

YEAR-END YEAR-ROUND TAX PLANNING GUIDE

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YEAR-END, YEAR-ROUND TAX PLANNING GUIDE 2026

The end of the year is a key time to make tax-smart moves. Planning now can help reduce your federal and state income taxes and set you up for success in the year ahead. Talk to your tax advisor early and be sure to get professional guidance before acting on any ideas in this guide.

2026 TAX BRACKETS

The following federal tax rates apply to taxable income for tax year 2026 (for tax returns to be filed in the spring of 2027):

Tax rate	Single filer	Married filing jointly or qualifying widow(er)	Married filing separately	Head of household
10%	$0-$12,400	$0-$24,800	$0-$12,400	$0-$17,700
12%	$12,401-$50,400	$24,801-$100,800	$12,401-$50,400	$17,701-$67,450
22%	$50,401-$105,700	$100,801-$211,400	$50,401-$105,700	$67,451-$105,700
24%	$105,701-$201,775	$211,401-$403,550	$105,701-$201,775	$105,701-$201,750
32%	$201,776-$256,225	$403,551-$512,450	$201,776-$256,225	$201,751-$256,200
35%	$256,226-$640,600	$512,451-$768,700	$256,226-$384,350	$256,201-$640,600
37%	$640,601 or more	$768,701 or more	$384,351 or more	$640,601 or more



Strategies for Individual Taxpayers

REVIEW LIFE EVENTS & LAW CHANGES

Start your year-end planning by reviewing any major life changes that may impact your tax situation, including:

- A change in your marital status
- A move
- A job change
- A new business
- Retirement
- A change in dependents

Any of these life events can open new tax opportunities or require adjustments to your strategy. Also, keep an eye on recent tax law changes that might affect deductions, credits, or filing thresholds.

Your marginal rate. Tax brackets help determine how much tax you'll owe based on your income. But not all of your income is taxed at the same rate. Instead, your income is taxed in layers, starting at the lowest rate and increasing as you earn more. This means the first portion of your income is taxed at 10%, the next portion at 12%, and so on. Understanding where you fall helps you and your advisor make smarter choices about timing income, deductions, and other moves. For example, if you're in a higher bracket this year than you expect next year, you might delay income like a bonus or speed up deductions like charitable giving.

Standard deduction vs. itemized deduc-tions. You can reduce your taxable income by claiming the standard deduction (a fixed dollar amount that is adjusted annually) or by itemizing deductions. While itemized deductions can result in a lower tax liability depending on your situation, they require detailed records and receipts to substantiate each deduction. For tax year 2026, the standard deduction is as follows:



Single & married filing separately
$16,100 (previously $15,750)



Heads of household
$24,150 (previously $23,625)



Married filing jointly
$32,200 (previously $31,500)

There is an additional standard deduction for persons aged 65 and over or blind:



Single & head of household
$2,050 or **$4,100** if taxpayer is both 65 or over and blind



Married filing jointly & surviving spouses
$1,650 or **$3,300** if taxpayer is both 65 or over and blind

As the standard deduction increases, more people are opting not to itemize. But you may still benefit by bunching deductions in certain years to exceed the threshold.

Some deductions, such as charitable contributions, state and local tax, and medical expenses, depend on your adjusted gross income (AGI). The higher your AGI, the harder it can be to qualify or deduct the full amount. That's why lowering your AGI through retirement contributions or other above-the-line deductions can have a ripple effect on your tax liability.

There are two methods for taxpayers to choose from, and a tax advisor can help identify the most beneficial route to reduce overall tax liability.

ITEMIZE TO MAXIMIZE: STRATEGIES FOR THOSE WHO ITEMIZE DEDUCTIONS

These are organized by frequency, starting with the most commonly used deductions.

Mortgage interest deduction. You can deduct home mortgage interest on loans up to $750,000 for your primary home or a second home. The higher $1 million limit still applies if the loan originated before December 16, 2017.

Interest on home equity debt is deductible only if the loan is used to buy, build, or substantially improve the home, and the home must secure the debt. Certain home improvements may provide tax benefits, such as medical improvements that qualify as medical expenses. For 2026, however, several federal residential clean-energy credits have expired.

State and local tax deduction. The deduction for state and local taxes (SALT), including income or sales tax and property tax on a personal residence, is capped at $40,400 per return in 2026 for single filers and married couples filing jointly. This limit does not apply to taxes incurred in a trade or business. If you own a pass-through business such as an S corporation, partnership, or LLC, some states offer a workaround: per IRS Notice 2020-75, you can elect to have the business, rather than you personally, pay state taxes, which may allow you to bypass the SALT cap. Consult your tax advisor to determine whether your state offers this election and if it makes sense for your situation.

Timing strategies may also be helpful. For example, you can ask your employer to withhold more tax from your remaining 2026 paychecks. Alternatively, you can make your January estimated state and local income tax payment before year-end and pay enough to cover any projected balance due.

Caveat: To obtain a benefit from a state income tax payment, you must itemize rather than use the standard deduction in 2026. Remember, these strategies only help if you itemize and stay within the $40,400 SALT cap.

See page 16 for details on changes to the SALT deduction made by the One Big Beautiful Bill Act.

Charitable contributions. Beginning in 2026, new rules under the One Big Beautiful Bill Act significantly change the tax treatment of charitable contributions. Taxpayers who do not itemize can deduct up to $1,000 ($2,000 for married couples filing jointly) in qualifying cash contributions. For taxpayers who itemize, charitable contributions are deductible only to the extent their allowable contributions exceed 0.5% of adjusted gross income (AGI). For example, a taxpayer with $200,000 of AGI would receive an itemized deduction only for qualifying contributions above $1,000.

To maximize potential tax benefits, consider grouping several years' worth of charitable contributions into one tax year, a strategy known as bunching. Donor-advised funds (DAFs) and qualified charitable distributions (QCDs) may also provide tax-efficient ways to structure charitable giving. If you are subject to required minimum distributions (RMDs), a QCD made directly from your IRA to an eligible charity can count toward satisfying all or part of your RMD. You must be at least 70 ½ years old on the date the distribution is made to qualify for a QCD, even though RMDs currently start at age 73.

If you mail a check or use a credit card to make a donation by year-end, it generally will count as a 2026 contribution. Caveat: Charitable-giving planning can affect the 20% qualified business income (QBI) deduction. Because that deduction may be limited to 20% of taxable income minus net capital gain, an itemized charitable deduction can reduce the QBI deduction when the taxable-income limitation applies. Consider this interaction when evaluating the net tax effect of planned contributions.

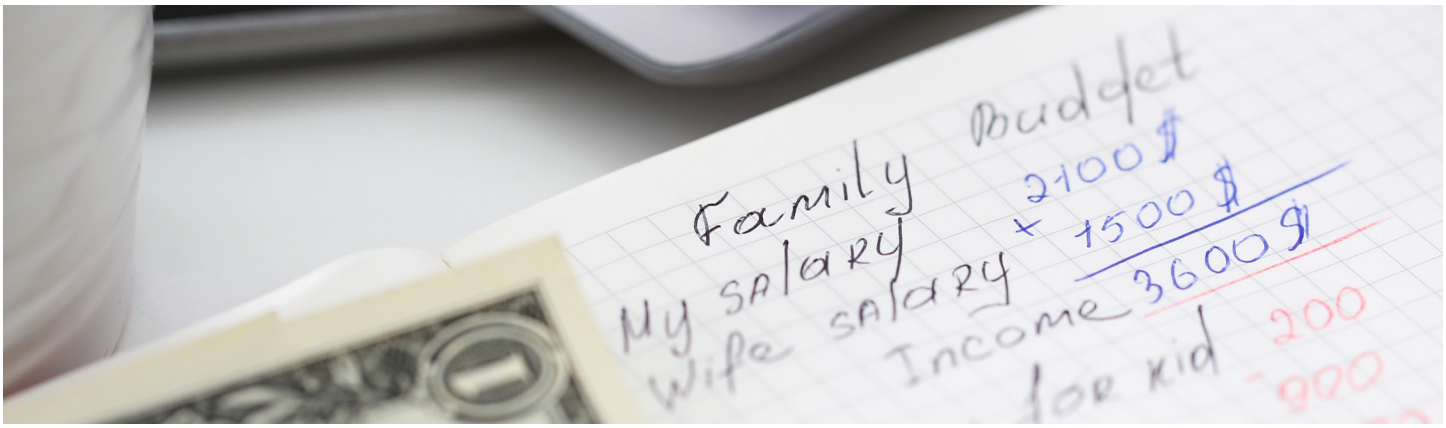
Medical expenses. In 2026, you can deduct unreimbursed medical expenses that exceed 7.5% of your AGI. This rule applies regardless of the taxpayer's age. But keep in mind that medical is just one of the components of itemized deductions, the sum of which must exceed the standard deduction to yield any tax savings.

By bunching medical expenses in a single tax year, you can potentially exceed the threshold and claim a higher medical expense deduction. It's important to plan your bunching strategy carefully, taking into account your projected medical expenses and other deductible costs over several years. Consult your tax professional to evaluate the best approach for your specific situation.

Donated appreciated securities. Donating publicly traded securities that you have held for more than one year directly to a qualified charity generally allows you to claim an itemized charitable deduction for their fair market value and avoid capital gain on the donated appreciation. The deduction is generally subject to a 30% of AGI limit for long-term capital gain property, and beginning in 2026, only the portion of total qualifying itemized charitable contributions exceeding 0.5% of AGI is deductible.

Mortgage points. You may deduct mortgage "points" (prepaid interest) in full in the year you purchase or build your main home if the home serves as collateral for the loan. The payment of points must be typical for the area where the transaction takes place, and the amount paid should not exceed what is usually charged. The points may also be deducted over the life of the loan.

Investment interest deduction. If you borrow money to buy taxable investments such as stocks, mutual funds, or margin securities, you may be able to deduct the interest you pay on the loan. This deduction is limited to your net investment income for the year. Interest that exceeds your net investment income generally can be carried forward to future years. However, the rules around what qualifies as investment income and how this deduction interacts with other expenses can be complex, so talk to your advisor to ensure you're maximizing the benefit.



UNIVERSAL TAX SAVERS: DEDUCTIONS & MOVES

These are eligibility-based tactics that focus on ***what*** you can claim, whether you itemize or take the standard deduction. Think of them as the building blocks of a smarter tax plan, available to everyone at any life stage.

Above-the-line deductions. These deductions reduce your AGI and may be available whether or not you itemize:

- Traditional IRA contributions, if deductible
- Health savings account (HSA) contributions (see below)
- Student loan interest (up to $2,500)
- Educator expenses (up to $350)
- Early withdrawal penalties of savings
- Alimony paid under pre-2019 divorce or separation instruments
- Self-employed health insurance, deductible portion of self-employment tax, and retirement plan contributions

Health accounts. Here are key details to keep in mind for 2026.

- **Health savings account (HSA).** HSAs offer tax-advantaged savings to those with high deductible health plans. Out-of-pocket expenses include deductibles, co-pays, and coinsurance, but not premiums. Taxpayers age 55 or older can make an additional $1,000 HSA catch-up contribution.

2026 HSA CONTRIBUTION & PLAN LIMITS		
Type of Plan Under	**Individual**	**Family**
Maximum Contribution	$4,400	$8,750
Minimum Deductible	$1,700	$3,400
Max Out-of-Pocket Limit	$8,500	$17,000

- **Flexible spending account (FSA).** Use your funds before year-end or risk forfeiting them. Up to $680 may carry over to 2027. The 2026 health FSA salary-reduction limit is $3,400.

Retirement contributions. Max out your 401(k), 403(b), SIMPLE plan, or IRA to reduce your taxable income. Contributions may be pre-tax or Roth, depending on your plan. Traditional IRAs may be deductible based on your income and plan participation.

The 2026 limits are shown below. Note, however, that employer plans may not permit employees who have reached age 50 to contribute the higher amount indicated. Additional contribution limits could apply.

2026 FSA PLAN LIMITS		
Type of Plan Under	**Up to Age 50**	**Age 50 or Older**
401(k), 403(b), 457, SEP*	$24,500	**$32,500** (or $35,750 for those age 60-63)
SIMPLE IRA	$17,000	**$21,000** (or $22,250 for those age 60-63)
Traditional/Roth IRA**	$7,500	$8,600

**The $24,500 elective-deferral limit applies to 401(k), 403(b), governmental 457 plans, and the federal Thrift Savings Plan. SEP-IRA contributions generally follow separate employer-contribution limits. For 2026, the SEP maximum contribution is $72,000, and the maximum compensation taken into account is $360,000. Salary-reduction SEP contributions generally are available only under grandfathered SARSEP arrangements established before 1997.*
***IRA contributions may not exceed earned income.*

Fund an IRA. You may make an IRA contribution for the 2026 tax year as late as the April 2027 federal income tax filing deadline. There are no income restrictions on contributing to a traditional IRA, but your ability to deduct the contribution may be limited if you or your spouse participates in an employer-sponsored retirement plan.

If you are covered by an employer-sponsored retirement plan, the deduction phases out as modified adjusted gross income (MAGI) rises from:

- $81,000 to $91,000 for single and head-of-household filers
- $129,000 to $149,000 for married couples filing jointly
- $0 to $10,000 for married individuals filing separately

If you are not covered by an employer-sponsored retirement plan but your spouse is, the deduction for married couples filing jointly phases out as MAGI rises from $242,000 to $252,000.

Roth IRA and conversions. With a Roth IRA, contributions aren't tax-deductible and won't be taxed on withdrawal. You also may withdraw account earnings tax-free after you've had a Roth IRA for at least five tax years and reached age 59½, or in certain other qualifying circumstances.

Your eligibility to make Roth IRA contributions hinges on your income. In 2026, the allowable Roth IRA contribution phases out as MAGI rises from $153,000 to $168,000 for unmarried filers, and from $242,000 to $252,000 for joint filers. For married individuals filing separately who lived with their spouse at any time during the year, the phaseout range is $0 to $10,000.

If a Roth IRA is attractive to you but your income is too high to make a direct contribution, you may be in a position to convert a traditional IRA to a Roth IRA. There are no income restrictions or dollar limits on Roth IRA conversions. Consider any such conversion carefully, however. Previously untaxed amounts converted to a Roth IRA generally are included in taxable income in the year of the conversion and could result in a significant tax bill.

- Complete a Roth conversion during a year in which you expect to be in a relatively low tax bracket, such as a year when you have a large loss or your income from other sources is lower than usual.
- Convert when the value of your IRA investments has declined, which may reduce the amount of income subject to tax on the conversion.
- Spread conversions over several tax years to help prevent additional taxable income from pushing you into a higher tax bracket.
- Satisfy any required minimum distribution (RMD) before converting additional IRA assets. An RMD cannot be converted to a Roth IRA.

Required minimum distributions (RMDs). The SECURE 2.0 Act increased the age for taking RMDs to 73 beginning in 2023. The excise tax for failing to take an RMD is generally 25% of the amount you should have withdrawn. The tax may be reduced to 10% if you withdraw the missed amount and file the required tax return within the applicable correction window, generally by the end of the second tax year after the missed distribution.

Your first RMD will typically be due by April 1 of the year after you reach age 73, and another RMD will be due by December 31 of that same year. RMDs for subsequent years must be taken by year-end. (You typically can delay distributions from your employer's retirement plan until retirement if you are not a more than 5% owner of the company. Check with your plan administrator for information on your plan's rules.)

- Weigh the tax deferral benefit of waiting until right before the April 1 deadline to take your first RMD against the potential for being pushed into a higher tax bracket by taking two RMDs in one year.
- Consider state tax issues, particularly if you anticipate moving to a state with a significantly different tax rate structure.

Cryptocurrency. It is essential to keep detailed records of all cryptocurrency transactions, including dates, amounts, and values in U.S. dollars, to accurately report them on your tax returns. Here are some common scenarios to consider.

- **Capital gains and losses.** Cryptocurrency is treated as property for tax purposes. When you sell or exchange cryptocurrency, this can trigger a short-term or long-term capital gain or loss, depending on whether you held the cryptocurrency for less or more than 12 months.
- **Cryptocurrency as payment.** If you receive cryptocurrency as payment for goods or services, its fair market value at the time of receipt should be included in your gross income for tax purposes.
- **Mining and income.** Cryptocurrency mining, where you earn cryptocurrency as a reward for validating transactions on the blockchain, is generally considered income and is taxable. The fair market value of the cryptocurrency earned at the time of mining should be included in your gross income.

Cryptocurrency transactions may have various tax implications and can be complex. Therefore, it's crucial that you avoid potential penalties and issues by working with your tax advisors.

Tax payments. Paying enough income tax during the year is essential if you want to avoid an underpayment of estimated tax penalty. Generally, the federal income tax withheld from your paychecks and/or your quarterly estimated tax payments for 2026 should be at least equal to the lower of (1) 90% of your 2026 tax liability, or (2) 100% of your 2025 tax liability (110% if your AGI for the prior year exceeded $150,000, or $75,000 if you're married filing separately). You generally will not owe an underpayment penalty if, after subtracting federal income-tax withholding and refundable credits, your remaining 2026 tax due is less than $1,000.

- When you are checking your tax payments, be sure to consider any potential liability you may have for the 0.9% additional Medicare tax discussed on page 10.
- If you missed an estimated payment earlier this year or didn't pay enough, consider having more income tax withheld from your or your spouse's paychecks before year-end. Because the IRS applies withheld tax pro rata over the full tax year, this strategy can help reduce or eliminate penalties attributable to earlier underpayments.

Aim to pay enough tax during the year to avoid penalties without substantially overpaying and giving the government an interest-free loan. Your tax advisor can help you estimate required payments and update the plan when your income, deductions, or other circumstances change.

TIMING MATTERS

These are timing-based strategies that focus on the ***when*** and ***why*** of tax planning. They help you shift income or deductions across tax years to maximize savings and are especially powerful at year-end.

Timing income and deductions. Timing plays a significant role in year-end tax planning. Typically, you'll want to look for ways to delay the taxation of income until a later tax year and accelerate deductible expenses into the current tax year. Such strategies can lower this year's taxable income and the amount of income taxes currently due.

However, if you expect to be in a higher tax bracket next year, consider doing the reverse: move taxable income into this year and push deductible expenses into next year, when the deductions can potentially save you more tax dollars. Before implementing this plan, though, consider the time value of money. By paying taxes earlier, you give up the opportunity to invest those funds in the interim. It's always best to consult with your tax advisor to determine the best strategy before making a decision.

Here are some potential ways to defer taxable income:

- Increase pretax salary deferrals to an employer's 401(k), 403(b), governmental 457, or SIMPLE retirement plan. You'll find the 2026 deferral limits in the table on page 5.
- Ask if you can receive a year-end bonus or commission payment shortly after year-end.

Before accelerating deductible expenses such as state and local tax payments, consider whether doing so could increase your exposure to the Alternative Minimum Tax (AMT).

YOUR INVESTMENTS

For tax purposes, not all income is taxed equally. Capital gains and qualified dividends, for instance, are taxed differently—and often more favorably—than ordinary income. The following are some planning strategies you can use to secure more favorable tax treatment for your investment income.

Consider capital gains on home sales. If you sell your primary residence at a gain, you may owe tax on some or all of the gain. However, if you owned and used the home as your principal residence for at least two of the five years before the sale, you may be able to exclude up to $250,000 of gain from federal income tax, or up to $500,000 for eligible married couples filing jointly. Generally, you cannot have claimed this exclusion for another home sale during the two years before the sale.

In some situations, you may qualify for a reduced exclusion even if you do not meet the standard ownership and use tests. This may apply when a sale is due to a qualifying change in employment, health reason, or unforeseen circumstance.

A loss on the sale of a personal residence generally is not deductible. State tax treatment varies; many states follow the federal exclusion, but state-specific rules may differ.

Additional considerations may include taxable depreciation recapture for prior rental or business use, a Section 1031 exchange for qualifying investment or business property, and the 3.8% Net Investment Income Tax on taxable gain for certain higher-income taxpayers. Consult your tax professional to determine an appropriate strategy for your circumstances.



Watch holding periods. The length of time you hold an investment before selling it (your holding period) determines whether a capital gain or loss is short term or long term. The short-term holding period is one year or less, while the long-term holding period is more than one year. Long-term capital gain is generally taxed at preferential federal rates. However, investment decisions should be based on your overall goals, risk tolerance, and tax position, not tax considerations alone (see table below).

You can see from the same table that qualified dividends may be taxed at the same preferential federal rates as net long-term capital gain. Nonqualified dividends are generally taxed as ordinary income.

Most regular dividends paid by U.S. corporations (and certain foreign corporations) will be considered qualified if you hold the stock for a minimum number of days:

- **Common stock:** More than 60 days during the 121-day period that begins 60 days before the stock's ex-dividend date.
- **Preferred stock:** More than 90 days during the 181-day period that begins 90 days before the stock's ex-dividend date if the dividends are attributable to periods totaling more than 366 days. Otherwise, the more-than-60-days requirement generally applies.

A stock's ex-dividend date is the date on which the stock begins trading without rights to the most recently declared dividend.

Plan investment gains and losses. As part of your year-end tax planning, review investments that you hold outside of your tax-deferred accounts to check for opportunities to save taxes.

If you have already realized (or expect to realize) a large capital gain this year, consider whether you are holding securities in your portfolio that you could sell because they haven't performed up to your expectations. Realizing capital losses before the end of the year would allow you to use those losses to offset your capital gains. But before making such a decision, speak with your tax and financial advisors.

2026 TAXABLE INCOME RANGES FOR NET LONG-TERM CAPITAL GAINS AND QUALIFIED DIVIDENDS

	0%	15%	20%
Single	Up to $49,450	$49,451-$545,500	$545,501 and over
Married Filing Jointly	Up to $98,900	$98,901-$613,700	$613,701 and over
Head of Household	Up to $66,200	$66,201-$579,600	$579,601 and over
Married Filing Separately	Up to $49,450	$49,451-$306,850	$306,851 and over

SHORT-TERM CAPITAL GAINS	
Short-term capital gains are taxed at ordinary income tax rates, which are	as high as 37%

Certain higher-income taxpayers are also subject to the additional 3.8% net investment income tax. Capital losses are generally deductible in full against capital gains, and any capital losses in excess of capital gains may offset up to $3,000 of ordinary income ($1,500 if you are married filing separately).

You may carry forward any excess capital losses you aren't able to deduct for use in later years, subject to the same limitation.

If you have incurred capital losses in 2026, it may be a good time to take profits on appreciated investments you no longer want to hold. But be sure to weigh all relevant factors before you make any investment decisions. Assets inherited at death generally receive a basis adjustment to fair market value as of the date of death, which can reduce or eliminate taxable gain on pre-death appreciation. Exceptions apply.

Avoid wash sales. Exercise caution before selling securities to realize a tax loss with the thought of buying back in shortly afterward. A wash sale can occur if you acquire substantially identical stock or securities during the 30 days before or after you sell them at a loss. In a taxable-account replacement purchase, the disallowed loss generally increases the replacement security's basis and carries over its holding period. A repurchase in an IRA can permanently disallow the loss.

- To avoid a wash sale and take advantage of a tax loss on a stock you still want to own, consider doubling up on your position by buying additional shares at least 31 days in advance of your planned sale. Then sell your original securities at a loss. But pay attention to any dividend payments during the wash-sale period. If they are reinvested in additional shares, you may lose your ability to deduct part of your original loss.
- Alternatively, you could sell the securities on which you have a paper loss and replace them with shares of another company in the same industry having similar prospects.

Donate appreciated securities. If you itemize deductions and donate publicly traded securities that you have held for more than one year to a qualified public charity, you may generally deduct their fair market value, subject to applicable AGI limits, substantiation requirements, and other restrictions. Donating appreciated securities directly may also avoid the capital-gains tax that could apply if you sold the securities and donated the cash proceeds instead.

Monitor fund distributions. Many mutual funds make taxable distributions of capital gains to investors during the last couple of months of the year. All investors as of the date of record set by the fund for the distribution receive their proportionate share of the capital gains.

- If you are considering buying into a fund near year-end, check to see if the fund anticipates making a capital gain distribution. To avoid receiving additional taxable income this year, consider waiting to invest until after the record date for the distribution.

Minimize net investment income tax. If your modified AGI is high enough for the 3.8% net investment income tax to be a factor, you will want to consider strategies to lessen your exposure to the tax. The tax is calculated by multiplying 3.8% by the lesser of: (1) your net investment income, or (2) the excess of your modified AGI over the relevant threshold for your filing status. As mentioned earlier, the modified AGI thresholds are $250,000 (married filing jointly), $125,000 (married filing separately), and $200,000 (single/head of household).



Net investment income can include income from interest, dividends, annuities, royalties, rents, net capital gain, and passive trade or business activities. It does not include any amount that is subject to self-employment tax, amounts distributed from retirement plans, exempt interest on state and local bonds, or gain on the sale of a principal residence to the extent the gain is excludable from income.

- Increasing the number of hours you participate in an entity's affairs to meet the tax law's material participation standards can convert passive income into active income that is not subject to the 3.8% net investment income tax.
- Consider structuring a sale of appreciated real estate held as an investment as an installment sale. With an installment sale, you spread your gain and the taxes on that gain over more than one year. (The installment sale method cannot be used for sales of publicly traded securities or for certain sales to related parties, and it is not available to dealers.)

BEYOND THE DEDUCTION: CREDITS, THRESHOLDS, AND SURCHARGES

These provisions depend on a combination of income, filing status, eligibility requirements, and the type of income or expense involved and are organized to lead with benefits before diving into potential tax add-ons.

Education credits. These may help offset higher education costs.

- American Opportunity Tax Credit (AOTC): Up to $2,500 per eligible student, generally for the first four years of postsecondary education. Up to 40% of the credit may be refundable, subject to eligibility rules.
- Lifetime Learning Credit: Up to $2,000 total per return, generally equal to 20% of the first $10,000 of qualifying expenses. It is nonrefundable and may apply to undergraduate, graduate, professional, and job-skills coursework.

You generally cannot claim both credits for the same student in the same year, and you cannot use the same education expenses to support more than one tax benefit.

Child and dependent care credit (CDCC). Eligible taxpayers may claim a nonrefundable credit for a portion of qualifying care expenses paid so that they—and, if married filing jointly, their spouse—can work or look for work. For 2026, the credit percentage starts at 50% of up to $3,000 of qualifying expenses for one qualifying individual, or $6,000 for two or more qualifying individuals. The percentage is reduced as AGI increases: first down to no less than 35% for AGI above $15,000, and then reduced to no less than 20% for AGI above $75,000 or $150,000 for joint filers. The maximum credit before income-based reductions is $1,500 for one qualifying individual and $3,000 for two or more. Qualifying individuals may include children under age 13 and certain spouses or dependents incapable of self-care.

Social Security taxability. If you are a Social Security recipient, monitor your year-end transactions carefully. When provisional income exceeds specified levels (see table below), a portion of Social Security retirement benefits becomes taxable (state rules may vary.) For this purpose, provisional income is defined as modified AGI, which includes otherwise tax-exempt municipal bond interest, plus half of your Social Security benefits.

- If realizing additional income in 2026 would trigger additional tax on your Social Security benefits, consider whether you're able to defer the income until early 2027.

To learn about changes to taxation of Social Security benefits made by the One Big Beautiful Bill Act, see page 16.

WILL YOUR SOCIAL SECURITY BENEFITS BE TAXABLE?

UP TO THIS PERCENTAGE OF YOUR BENEFITS WILL BE TAXED

On a Joint Return* If your provisional income is:		On a Single or Head-of-Household Return If your provisional income is:
$32,000 or less	0%	$25,000 or less
Between $32,000 and $44,000	50%	Between $25,000 and $34,000
Over $44,000	85%	Over $34,000

**The provisional income threshold is zero for married persons filing separately who do not live apart from their spouses for the entire year.*

Additional 0.9% Medicare tax. Applies to earned income over:

- **$200,000** (single/head of household)
- **$250,000** (married filing jointly)
- **$125,000** (married filing separately)

Net investment income tax. The 3.8% net investment income tax is another ACA provision that is still with us. This tax affects higher-income investors with modified AGI over $200,000 (single/head of household), $250,000 (married filing jointly) or $125,000 (married filing separately). See page 8 for details regarding the net investment income tax and some tips for lessening your exposure to it.

Alternative minimum tax (AMT). The basic purpose of the AMT system is to ensure that taxpayers who use various deductions, credits, and exclusions to reduce their regular tax liability still pay a minimum amount of tax. A tax projection can tell you whether you are likely to owe the AMT for 2026. If you are, there may be strategies you and your tax advisor can consider to mitigate the impact of the tax.

Before accelerating state and local tax payments, confirm that the payments will be deductible and will not create an AMT issue. For 2026, the federal itemized deduction for state and local income or sales taxes and property taxes is generally capped at $40,400, subject to an income-based phaseout for higher-income taxpayers and a lower cap for married taxpayers filing separately.

Other potential AMT considerations include:

- Exercise of incentive stock options
- Significant tax-exempt interest from certain private-activity municipal bonds
- Timing and deductibility of state and local tax payments

Refer to page 16 for details on changes to the AMT made by the One Big Beautiful Bill Act.

For 2026, the joint/surviving spouse exemption is $140,200, single is $90,100, and married filing separately is $70,100. Phaseout thresholds are $1,000,000 for joint/surviving spouse, and $500,000 for single and married filing separately. Complete phaseout amounts are $1,280,400 for joint/surviving spouse, $680,200 for single, and $640,200 for married filing separately.

The AMT still remains a factor for certain high-income taxpayers, so you should consult with your tax advisor to consider various scenarios.



Opportunities for Business Owners

There are a number of opportunities for businesses to reduce their 2026 taxes by making certain financial moves before the end of the year. The following are a few to consider, but you should seek the advice of your tax professional for the full list to better understand the tax implications that are specific to your business.

A Note about Qualified Business Income

Qualified business income (QBI) generally is the net qualified income, gain, deduction, and loss from an eligible U.S. trade or business. Income earned as a C corporation and wages received as an employee are not QBI.

The QBI deduction may be limited for certain service businesses and for higher-income taxpayers. Specified service trades or businesses include many businesses in health, law, accounting, consulting, financial services, and certain other fields. Whether these limits apply depends on the owner's taxable income and the type of business.

KNOW YOUR BUSINESS STRUCTURE & TAX BASICS

The structure of your business determines how your business income is taxed.

Pass-Through Businesses. Pass-through businesses commonly include partnerships, S corporations, and LLCs taxed as partnerships or S corporations. Eligible owners may qualify for a deduction of up to 20% of qualified business income (QBI), subject to income, business type, wage and property, and other limitations.

For 2026, the QBI rules become more restrictive once taxable income exceeds:

- **Married filing jointly:** $403,500, phase-in ending at $553,500
- **Married filing separately:** $201,775, phase-in ending at $276,775
- **All other returns:** $201,750, ending at $276,750

For specified service trades or businesses (SSTBs), such as many health, law, accounting, consulting, and financial-services businesses, the deduction phases out over the applicable range and is generally unavailable above $553,500 for joint filers or $276,750 for most other filers. Different wage and qualified property limits may apply to non-SSTBs above the threshold.

Page 16 provides details on changes to the QBI deduction made by the One Big Beautiful Bill Act.

Other Important Provisions for Pass-Throughs

- **Excess business losses.** For 2026, an individual taxpayer's aggregate business losses generally are limited to $256,000, or $512,000 for married taxpayers filing jointly. Any disallowed excess is generally carried forward as an NOL and may be subject to an 80% of taxable-income limitation in later years.
- **Net operating losses (NOLs).** NOLs generally carry forward indefinitely and generally may offset up to 80% of taxable income in a carryforward year. Carrybacks are generally unavailable, subject to limited exceptions.
- **Business membership dues.** Dues paid to clubs organized for pleasure, recreation, or other social purposes generally are not deductible. Dues to professional, business, civic, or trade organizations may be deductible if they are ordinary and necessary business expenses, although certain lobbying-related amounts may not be deductible.
- **Simplified accounting for small businesses.** Certain businesses with average annual gross receipts of $32 million or less for the preceding three tax years may qualify for simplified accounting methods, including the cash method, reduced inventory requirements, and relief from certain uniform capitalization rules. Eligibility is subject to additional requirements, including restrictions for tax shelters.

C CORPORATIONS

All C corporations, regardless of their income, are taxed at a flat rate of 21%.

Corporate earnings paid as reasonable compensation are generally deductible by the corporation and taxable to the employee-owner. Compensation also may be subject to payroll taxes and applicable state and local taxes.

An employee-owner's compensation may be subject to federal income tax at rates up to 37%, as well as Social Security and Medicare payroll taxes. Social Security tax applies only up to the annual wage base, while Medicare tax generally has no wage cap. The 0.9% Additional Medicare Tax may also apply above the applicable threshold.

Planning Notes for C Corporations

- If you expect your closely held C corporation to have a profitable year, consider whether it makes business as well as tax sense to pay bonuses or make a tax-deductible profit-sharing contribution this year to minimize corporate taxable income.
- The IRS may impose a 20% accumulated-earnings tax when a corporation accumulates earnings beyond its reasonable business needs to avoid shareholder-level tax. In general, the accumulated-earnings credit is $250,000, or $150,000 for certain personal service corporations. A corporation may be able to justify larger accumulations by documenting specific, reasonably anticipated business needs.
- If your corporation has a reasonable business purpose for accumulating additional earnings, document why the additional money is needed in the corporate minutes. Possible reasons include the purchase of new equipment or the construction of new facilities.

Remember that tax-saving strategies can be complex, and the best approach depends on your specific business circumstances. Consult with a qualified tax advisor or CPA to develop a personalized tax plan tailored to your business structure and financial goals.

TIMING STRATEGIES FOR BUSINESSES

The tax accounting method your business uses will determine when income must be recognized and when expenses are deductible for tax purposes.

- **Cash method.** A cash-method business may be able to defer income by timing invoices and collections so that payment is not actually or constructively received until the following year, subject to the facts and circumstances.
- **Accrual method.** An accrual-method business may be able to defer income by timing the completion of performance, shipment, or other events that establish the right to payment, consistent with its contracts and business operations.

Timing moves to consider:

- If your business uses the cash method, you might defer income by delaying billing notices to your customers so the payment won't be received until early next year.
- As an accrual-method taxpayer, you might defer income by delaying the shipment of products or provision of services until the beginning of your 2027 tax year.
- Look for opportunities to defer certain advance payments received for services and the sale of goods. (Requirements apply.)
- Time bonus payments:
  - As a cash-method business, your company may want to pay bonuses before the end of the year to gain a 2026 deduction for the expense.
  - An accrual-method business may be able to deduct bonuses accrued in 2026 and paid within 2 ½ months after year-end if the liability is fixed and the amount is determinable by year-end. Different rules may apply to bonuses paid to shareholders and other related parties.

Business bad debts. A business bad debt deduction may be available for a debt that becomes wholly or partially worthless, provided the amount was previously included in income or otherwise represents the taxpayer's basis in the debt. Cash-method businesses generally cannot deduct uncollected receivables because the related income was not previously recognized.

Review accounts receivable reports before year-end to identify uncollectible accounts that may be written off as bad debts.

ASSET PURCHASES & DEPRECIATION

Recent tax law changes may provide expanded opportunities to expense or depreciate qualifying business assets. .

Use Section 179 expensing. A popular provision among small businesses, the Sec. 179 election allows businesses to expense a portion of eligible asset purchases in the year the assets are placed in service, instead of depreciating the assets over several years. The expense election is reduced (dollar for dollar) once qualifying asset purchases exceed the investment ceiling.

Eligible Sec. 179 property includes:

- Business equipment and machinery
- Office furniture and computers
- Off-the-shelf software
- Qualifying business vehicles, subject to applicable limits
- Qualified Sec. 179 real property, including certain improvements to nonresidential buildings

For 2026, the expensing election limit is $2.56 million, and the investment ceiling is $4.09 million. These amounts are indexed annually for inflation. Additionally, the election is limited to taxable income from an active trade or business.

See page 17 for details on changes to Sec. 179 expensing made by the One Big Beautiful Bill Act.

Deduct bonus depreciation. For eligible property generally acquired and placed in service after January 19, 2025, 100% first-year bonus depreciation may be available. Eligible property generally includes tangible MACRS property with a recovery period of 20 years or less, qualified improvement property, certain computer software, and other property specified by law. Additional requirements and exceptions apply.

- Bonus depreciation can create or increase an NOL. NOLs generally carry forward rather than back and are generally limited to 80% of taxable income in a carryforward year, subject to limited exceptions.
- If your business intends to elect Sec. 179 expensing and bonus depreciation for only some of its asset acquisitions and regular depreciation for others, consider using the Sec. 179 election for the assets with the longest lives.

For details on changes to bonus depreciation made by the One Big Beautiful Bill Act, see page 16.

MACRS DEPRECIATION ASSET CLASSES

PROPERTY CLASS	ASSETS INCLUDED
3-year	Tractor units for over-the-road use
5-year	Automobiles, trucks, computers, peripheral equipment
7-year	Office furniture and fixtures, farm machinery and equipment
10-year	Vessels, barges, tugs
15-year	Qualified improvement property
20-year	Farm buildings (other than certain single-purpose structures)
Residential Rental Property (27.5-year)	Apartment buildings, single-family rental properties
Nonresidential Real Property (39-year)	Office buildings, stores, warehouses

The lists of property included in each class aren't all-inclusive.

Expense lower cost purchases. In addition to the Sec. 179 and bonus depreciation elections, consider the de minimis safe harbor election for lower-cost asset purchases if certain requirements are met. Businesses without an applicable financial statement can generally expense items costing $2,500 or less per invoice or item.

Deduct business meals. Business meals are 50% deductible for federal income tax purposes and in some states that conform to federal rules. Business entertainment expenses, however, are not tax-deductible. You should track business meals and entertainment expenses separately in your accounting system. Certain meals are no longer deductible for income tax purposes in tax year 2026.



S CORPORATION STRATEGIES

If your business is organized as an S corporation, you and your individual shareholders will pay taxes on your proportionate share of corporate income at individual rates as high as 37% (see individual tax brackets on page 2). Therefore, steps taken to lower your business income before year-end can help reduce your income tax burden. As noted earlier, Subchapter S corporations may be able to take advantage of the 20% qualified business income (QBI) deduction.

Review shareholder compensation. Although employee salaries and bonuses (and the related employment taxes) are generally deductible business expenses, it's usually best for S corporation shareholders/employees to draw only "reasonable" compensation from the company. After reasonable compensation has been paid for services performed, qualifying S-corporation distributions generally are not subject to Social Security, Medicare, or self-employment taxes. However, shareholders generally remain taxable on their allocated share of the corporation's income, whether or not that income is distributed.

- Review the amount you are taking as salary from your S corporation to make sure it is reasonable for the services you perform, but don't overpay yourself. If desired, the company can distribute additional earnings to you and any other shareholders free of employment taxes. Shareholder-employee W-2 wages are not QBI. Paying additional wages can reduce the corporation's QBI, although wages also matter in applying QBI limitations for higher-income taxpayers.

Know your basis. Shareholder deductions for S-corporation losses are generally limited to stock basis and, if applicable, basis in direct loans the shareholder has made to the corporation. Stock basis is affected by capital contributions, distributions, and the shareholder's allocated share of corporate income, deductions, gains, and losses. If you expect a loss, review your basis before year-end. A capital contribution or a direct loan to the corporation may increase your ability to deduct losses, subject to at-risk, passive-loss, and excess-business-loss rules.

ADDITIONAL PLANNING TIPS

Below are more strategies that can prove useful in lowering business taxes.

Deduct retirement plan contributions. Maximizing tax-deductible contributions to a qualified retirement plan for yourself and any eligible employees can lower your business taxes and help you accumulate funds for retirement. The table below shows the 2026 contribution limits for different types of retirement plans.

2026 RETIREMENT PLAN CONTRIBUTION LIMITS

Plan Type	Maximum Addition to a Plan Participant's Account
401(k)*	Lesser of $72,000 or 100% of compensation
Profit sharing	Lesser of $72,000 or 100% of compensation
SEP-IRA	Lesser of $72,000 or 25% of compensation
SIMPLE IRA	Up to $17,000 of employee salary deferrals plus employer contributions (3% match or 2% nonelective contributions)

See **page 5 for the applicable limits on employee salary deferrals.*

Some plans allow participants aged 50 and over to make additional catch-up contributions, which would not be subject to the limits set forth above. For example, the SIMPLE IRA contribution limit for participants aged 50 and over is $21,000 in 2026, or $22,250 for participants aged 60-63.

Deduct start-up expenditures. The first $5,000 of start-up expenditures is reduced dollar-for-dollar when total start-up costs exceed $50,000 and eliminated at $55,000. The business must begin an active trade or business by year-end. Costs incurred while investigating or preparing to enter a business may have different treatment depending on the facts.

Hire your child. A business may generally deduct reasonable wages paid to a child for legitimate services actually performed. The wages are taxable to the child and may be offset in whole or in part by the child's standard deduction, depending on the child's earned income. When a parent employs a child under age 18 in an unincorporated business, the wages generally are exempt from Social Security and Medicare taxes; different rules apply when the employer is a corporation, including an S corporation. Maintain contemporaneous records of the services, hours, and pay rate.

Take credit. Eligible businesses can use tax credits to lower their tax liabilities. The table below shows some of the tax credits available for 2026.

SEE IF YOUR BUSINESS QUALIFIES FOR TAX CREDITS

Employer-Provided Child Care

Generally 40% of qualifying facility expenditures plus 10% of qualifying resource-and-referral expenditures, subject to an annual cap; eligible small businesses may qualify for enhanced rates and limits. For taxable years beginning after December 31, 2025, dependent care assistance program exclusion increases from $5,000 to $7,500, and from $2,500 to $3,750 for married filing separately.

FICA Tip

Credit for the employer share of Social Security and Medicare taxes paid on certain employee tips in food and beverage establishments, subject to requirements.

Small Employer Pension Plan Start-Up Costs

Eligible small employers may receive a credit for qualifying plan start-up and education costs for up to three years; the percentage and maximum depend on employee count.

Research

Eligible businesses may claim a research credit; qualifying small businesses may be able to elect to apply up to $500,000 of the credit against certain payroll-tax liabilities.

Employer Wage Differential

Credit equal to 20% of up to $20,000 of qualifying differential wage payments to eligible employees called to active military service.

Small Employer Health Insurance

Up to 50% of qualifying employer health-insurance contributions, generally for up to two consecutive years and subject to eligibility requirements.

Disabled Access

Eligible small businesses may receive a credit equal to 50% of eligible access expenditures between $250 and $10,250, for a maximum $5,000 credit.



The One Big Beautiful Bill Act Becomes Law

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law. The legislation permanently extended many individual and business tax provisions originally enacted in the Tax Cuts and Jobs Act (TCJA) that otherwise were scheduled to expire after 2025. It also introduced new, generally temporary deductions and expanded several business tax incentives.

The following highlights are intended as a high-level overview. Many provisions include eligibility requirements, phaseouts, and effective-date rules; consult your tax advisor before taking action.

INDIVIDUAL INCOME TAXES

Individual income tax rates made permanent. The TCJA's individual income tax rate structure—including the 10%, 12%, 22%, 24%, 32%, 35%, and 37% brackets—has been made permanent, with annual inflation adjustments.

Higher standard deduction retained. For 2026, the standard deduction is $16,100 for single taxpayers and married taxpayers filing separately, $24,150 for heads of household, and $32,200 for married couples filing jointly and qualifying surviving spouses.

Higher SALT deduction cap through 2029. For 2026, taxpayers who itemize deductions may deduct up to $40,400 of qualifying state and local income or sales taxes and property taxes. The cap begins to phase down for taxpayers married filing jointly with MAGI above $505,000 or $252,500 for married filing separately, and the reduction is 30% of MAGI over the threshold, but the cap generally cannot be reduced below $10,000. The cap and phaseout threshold rise by 1% annually through 2029; the general $10,000 cap returns in 2030. Lower limits apply to married taxpayers filing separately.

Child Tax Credit increased and made permanent. The Child Tax Credit is permanently set at $2,200 per qualifying child for 2026 and is indexed for inflation. Up to $1,700 may be refundable through the Additional Child Tax Credit, subject to eligibility and earned-income requirements.

Estate and gift tax exemption increased. For 2026, the basic federal estate and gift tax exclusion is $15 million per person, or $30 million for a married couple with appropriate planning. The amount is indexed for inflation.

AMT relief retained. Higher alternative minimum tax exemption amounts were made permanent. However, the exemption phaseout thresholds were reduced to $500,000 for most non-joint filers and $1 million for married taxpayers filing jointly, subject to annual inflation adjustments.

Selected individual deductions remain unavailable. Personal exemptions, miscellaneous itemized deductions subject to the former 2%-of-AGI floor, and the moving expense deduction generally remain unavailable, with limited exceptions.

Selected clean energy credits ended early. The federal credits for new and previously owned clean vehicles generally applied only to vehicles acquired and placed in service by September 30, 2025—not September 31, which does not exist. The Residential Clean Energy Credit and Energy Efficient Home Improvement Credit generally expired after December 31, 2025.

NEW TEMPORARY DEDUCTIONS

Most of the following deductions apply for tax years 2025 through 2028 and are subject to detailed eligibility, reporting, and phaseout rules.

Qualified overtime compensation. Eligible taxpayers may claim a deduction of up to $12,500, or up to $25,000 for a qualifying joint return, for qualified overtime compensation. The deduction begins to phase out when MAGI exceeds $150,000 for most non-joint filers or $300,000 for joint filers. It is available whether or not the taxpayer itemizes deductions.

Qualified tips. Eligible workers in occupations that customarily and regularly receive tips may claim a deduction of up to $25,000 for qualified tip income. The deduction begins to phase out when MAGI exceeds $150,000 for most non-joint filers or $300,000 for joint filers. It may be available to employees and qualifying independent contractors, subject to reporting requirements.

Additional deduction for eligible seniors. Taxpayers age 65 or older may claim an additional deduction of up to $6,000 per eligible individual, in addition to the standard deduction or itemized deductions and the existing additional standard deduction for age or blindness. The deduction begins to phase out above MAGI of $75,000 for most non-joint filers and $150,000 for joint filers. It is not a repeal of federal tax on Social Security benefits.

Qualified passenger-vehicle loan interest. Taxpayers may deduct up to $10,000 of qualifying interest paid on a loan used to purchase an eligible new passenger vehicle for personal use. The deduction begins to phase out above MAGI of $100,000 for most non-joint filers and $200,000 for joint filers.

Expanded 529 plan uses. Beginning in 2026, qualified 529 plan distributions may include additional K–12 expenses and certain qualified postsecondary credentialing, certification, and licensing expenses. State conformity rules may vary.

Trump Accounts. The law creates new tax-advantaged accounts for eligible minors, known as Trump Accounts. Annual contributions are generally capped at $5,000, subject to future inflation adjustments. The accounts have specific eligibility, contribution, investment, and distribution rules; they should not be described simply as "tax-free retirement accounts" or traditional IRAs.

Charitable contributions. Beginning in 2026, taxpayers who do not itemize may deduct up to $1,000 of qualifying cash charitable contributions, or up to $2,000 for married taxpayers filing jointly. Itemizers are subject to a new 0.5%-of-AGI floor for charitable deductions; in general, charitable contributions must exceed 0.5% of AGI before a deduction is available. Consult an advisor regarding contribution type, recipient eligibility, substantiation, and applicable AGI limitations.

BUSINESS INCOME TAXES

QBI deduction made permanent. The Section 199A deduction for eligible owners of pass-through businesses is now permanent. It generally permits a deduction of up to 20% of qualified business income, subject to income, business type, wage and property, and other limitations. The law also provides an inflation-indexed minimum QBI deduction of $400 for taxpayers with at least $1,000 of QBI from active businesses in which they materially participate.

100% bonus depreciation restored. The law permanently restores 100% first-year bonus depreciation for eligible property generally acquired and placed in service after January 19, 2025. The Section 179 expensing limit was increased; for 2026, the maximum Section 179 deduction is $2.56 million, subject to the investment phaseout and other limits.

Immediate expensing of domestic research costs. Domestic research and experimental expenditures incurred in tax years beginning after December 31, 2024 generally may be deducted immediately. Foreign research expenditures remain subject to separate amortization rules which should be amortized over 15 years. Eligible small businesses may have opportunities to apply the domestic expensing change retroactively, subject to specific requirements.

Manufacturing incentives. The advanced manufacturing investment credit increases from 25% to 35% for qualified property placed in service after December 31, 2025. The law also provides a temporary 100% depreciation allowance for certain qualified production property, subject to detailed eligibility requirements.

Employer-provided childcare credit expanded. For 2026, the employer-provided childcare credit generally equals 40% of qualifying facility expenditures, plus 10% of qualifying resource-and-referral expenditures, subject to a $500,000 annual cap. Eligible small businesses may qualify for a 50% credit rate and a $600,000 cap.

Other business provisions. The legislation also made permanent or extended provisions involving:

- The Section 45S employer credit for paid family and medical leave
- The New Markets Tax Credit
- Opportunity Zones, with updated rules for future investments
- The limitation on excess business losses of noncorporate taxpayers



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