portion of adoption credit	$5,120	$5,280
Earned Income Tax Credit – maximum, 3+ qualifying children	$8,231	$8,496

- Child Tax Credit phase-out generally begins at modified adjusted gross income of $400,000 for joint filers and $200,000 for other filers. Eligibility and qualifying-child rules apply.
- The adoption credit is subject to eligibility requirements and income limitations; only a portion is refundable.
- Education credits, dependent-care benefits and other family-related tax benefits have separate income and eligibility rules. The Lifetime Learning Credit phase-out remains $80,000–$90,000 ($160,000–$180,000 joint).

7. Investment, capital gains and additional taxes

- Long-term capital gains generally apply to qualifying assets held more than one year. The federal long-term capital gains rates are generally 0%, 15% or 20%, depending on taxable income and filing status.

- Qualified dividends generally receive the same preferential federal rates as long-term capital gains.
- The 3.8% Net Investment Income Tax may apply to certain investment income when modified adjusted gross income exceeds $200,000 for single/head-of-household filers or $250,000 for married filing jointly ($125,000 married filing separately).
- The Alternative Minimum Tax exemption for 2027 is $93,000 for unmarried individuals and $144,700 for joint filers. Phase-out begins at $515,950 and $1,031,900, respectively.
- Consider tax-loss harvesting, asset location, charitable gifting of appreciated securities and timing of gains as part of a coordinated investment and tax strategy.

Capital gains thresholds and the tax treatment of investment income depend on filing status, taxable income, holding period, asset type and other factors. State tax treatment may differ.

8. Estate and gift tax planning

Federal transfer-tax amount	2026	2027
Basic estate tax exclusion	$15,000,000	$15,480,000
Annual gift tax exclusion per recipient	$19,000	$20,000
Annual exclusion for gifts to non-U.S.-citizen spouse	$194,000	$201,000

- The annual gift exclusion is per recipient. Gifts above the annual exclusion may require a gift tax return, even when no gift tax is ultimately due.
- The estate tax exclusion is not a substitute for an estate plan. Review beneficiary designations, wills, trusts, powers of attorney and liquidity needs.
- Consider gifting strategies, charitable planning and lifetime transfers in coordination with estate counsel and tax professionals.

9. Business owner tax updates

Business provision	2026	2027
Section 179 maximum expensing	$2,560,000	$2,640,000
Section 179 phase-out begins when qualifying property placed in service exceeds	$4,090,000	$4,230,000
Section 179 SUV expensing cap	$32,000	$33,100
Qualified business income (QBI) threshold – joint filers	$403,500	$416,600
QBI threshold – other filers	$201,750	$208,300

- The Section 179 deduction is subject to taxable-income, business-use, placed-in-service and other limitations. Bonus depreciation may also be relevant; confirm current law and asset eligibility.
- The 20% qualified business income deduction under Section 199A continues under current law, but eligibility and limitations vary by business type, taxable income, wages and property.
- Business owners should review entity structure, reasonable compensation, retirement plan design, equipment purchases, cash-flow timing and estimated tax payments with their tax advisor.

10. Important 2027 tax deadlines

Use this calendar to plan filing, estimated payments and year-end actions. It includes deadlines falling in 2027 for 2026 tax returns, plus estimated payments and planning actions for 2027 income.

Individual and business filing deadlines

Date	Who / what	Action
January 15, 2027	Individuals	Final 2026 estimated tax payment. May be unnecessary if you file your 2026 return and pay the full balance by February 1, 2027.
February 1, 2027	Most employers / payers	Generally provide 2026 Forms W-2 and 1099 to recipients; Form 1099-NEC generally due to IRS and recipients.

March 15, 2027	Partnerships and S corporations	Calendar-year 2026 federal income tax returns generally due; provide Schedule K-1s. File Form 7004 for an extension.
April 15, 2027	Individuals	2026 federal individual income tax return and balance due generally due. File Form 4868 for an automatic extension to October 15; pay estimated tax due by April 15.
April 15, 2027	Individuals	First 2027 estimated income tax payment due.
April 15, 2027	C corporations	Calendar-year 2026 Form 1120 generally due; first 2027 estimated corporate tax installment generally due.
June 15, 2027	Individuals	Second 2027 estimated income tax payment due.
September 15, 2027	Individuals	Third 2027 estimated income tax payment due.
September 15, 2027	Partnerships and S corporations	Extended calendar-year 2026 returns generally due (six-month extension from March 15).
October 15, 2027	Individuals	Extended 2026 Form 1040 generally due. An extension to file does not extend the time to pay.
December 31, 2027	Retirement account owners	Generally complete required minimum distributions (RMDs) for 2027. Special first-RMD rules may apply.
January 18, 2028*	Individuals	Fourth 2027 estimated tax payment generally due, subject to IRS calendar confirmation.

Quarterly estimated tax payment dates for 2027

Income period	Payment due date
January 1 – March 31, 2027	April 15, 2027
April 1 – May 31, 2027	June 15, 2027
June 1 – August 31, 2027	September 15, 2027
September 1 – December 31, 2027	January 18, 2028*

Other planning dates to keep on your calendar

- January–February: Gather Forms W-2, 1099, mortgage interest, charitable giving records, health savings account statements and business tax documents.
- Before April 15: Review whether to contribute to an eligible Traditional or Roth IRA for 2026; the usual deadline for 2026 IRA contributions is the 2026 return due date, not including extensions.
- Throughout 2027: Revisit withholding and estimated payments after a job change, bonus, business income, large capital gain or other significant income event.
- By year-end: Review charitable gifts, tax-loss harvesting, retirement plan contributions, beneficiary designations and any required RMDs. Employer plan contribution deadlines may differ from IRA deadlines.
- Business owners: Confirm entity-specific deadlines, payroll deposits, information returns and state filing requirements with a tax professional; this quick-reference calendar is not a complete business tax calendar.
- January 18, 2028 is the expected adjusted date because January 15, 2028 falls on a Saturday and January 17 is a federal holiday. Confirm against the final IRS 2028 tax calendar. Dates can change due to weekends, holidays, disaster relief or later IRS guidance.

Let's make your 2027 plan count

A proactive tax strategy is part of a thoughtful financial plan.

Tax rules can create opportunities—but the right approach depends on your income, goals, investments, retirement timeline and personal circumstances.

Contact HKS Financial Partners to discuss these 2027 updates.

309-383-4080

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This guide is for general educational purposes only and is not tax, legal or investment advice. It highlights selected federal provisions for tax year 2027 based on information available as of November 19, 2026. Tax laws, regulations, IRS guidance and individual circumstances may change. Not every deduction or credit applies to every taxpayer. All figures are for federal tax law only and are subject to future legislative, regulatory, or IRS changes.

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- ***IRS – 2027 tax inflation adjustments (IR-2026-133) —*** *https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2027-taxpayers-continue-to-benefit-from-the-working-families-tax-cuts*
- ***IRS – Revenue Procedure 2026-35 (2027 inflation-adjusted amounts) —*** *https://www.irs.gov/pub/irs-drop/rp-26-35.pdf*
- ***IRS – 2027 retirement plan limits, Notice 2026-66 —*** *https://www.irs.gov/pub/irs-drop/n-26-66.pdf*
- ***IRS – Working Families Tax Cuts: individuals and workers —*** *https://www.irs.gov/newsroom/working-families-tax-cuts-individuals-and-workers*
- ***IRS – Charitable contribution deduction for non-itemizers —*** *https://www.irs.gov/newsroom/irs-reminder-permanent-charitable-contribution-deduction-begins-for-returns-filed-next-year-for-taxpayers-who-do-not-itemize*
- ***IRS – 2027 HSA limits, Revenue Procedure 2026-24 —*** *https://www.irs.gov/pub/irs-drop/rp-26-24.pdf*