

IRS Tax Brackets for 2026: What Business Owners Need to Know

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By The Guillen Pujol CPA Group Newsroom

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The Internal Revenue Service announced on October 9 the new tax brackets and deductions for the 2026 tax year, adjusting more than sixty fiscal parameters for inflation. With these updates, the *One Big Beautiful Bill Act* (OBBBA), signed on July 4, 2025, strengthens its role as the backbone of the current tax system by expanding the standard deduction and extending key business benefits.

The real impact of these changes will fall directly on company operations. It's advisable for Finance, Compensation, and Human Resources teams to evaluate and update their policies before 2026, since the new brackets will affect payroll, bonuses, retirement plan contributions, corporate deductions, and dividend planning.

For CEOs, CFOs, and business partners, these fiscal adjustments redefine not only the rates but also the way decisions are made. Every new hire, bonus, or benefits policy now carries an implicit tax cost that must be considered alongside operational return. Integrating this analysis into approval processes will become, more than a formality, a competitive advantage in 2026.

New IRS Tax Brackets for 2026 and Their Impact on Executives, Partners, and Companies

Starting with the 2026 tax year, the IRS will expand the income thresholds that define each bracket while keeping the top marginal rate at 37% for those earning more than \$640,600 individually or \$768,700 for joint filers. The standard deduction will also increase to \$32,200 for married couples and \$16,100 for single filers.

Although these may look like routine inflation adjustments, their cumulative effect reshapes the effective tax burden for high-income earners and influences compensation, dividend, and profit distribution strategies within

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companies. In practice, the gap between marginal and effective tax rates narrows slightly – increasing the sensitivity of each additional dollar of income, especially when it comes from bonuses, stock options, or corporate dividends.

This shift requires companies to reassess the balance between salary, dividends, and reinvestment, particularly in structures where partners receive mixed compensation (W-2, K-1, or QBI). The new income thresholds for the *Qualified Business Income Deduction* (QBI) — which begins to phase out at \$403,500 for joint filers — mean that every change in cash flow can alter the effective tax burden.

Additionally, the exemption for the *Alternative Minimum Tax* (AMT) will rise to \$140,200 for couples in 2026. While this appears to reduce exposure for executives, the new phase-out threshold starting at \$1 million expands the number of taxpayers potentially affected.

Read more: [LLC vs S-Corp vs C-Corp in Florida \(2025\): What Business Owners Need to Know](#)

How Effective Tax Rates Change by Income Level

To illustrate how the new brackets work, consider three typical combined-income scenarios — salary, bonuses, and dividends – under the 2026 parameters.

A taxpayer earning roughly \$300,000 in total income would see an effective tax rate near 23%, assuming the standard deduction and no exposure to the AMT. This level barely changes from 2025, reflecting the inflation adjustment made by the IRS. At around \$750,000, the crossing point into the 35% bracket and the start of the gradual reduction of the Qualified Business Income Deduction (QBI) – which begins at \$403,551 for joint filers and ends at \$553,500 — raises the effective rate to between 28% and 30%, depending on income composition. Above \$1 million in total income, many deductions lose effectiveness, and additional taxes such as the Net Investment Income Tax (NIIT) and, in some cases, the Alternative Minimum Tax (AMT) come into play. At this level, the effective federal tax rate typically ranges between 25% and 40%, depending on salary, dividends, capital gains, available deductions, and state taxes.

These examples are not exact projections but illustrative references to estimate operational impact. Each company should work with its Finance and Compensation teams to analyze executive income composition — base salary, bonuses, profit distributions, 401(k) contributions, or retention plans — to model the total cost of compensation and determine the optimal timing for payments and benefits under the new 2026 framework.

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Implications for Business Structures and Accounting Decisions

The 2026 tax adjustments move the conversation from theory to practice, requiring accounting and financial decisions to be modeled in an integrated way that considers the combined impact of new tax brackets, deductions, and QBI limits.

Pass-Through Entities and the QBI Deduction: the 20% Is Now Permanent

The 20% deduction on qualified business income (*Qualified Business Income Deduction, QBI*) is no longer a temporary relief — it becomes a permanent feature of the tax code. This change consolidates *pass-through entities* as efficient vehicles for professionals and service firms.

The phase-out thresholds also shift: they begin at \$403,551 for joint filers and end at \$553,500, with a broader reduction range and different rules depending on the type of business (*Specified Service Trade or Business, SSTB*). For partners and executives, every additional dollar of income can affect partial or full eligibility for the QBI. Finance teams should carefully model the balance between salary, dividends, and profit withdrawals, incorporating *pass-through income simulations* into executive compensation planning and cash flow forecasts.

AMT and Deduction “Haircuts”: The Hidden Risk for Top-Bracket Earners

The *Alternative Minimum Tax (AMT)* exemption increases to \$140,200 for joint filers, but begins phasing out at \$1 million of income, accelerating at a rate of up to 50%. This expands the number of taxpayers potentially affected.

The impact is greater for partners and executives with stock-based incentives, stock options, or deferred bonuses, since not all benefits are deductible under the alternative calculation. The result is a partial reduction in deductions that can raise effective tax rates by 0.8 to 1.5 percentage points at higher income levels. Reviewing deferred compensation models and payment schedules — particularly RSUs and performance bonuses — is essential to account for AMT exposure as a real cost variable.

How the Expanded Childcare Credit Affects Employers

The childcare tax credit for employers offering childcare services expands to \$500,000, strengthening policies for talent retention and work-life balance. Although this credit already existed, the new cap and extended

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eligibility for outsourced childcare centers make it an effective tool to optimize tax liability and strengthen employer branding.

Medium and large companies with integrated compensation structures – bonuses, benefits, and retirement contributions – can combine this credit with flexible benefits programs to improve their fiscal return. The cost of establishing on-site childcare facilities or third-party partnerships can be partially offset through this credit, as long as the IRS documentation requirements are met.

Read more: [Florida Eliminates Sales Tax on Commercial Rentals: What Landlords and Tenants Need to Know](#)

Turning the 2026 Tax Thresholds into a Competitive Advantage

The new 2026 thresholds are not a warning sign but an opportunity to redesign your organization's financial and compensation architecture with a more integrated vision.

For the CFO, this means reviewing projections through a new lens — considering not only the impact on the effective tax rate but also how each change affects cash flow, investment capacity, and executive incentives.

For HR, the focus is no longer just on salary tables but on the overall coherence of compensation — ensuring that bonuses, retirement contributions, and equity remain competitive without sacrificing fiscal efficiency.

For the CEO and the board, the discussion rises to a strategic level: how to preserve liquidity, protect reputation, and sustain perceived investor value within a tax landscape that evolves more through interpretation than decree.

At **Guillen Pujol CPA Group**, we work with Finance and HR teams to model realistic scenarios, project the implications of QBI and AMT changes, and support decision-making before the fiscal year closes. The goal isn't to predict the future — it's to take control of the present with the same precision used to manage your company's most valuable assets: its people and its reputation.

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November 10, 2025

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