

What's New at DrakeSoftware® 2026

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Overview and Video

The following are brief descriptions of some of the updates and enhancements to the Drake Tax programs and Drake Software's peripheral programs, along with changes to tax forms and tax laws. For a highlight of this year's biggest changes, watch the [2026 What's New video](#), presented by Drake Software trainers.

IRS and Tax Law Changes

The following sections address important information regarding the 2026 tax season. Unless otherwise stated, all changes are effective for 1040 returns only.

Standard Deduction

2026 standard deduction amounts:

- \$32,200 — Married filing jointly (MFJ) and qualifying surviving spouse.
- \$24,150 — Head of household (HOH).
- \$16,100 — Single or married filing separately (MFS).
- Additional standard deduction for age 65 and older, or blind: \$1,650 per qualifying condition (\$2,050 if unmarried and not a surviving spouse).
- Dependent standard deduction: greater of \$1,350 or \$450 plus earned income.

Senior Deduction

A temporary additional deduction for seniors for tax years 2025–2028, in addition to the standard deduction, available to both itemizers and non-itemizers (claimed on Schedule 1-A).

- \$6,000 per qualified individual age 65 or older by year-end (\$12,000 for a married couple if both qualify).
- Phases out for MAGI over \$75,000 (single/HOH) or \$150,000 (MFJ).
- If married, taxpayers must file as MFJ to claim the deduction.

See Knowledge Base article [18937](#) for details.

SALT Deduction (State and Local Taxes)

- 2026 SALT deduction cap is \$40,400 (\$20,200 for MFS).
- Phases out for MAGI over \$505,000 (reduced by 30% of the excess), but not below a \$10,000 floor.
- The cap increases 1% annually through 2029, then reverts to \$10,000 (no threshold) in 2030.

Deduction for Qualified Tips

Both itemizers and non-itemizers can take the deduction for qualified tips, if eligible (tax years 2025–2028; claimed on Schedule 1-A).

- Maximum deduction \$25,000.
- Phases out for MAGI over \$150,000 (single/HOH) or \$300,000 (MFJ).
- For self-employed individuals, the deduction may not exceed net income (before this deduction) from the trade or business in which the tips were earned.

Deduction for Qualified Overtime

Both itemizers and non-itemizers can take the deduction for qualified overtime compensation as defined by the Fair Labor Standards Act (tax years 2025–2028; Schedule 1-A).

- Maximum deduction \$12,500 (single/HOH) or \$25,000 (MFJ).
- Phases out for MAGI over \$150,000 (single/HOH) or \$300,000 (MFJ).

Deduction for Car Loan Interest

- [Form 1098-VLI](#), Vehicle Loan Interest Statement, is used to report \$600 or more of interest received on a specified passenger vehicle loan (SPVL) during the calendar year in the course of a trade or business from an individual, decedent's estate, or non-grantor trust.
- The \$600 reporting threshold applies separately to each specified passenger vehicle loan (SPVL).
- Covers qualified passenger vehicle loan interest up to \$10,000 (tax years 2025–2028).
- Loan must originate after December 31, 2024; vehicle must be for personal use; used vehicles are not eligible; loan must be secured by a lien; final assembly in the United States.
- Available to both itemizers and non-itemizers.
- Phases out for MAGI over \$100,000 (single/HOH) or \$200,000 (MFJ).
- The vehicle identification number (VIN) must be included on the return.

Clean Vehicle and Energy Incentives

Several credits were repealed or expired under the new tax bill 2025 and are not available for 2026:

- New clean vehicle credit (up to \$7,500) and previously owned clean vehicle credit (up to \$4,000) not allowed for vehicles acquired after September 30, 2025.

- Energy efficient home improvement credit and residential clean energy credit — not allowed for property placed in service or expenditures made after December 31, 2025.
- Alternative fuel vehicle refueling property credit and new energy efficient home credit — not allowed after June 30, 2026.

Child Tax Credit (CTC)

- Maximum credit \$2,200 per child for 2026.
- Refundable portion up to \$1,700 for 2026.
- The qualifying child and the taxpayer (or at least one spouse if filing jointly) must have a Social Security number valid for employment, issued before the return due date (including extensions).

Other Dependent Credit (ODC)

- \$500 for a dependent who does not qualify for the CTC (permanent).

Adoption Credit

- 2026 maximum credit: qualified adoption expenses up to \$17,670 (also the special-needs amount).
- Refundable portion up to \$5,120 for 2026.
- Phases out for MAGI over \$265,080; fully phased out at \$305,080.

100% Bonus Depreciation

- 100% bonus depreciation is permanent for qualified property acquired and placed in service after January 19, 2025.

Section 179 Deduction

- 2026 maximum expense: \$2,560,000.
- 2026 phaseout begins when the cost of § 179 property placed in service exceeds \$4,090,000.
- SUV expense cap: \$32,000.

Estate Basic Exclusion

- The basic exclusion amount increases to \$15,000,000 for 2026 (new tax bill 2025).

Form 1099-K

- Third-party settlement organization reporting threshold has been restored to more than \$20,000 and more than 200 transactions in a calendar year.

Federal Form and Schedule Changes

The following federal forms and schedules and changes will be available in Drake Tax 2026.

New and Updated Federal Forms

- **Schedule 1-A (Form 1040)** — Reports the deductions from the new tax bill 2025: No Tax on Tips, No Tax on Overtime, No Tax on Car Loan Interest, and the Enhanced Deduction for Seniors.
- **Schedule 3-A** — Federal Public Benefit.
- **Form 1062** — Deferral of Tax on Gain from the Sale or Exchange of Qualified Farmland Property to Qualified Farmers
- **Form 4562-B (Amortization)**
- **Form 1098-VLI** — Reports qualified passenger vehicle loan interest, used for the new car loan interest deduction on Schedule 1-A.

e-File and Electronic Payment Additions

- **Form 8892 e-File** — The Form 709 extension (Form 8892) can be e-filed in Drake Tax 2026.
- **Form 709 electronic payment** — Electronic payment for Form 709 (gift tax) will be supported in Drake Tax.
- **Form 1120/1120-S electronic payment of estimates** — Electronic payment of estimated taxes for 1120 and 1120-S returns will be supported in Drake Tax.

States

Support for the following state forms will be available in Drake Tax 2026.

Alabama

- **Schedule ATI and Schedule VLI (1040)**
- **Form 8948AL-C (1120)**
- **Form 8948AL-PTE (1065/1120-S)**
- **Form 8948AL-FDT (1041)**

California

- **Form 3849 (1040)** Premium Assistance Subsidy. Reconciles the California Premium Subsidy for Covered California coverage; California reinstated the state premium subsidy for plan year 2026 after the federal enhanced premium tax credit expired at the end of 2025.

Connecticut

- **Amended e-file (1040)** — Adds amended-return e-file.
- **CT 706/709 (1040/990)** — The Gift and Estate Taxation minimum limit has risen from \$13,990,000 to \$15,000,000, and the annual gift of present interest in property made to a spouse who is not a U.S. citizen during the calendar year exclusion has been raised from \$190,000 to \$194,000.
- **CT 706 EXT / 709 EXT (1040/990)** — Implementing 2D barcodes for paper-filing.

Kansas

- **Form K-102 (1040)**

Maine

- **PTET-ME (1065/1120-S)** Maine Pass-Through Entity Tax return. Maine enacted an elective PTET for tax years beginning on or after January 1, 2026 (2026 rate 7.15%); qualified members receive a refundable credit equal to 90% of their distributive share. Filed electronically through the Maine Tax Portal.

Maryland

- MD502 has 3 new lines.
 1. **New Line 12a** – Capital Gain Amount received during period of non-residence (informational only – not included in sum of subtractions)
 2. **New Line 21 – Total Maryland Tax** – sum of Lines 21a, 21b, and 21c
 3. **New Line 24 - Senior Tax Credit** (previously on Part M, Line 1)
- MD502CR has 1 new line.
 1. **New Nonrefundable Credit - Part M. Retired 9-1-1 Specialist** – may not exceed **\$700**
- MD502R has 1 new checkbox.
 1. Checkbox was added for Foreign Retirement Income only
- MDK1 (510/511) has 2 new lines.
 1. **New Line 40** - Total Nonrefundable Tax Credits claimed
 2. **New Line 41** - Total Refundable Tax Credits claimed

Massachusetts

- **Schedule OA (1120-S)**
- **Schedule SSD (1065/1120-S)**
- **Schedule E-2 (1120/1120-S)**

Minnesota

- **Amended e-file (1040)** — Adds amended-return e-file.

Nebraska

- **Form 27242 (1040/1120/1120-S/1065/1041)** Nebraska Qualified Property/Qualified Improvement Property and Research or Experimental Expenditures Depreciation Deduction Worksheet. Supports Nebraska's new full-expensing deduction (immediately deduct 60% of qualified property/QIP costs) and R&E expenditures for tax years beginning on or after January 1, 2026.

New York

- **Form IT-661 (1040/1041)** Farm Employer Overtime Credit (corporations use Form CT-661).
- **Form IT-212.2 (1040/1065/1041)** Claim for Farmer Investment Tax Credit
- **Form CT-46.2 (1120/1120-S)** Claim for Farmer Investment Tax Credit

Oklahoma

- **BT-129 (1040/1120/1120S/1065/1041)** - The form's format has been updated per the state's new 2026 revision.

South Carolina

- **Schedule ADJ (1040)** Additions to and Subtractions from federal adjusted gross income. Part of South Carolina's 2026 individual income tax reform (Act 110 of 2026): the SC1040 now starts from federal AGI, moves to two brackets (1.99% under \$30,000; 5.21% minus \$966 at \$30,000 and above), decouples from certain federal deductions, and adds the new South Carolina Income Adjusted Deduction (SCIAD): \$15,000 single/MFS, \$22,500 HOH, \$30,000 MFJ/surviving spouse, subject to AGI phaseouts.

Utah

- **TC-150 (1040/1120/1041)** Recapture. Attached to the Utah return to report recaptured credits (for example, low-income housing credit recapture).

Drake Tax Desktop

The following sections contain information regarding Drake Tax 2026 updates and new products.

Also see Knowledge Base article [18992](#).

New Flexible Pricing Packages

- **Drake Tax Pro 250** — A new package for firms that prepare a mix of individual and business returns at lower volume: 250 returns redeemable as either individual (1040/1040-NR/1040-SS) or business and estate

(1120/1120-S/1120-H/1065/1041/990/706). Additional returns can be purchased as needed (\$49.99 for individual returns or \$74.99 for business returns).

- **Drake Tax 1040 150** — A new 1040-focused package (150 returns) for lower-volume individual practices.

See Knowledge Base articles [18978](#) and [18977](#) for details.

Automation and Artificial Intelligence (AI)

- **Drake SmartExtract (Beta)** — Upload supported tax documents and import extracted tax data directly into an individual return. Drake SmartExtract uses AI-assisted extraction and supports PDF, JPEG, JPG, and PNG files. Preparers should review and verify extracted information before using it in the return. See Knowledge Base article [19022](#) for details.
- **In-app AI Assistant (live chat)** — The Drake AI chat assistant is available from Drake Tax Desktop for self-service assistance, with live-agent escalation when needed.
- **Assistant** — An enhanced AI Assistant that provides help with tax questions, forms, and alerts, including navigation to applicable data entry screens, field help, explanations of calculated amounts, and help resolving errors before filing. See Knowledge Base Article [19040](#) for details.

Connected Practice (Drake Hub)

- **Single sign-on across Drake products** — Firms that enable Hub Data Sync (Beta) use single sign-on (SSO) credentials for Drake Tax Desktop and Drake Hub. Preparers sign in with the same email address and password for both programs, along with multi-factor authentication (MFA).
- **Unified user management** — With Hub Data Sync (Beta) enabled, new preparers and users can be added in Drake Tax Desktop or Drake Hub. A unique, valid email address is required for each active preparer or user who uses SSO.
- **Client and staff synchronization** — Hub Data Sync (Beta) automatically updates client and staff information between Drake Tax Desktop and Drake Hub. Administrators can also review synchronization history for clients, staff, and errors.

See Knowledge Base articles [19008](#) and [19012](#) for details.

e-File Enhancements

- **e-File Status Enhancements** — Acknowledgments are processed and synchronized with the e-file database more frequently. Preparers can use the e-File Status feature to check for and process new acknowledgments when needed. See Knowledge Base article [10783](#) for details.
- **Reject Assistance** — Links to applicable Knowledge Base articles are available for certain common reject codes from **EF > Search EF Database**.
- **Form and EF Availability Dashboard** — Check federal and state form support and current e-file and paper-file availability at Forms.DrakeSoftware.com.

Drake Tax Online

Drake Tax Online (DTO) is Drake Software's web-based professional tax preparation program. Returns can be prepared from an internet-enabled device, with access to features such as Drake Portals and electronic signatures.

See Knowledge Base article [18782](#) for an overview of Drake Tax Online.

Available Starting in Tax Year 2025:

- **Drake SmartExtract (Beta)** — Upload supported tax documents and import extracted information directly into an individual return. Preparers can review the extracted information before using it in the return. See Knowledge Base article [19010](#) for details.
- **Assistant** — An enhanced AI Assistant that provides help with tax questions, forms, and alerts, including navigation to applicable data entry screens, field help, explanations of calculated amounts, and help resolving errors before filing. See Knowledge Base article [19015](#) for details.
- **Verified Fields Updates** — Updated field verification includes a verification banner, verification controls for individual fields, a progress count, and an **Accept all** option. Verification status is retained when the return is saved or the preparer navigates elsewhere in the return.
- **Online data entry for business packages** — Forms 1041, 1120, 990, and 706 can now be prepared directly in Drake Tax Online without using desktop integration for return data entry.
- **Integrated Trial (14-day, account-based)** — New Drake accounts can access a 14-day trial that includes Drake Tax Online, Drake Workflow, and Drake Portals through Drake Hub. Account information and data entered during the trial are retained if the account is converted to a paid account.
- **Tax Planner** — Create tax-planning scenarios to compare a client's current tax situation with possible changes, such as marriage, the birth of a child,

buying or selling a home, or a change in income. Changes made within a Tax Planner scenario do not change the original return. See Knowledge Base article [18968](#) for details.

- **Client collaboration tools** — Use Drake Tax Online to collect client information, manage documents, and request electronic signatures.
- **Consolidated Tax Returns** — Prepare consolidated corporate returns directly in Drake Tax Online.
- **Automatic Drake Portals Integration** — Eligible Drake Tax Online firms are connected automatically with Drake Portals, with portal access available from Drake Tax Online.
- **Filing Status Analysis** — Compare available filing status options for eligible clients.
- **K-1 Export** — Carry K-1 information from business and fiduciary returns to applicable recipient returns, reducing duplicate data entry.

Available for Tax Year 2026:

- **DTO License Management Improvements** — View license expiration years and choose renewal or additional-seat options during purchase.
- **DTO Enhanced Return Viewing** — Updates to return navigation, document selection, and form previews.

Also see Knowledge Base article [18994](#).

Drake Audit Defense

Drake Audit Defense is a post-filing service that connects your clients with credentialed tax experts for IRS notices, state notices, audit inquiries, and tax-related identity theft, integrated into your existing Drake tools. Available as Practice Coverage (all eligible returns) or Per-Return Coverage, beginning with Tax Year 2026 returns filed on or after January 1, 2027. See Knowledge Base article [19011](#) for details.

Drake Accounting

- **In-app AI Assistant (live chat)** — The Drake AI chat assistant is available from Drake Accounting, with live-agent escalation when needed.
- **Qualified Overtime support (No Tax on Overtime)** — Drake Accounting includes qualified overtime calculation options for Fair Labor Standards Act (FLSA)-compliant and FLSA Plus overtime, manual-entry options, a Qualified

Overtime by Pay Period report, and Form W-2 reporting support. See Knowledge Base article [20064](#) for details.

- **Qualified Tips support (No Tax on Tips)** — Drake Accounting includes payroll and reporting support for qualified tips under the new tax law. See Knowledge Base article [20076](#) for details.
- **Improved Drake Pay integration** — Accept client credit-card payments that are swiped in person or entered manually through the Drake Pay integration.
- **Drake Tax export** — Export descriptions are included with data exported from Drake Accounting to Drake Tax.
- **Multi-Factor Authentication (MFA)** — MFA is enabled by default starting with Drake Accounting 2026. See Knowledge Base article [18886](#) for details.
- **Check Register (Beta)** — View banking activity in a single read-only register with running balance, payment and deposit views, filter and search, export, and drill-down to the underlying transaction. See Knowledge Base article [19041](#) for details.

Also see Knowledge Base article [18997](#).

Drake Hub

Drake Hub provides access to Drake Software client, staff, and practice management tools from one interface. Available features include client profiles, staff management and assignments, a unified launcher, firm settings, and access to connected Drake Software products.

The Drake Hub Home page includes **Needs Your Attention**, **Quick Actions**, and **Recent Activity** sections. Quick Actions provides links for tasks such as working on a return, viewing files, requesting a payment or signature, and adding a client or staff member. See Knowledge Base article [18851](#) for details.

- **Single sign-on and unified user management** — Firms using Hub Data Sync (Beta) can use the same SSO credentials for Drake Tax Desktop and Drake Hub. Staff members added through Drake Hub can be given access to applicable Drake Software products.
- **Client and staff synchronization** — With Hub Data Sync (Beta) enabled, changes to client and staff information are synchronized between Drake Tax Desktop and Drake Hub.

See Knowledge Base article [18841](#), [19008](#) and [19012](#) for details.

Drake Pay

- **Payment Option Transparency (Drake Pay Manager)** — In Drake Pay Manager, the **Payment Options** summary in Payment Request Details shows whether Debit/Credit Card, ACH, and Drake Refund Pay were presented with the original request. When Drake Refund Pay was not presented, applicable reasons are displayed.
- **Drake Paid status with Workflow** — Payment status from Drake Pay is available in the connected workflow so preparers can identify whether payment has been completed.
- **Drake Refund Pay onboarding** — A dedicated Drake Refund Pay onboarding email and updated merchant onboarding communications are available.
- **Reduced PCI compliance requirements** — Changes to the Drake Pay integration reduce the number of applicable PCI requirements and eliminate quarterly vulnerability scans.
- **Drake Pay Manager updates** — Drake Pay Manager includes updates to navigation and filtering.
- **Drake Pay Account State and Access Center** — View enrollment, banking, access, and Drake Refund Pay connection status in one location, along with applicable next steps.
- **Drake Pay Invoice Attachment in DTD** — Attach an invoice to a payment request created in Drake Tax Desktop.

Also see Knowledge Base article [18996](#).

Drake Portals

- **Updated taxpayer interface** — Taxpayers can upload documents, complete assigned tasks, sign forms, and communicate with the firm through the updated Drake Portals interface.
- **Updated preparer interface** — The preparer interface includes updated navigation and workflow information.
- **Document classification and organization** — Uploaded client documents can be categorized and organized through checklist workflows.
- **Additional e-signature options** — Drake Portals now supports signature workflows that do not require knowledge-based authentication (KBA).
- **Unified login** — Use SSO credentials to access Drake Portals and other supported Drake Software programs.
- **Guided Organizer** — An AI-assisted 1040 interview launched from Drake Portals, with plain-language branching questions, document-upload requests,

save-and-return capability, and a completed intake summary for the preparer. See Knowledge Base article [19038](#) for details.

Also see Knowledge Base article [18995](#).

Drake Workflow

Drake Workflow tracks returns by preparation stage and status. Most statuses update automatically as work progresses through connected Drake Software programs, and statuses can also be changed manually from the Board or List view.

- **Status tracking** — Most return statuses update automatically based on activity in connected Drake Software programs. Preparers can also change a return's status manually from the Board or List view. See Knowledge Base article [19006](#) for details.
- **Extension status tracking** — Extended returns are tracked with dedicated extension e-file statuses.
- **Client and staff synchronization** — Client and staff information from connected Drake Software products is available within the workflow.
- **Due-date filtering** — Due dates can be assigned to individual returns and used for filtering. Returns due within three days or overdue are outlined in red.
- **Multi-year support** — Select the tax year to display returns and workflow information for that year.
- **Automatic refresh and status updates** — Background auto-refresh, drag-and-drop status updates, and persistent filters.
- **Board and List views** — View returns as status-based client tiles on the Board or as rows in the List view. Statuses can be changed from either view.
- **Document visibility** — View workflow statuses associated with document and taxpayer-information collection, including **Pending Data** and **Data Submitted**.
- **Saved views and customizable workspace** — Save views, filters, and column layouts tailored to your role and workflow.
- **Action indicators** — Displays document uploads, messages, payments, signatures, rejected returns, and other key events directly in Workflow.
- **Next action and queue management** — The details view identifies a suggested next step for a return and supports return notes. Clients can also be assigned to staff members and reassigned as work moves through the office.

- **Unified client view in Hub** — Drake Hub provides access to client information and actions associated with connected products. The specific functionality available depends on the products licensed by the firm.

Also see Knowledge Base article [18993](#).

Spanish Localization

Drake Software is adding Spanish-language support to selected online products.

- **Drake Portals** — Spanish-language support for common taxpayer portal tasks.
- **Drake Tax Online** — Spanish-language support for the Drake Tax Online return-preparation workflow.
- **Drake Pay and Refund Pay** — Spanish-language payment and refund workflows.
- **Drake Hub and Workflow** — Spanish-language support for Hub and Workflow.

Other Recent Enhancements

- **MFA (multi-factor authentication)** — SSO accounts use MFA by default. Email verification is enabled by default, and users can choose SMS (text message) or an authenticator app as their authentication method. See Knowledge Base article [18917](#) for details.
- **Help Assistant** — Ask plain-language questions and receive answers based on Drake Software documentation, with links to applicable Knowledge Base articles. Help Assistant is available from supported Drake Software programs and the Drake Software Knowledge Base.

NOTE: The [new tax bill](#) referred to in this document was signed into law on July 4, 2025. The *One Big Beautiful Bill Act* (OBBA or OB3) is also referred to by lawmakers as the *Working Families Tax Cut Act*. You may see one or both names used, but they refer to the same set of tax changes. See Knowledge Base article [18889](#) for additional information.