

Truist 2026 year-end tax planning guide



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2026 has been another remarkable and eventful year. Geopolitical events, the economy, artificial intelligence, a rousing World Cup, and the United States' 250th birthday celebration—it seems like the news never stops. And as of publication, the midterm elections have not happened. So, the news cycle will not stop.

Mercifully, there has been no new, major tax legislation to report. Additional provisions from the One Big Beautiful Bill Act (OBBBA) take effect this year and may impact your plan. As year-end approaches, this guide provides planning ideas to help you manage potential tax liabilities and highlights key changes taking effect in 2026.

To effectively mitigate taxes, the full team needs to be included in discussions year-round. While an idea is still being contemplated and before a transaction is complete, bring your full wealth team (wealth advisor, financial advisor, wealth strategist, trust advisor, portfolio manager, banker, insurance strategist, attorney, and tax advisor) to consider your comprehensive financial picture in order to achieve the desired outcome as tax-efficiently as possible. Among the advisory team, early involvement of the tax advisor is particularly important. Their contribution is invaluable as they will make the final determination of any tax position.

Throughout this guide, we discuss multiple income and estate tax minimization strategies. These ideas may not necessarily be specific to your situation. Our intention has always been for this guide to be a springboard for meaningful conversations with your entire advisory team to continue to plan for your goals and objectives. As such, we strongly advise you to consult with your tax advisor and broader wealth-planning team to ensure a particular strategy is appropriate for your situation.

Investment income considerations prior to year-end

Investment income plays a significant role in managing your tax liability. Reviewing year-to-date investment income, gain, and loss plays a significant role in tax planning. As you approach year-end, consider the following rules.

Qualified dividends include dividends received from domestic and certain foreign corporations and are taxed at favorable capital gains rates. Therefore, qualified dividends are taxed at a maximum rate of 20% (23.8% if subject to the net investment income tax). Non-qualified dividends are subject to ordinary income tax rates of up to 37% (40.8% if subject to the net investment income tax).

Qualified dividends/long-term capital gains tax tables			
Filing status	0% rate	15% rate	20% rate
Married filing jointly	\$0 - \$98,900	\$98,901 - \$613,700	Greater than \$613,700
Single	\$0 - \$49,450	\$49,451 - \$545,500	Greater than \$545,500
Head of household	\$0 - \$66,200	\$66,201 - \$579,600	Greater than \$579,600
Married filing separately	\$0 - \$49,450	\$49,451 - \$306,850	Greater than \$306,850
Estates and trusts	\$0 - \$3,300	\$3,301 - \$16,250	Greater than \$16,250

Source: IRS Revenue Procedure 2025-32, Tax Year 2026 Inflation Adjustments

Income from bonds issued by state, city, and local governments (municipal bonds) is generally exempt from federal income tax, including the net investment income tax. Municipal bond income from your resident state and U.S. possessions is also usually exempt from state tax.

However, you still have to report municipal bond income when filing your federal tax return. For certain types of municipal bonds, the income could be taxed at the applicable Alternative Minimum Tax rate, which could be 26% or more.

The timing of your investment activities can result in significant tax consequences. A key point to remember when planning investment activity in 2026 is any capital loss carryovers you may have from your 2025 tax return. The following general rules apply for most capital asset transactions in 2026:

- Capital gains on property held for one year or less are taxed at a taxpayer's ordinary income tax rate.
- Capital gains on property held for more than one year are taxed at more favorable capital gains tax rates, depending on the individual's income tax bracket.
- Capital gains may also be subject to an additional 3.8% net investment income tax.

You should consider timing the sale of assets to offset capital gains and losses. Capital losses may be fully deducted against capital gains and offset up to an additional \$3,000 of ordinary income (\$1,500 for a married individual filing separately). Any capital loss exceeding \$3,000 may be carried forward indefinitely and expires only upon the taxpayer's death.

If you sell a security at a loss, you must wait 31 days before repurchasing the same security, or else the wash sale rules apply, which disallow the loss. However, before recognizing losses, we urge you to discuss the strategy with your financial advisor. If they believe a particular investment may recover from its current value, your overall wealth may be better served by keeping the position.

Investment timing matters on both the buying and selling side. Many mutual funds make capital gain distributions late in the year. Buying a fund shortly before one of these distributions could result in a tax bill on gains that were earned before you became an investor. Reviewing distribution schedules before making a purchase can help avoid this outcome. The same consideration applies when selling a fund, as investors may still receive a taxable capital gain distribution even after their shares have been sold.

Net investment income tax (NIIT)

An additional 3.8% tax is levied on certain unearned income of higher-income taxpayers. The net investment income tax is levied on the lesser of net investment income or the amount by which modified AGI (MAGI) exceeds the following dollar amounts:

Net investment income thresholds	
Filing status	Amount
Married filing jointly	\$250,000
Single	\$200,000
Head of household	\$200,000
Married filing separately	\$125,000
Estates and trusts	\$16,000

Source: Internal Revenue Code section 1411 and IRS Instructions for Form 8960

Investment income is defined as:

- Gross income from interest, dividends, annuities, royalties, and rents (other than from a trade or business)
- Gross income from any business to which the tax applies
- Net gains from investments and other assets that are not part of an active business.

Investment income does not include distributions from a qualified retirement plan or amounts subject to self-employment tax.

Strategies to reduce exposure to the NIIT include exchanging real property through a like-kind exchange to defer gain recognition, investing in Qualified Opportunity Zone Funds, or postponing the sale of a principal residence to 2027 if you expect your income to be lower. For sales of principal residences, the first \$250,000 of gain (\$500,000 if married filing jointly) is excluded from gain if you used the home as your principal residence for two of the past five years.

§1031 like-kind exchanges

Under Internal Revenue Code Section 1031, no gain or loss is recognized upon a sale of real property held for productive use in a trade or business or for investment when exchanged for real property of a like kind to be held either for productive use in a trade or business or for investment. It should be noted that real property held primarily for sale or personal-use property like a principal residence does not qualify for the like-kind exchange rules. The realized gain is deferred until the “exchange property” is disposed of in a subsequent taxable transaction. To qualify for the like-kind treatment, four conditions must be met:

- There must be an exchange, rather than a sale and purchase of properties.
- You must hold both the property traded and received for business or investment purposes.
- The properties must be of like kind (for example, real estate for real estate). Improved real estate can be traded for unimproved real estate, and vice versa.
- The properties must not be personal property.

Like-kind exchanges can be “simultaneous” or “deferred” exchanges. A simultaneous exchange is one in which you trade your property for property that another party already owns. A deferred exchange is one in which you transfer property for the other party’s promise to acquire and transfer property of like-kind to you. Deferred exchanges must satisfy two timing rules. First, within 45 days of the transfer of your property, you must give the other party written identification of the property or properties you want to receive. Second, you must receive that property by the earlier of the 180 days after you transfer your property or the due date of your tax return (including extensions) for the year of your transfer. The engagement of a qualified intermediary is strongly encouraged to oversee a like-kind exchange.

Deferring taxes through Qualified Opportunity Zone Funds (QOF)

A taxpayer who invests eligible gain in Qualified Opportunity Zone property through a Qualified Opportunity Zone Fund within 180 days of realizing the gain can defer tax on the eligible amount. QOFs allow individuals, corporations, and trusts, both foreign and domestic, to defer an unlimited amount of eligible capital gain from the sale or exchange of property to an unrelated person. Unlike §1031 like-kind exchanges, the gain must first be realized before it can be deferred in a QOF. Tax regulations also allow deferral of gains distributed from pass-through entities, such as partnerships. The property sold can be stock, business assets, personal assets, or another type of property.

For legacy QOF investments, deferred gain generally is treated as realized on Dec. 31, 2026. Any tax due on that originally deferred gain is due no later than April 15, 2027. Although the remaining deferral period for new pre-2027 investments is limited, gains that accrue while invested in the QOF may be excluded if the investment is held for at least 10 years.

The deferred gain generally becomes taxable on Dec. 31, 2026. The amount recognized is generally the lesser of the deferred gain or the excess of the fair market value of the investment over basis immediately before the inclusion event, subject to applicable statutory and regulatory rules. Because the fund's value may affect the amount of tax owed, it is important to obtain documentation supporting the investment's fair market value. In some cases, an independent appraisal may be needed. Contact your QOF sponsor and tax advisor before year-end to determine the fund's value.

The OBBBA made the Qualified Opportunity Zone tax break permanent and enhanced certain features for 2027 and later years. For investments made under the new regime, the deferral period, basis-adjustment rules, qualified rural opportunity zone incentives, and designation process should be reviewed under final IRS and Treasury guidance when available. If the taxpayer holds a qualifying QOF investment for five years, a basis increase may apply, and qualified rural opportunity zone investments may receive a larger basis increase. Because qualified opportunity zone designations and additional guidance are still expected, taxpayers should consult their tax advisor before relying on this strategy.

Charitable contribution deductions

As you approach the end of the year, you may begin thinking about making gifts to your favorite charities. Income and estate tax deductions provide financial benefits in addition to the intangible benefits. Deductibility of a charitable contribution is subject to a number of factors depending on the type of gift and the characteristics of the recipient.

While not intended to be inclusive of all nuances and requirements of different types of gifts, generally, to qualify for a federal charitable income tax deduction in 2026:

- You must itemize deductions on your income tax return (unless under the \$1,000 cash contribution limit exception for single non-itemizers or \$2,000 for joint non-itemizers).
- You must meet substantiation requirements that depend on the type of property.
- The gift must be made to a qualified charitable organization.
- For gifts to public charities and donor-advised funds (DAFs), your deduction is limited to 60% of your Adjusted Gross Income (AGI) for cash gifts and 30% for long-term held non-cash gifts. For gifts of short-term capital gain property (held less than one year) you can only deduct the cost basis of the asset with an AGI limitation of 50%.

- For gifts to private foundations, your deduction is limited to 30% of your Adjusted Gross Income (AGI) for cash gifts and 20% for long-term held non-cash gifts.
- You may carry forward unused deduction amounts up to five subsequent tax years.

Charitable giving changes effective in 2026

Beginning in 2026, OBBBA changes the charitable deduction rules for both itemizers and non-itemizers. Itemizers may deduct only the portion of charitable contributions that exceeds 0.5% of the contribution base. Unused amounts disallowed by the 0.5% floor may carry forward only from years in which the limitation is exceeded. Taxpayers in the 37% bracket also face an additional limitation on the value of itemized deductions. Note that the 0.5% AGI limitation applies first, and then the additional limitation for those taxpayers in the 37% bracket. These rules may affect the timing and size of gifts, including gifts to donor-advised funds, so a tax advisor should model the rules before a taxpayer accelerates or delays a contribution.

Beginning in 2026, non-itemizers may claim a charitable deduction of up to \$1,000 for single filers or \$2,000 for married couples filing jointly for qualifying cash contributions. This applies to eligible public charities and does not apply to contributions to donor-advised funds or private foundations. Confirm the recipient and substantiation requirements before making the gift.

Bunching

Bunching combines two or more years of planned charitable gifts into a single tax year. This strategy may be helpful when a taxpayer's charitable gifts, together with other itemized deductions, would not exceed the applicable standard deduction threshold if made annually.

Beginning in 2026, bunching may also help itemizers exceed the new 0.5% AGI floor for charitable deductions, which means only charitable contributions above the floor are deductible. One common approach is to contribute appreciated securities to a donor-advised fund in the bunching year, potentially claim the charitable deduction in that funding year, and then recommend grants to charities over time.

- **Example: Standard deduction threshold** – A taxpayer who gives similar amounts to charity each year may not receive much additional tax benefit if annual charitable gifts, combined with other itemized deductions, do not exceed the standard deduction. By combining several years of planned gifts into one year, the taxpayer may be able to itemize in that year while continuing to support charities over time through a donor-advised fund.
- **Example: 0.5% AGI floor** – Beginning in 2026, smaller annual gifts may be partially or fully absorbed by the 0.5% AGI floor for itemizers. Bunching larger planned gifts into one year may help more of the charitable giving rise above that floor, subject to the usual AGI percentage limits and other applicable rules.

Appreciated stock gifts

It is generally beneficial to make a charitable gift of appreciated property (like stock) held for more than one year directly to a charity rather than selling the asset first and donating cash. If such an asset is sold first, it would be subject to long-term capital gains tax paid by you. By donating it directly to a charity, none of the appreciation will be subject to capital gains taxes, assuming the contribution complies with all the applicable rules.

When using the appreciated stock gift strategy, you should use the following income tax guidelines:

- Consider giving securities from your portfolio that have the greatest appreciation.
- Conversely, consider selling and donating cash from the sale of loss securities.
- Consider giving securities you have owned for more than one year.
- Gifting highly appreciated securities can help rebalance your portfolio.
- For taxpayers wishing to make donations that exceed their AGI limitations, use a blended approach of long-term stock and cash.
- Always consult your tax advisors to determine the best approach for your situation.

Example: Your marginal tax bracket (federal only) is 35% and capital gains rate is 23.8% (federal only of 20% and the 3.8% NIIT). You bought ABC stock for \$30,000 that is now worth \$100,000.

	Sell stock and donate cash	Donate stock directly
ABC stock value	\$100,000	\$100,000
ABC stock basis	\$30,000	\$30,000
ABC capital gain	\$70,000	\$70,000
Capital gains tax (23.8%)	\$16,660	\$0
Donation to charity	\$83,340	\$100,000
Tax benefit (35% deduction)	\$29,169	\$35,000

Consider using your IRA to make a qualified charitable distribution.

A qualified charitable distribution (QCD) is an otherwise taxable distribution from an individual retirement account (IRA) owned by a person at least age 70½ on the date of distribution, paid directly from the IRA to a qualified charity. An active Simplified Employee Pension Plan (SEP), SIMPLE IRA, 401(k) plan, or 403(b) plan does not qualify for this strategy. If you do not need all or part of your required minimum distribution (RMD) income, a QCD allows you to donate up to a total of \$111,000 annually, indexed for inflation from your IRA to one or more qualified charities. The result is that the QCD is not included in your income and satisfies all or part of your RMD. Things to consider when using the QCD strategy include:

- A QCD must be paid directly to an eligible public charity. Donor-advised funds, private foundations, and supporting organizations are not eligible recipients, so confirm the charity's eligibility before requesting the distribution.
- Even if you do not itemize, a QCD allows you to make charitable gifts and still receive tax benefits.
- Since a QCD excludes the amount donated from taxable income, unlike regular IRA withdrawals, it may reduce the impact on certain tax credits and deductions, including Social Security, Medicare, and the Net Investment Income Tax.
- A QCD provides tax benefits even if you have charitable contributions exceeding AGI limitations.

- If you have charitable deduction carryover from past years, a QCD may allow you to make gifts without affecting your carryover.
- With certain restrictions, a once-in-a-lifetime QCD of up to \$55,000 in 2026, indexed for inflation, may be made to a charitable remainder trust or charitable gift annuity.
- A beneficiary of an inherited IRA can be eligible for a QCD, as long as the beneficiary is at least age 70½.
- State laws vary in their treatment of QCDs and retirement withdrawals, so, as always, confirm with your tax preparer.

Deduct now, decide later: Donor-advised fund vs. private foundation

Taxpayers often want to have the ability to capture their charitable tax deduction in a given year while delaying or controlling their charitable decision for a later time. Frequently, this situation can arise when clients are attempting to maximize charitable contributions in a particular year. Two popular methods for achieving this goal are the use of either a donor-advised fund (DAF) or a private foundation.

	Donor-advised fund	Private foundation
Your charitable goals	• You want to make a charitable donation but have not decided on specific charity or timing. • You want to have some control over future allocation of gift.	• You want an active role in administration. • You want complete control over grantmaking. • You are interested in building a public legacy for future generations.
Threshold	• Typically, greater than \$5,000	• At least \$1 million (\$5 million more common)
Deduction limitations	• 60% of AGI for cash • 30% of AGI for long-term appreciated securities and real estate	• 30% of AGI for cash • 20% of AGI for long-term appreciated securities and real estate
Valuation of gift	• FMV	• Limited to lesser of FMV or cost basis for appreciated assets other than publicly traded stock
Annual payout	• No current statutory minimum payout requirement. Policymakers have periodically considered payout requirements; advisors often encourage regular grantmaking consistent with philanthropic objectives.	• 5% of total asset value annually
Your role in grantmaking	• You may request grants to qualified charities, but DAF has final decision	• Complete control
Your role in investing	• Limited control; may recommend asset allocation from possible investment pool.	• Complete control
Cost	• Limited or no start-up costs • Annual fees typically 1-3% of asset value	• Significant start-up expenses and ongoing fees • 1.39% excise tax on net investment income. • Current federal excise tax rate subject to future legislative change.
Privacy	• Donations may be acknowledged or anonymous	• Tax returns and donors' names are public record
Succession	• Most revert to the host organization after death of original donor or two succeeding generations.	• Foundations can exist in perpetuity.

Charitable remainder and charitable lead trusts

Other charitable vehicles may help donors pursue philanthropic goals, obtain income and estate tax benefits, and potentially provide an income stream for themselves or their families. Two examples are charitable remainder trusts and charitable lead trusts. A charitable remainder trust can provide a charitable gift, an income tax deduction, potential deferral of capital gain,

and an income stream for the donor or family. The charity receives the remaining trust assets after a specified period, which may include the donor's lifetime. A charitable lead trust provides an income stream to charity first, with remaining assets passing to noncharitable beneficiaries at the end of the trust term. An easy way to remember the distinction is that a charitable remainder trust benefits the charity at the end, while a charitable lead trust benefits the charity at the beginning.

Employer-sponsored retirement plans

Few year-end planning opportunities are as powerful as those involving retirement accounts. The right move before Dec. 31 may reduce taxes, increase retirement savings, and help avoid costly penalties. This section highlights key retirement plan deadlines, required minimum distributions, contribution opportunities, and tax-saving strategies to consider before year-end.

Required minimum distributions

IRA owners generally must begin taking required minimum distributions (RMDs) for the year they reach their required beginning age. The first RMD may be delayed until April 1 of the following year. Certain employer-sponsored retirement plans may allow an active employee who does not own more than 5% of the employer to delay RMDs until retirement, but only if the plan has adopted that provision. Under SECURE 2.0, the applicable age is 73 for individuals born from 1951 through 1959 and 75 for individuals born in 1960 or later.

SECURE 2.0 Act Required minimum distribution ages

Participant's date of birth	Age to begin taking RMDs
Before July 1, 1949	70½
July 1, 1949 – Dec. 31, 1950	72
Jan. 1, 1951 – Dec. 31, 1959	73
Jan. 1, 1960 or later	75

Source: Internal Revenue Code section 401(a)(9), as amended by SECURE 2.0

An IRA owner born in 1953 reaches age 73 in 2026. The owner's first RMD is for 2026 and must be taken by April 1, 2027. Delaying the first RMD until 2027 may result in two RMDs during that year, potentially increasing taxable income, Medicare premiums, the taxable portion of Social Security benefits, or marginal tax rates. Except for the first RMD's April 1 deadline, RMDs generally must be taken by Dec. 31 of the applicable year. The Dec. 31 deadline also applies to required beneficiary life-expectancy distributions.

Beneficiaries should review inherited account requirements carefully. A designated beneficiary subject to the 10-year rule may need to take annual distributions during the first nine years if the original owner died on or after the required beginning date. The account generally must be emptied by the end of year 10. Different rules apply to eligible designated beneficiaries, including surviving spouses, the account owner's minor children, disabled or chronically ill beneficiaries, and beneficiaries who are not more than 10 years younger than the original owner.

If an IRA owner or plan participant dies in a year for which an RMD was required but does not take the full amount, the beneficiary generally must withdraw the shortfall by Dec. 31 of that year. Missing the deadline may trigger an excise tax, but the penalty is automatically waived if the missed amount is distributed by the later of the beneficiary's applicable tax-filing deadline, including extensions, or Dec. 31 of the following year. For most individual beneficiaries, Dec. 31 of the following year will be the later date.

Failure to take an RMD can result in a 25% excise tax on the shortfall. The tax may be reduced to 10% if the shortfall is corrected within the applicable correction period and the reporting requirements are satisfied.

2026 retirement plan and IRA contribution limits

Retirement accounts remain among the most effective year-end tax-planning tools. Contributions to IRAs and employer-sponsored retirement plans can reduce current taxable income while increasing retirement savings. Higher contribution limits for 2026 create additional planning opportunities.

Individuals with eligible compensation may contribute to a traditional or Roth IRA regardless of age. Married couples filing jointly may also be able to contribute to an IRA for a spouse who has little or no compensation. The IRA catch-up contribution for individuals age 50 or older increased to \$1,100 for 2026.

Participants ages 60 through 63 may be eligible for enhanced catch-up contribution limits in 401(k), 403(b), governmental 457(b), Thrift Savings Plan (TSP), and certain SIMPLE plans. Eligibility and contribution limits depend on the type of plan, employer size, plan provisions, compensation, and other applicable rules.

Contribution limits to retirement plans and IRAs	
Plan	Lesser of compensation or limit below
Traditional and Roth IRAs (combined)	\$7,500
Traditional and Roth IRAs annual catch-up contribution (for those 50 or older)	\$1,100
401(k), 403(b), governmental 457, and SARSEP plans	\$24,500
Catch-up for most employer plans, age 50 or older	\$8,000
Enhanced catch-up for employer plans, ages 60 - 63	\$11,250
SIMPLE 401(k) and SIMPLE IRA plans	\$17,000
SIMPLE catch-up, age 50 or older	\$4,000
Enhanced SIMPLE catch-up, ages 60 - 63	\$5,250
Maximum defined contribution or SEP contribution, subject to applicable rules	\$72,000

Source: IRS Notice 2025-67, 2026 Retirement Plan Cost-of-Living Adjustments

2026 IRA income phaseouts

IRAs can provide valuable tax benefits and long-term retirement growth. Most taxpayers with eligible compensation may contribute to a traditional IRA, although the deduction may be limited by income and workplace retirement plan coverage.

IRA modified adjusted gross income phaseout limits for deductible contributions		
Filing status	Covered by workplace plan?	Phaseout limit
Single/head of household	Yes	\$81,000 - \$91,000
Married filing jointly, or qualifying surviving spouse, contributor covered	Yes	\$129,000 - \$149,000
Married filing jointly, or qualifying surviving spouse, contributor not covered but spouse covered	No	\$242,000 - \$252,000
Married filing separately	Yes	\$0 - \$10,000

Source: IRS Notice 2025-67, 2026 Retirement Plan Cost-of-Living Adjustments

Direct Roth IRA contributions are also subject to income limits, making year-end income projections an important part of retirement planning.

Modified adjusted gross income phaseout limits to contribute to a Roth IRA	
Filing status	Phaseout limit
Single/head of household	\$150,000 - \$165,000
Married filing jointly, or qualifying surviving spouse	\$242,000 - \$252,000
Married filing separately	Up to \$10,000

Source: IRS Notice 2025-67, 2026 Retirement Plan Cost-of-Living Adjustments

Mandatory Roth catch-up contributions

For 2026, participants whose 2025 W-2 wages subject to FICA taxes from the employer sponsoring the plan exceeded \$150,000 generally must make catch-up contributions on a Roth basis. The requirement applies to both the standard catch-up contribution for participants age 50 or older and the enhanced catch-up for participants ages 60 through 63.

The rule applies to catch-up contributions under 401(k), 403(b), and governmental 457(b) plans. SIMPLE IRA plans, SIMPLE 401(k) plans, and SARSEPs are not subject to the mandatory Roth catch-up requirement. Regular SEP IRAs do not permit employee salary-deferral catch-up contributions.

A participant with no prior-year W-2 wages subject to Social Security and Medicare taxes from the sponsoring employer, including a partner or self-employed individual with only self-employment income, generally is not subject to mandatory Roth treatment. Special rules may apply to new hires, employees receiving wages from more than one related employer, and certain other employment situations as plans implement the requirement.

SECURE 2.0 Saver's Match beginning in 2027

Beginning with contributions made for the 2027 tax year, the Saver's Match will replace the Saver's Credit for most retirement plan and IRA contributions. Instead of receiving a nonrefundable tax credit, eligible low- and moderate-income savers may receive a federal contribution of up to \$1,000 deposited into a retirement account. A married couple could potentially receive up to \$2,000 if both spouses qualify and make eligible contributions.

Matches based on 2027 contributions are expected to be paid after eligible taxpayers file their 2027 federal income tax returns in 2028. Individuals may qualify even if they owe little or no federal income tax.

2027 Saver's Match income limits

2027 Saver's Match income limits		
Filing status	Full match available through	No match at or above
Single or married filing separately	\$20,500	\$35,500
Head of household	\$30,750	\$53,250
Married filing jointly or qualifying surviving spouse	\$41,000	\$71,000

The maximum match equals 50% of the first \$2,000 of eligible contributions and gradually phases out as income increases. The starting and ending income thresholds are indexed for inflation after 2027.

Eligible contributions generally include contributions to traditional and Roth IRAs and most workplace retirement plans. To qualify, an individual must be at least age 18 by year-end, cannot be claimed as another taxpayer's dependent, cannot be a student under the applicable tax rules, and must be a U.S. resident for tax purposes.

Certain retirement-plan and IRA withdrawals may reduce the contributions eligible for the match. Individuals making both contributions and withdrawals should discuss the potential impact with their tax advisor.

The IRS has announced plans for TrumpIRA.gov, a resource intended to help workers learn about retirement-saving opportunities, particularly those without access to an employer-sponsored plan. Because the Saver's Match begins in 2027 and proposed regulations remain forthcoming, guidance continues to evolve.

Roth conversions

A Roth conversion can move retirement savings from a tax-deferred account to a Roth IRA, where future earnings may ultimately be withdrawn tax-free if the applicable requirements are met. The amount converted is generally taxable as ordinary income in the year of conversion.

For individuals whose income is too high to make direct Roth IRA contributions, a backdoor Roth strategy may be available. This strategy typically involves making a nondeductible traditional IRA contribution and then converting the amount to a Roth IRA. Existing pretax balances in traditional, SEP, and SIMPLE IRAs may cause part of the conversion to be taxable under the IRA aggregation and pro-rata rules.

Roth IRA contributions generally may be withdrawn without federal income tax or a 10% additional tax. Amounts taxed when converted or rolled over to a Roth IRA generally are not taxed again when withdrawn. However, if you are under age 59½, the taxable portion of a conversion or rollover may be subject to a 10% additional tax if withdrawn within five years, unless an exception applies.

Roth IRAs also have a five-year rule for investment earnings. The period begins Jan. 1 of the first tax year for which you contribute to a Roth IRA. Once the five-year period is met, earnings may generally be withdrawn tax-free after age 59½, upon disability or death, or for a qualified first-time home purchase, subject to a \$10,000 lifetime limit. If you are under age 59½ and do not meet one of these conditions, withdrawn earnings generally are taxable and may also be subject to a 10% additional tax.

A separate five-year period applies to each Roth conversion or taxable rollover. This rule generally matters only before age 59½. Conversions and rollovers made or withdrawn after age 59½ generally are not subject to the conversion-specific 10% additional tax, but the separate five-year rule for tax-free withdrawals of investment earnings still applies.

A conversion does not need to occur all at once. Partial conversions over several years may help manage tax brackets, Medicare premium surcharges, and other income-based provisions. A market decline may also create an opportunity to convert assets at lower values before a potential recovery.

Whether a Roth conversion makes sense depends on current and future tax rates, available funds to pay the tax, retirement income needs, estate-planning goals, and the tax situation of beneficiaries. For many retirees, the years between retirement and the start of required minimum distributions (RMDs) can provide a valuable planning window. Often referred to as the “tax valley,” this period may offer an opportunity to complete Roth conversions while taxable income is relatively low. A large conversion may also affect other tax benefits, including the phaseout of the SALT deduction for higher-income taxpayers.

Business tax considerations

The overwhelming majority of businesses in the United States are small businesses. Many of these businesses pass through their taxable income to their owners' individual income tax returns rather than paying corporate income tax. Pass-through entities include S corporations, partnerships, limited liability companies (LLCs) taxed as partnerships, and certain trusts. While there is no corporate tax to address with a pass-through entity, there are still actions you can take prior to year-end.

Liquidity to make tax payments

For pass-through business owners, ensuring there is sufficient liquidity to make tax payments is the first consideration. As such, having your tax preparer prepare a tax projection at year-end will indicate how much cash you will need to cover any tax payments made with your fourth quarter estimated tax payment or with your tax return in April. Balancing business needs with tax needs will help you decide how much cash to distribute from the business. Have these conversations in the fourth quarter so you have the first three months of 2027 to raise liquidity. In addition, you should work with your tax preparer to ensure there is no additional tax liability generated by taking a distribution. Businesses may have basis, passive loss, or at-risk limitations that could impact the taxability of distributions from a pass-through entity.

Qualified business income deduction

Another consideration is the qualified business income (QBI) deduction. The QBI deduction allows a business owner to potentially deduct up to 20% of their qualified business income generated by sole proprietorships, single-member LLCs, partnerships, S corporations, and certain trusts and estates. The deduction may be available even if you do not itemize deductions. The qualified business income deduction is a separate line item on Form 1040. However, there are income thresholds that may restrict your ability to claim this deduction.

The OBBBA made the QBI deduction permanent. Beginning in 2026, the phaseout range is expanded to \$150,000 for joint filers and \$75,000 for other filers.

Qualified business income deduction threshold		
Filing status	Phaseout begins	Phaseout ends
Married filing jointly	\$394,600	\$494,600
Married filing separately	\$197,300	\$247,300
Single	\$197,300	\$247,300
Head of household	\$197,300	\$247,300

Source: IRS Revenue Procedure 2025-32, Tax Year 2026 Inflation Adjustments

Expense and depreciation deductions

Trying to reduce the amount of overall business income represents the most direct way for business owners to lower their income tax liability. Timing of expenses can be critical. You may be able to use expense elections and/or bonus depreciation to lower your tax liability. The OBBBA made some significant changes in this area. In 2025, businesses can now immediately expense domestic research and experimental expenditures. The OBBBA also reinstated first-year 100% bonus depreciation for property placed in service after Jan. 19, 2025. There is also a new provision that allows for an immediate 100% deduction for the cost of new U.S. factories and improvements to existing U.S. factories if construction begins after Jan. 19, 2025, and the business places the factory in service before Jan. 1, 2031.

Section 1202: Qualified Small Business Stock

For owners of C corporations, Section 1202 of the tax code provides for exclusion of capital gains on the sale of Qualified Small Business Stock (QSBS). Depending upon when the owner acquired the stock, whether the company assets were less than \$50 million upon acquisition, and whether the business engages in a qualifying type of business activity, the owner could qualify for a 50%, 75%, or 100% gain exclusion up to \$10 million or 10 times the owner's adjusted basis in the stock upon sale of the stock.

The OBBBA provides additional benefits for stock issued after July 4, 2025. For stock fulfilling the business activity requirement, the limit on the amount of company assets is increased to \$75 million. In addition, if the C corporation is sold after three years of acquisition, the taxpayer can exclude 50% of the gain; 75% of the gain if sold after four years of acquisition, and 100% of the gain after five years of acquisition. In addition, the maximum gain eligible for exclusion increases to \$15 million from \$10 million. With these changes, discussions around entity choice should focus on how long the owner expects to own the business. In addition, wealth transfer strategies surrounding qualified small business stock may include non-grantor trusts instead of grantor trusts because a non-grantor trust may qualify for its own Section 1202 gain exclusion.

The interactions of income taxes, distribution planning, capital needs, and projected future income are just a few of the factors to consider before implementing any tax strategy. We strongly encourage you to meet with your business team, your business tax advisor, and your personal planning team before using any option.

Section 163(j): Business interest limitation

Section 163(j) generally limits deductible business interest expense to business interest income plus 30% of adjusted taxable income and floor-plan financing interest. For taxable years beginning after December 31, 2024, the One Big Beautiful Bill Act restored the addback for deductions allowable for depreciation, amortization, and depletion when computing adjusted taxable income—an approach commonly described as tax-EBITDA-based, although it is not the same as financial-statement EBITDA. As a result, bonus depreciation and similar deductions that qualify as depreciation, amortization, or depletion generally do not reduce current-year adjusted taxable income for Section 163(j) purposes. Businesses financing acquisitions should nevertheless model the combined effects of interest expense, cost-recovery elections, taxable income, carry-forwards, and the separate rules applicable to excepted businesses and capitalized interest.

Social Security and Medicare tax-related actions

The taxability of Social Security income and the impact income has on Medicare premiums can have a tax and financial planning impact. This section explains how Social Security benefits may be taxed and how income may affect Medicare premiums.

Taxability of Social Security benefits

Many retirees are surprised to learn that Social Security benefits can be subject to federal income tax. Depending on filing status and income, as much as 85% of benefits may be included in taxable income. That does not mean an 85% tax rate. It means up to 85% of the benefit may be included in the income used to calculate federal tax.

Combined income to determine taxable social security benefits			
Filing status	0% of benefits	50% of benefits	85% of benefits
Married filing jointly	\$0 - \$32,000	\$32,001 - \$44,000	Greater than \$44,000
Married filing separately	\$0 - \$25,000	\$25,001 - \$34,000	Greater than \$34,000
Single	\$0 - \$25,000	\$25,001 - \$34,000	Greater than \$34,000
Head of household	\$0 - \$25,000	\$25,001 - \$34,000	Greater than \$34,000

**Combined Income is AGI (Adjusted Gross Income) + Tax-Exempt Interest + 50% of Social Security benefits. Source: IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits*

Income-related monthly adjustment amount (IRMAA)

Year-end tax decisions can impact more than the current tax bill. For Medicare beneficiaries, income recognized

today may also increase Medicare premiums two years later. IRMAA stands for Income-Related Monthly Adjustment Amount. Reviewing IRMAA before a Roth conversion, large distribution, or asset sale can help make that future cost intentional rather than surprising.

IRMAA is an income-based surcharge added to Medicare Part B and Part D premiums when modified adjusted gross income (MAGI) exceeds annual thresholds. For this purpose, MAGI generally equals adjusted gross income plus tax-exempt interest. The Social Security Administration generally uses tax-return information from two years earlier, so 2026 IRMAA is based on 2024 income, while 2027 IRMAA will generally be based on 2025 income.

The Centers for Medicare and Medicaid Services (CMS) has published the official 2026 Medicare premiums and income-related monthly adjustment amounts. IRMAA brackets operate as cliffs, so exceeding a threshold can increase monthly Part B and Part D costs. The table below shows the official 2026 amounts. The amounts below are per person. The Part D figure is an IRMAA surcharge added to the premium charged by the beneficiary's drug plan.

2026 Medicare income-related monthly adjustment amounts				
Single	Married filing jointly	Married filing separately	Part B IRMAA (monthly surcharge)	Part D IRMAA (monthly surcharge)
\$0 - \$109,000	\$0 - \$218,000	\$0 - \$109,000	\$0.00	\$0.00
\$109,001 - \$137,000	\$218,001 - \$274,000	N/A	\$82.60	\$14.50
\$137,001 - \$171,000	\$274,001 - \$342,000	N/A	\$206.50	\$37.50
\$171,001 - \$205,000	\$342,001 - \$410,000	N/A	\$330.40	\$60.40
\$205,001 - \$500,000	\$410,001 - \$750,000	\$109,001 - \$404,000	\$454.30	\$83.30
Greater than \$500,000	Greater than \$750,000	Greater than \$404,000	\$495.60	\$91.00

CMS has not issued the official 2027 thresholds or premiums. The estimates below use published CPI-U data and the statutory indexing approach. Because final figures could differ, clients near a threshold may want to preserve a reasonable planning cushion.

2026 MAGI for a single taxpayer	2026 MAGI for a married filing jointly taxpayer	Planning status
\$112,000 or less	\$224,000 or less	Standard premium
\$112,001–\$141,000	\$224,001–\$282,000	Tier 1
\$141,001–\$176,000	\$282,001–\$352,000	Tier 2
\$176,001–\$211,000	\$352,001–\$422,000	Tier 3
\$211,001–\$499,999	\$422,001–\$749,999	Tier 4
\$500,000 or more	\$750,000 or more	Tier 5

2027 income bands: planning estimates as of August 2026; official CMS figures are pending.

In late 2026, Medicare beneficiaries generally receive their 2027 Medicare premium notices, which indicate whether they are subject to IRMAA. The notice also explains how to appeal an IRMAA assessment using Form SSA-44 if one or more life-changing events affected income. Life-changing events include:

- Work stoppage (or retirement)
- Marriage, divorce, or death of a spouse
- Loss of income-producing property
- Loss of pension income
- Employer settlement payment due to an employer's or former employer's closure, bankruptcy, or reorganization

If you are married and both spouses receive Medicare, each spouse must file a separate Form SSA-44 to appeal. One form cannot be completed and applied to both spouses. Keep in mind that the 60-day appeal period generally starts five days after the date of the letter.

Planning for 2028 IRMAA

Planning for 2028 IRMAA starts in 2026 because the Social Security Administration ordinarily uses tax information from two years earlier. Roth conversions, capital gains, retirement distributions, and other income recognized in 2026 may affect 2028 Medicare premiums. The 2028 thresholds and surcharges are not yet available, so projections should be labeled as estimates and revisited when CMS publishes the official amounts. IRMAA should not necessarily drive the tax decision,

but it should be part of the decision. Coordinating taxes, Medicare, Social Security, investment income, and retirement distributions can help clients evaluate the full cost of a year-end strategy, not just the current-year tax result.

Social Security withholding

Additional sources of retirement income, including IRA withdrawals, pensions, investment earnings, and part-time employment, can cause a portion of Social Security benefits to become subject to federal income tax. As a result, some retirees find themselves writing an unexpected check to the IRS each spring. One way to reduce that risk is to have federal income taxes withheld directly from your Social Security benefit. For many individuals, this can be easier than making quarterly estimated tax payments and may help avoid underpayment penalties. Withholding can be changed as needed by using Form W-4V. A recipient may select one of four withholding rates: 7%, 10%, 12%, or 22%. The chosen rate applies to the entire benefit amount, not just the portion that may be taxable. Social Security withholding is often overlooked during year-end planning, but it can be an easy way to improve cash-flow management and reduce tax-season surprises.

Senior deduction

For tax years 2025 through 2028, an eligible individual age 65 or older may claim an additional \$6,000 deduction whether itemizing or claiming the standard deduction. The deduction is available per eligible spouse, allowing up to \$12,000 on a joint return if both spouses qualify. It begins to phase out when modified adjusted gross income exceeds \$75,000 for an unmarried taxpayer or \$150,000 for joint filers. Eligibility is based on age, filing status, and applicable income limitations. The deduction is not directly or indirectly tied to the amount of Social Security benefits received, so whether a taxpayer receives Social Security benefits or not has no impact on qualifying for this deduction.

Why high earners should pay attention

Why high earners should pay attention

2026 TAXABLE MAXIMUM	\$184,500
MAXIMUM EMPLOYEE OASDI TAX	\$11,439

The rule. For 2026, the first \$184,500 of covered wages or net earnings from self-employment is subject to Social Security tax. The employee and employer rates are each 6.2%. The Social Security portion of self-employment tax is 12.4%. This amount of covered wages is indexed each year with inflation (the final number for 2027 will be out in October, 2026).

What happens after the wage base is reached?

- The 6.2% employee Social Security tax stops for the remainder of the year.
- The employer's matching 6.2% Social Security tax also stops.
- For self-employed individuals, the 12.4% Social Security portion no longer applies above the wage base.
- Medicare tax continues because Medicare has no wage-base limit.

Year-end planning considerations

Account for the increase in take-home pay that may occur after an employee reaches the wage base.

- Review bonus timing, executive compensation, and payroll-tax projections.
- For clients with multiple employers, remember that each employer withholds Social Security tax independently. Excess employee Social Security tax may generally be claimed as a credit on the federal income tax return.
- Do not confuse the wage base with the Social Security earnings test. They are separate rules.

Social Security has a ceiling. Medicare does not.

Education tax savings

As year-end approaches, taxpayers should consider whether education expenses incurred during the year could provide income tax benefits or improve cash flow. The available tax benefits can make these expenses more manageable.

Section 529 plans

Section 529 plans allow a taxpayer to set aside assets that can grow in a tax-favored account. Although contributions to a 529 plan are funded with after-tax dollars, the contributions grow tax-deferred and may be distributed tax-free if the proceeds are used for qualified education expenses. While there is no federal deduction, contributions to certain state plans may provide a benefit on your state income tax return. Qualified education expenses include tuition, mandatory fees, books, supplies, equipment, and room and board, among other education expenses. While off-campus housing can qualify for room and board, there are specific limitations based on the qualifying institution's costs that need to be considered.

A Section 529 plan can also be used for postsecondary credentialing expenses incurred, including skilled trade and vocational programs, professional license and certification fees, required continuing education, and required materials for a qualified credentialing or licensing program.

A distribution from a 529 plan must be matched with a qualified education expense in the same year of the distribution to be tax-free. A good year-end exercise is

to evaluate qualified education expenses for the year and match those expenses with a corresponding distribution from the 529 plan. If you withdraw money from a Section 529 plan that is not used for qualified education expenses, the earnings portion of the distribution is taxable as ordinary income and may be subject to a 10% additional tax.

For 2026, 529 plans may be used for up to \$20,000 per beneficiary per year for eligible K-12 expenses. The \$20,000 limitation applies per beneficiary, not per 529 plan, so a student with multiple plans is still limited to \$20,000 in total for the year. OBBBA expanded the definition of qualified education expenses to include additional K-12 expenses beyond tuition, as well as certain postsecondary credentialing expenses.

When contributing to a 529 Plan, a taxpayer may elect to front-load five years' worth of annual exclusion gifts in the current year for gift tax purposes. For 2026, the annual exclusion amount is \$19,000. Accordingly, a taxpayer may contribute up to \$95,000 per beneficiary ($\$19,000 \times 5$), or \$190,000 for a married couple electing gift splitting with spousal consent, to a 529 plan in the current year. This allows a greater amount to potentially grow in a tax-favored manner.

For taxpayers who have money in old 529 plans that will not be needed for education, it may be possible to move some 529 money, up to \$35,000 during a beneficiary's lifetime, directly into a Roth IRA if certain conditions are met. Among those conditions, the Roth IRA receiving the funds must be in the name of the beneficiary of the 529 plan, the 529 plan must have been maintained for 15 years or longer, and the beneficiary must be eligible to contribute to a Roth IRA. For year-end planning, the annual amount that may be moved from a 529 plan to a Roth IRA is limited to the IRA contribution limit for the year (\$7,500 in 2026), reduced by any traditional IRA or Roth IRA contributions made for the year.

In addition to the previous items, 529 education plans can now be rolled over to a 529A ABLE account for designated beneficiaries. Distributions from 529A ABLE accounts are tax free if they are used for qualified disability expenses.

Coverdell Education Savings Accounts

A Coverdell Education Savings Account (ESA) is similar to a 529 plan, although there are several differences. Some of the differences include:

- ESA funds may be used for K-12 education.
- The maximum annual contribution to an ESA is limited to \$2,000 with no five-year front-loading opportunity.
- Taxpayers are phased out from using an ESA once their adjusted gross income exceeds certain limits.
- Contributions to an ESA are irrevocable and may not be reclaimed by the contributor.

Much like a 529 Plan, a distribution from an ESA must be matched with a qualified education expense for the distribution to be tax-free. A good year-end planning exercise is to evaluate the level of qualified education expenses for the year and match these expenses with a corresponding distribution from the ESA.

Lifetime Learning Credit and American Opportunity Tax Credit

Although there is no year-end planning that may be done, keep in mind that when you file your 2026 income tax return, you or your dependent may qualify for either the Lifetime Learning Credit, up to \$2,000, or the American Opportunity Tax Credit, up to \$2,500, subject to phase-outs at certain income limits. Anyone pursuing higher education, including specialized job training and graduate school, for themselves, their spouse, or dependents, may be able to take advantage of these tax credits.

Student loan interest deduction

As with the tax credits described above, there is no year-end planning that may be accomplished with this deduction. You simply need to be aware that the interest paid on loans that you incurred for education purposes for yourself, your spouse, or your dependent may be tax-deductible. This benefit applies to all loans (not just federal student loans) used to pay higher education expenses. The maximum deduction is \$2,500 a year. Taxpayers are phased out from using this deduction once their adjusted gross income exceeds certain limits.

Student loan interest deduction thresholds			
Filing status	Maximum deduction	Phaseout begins	Phaseout ends
Married filing jointly	\$2,500	\$175,000	\$205,000
Single	\$2,500	\$85,000	\$100,000
Head of household	\$2,500	\$85,000	\$100,000
Married filing separately	\$0	N/A	N/A

Source: IRS Revenue Procedure 2025-32, Tax Year 2026 Inflation Adjustments

Kiddie tax considerations for custodial accounts

Some families use custodial accounts under the Uniform Transfers to Minors Act (UTMA) as part of a college savings strategy. These accounts can offer flexibility, but they also come with tradeoffs. Contributions generally are irrevocable gifts to the child. Depending on state law, the child generally gains legal control of the account at age 18 or 21.

Investment income earned in the account may be subject to the federal kiddie tax. For 2026, a child's net unearned income above \$2,700 generally is taxed using the parent's tax rates. Unearned income includes interest, dividends, and capital gains. The kiddie tax generally applies to children under age 18, children age 18 who do not provide more than one-half of their own support through earned income, and certain full-time students under age 24 who do not provide more than one-half of their own support through earned income. As a result, the kiddie tax may apply to a 23-year-old full-time college student if the other requirements are met.

Families considering a UTMA account should weigh the tax implications and loss of parental control against other college savings options, such as a Section 529 plan, with their tax advisor.

Trump Accounts

What is a Trump Account?

A Section 530A Account or Invest America Account, also known as a Trump Account, is a tax-advantaged savings and investment account designed to help children build long-term wealth at an early age. Unlike a traditional individual retirement account (IRA), which generally requires the account owner to have earned income before a contribution can be made, a Section 530A Account may receive contributions for an eligible child even if the child has no earned income. For many families, that is the account's most compelling feature, as contributions can begin years before a child would normally be eligible to contribute to any IRA.

Special rules apply through Dec. 31 of the year before the beneficiary turns 18. After the growth period ends, most of those special rules cease to apply, and traditional IRA rules generally apply.

Family members, employers, charitable organizations, governmental entities, and, in some cases, the U.S. Treasury may contribute. Eligible children who are U.S. citizens, have a valid Social Security number, and were born between Jan. 1, 2025, and Dec. 31, 2028, may qualify for a one-time \$1,000 Treasury contribution if the required election is made. Investment earnings generally accumulate tax deferred while assets remain in the account.

Unlike most traditional IRAs, contributions may be made for an eligible child before age 18, even if the child has no earned income. Special rules apply through Dec. 31 of

the year before the beneficiary turns 18. After the growth period ends, the account generally follows traditional IRA rules, subject to certain provisions that continue to apply.

Eligibility and contributions

An account may be established for a child who has not reached age 18 before the end of the calendar year in which the election is made and who has a valid Social Security number. A parent, guardian, or other authorized individual may establish the account using Form 4547 or the IRS online process at TrumpAccounts.gov. Contributions could not begin until July 4, 2026.

IRS proposed regulations would also permit some employers to offer pretax payroll contributions for an employee's eligible child. Direct employer contributions and pretax payroll contributions would share one \$2,500 annual limit per employee, regardless of the number of eligible children. Availability will depend on whether the employer offers the benefit. Because the rules are proposed and not yet final, interested families should monitor future IRS guidance and consult their tax advisor.

Trump Account contribution rules

Contribution type	Key rules
Family and individual contributions	The child, family members, and others may contribute. The annual aggregate limit is \$5,000 for 2026. The child does not need earned income, and contributions are made with after-tax dollars.
Treasury starter contribution	An eligible U.S. citizen child born from Jan. 1, 2025, to Dec. 31, 2028, may qualify for a one-time \$1,000 Treasury contribution if the required election is made.
Charitable or government contributions	Certain charitable organizations and governmental entities may contribute to qualifying groups of eligible children.
Employer contributions	An employer may contribute up to \$2,500 annually for an employee or the employee's dependent through a qualifying employer program. The \$2,500 limit applies per employee, not per child, and qualifying contributions count toward the applicable \$5,000 annual contribution limit. Employer contributions within the limit generally are not included in the employee's taxable income.
Rollovers	Certain direct rollovers from another Section 530A account are permitted and generally do not count toward the annual contribution limit.

Source: IRS Notice 2025-68; *Employer Contributions to Trump Accounts and Nondiscrimination Rules for Dependent Care Assistance Programs*, REG-101355-26; Form 4547 and instructions; Rev. Proc. 2026-25

Investments and withdrawals

The account is designed for long-term investing. Money generally cannot be withdrawn during the growth period. Limited exceptions apply, including certain direct rollovers, qualifying ABLE rollovers, corrections of excess contributions, and distributions following the beneficiary's death.

During the growth period, investments generally are limited to qualifying mutual funds and exchange-traded funds that track broad indexes composed primarily of U.S. companies, do not use leverage, and satisfy applicable Treasury requirements.

Beginning Jan. 1 of the calendar year in which the beneficiary turns 18, traditional IRA distribution rules apply. Withdrawals may be subject to income tax and the 10% additional tax on early distributions unless an exception applies.

Gift-tax considerations

IRS guidance provides a gift-tax safe harbor for qualifying individual contributions. If all applicable requirements are met, a donor's contributions may qualify for a very narrow annual gift-tax exclusion without requiring the donor to file a federal gift-tax return solely because of those contributions. Larger gifts, gifts made alongside other transfers, and more complex family gifting programs should be reviewed with a tax advisor.

A Trump Account may be an effective way to help a child build long-term savings, particularly when family members and employers contribute over an extended period. However, it is not the right solution for every family. Contribution limits, investment restrictions during the growth period, future income-tax consequences, gift-tax considerations, and distribution flexibility should all be evaluated alongside alternatives such as Section 529 plans, custodial accounts, and irrevocable trusts. The most appropriate strategy will depend on a family's objectives, time horizon, and overall financial picture. Before implementing any strategy, consult with your tax advisor and broader wealth-planning team to determine the approach that best aligns with your family's goals.

Medical expenses and income taxes

Due to the significant financial and emotional burden medical expenses place on individuals, several provisions within the tax code try to lessen these burdens on taxpayers. In this next section, we will discuss things to consider before year-end as they relate to tax-favored accounts, and potential deductions that may be available to individuals.

Health Savings Accounts (HSA)

An HSA is a tax-exempt trust or custodial account you establish with a qualified HSA trustee to pay or reimburse certain medical expenses you incur. You must be covered under a high-deductible health plan (HDHP) to contribute to an HSA.

Health Savings Account characteristics		
Characteristic	2026	2027
Minimum annual deductible (self-coverage)	\$1,700	\$1,750
Minimum annual deductible (family coverage)	\$3,400	\$3,500
Out of pocket maximum (self-coverage)	\$8,500	\$8,700
Out of pocket maximum (family coverage)	\$17,000	\$17,400
Maximum contribution (self-coverage)	\$4,400	\$4,500
Maximum contribution (family coverage)	\$8,750	\$9,000

Source: IRS Revenue Procedure 2025-19 for 2026 HSA and HDHP limits;
IRS Revenue Procedure 2026-24 for 2027 HSA and HDHP limits

The benefits of having an HDHP with an HSA include:

- You can claim a tax deduction for contributions you, or someone other than your employer, make to your HSA, even if you do not itemize your deductions on your tax return.
- Contributions to your HSA made by your employer (including contributions made through a cafeteria plan) may be excluded from your gross income.
- The contributions remain in your account until you use them.
- The interest or other earnings on the assets in the account are tax-free.
- Distributions may be tax free if you pay qualified medical expenses. If you receive distributions for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional 20% penalty.
- An HSA is “portable.” It stays with you if you change employers or leave the workforce.
- You can make contributions to your HSA for 2026 through April 15, 2027.
- Those 55 and older can contribute an additional \$1,000 as a catch-up contribution.

Healthcare Flexible Spending Accounts (FSA)

A health FSA allows employees to be reimbursed for medical expenses. FSAs are usually funded through voluntary salary reduction agreements with your employer or contributions made by your employer. Self-employed persons are not eligible for FSAs. You may enjoy several benefits from having an FSA:

- Contributions made by your employer can be excluded from your gross income.
- No employment or income taxes are deducted from the contributions.
- Reimbursements may be tax free if you pay qualified medical expenses.

For 2026, cafeteria plans may allow employees to elect no more than \$3,400 in salary reduction contributions to a health FSA. FSAs are governed by the IRS use-or-lose rule, which requires that any funds in an FSA must be spent by the end of the plan year or else be forfeited to the plan. Some plans provide a grace period that allows eligible expenses to be incurred through March 15 of the following year, with claims submitted by the plan's stated deadline. Alternatively, a health FSA may allow a carryover of unused amounts of up to \$680 from a 2026 plan to the following year. An FSA can allow a grace period or a carryover, but not both, so consult the plan's rules before year-end.

Itemized deduction

Medical expenses, including amounts paid as health, long-term care, and dental insurance premiums, are deductible only to the extent that the total medical and dental expenses exceed 7.5% of AGI for all taxpayers. "Bunching" medical and dental expenses in one calendar year can help maximize the allowable deduction.

You can include in your medical expenses a part of a life-care fee or "founder's fee" you pay either monthly or as a lump sum under an agreement with a retirement home. The part of the payment you include is the amount properly allocable to medical care. The agreement must require that you pay a specific fee as a condition for the home's promise to provide lifetime care that includes medical care. You can use a statement from the retirement home to prove the allocable amount. The allocable amount must be based either on the home's prior experience or on information from a comparable home.

You can also include as a medical expense deduction amounts paid for qualified long-term care services and certain amounts of premiums paid for qualified long-term care insurance contracts. You can include:

- Unreimbursed expenses for qualified long-term care services
- A portion of qualified long-term care premiums (age-based per person limit ranging from \$500 (age 40 and under) to \$6,200 (age 71 and over) as medical expenses on Schedule A (Form 1040).

Qualified long-term care services include necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative, maintenance, and personal care services required by a chronically ill individual and provided under a plan of care prescribed by a licensed health care practitioner.

You can include in medical expenses an advance payment to a private institution for the lifetime care, treatment, and training of your physically or mentally impaired child upon your death or when you become unable to provide care. The payment must be a condition for the institution's future acceptance of your child and must not be refundable.

Itemized deduction changes

For 2026 and moving forward, many rules surrounding itemized deductions remain the same. Medical expenses are still deductible to the extent they exceed 7.5% of adjusted gross income, interest on home mortgage indebtedness is limited to the first \$750,000 of debt, charitable contribution limitations remain in place (and current year changes have been discussed earlier), and miscellaneous itemized deductions remain non-deductible. However, changes to the state and local tax deduction and a new limitation on itemized deductions will affect taxpayers.

State and local tax (SALT) deduction

For 2026, the federal deduction for state and local taxes is capped at \$40,400, or \$20,200 for married taxpayers filing separately. The cap is reduced for taxpayers whose modified adjusted gross income exceeds \$505,000, or \$252,500 for married taxpayers filing separately, but it does not fall below the statutory floor. The temporary cap is scheduled to increase through 2029 and return to \$10,000 in 2030, absent further legislation.

In addition to the higher SALT deduction, the OBBA codifies the Pass-Through Entity Tax (PTET). Under this option, pass-through businesses can elect to pay state income tax on behalf of their owners and deduct it at the business level. Thus, business owners may reduce the impact of the SALT deduction limitation by having their businesses take the deduction. Each state has different PTET rules. Taxpayers should consult with their tax preparers to ensure proper compliance.

Revised itemized deduction limitation

Beginning in 2026, a limitation reduces the tax benefit of itemized deductions for taxpayers in the 37% bracket. Taxpayers should not describe the rule as a simple 35% cap on every deduction. A tax preparer should calculate its effect together with the separate 0.5% charitable contribution floor and other deduction limitations.

This new limitation can be especially important for trusts. When preparing a trust's tax return, tax professionals must often calculate and compare accounting income, distributable net income (DNI), and taxable income. These amounts can differ significantly. Depending on the trust's circumstances, the new limitation may reduce the deduction available for distributions, which could leave some income taxable to the trust even after distributions are made to beneficiaries. As a result, distributions that previously may have reduced the trust's taxable income to zero may no longer do so. Before making distributions from a trust, we strongly encourage you to consult your tax preparer to understand the potential tax consequences for both the trust and its beneficiaries.

Alternative Minimum Tax

The Alternative Minimum Tax (AMT) is a separate calculation of tax liability that causes certain types of non-taxable income to be taxable and eliminates specific deductions. In the past, more taxpayers were subject to AMT due to their state income tax deduction, real-estate tax deduction, investment management fees, and certain types of stock option income. The OBBBA made the higher individual AMT exemption permanent, with future amounts continuing to be adjusted for inflation.

Alternative Minimum Tax thresholds			
Filing status	Exemption	Phaseout begins	Phaseout ends
Married filing jointly	\$140,200	\$1,000,000	\$1,560,800
Single	\$90,100	\$500,000	\$860,400
Head of household	\$90,100	\$500,000	\$860,400
Married filing separately	\$70,100	\$500,000	\$780,400
Estates and trust	\$31,400	\$104,800	\$230,400

Source: IRS Revenue Procedure 2025-32, Tax Year 2026 Inflation Adjustments; phase-out-end amounts are calculated using the statutory 25% exemption phaseout rule.

Estimated tax payments

Taxes generally must be paid throughout the year as income is earned or received. If enough tax is not withheld, you may need to make estimated tax payments during the year. Otherwise, you may owe an underpayment penalty when you file your tax return.

Tax withholding

Most income earned through an employer (salary or wages) will have taxes withheld with each check. Other sources of income, like Social Security, pension income, or distributions from retirement accounts and annuities, will allow the recipient to choose whether to withhold taxes and at what tax rate.

Who is required to make estimated tax payments?

For federal tax purposes, you generally may need to make estimated tax payments if both of the following apply:

- You expect to owe at least \$1,000 after subtracting withholding and refundable credits; and
- You expect your withholding and refundable credits to be less than the smaller of 90% of your current-year tax or 100% of your prior-year tax. The prior-year amount increases to 110% if your prior-year adjusted gross income exceeded \$150,000, or \$75,000 if married filing separately.

The prior-year calculation generally requires a tax return covering a full 12-month year. Special rules apply in certain circumstances, including for farmers, fishermen, certain household employers, higher-income taxpayers, nonresident aliens, and taxpayers whose prior-year return covered less than 12 months.

Typically, self-employed individuals, real estate investment professionals, and investors with significant portfolios are required to make estimated tax payments.

When to pay estimated tax

For taxable income generated during:	Estimated tax payment deadline
Jan. 1, 2026 - March 31, 2026	April 15, 2026
April 1, 2026 - May 31, 2026	June 15, 2026
June 1, 2026 - Aug. 31, 2026	Sept. 15, 2026
Sept. 1, 2026 - Dec. 31, 2026	Jan. 15, 2027

Source: IRS Publication 505, *Tax Withholding and Estimated Tax*

Note: These are the deadlines to make payments for income generated quarterly. Individuals may decide to make payments on a more frequent basis.

Exceptions

- These dates may change for taxpayers if their region/state is in a federally declared disaster and additional time is provided to make tax payments.
- If you are required to make state tax payments, some states may have slightly different due dates than the Federal estimated tax payment.
- If you file your 2026 tax return by Feb. 1, 2027, and pay any remaining tax due, no Jan. 15 estimated tax payment is required for individuals who otherwise qualify for this exception.

While the above rules apply to individuals, corporations, estates, and trusts are also required to make estimated tax payments.

- Corporations are required if they expect to owe at least \$500 for the tax year.
- Estates are exempt from estimated tax payments for the first two years after the decedent's death.

Penalties

If you did not pay enough through tax withholding or estimated tax payments, then you may be subject to a penalty. The penalty will be calculated separately for each required quarterly payment.

The penalty may be waived if the IRS determines that:

- In 2026, you retired after reaching age 62 or became disabled, and your underpayment was due to reasonable cause and not willful neglect.
- The underpayment was due to a casualty, disaster, or other unusual circumstance, and it would be inequitable to impose the penalty.

To request a waiver, file Form 2210 explaining the situation and providing documentation.

The interest rate the IRS charges for penalties is based on the short-term Treasury rate plus three points. The IRS sets underpayment interest rates quarterly. For 2026, the individual underpayment rate was 7% for the first quarter, 6% for the second quarter, and 7% for the third quarter, compounded daily. Taxpayers should check the IRS quarterly interest-rate page for the rate in effect for the relevant period.

It is possible to pay a penalty and still receive a refund, so it is important to work closely with your tax preparer to determine your income for the year and plan to make estimated tax payments throughout the year as needed.

State income taxes

Many states with an income or similar tax require estimated tax payments, although deadlines and payment rules vary. Business owners operating in multiple states should work with their tax advisor to identify potential filing and payment obligations, especially before a business sale or other major transaction. Addressing these issues early can help avoid complications during due diligence.

Estate tax and wealth planning

Year-end tax planning offers a strategic opportunity for individuals and families to optimize their financial situation and minimize estate and income tax liabilities. Taxpayers can employ sophisticated methods to optimize their financial standing while complying with ever-changing tax regulations.

One foundational year-end gift and estate tax planning strategy is annual exclusion gifting. The annual gift tax exclusion allows individuals to give up to \$19,000 per person without triggering gift tax consequences. A married couple could give a combined \$38,000 to each beneficiary. By using the annual exclusion, individuals can transfer wealth to beneficiaries without incurring gift tax, reducing the taxable estate and potentially minimizing future estate tax liabilities.

For married couples, a \$38,000 gift from a joint account is not automatically treated as a \$19,000 gift from each spouse. The treatment depends on who owns the funds. If only one spouse is treated as the donor, the couple generally must elect gift-splitting on federal gift tax returns to use both spouses' annual exclusions.

Certain transfers are not subject to the annual exclusion. Amounts paid directly to a provider for another person's tuition or medical expenses do not count against the \$19,000 annual exclusion. The amount that can be paid for these two types of expenses is unlimited and does not count as an annual exclusion gift.

Cash contributions to a Trump Account are generally treated as gifts to the child. Under a limited IRS safe harbor, the contributions may qualify for the annual gift tax exclusion without being reported on a federal gift tax return. Among other requirements, total gifts to each child cannot exceed the annual exclusion, and the donor cannot otherwise be required to file a gift tax return for the year. If the safe harbor does not apply, the Trump Account contribution may need to be reported as a future-interest gift and may reduce the donor's remaining lifetime gift and estate tax exemption.

In addition, many families can maximize their annual exclusion gifting by leveraging discountable vehicles such as a family limited partnership (FLP) or a family holding limited liability company (LLC) (collectively, FLP). As discussed later, the ability to discount the value of the FLP interest or LLC interest could allow the individual to transfer more wealth to their beneficiaries in a tax-efficient manner.

Another creative way to use the annual exclusion gift is to give cash to children or other family members as an introduction to wealth. A concern for every family is how the next generation will manage wealth. Cash gifts in the amount of the annual exclusion can introduce good stewardship to the next generation while allowing the grantor to quietly monitor each beneficiary's use of the annual exclusion gifts.

The federal lifetime gift, estate, and generation-skipping transfer tax exemptions are \$15,000,000 for 2026. Any transfer to an individual that exceeds the \$19,000 annual exclusion generally reduces the donor's remaining lifetime exemption first. Gift tax is imposed only after taxable lifetime gifts exceed the available lifetime exemption.

The top federal gift, estate, and GST tax rate is 40%.

For individuals passing away in 2026, the executor may need to file an estate tax return. If the taxpayer had a gross estate greater than \$15 million or the executor wants to transfer the deceased spousal unused exclusion (DSUE) to the surviving spouse, then Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, must be filed nine months after the date of death. While an executor can file for a six-month extension to file the return, any tax due must be paid within nine months of the date of death. Some states also require the filing of an estate tax return and may have an exemption amount lower than the federal exemption. Please discuss with your estate attorney and tax preparer whether a state tax return must be filed in the decedent's resident state or in any nonresident state where the decedent owned property.

Along with the estate and gift tax exemption, the generation-skipping transfer tax has the same \$15 million exemption in 2026. GST is a separate federal tax levied on gifts and inheritance transfers to grandchildren and individuals more than one generation below the transferor. A person is generally treated as more than one generation below the transferor if the person is 37½ years younger or more. The purpose of GST is to prevent taxpayers from shifting assets to grandchildren without the intermediate generation paying estate tax on those assets. Similar to the estate tax exemption, the tax rate on transfers subject to GST is 40%.

Estate tax exemption in 2026

The OBBBA establishes a permanent \$15 million federal gift, estate, and generation-skipping transfer tax exemption beginning in 2026, with future inflation adjustments. This increased exemption allows wealth transfer strategies to be considered more thoughtfully in light of potential estate taxes, asset growth, family dynamics, and, when a family business is involved, succession planning.

Wealth transfer strategies

Below are some of the more common strategies that can both transfer assets and freeze asset values. As these strategies do not work in every situation, we encourage you to work with your full wealth advisory team, including your tax preparer and estate planning attorney, to fully understand how these ideas impact your specific situation.

- **Spousal lifetime access trust (SLAT):** A SLAT is a trust where a gifting spouse transfers property for the benefit of the recipient spouse and other beneficiaries. Typically, transfers to spouses qualify for the 100% marital deduction. In this strategy, however, the gifting spouse elects to use the gift tax exemption, and possibly the generation-skipping transfer tax exemption, for the gift made in trust. During the recipient spouse's life, the recipient spouse may receive distributions of income and principal for reasons outlined in the trust document. So long as the couple remains married, the gifting spouse could potentially be an indirect beneficiary of distributions received by the recipient spouse. However, if the recipient spouse divorces the gifting spouse or dies, the assets in trust remain for the named beneficiaries.
- **Irrevocable life insurance trust (ILIT):** An ILIT is a trust designed to hold life insurance policies outside the taxable estate. By structuring this trust correctly, life insurance policy death benefit proceeds can be excluded from a decedent's gross estate, thereby reducing the overall estate tax burden. This strategy can be especially advantageous for those with large estates that might otherwise be subject to significant estate taxes. These insurance trusts can provide liquidity to help pay large estate tax liabilities. The use of an ILIT can provide a flexible gifting structure. By gifting funds to the ILIT to cover life insurance premiums, individuals can make use of the annual exclusion, allowing them to transfer wealth to beneficiaries without incurring gift taxes. Once assets are transferred to an ILIT, they cannot be easily accessed or changed. This requires careful consideration and planning to ensure that the assets placed within the trust align with long-term goals.

- Grantor retained annuity trust (GRAT): A GRAT allows individuals to transfer assets to an irrevocable trust while retaining an annuity interest for a specified period. Typically, a GRAT is a short-term trust with a term between two and nine years. By transferring assets into a GRAT, future appreciation of those assets can be removed from the taxable estate. If the assets appreciate at a rate greater than the rate published by the IRS, the excess growth will pass to beneficiaries free of gift or estate tax. Generally, an individual will want to transfer an asset that has a strong probability of appreciating rapidly over a short period. For grantors who have already used all of their estate tax exemption, a GRAT can be an effective vehicle to transfer wealth to the next generation. If the grantor outlives the GRAT term, any remaining assets in the trust pass to beneficiaries with little to no gift tax implications. GST exemption is generally not allocated to a GRAT, so this strategy is usually not used for multi-generation wealth transfers.
- Family limited partnership (FLP) or family holdings limited liability company: A FLP is a legal entity that allows family members to collectively manage and control assets, often with the goal of consolidating family wealth while taking advantage of valuation discounts. Valuation discounts for lack of marketability or lack of control may reduce the value of the FLP interest, thereby reducing the value transferred for gift or estate tax purposes. Senior family members typically maintain indirect control of the entity, while junior family members or beneficiaries hold non-voting limited partnership interests. Integrating a FLP into year-end tax planning may be an effective strategy for optimizing estate and gift tax outcomes while consolidating family wealth. Given the complexity involved, individuals should seek guidance from professionals well-versed in estate planning and FLP structures before implementing this strategy.

These strategies can affect not only family finances but also underlying family dynamics. As such, these options should be carefully vetted in light of all relevant repercussions and consequences. We encourage you to begin conversations with your family and advisory team now to determine the best course of action.

Income tax tables

The following are some of the key tax tables for 2026 provided for your reference:

Married filing jointly	
Taxable income	Tax
\$0 - \$24,800	10% of taxable income
\$24,801 - \$100,800	\$2,480 + 12% of the amount above \$24,800
\$100,801 - \$211,400	\$11,600 + 22% of the amount above \$100,800
\$211,401 - \$403,550	\$35,932 + 24% of the amount above \$211,400
\$403,551 - \$512,450	\$82,048 + 32% of the amount above \$403,550
\$512,451 - \$768,700	\$116,896 + 35% of the amount above \$512,450
Greater than \$768,700	\$206,583.50 + 37% of the amount above \$768,700

Single	
Taxable income	Tax
\$0 - \$12,400	10% of taxable income
\$12,401 - \$50,400	\$1,240 + 12% of the amount above \$12,400
\$50,401 - \$105,700	\$5,800 + 22% of the amount above \$50,400
\$105,701 - \$201,775	\$17,966 + 24% of the amount above \$105,700
\$201,776 - \$256,225	\$41,024 + 32% of the amount above \$201,775
\$256,226 - \$640,600	\$58,448 + 35% of the amount above \$256,225
Greater than \$640,600	\$192,979.25 + 37% of the amount above \$640,600

Head of household	
Taxable income	Tax
\$0 - \$17,700	10% of taxable income
\$17,701 - \$67,450	\$1,770 + 12% of the amount above \$17,700
\$67,451 - \$105,700	\$7,740 + 22% of the amount above \$67,450
\$105,701 - \$201,750	\$16,155 + 24% of the amount above \$105,700
\$201,751 - \$256,200	\$39,207 + 32% of the amount above \$201,750
\$256,201 - \$640,600	\$56,631 + 35% of the amount above \$256,200
Greater than \$640,600	\$191,171 + 37% of the amount above \$640,600

Married filing separately	
Taxable income	Tax
\$0 - \$12,400	10% of taxable income
\$12,401 - \$50,400	\$1,240 + 12% of the amount above \$12,400
\$50,401 - \$105,700	\$5,800 + 22% of the amount above \$50,400
\$105,701 - \$201,775	\$17,966 + 24% of the amount above \$105,700
\$201,776 - \$256,225	\$41,024 + 32% of the amount above \$201,775
\$256,226 - \$384,350	\$58,448 + 35% of the amount above \$256,225
Greater than \$384,350	\$103,291.75 + 37% of the amount above \$384,350

Estates and trusts	
Taxable income	Tax
\$0 - \$3,300	10% of taxable income
\$3,301 - \$11,700	\$330 + 24% of the amount above \$3,300
\$11,701 - \$16,000	\$2,346 + 35% of the amount above \$11,700
Greater than \$16,000	\$3,851 + 37% of the amount above \$16,000

Source: IRS Revenue Procedure 2025-32, Tax Year 2026 Inflation Adjustments

Individual standard deduction	
Filing status	Amount
Married filing jointly	\$32,200
Single	\$16,100
Head of household	\$24,150
Married filing separately	\$16,100

Source: IRS Revenue Procedure 2025-32, Tax Year 2026 Inflation Adjustments

Income tax deadlines in 2027

The following information is a non-exclusive list of income tax deadlines for various federal forms as of the date of publication. As always, we strongly encourage you to consult with your tax advisor to confirm which deadlines apply to your tax situation. If you live in an area that includes a federal disaster area, you may be subject to an extended deadline. The following deadlines refer to federal forms only. State tax filing requirements may have different due dates. As always, check with your tax preparer to confirm any and all tax filing deadlines to which you may be subject.

Jan. 15, 2027

- 2026 Fourth Quarter Estimated Tax Payment - Form 1040-ES

March 15, 2027

- Calendar Year S Corporation Tax Return – Form 1120-S
- Calendar Year Partnership Tax Return – Form 1065
- Extension Requests
 - S Corporation Return – Form 7004
 - Partnership Return – Form 7004

April 15, 2027

- Individual Income Tax Return – Form 1040
- Calendar Year Trust and Estate Income Tax Return – Form 1041
- Gift and Generation-Skipping Transfer Tax Return – Form 709
- Calendar Year C Corporation Tax Return – Form 1120
- 2027 First Quarter Estimated Tax Payment – Form 1040-ES
- Extension Requests
 - Individual Return – Form 4868
 - Trust and Estate Return – Form 7004
 - Gift and Generation Skipping Return
 - No Payment – Form 4868
 - Payment – Form 8892
 - C Corporation Return – Form 7004

May 17, 2027 (May 15 is a Saturday)

- Calendar Year Private Foundation Tax Return – Form 990PF
- Extension Requests
 - Calendar Year Private Foundation
 - No Payment – Form 8868
 - Payment – Form 8868 and payment via Electronic Federal Tax Payment System ("EFTPS")

June 15, 2027

- 2027 Second Quarter Estimated Tax Payment – Form 1040-ES

Sept. 15, 2027

- Extended Due Date for Calendar Year S Corporation Return – Form 1120-S
- Extended Due Date for Calendar Year Partnership Return – Form 1065
- 2027 Third Quarter Estimated Tax Payment - Form 1040-ES

Sept. 30, 2027

- Extended Due Date for Calendar Year Trust and Estate Return – Form 1041

Oct. 15, 2027

- Extended Due Date for Calendar Year C Corporation Return - Form 1120
- Extended Due Date for Individual Tax Return – Form 1040
- Extended Due Date for Gift and Generation-Skipping Transfer Tax Return – Form 709

Nov. 15, 2027

- Extended Due Date for Calendar Year Private Foundation Return – Form 990-PF

Source: IRS Publication 509, Tax Calendars; IRS Form Instructions for the applicable forms. Deadlines shown are based on federal calendar-year filing rules and should be confirmed when the 2027 IRS tax calendar is released.

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