2026 TAX PLANNING GUIDE

Company Name
1234 Main Street
City, State 10001
124-456-7891
www.abccompany.com

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The tax buzz for 2026 is the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025. This comprehensive reconciliation package addresses a wide range of policy areas, including tax reform, defense spending, the debt ceiling, social programs, and student loan reform.

On the tax front, the OBBBA affects all taxpayers. The Act makes permanent or extends several individual provisions from the Tax Cuts and Jobs Act (TCJA) that were to expire after 2025, raises the state and local tax (SALT) deduction cap to $40,000, and increases the amount of assets you can transfer free of gift and estate tax. It also introduces a host of new income-tax deductions.

For businesses, OBBBA restores immediate expensing of domestic R&D costs, permanently increases bonus depreciation to 100%, and eases the limitation on interest expense deductions. To offset its costs, the bill phases out or repeals various energy tax credits. Several provisions will affect your 2025 tax filing season as well as your 2026 tax planning.

The OBBBA changes, coupled with the numerous already-in-place inflation adjustments that affect everything from retirement and estate planning to personal and corporate income-tax brackets, make reviewing your investment, estate plan, retirement planning, and business strategies with your tax professional more crucial than ever in 2026. They can help you look at the whole picture and assist you in taking steps to ensure a finally secure future.

The information summarized is current as of January 1, 2026; however, circumstances may change that could impact your tax situation. We recommend consulting your tax professional, who can provide guidance tailored to your specific situation.

Personal Tax Planning

OBBBA and Your Personal Taxes

Read through the following checklist of OBBBA provisions and note any that you think may affect your 2026 tax planning. Further details follow.

The Act:

- Permanently sets the individual tax brackets at 10%, 12%, 22%, 24%, 32%, 35%, and 37%. These TCJA brackets would have expired at the end of 2025.
- Makes the TCJA's increased standard deduction permanent. For 2025, the deduction Increases to $15,750 for single taxpayers, $31,500 for married filing jointly, and $23,625 for heads of household. For 2026, it's $16,100 for singles, $32,200 for joint filers, and $24,150 for heads of household.
- Creates a permanent charitable contribution deduction for non-itemizers of $1,000 for single taxpayers and $2,000 for married filing jointly, beginning in 2026.
- Introduces a $6,000 senior deduction for individuals who are age 65 or older by the end of 2025. This deduction is available for tax years 2025 through 2028. It phases out for taxpayers with modified adjusted gross income (MAGI) over $75,000 (single) and $150,000 (married filing jointly).
- Creates a deduction of up to $25,000 for qualified tips received in the 2025 through 2028 tax years. The deduction phases out for taxpayers with MAGI over $150,000 for single filers and $300,000 for married filing jointly.
- Lets single filers deduct up to $12,500 and married couples filing jointly up to $25,000 of qualified overtime compensation received in 2025 through 2028. The deduction phases out for taxpayers with MAGI over $150,000 for single filers and $300,000 for married filing jointly.
- Allows you to deduct automobile loan interest of up to $10,000 per year in 2025 through 2028. The deduction phases out for taxpayers with MAGI over $100,000 (single) or $200,000 (married filing jointly).
- Raises the state and local tax (SALT) itemized deduction cap to $40,000 with a phase-down for taxpayers with MAGI over $500,000, effective 2025 through 2029.
- Increases the base nonrefundable child tax credit to $2,200 in 2026.
- Increases the dependent care assistance program limit to $7,500 in 2026.

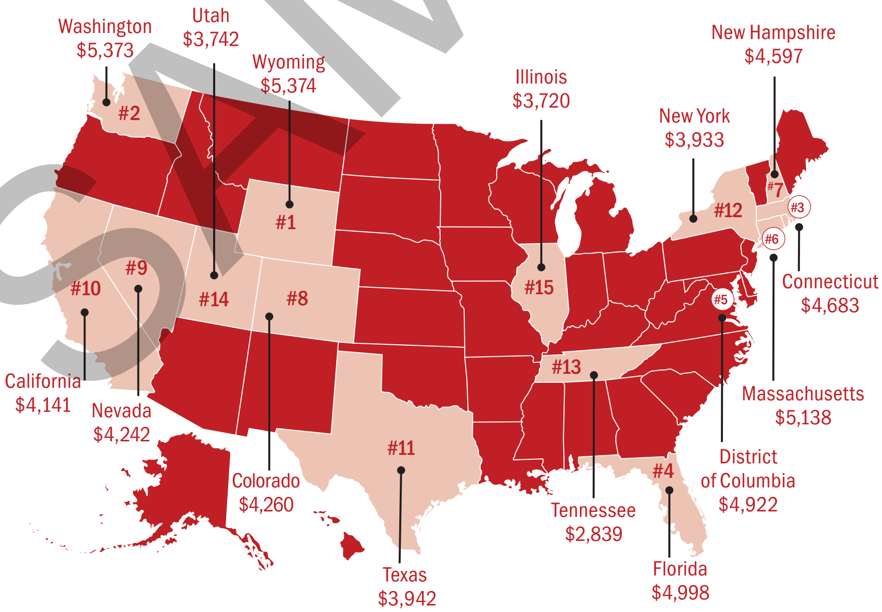
- Maintains the increased alternative minimum tax exemptions.
- Creates new tax-exempt savings accounts allowing up to $5,000 of contributions per year/per child and a $1,000 credit for children born 2025 through 2028.
- Expands 529 plan qualified expenses to include more education-related costs.
- Applies a 35-cents-per-dollar limitation on overall itemized deductions for individuals in the top tax bracket beginning in 2026.
- Permanently increases the estate and gift unified exclusion to $15 million beginning in 2026.
- Phases out and repeals various individual energy credit provisions, including the clean vehicle credits.

WHICH STATES' TAXPAYERS WILL GET THE BIGGEST BREAKS FROM OBBBA?

In a recent report, the Tax Foundation estimated the average change in taxes paid relative to prior law across each state and county from 2026 through 2035. Here are the results from the top 15 states.

Average Tax Savings in 2026

All Taxpayers: $3,752



Income Tax Brackets and Rates

Federal income tax brackets are based on taxable income, which is adjusted gross income minus various deductions. These brackets are adjusted annually for inflation. For 2026, OBBBA changes the way brackets adjust. The 10%, 12%, and 22% tax brackets will increase more than usual. For example, at a 2% inflation rate, most brackets would increase by about 4%. But the top marginal bracket of 37% would increase by only about 2%. In simple terms, the lower brackets get more inflation relief. The top ones don't. So more of your income could fall into the 37% bracket—even if your earnings don't change. It's a subtle shift, but one that adds up over time.

2026 TAX BRACKETS

	FILING JOINTLY AND SURVIVING SPOUSES		FILING SEPARATELY	
RATE	2025	2026	2025	2026
10%	$0-$23,850	$0-$24,800	$0-$11,925	$0-$12,400
12%	$23,851 - $96,950	$24,801-$100,800	$11,926-$48,475	$12,401 - $50,400
22%	$96,951 - $206,700	$100,801-$211,400	$48,476 - $103,350	$50,401 - $105,700
24%	$206,701 - $394,600	$211,401-$403,550	$103,351-$197,300	$105,701 - $201,775
32%	$394,601 - $501,050	$403,551-$512,450	$197,301-$250,525	$201,776 - $256,225
35%	$501,051 - $751,600	$512,451-$768,700	$250,256-$375,800	$256,226 - $384,350
37%	$751,601+	$768,701+	$375,801+	$384,351+

	SINGLE		HEAD OF HOUSEHOLD	
RATE	2025	2026	2025	2026
10%	0-$11,925	$0-12,400	$0-$17,000	$0-$17,700
12%	$11,926-$48,475	$12,401-$50,400	$17,001-$64,850	$17,701-$67,450
22%	$48,476-$103,350	$50,401-$105,700	$64,851-$103,550	$67,451-$105,700
24%	$103,351-$197,300	$105,701-$201,775	$103,551-$197,300	$105,701-$201,750
32%	$197,301-$250,525	$201,776-$256,225	$197,301-$250,500	$201,751-$256,200
35%	$250,256-$626,350	$256,226-$640,600	$250,501-$626,350	$256,201-$640,600
37%	$626,351+	$640,601+	$626,351+	$640,601+

IRS Rev. Proc. 2025-32

Other Taxes on Income

Income tax isn't the only tax that affects your spendable income. Be sure to take these taxes into account in your planning as well. Note any changes from 2025.

Alternative Minimum Tax

Initially designed to ensure that high-income earners who benefit from various deductions and credits still pay a minimum level of tax, the AMT is imposed at a flat tax rate of 26% or 28%. The 28% rate applies to taxpayers filing jointly with $244,500 or more AMT income (AMTI) and $122,500 or more for other taxpayers. You'll be subject to AMT if your tax calculated under the AMT rules is higher than your tax calculated under regular income tax rules.

Before the TCJA, AMT had increasingly affected a broader range of taxpayers due to its different rules and exemption structure. TCJA reduced AMT exposure, but those relief measures shift under the OBBBA starting in 2026. As you see in the table below, for 2025, the phaseout of the exemption that single taxpayers may claim before AMT is imposed at $626,350 in AMTI. For married couples filing jointly, the phase begins at $1,252,700 AMTI.

Starting in 2026, however, OBBBA resets the exemption phase-out thresholds to the TCJA's $500,000 and $1 million AMTI, with annual inflation adjustments for 2026 and beyond. So, for 2026, these phase-out thresholds will be lower than in 2025. More bad news: OBBBA also increases the exemption phase-out percentage from 25% to 50%. As a result, more high-income individuals may be hit with the AMT, starting in 2026.

The AMT is complicated. Contact us to determine your status under the OBBBA changes.

AMT EXEMPTIONS AND THRESHOLDS BY FILING STATUS

	2025	2026
Exemption for Married Filing Jointly	$137,000	$142,000
Exemption for Singles	$88,100	$90,100
Exemption for Married Filing Separately	$68,650	$70,100
Exemption for Estates and Trusts	$30,700	$31,400
Phaseout for Singles Begins	$626,350	$500,000
Phaseout for Married Filing Jointly Begins	$1,252,700	$1,000,000

IRS Rev. Proc. 2025-32

Social Security Tax on Earnings

The 2025 Social Security Board of Trustees Report estimates the maximum wage for Social Security taxes will be $184,500 in 2026, an increase of $8,400 from the 2025 ceiling of $176,100. Currently, you and your employer each pay half of the 12.4% Social Security tax due. Workers also pay a Medicare tax of 1.45% each year, plus an extra 0.9% on wages earned over $200,000. Self-employed workers pay the full 12.4% Social Security tax.

Some retirees may be taxed on up to 85% of their Social Security benefits. Check below to determine how much of your Social Security may be taxable for 2026. The provisional income referred to in the guide is your other taxable income plus tax-exempt interest and half of your Social Security benefit.

WILL YOUR SOCIAL SECURITY BENEFITS BE TAXED?

RATE	JOINT	SINGLE OR HEAD OF HOUSEHOLD
0%	$32,000 or less	$25,000 or less
50%	$32,000-$44,000	$25,000-$34,000
85%	$44,000 or more	$34,000 or more

IRS

A new senior tax deduction created by OBBBA may offer a little relief. See Deductions and Credits later in this booklet for details.

SMART MOVES: Ask your tax professional about Qualified charitable distributions (QCDs) for required minimum distributions (RMDs) from retirement plans, staged Roth conversions*, and timing capital gains, all of which may reduce the taxable share of your Social Security benefit. Also, if realizing additional income in 2026 would trigger additional tax on your benefits, consider deferring the income to early 2027.

Capital Gains Tax

You report capital gains for tax purposes when you sell a capital asset, such as securities or real estate, and realize a profit. Gains on assets held for less than a year are taxed at your ordinary income tax rate. For long-term investments, those held for longer than one year, you pay capital gains tax at 0%, 15%, or 20%, depending on the sum of your other taxable income (after deductions) plus your qualified dividends and long-term capital gains.

**Converting a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax-free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must occur after age 59½ or due to death, disability, or a first-time home purchase (up to a $10,000 lifetime maximum). Roth IRA distributions may be subject to state taxes.*

INCOME CUTOFFS FOR 0% AND 15% LONG-TERM CAPITAL GAINS RATES

	0% TAX RATE		15% TAX RATE		20% TAX RATE	
	2025	2026	2025	2026	2025	2026
Married Filing Jointly	$96,700	$98,900	$600,050	$613,700	$600,051+	$613,701+
Single	$48,350	$49,450	$533,400	$545,500	$533,401+	$545,501+
Head of Household	$64,750	$66,200	$566,700	$579,600	$566,701+	$579,601+
Married Filing Separately	$48,350	$49,450	$300,000	$306,850	$300,001	$306,851+

IRS

EXAMPLE: In 2026, a married couple filing jointly has $80,000 in taxable ordinary income (after deductions) and $30,000 in qualified dividends and long-term capital gains, totaling $110,000. The 0% capital gains rate cutoff is $98,900. $18,900 ($98,900-$80,000) of the gain is taxed at 0%. The remaining $11,100 in gains is taxed at a rate of 15%.

If your investments have a net capital loss, you can deduct up to $3,000 of the loss against your income annually if filing jointly ($1,500 married filing separately). If your losses exceed the annual limit, you may carry losses forward to future years, deducting up to $3,000 per year against your income until your capital losses are exhausted.

But keep the wash sale rules in mind. These rules prevent you from taking a loss on a security if you buy a substantially identical security within 30 days before or after the sale. You can avoid triggering the wash sale rules while maintaining the same portfolio allocations by selling the security and waiting at least 31 days before repurchasing it or selling the security and buying shares in a mutual fund that holds similar securities.

SMART MOVE: Consider gifting appreciated stock or mutual funds to relatives in lower tax brackets. They'll pay less or no tax on the long-term gain when the shares are later sold, potentially reducing overall family taxes.

Qualified dividends are eligible for more favorable capital gains tax rates, while unqualified dividends are taxed as ordinary income. Generally, dividends from real estate investment trusts (REITs) are unqualified, as are those from credit unions and mutual savings banks.

Additional Income-Triggered Taxes

If your modified adjusted gross income (MAGI) includes investment gains and exceeds certain levels, you may owe a 3.8% net investment income tax above and beyond any capital gains tax paid. Taxpayers who are married and file jointly and widowed spouses pay the tax if their MAGI exceeds $250,000. Single individuals and heads of household owe the tax after $200,000 in MAGI, while the threshold for married taxpayers filing separately is $125,000.

You will also owe an extra 0.9% for the Additional Medicare Tax if you earned more than $250,000 (married filing jointly), $200,000 (single, heads of household, and qualifying widow(er)s with a dependent child), and $125,000 (married filing separately) in a calendar year. Employers are typically responsible for withholding the extra tax.

Deductions and Credits

Tax credits are subtracted directly from taxes owed, while tax deductions lower your taxable income. OBBBA significantly impacts both for 2026.

The Standard Deduction

The TCJA temporarily doubled the standard deduction. Under OBBBA, the increased standard deduction is permanent. For 2026, you can claim a standard deduction of $32,200 (married filing jointly and surviving spouses), $16,100 (single and married filing separately), and $24,150 (head of household). The additional standard deduction for the aged or blind is $1,650 per person. This amount increases to $2,050 if the individual is unmarried and not a surviving spouse.

Non-Itemized Deductions

OBBBA also introduced several deductions for 2026 that you can claim in addition to the standard deduction without having to itemize your deductions.

Charitable Contributions. This permanent deduction lets you claim up to $2,000 (married filing jointly) or $1,000 (single) in cash qualified charitable deductions.

Additional Deduction for Seniors. If you're age 65 or older, you're eligible for an additional deduction of $6,000 (single) or $12,000 (married filing jointly). The deduction phases out for taxpayers with income over $75,000 (single) and $150,000 (married filing jointly).

Qualified Tips. For tax years 2025 through 2028, you can deduct up to $25,000 in tips received. To qualify, these tips must be received in occupations that customarily and regularly receive tips, such as beverage and food service, entertainment and events, hospitality and guest services, personal services, recreation and instruction, and transportation and delivery, among others.

The deduction phases out for single taxpayers with modified adjusted gross income (MAGI) over $150,000 and married couples (filing jointly) with income over $300,000.

Overtime Compensation. Similarly, for 2025 through 2028, you can deduct up to $12,500 (single) or $25,000 (joint filers) of qualified overtime compensation. This compensation is defined as the pay that exceeds your regular rate of pay—such as the "half" portion of "time-and-a-half" compensation—that's required by the Fair Labor Standards Act (FLSA). The deduction phases out for single taxpayers with income over $150,000 and joint filers with income over $300,000.

Student Loan Interest of up to $2,500 remains deductible in 2026, with a phase-out between $170,000 and $200,000 MAGI for joint filers and between $85,000 and $100,000 for single filers. However, starting with the 2026 tax year, forgiven student loan debt generally becomes taxable income again.

Vehicle Loan Interest of up to $10,000 a year can be deducted, effective for 2025 through 2028. You must purchase the vehicle for personal use and meet other eligibility criteria. Used cars and leases don't qualify. The car loan must be taken after December 31, 2024, and require a lien to be placed on the vehicle. The vehicle must be a car, minivan, van, SUV, pick-up truck, or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds that has undergone final assembly in the United States.

Itemized Deductions

Itemizing deductions is generally beneficial for those whose deductible expenses exceed the standard deduction amount. This is often the case for homeowners, high-income earners, or individuals with significant medical expenses. Note that if you are in the top 37% tax bracket, OBBBA caps the value of itemized deductions at 35 cents per dollar, reducing the effective tax benefit by approximately 4.6%.

The following are commonly itemized deductions.

Medical Expenses. You generally can deduct unreimbursed medical expenses exceeding 7.5% of your adjusted gross income. Travel expenses related to medical care, such as parking, mileage, and public transportation, can also be included. Tax professionals generally advise you to itemize medical expenses if they exceed the standard deduction.

> **SMART MOVE:** If you need more deductions this year, but don't have the cash, consider charging contributions, medical expenses, business expenses, and some state tax payments. Just remember to pay them off quickly to avoid increasing debt.

Mortgage Interest and Qualified Mortgage Insurance Premiums. Married taxpayers filing jointly may deduct the interest on a mortgage of up to $750,000 of principal. The deduction is limited to half of that for single taxpayers. Interest on home equity loans, home equity lines of credit (HELOCs), and second mortgages may be deducted only when used to buy, build, or substantially improve the taxpayer's primary or secondary qualified residence that secures the loan, subject to limits. Also, beginning in 2026, OBBBA may allow you to deduct qualified mortgage insurance premiums for home acquisition debt (for policies issued after 2006). This deduction is treated as part of your qualified residence interest deduction and phases out between $100,000 and $110,000 AGI or $50,000 to $55,000 married filing separately.

State and Local Taxes. OBBBA temporarily increases the State and Local Tax (SALT) deduction cap from $10,000 in 2025 to $40,000 in 2026 and later. The cap will revert to the lower amount again in 2029, unless Congress takes action.

SMART MOVE: If you're a partner in a partnership or owner of an S-corporation, discuss the pass-through entity tax with your tax professional as a workaround for the $40,000 SALT tax deduction limit.

Educator Expenses. Beginning in 2026, OBBBA rewrites the rules for the educator expense deduction. Notably, the new law removes the $300 cap that was previously imposed, but it requires taxpayers to claim the write-off as an itemized deduction. Previously, educators could deduct it without needing to itemize.

Charitable Contributions. OBBBA introduced several significant changes for individuals who deduct charitable contributions. Starting in 2026, you may deduct itemized charitable contributions to the extent the total exceeds 0.5% of your adjusted gross income (AGI). This change effectively limits the deductibility of smaller contributions, particularly for lower- and middle-income taxpayers.

However, OBBBA also contains some positive news for individual donors. It makes permanent the 60% AGI limit for cash contributions to public charities, a provision originally enacted by the TCJA. TCJA raised the AGI limitation from 50% to 60% of AGI, meaning a taxpayer could deduct cash contributions to public charities totaling up to 60% of their AGI in a single year. Without the change under OBBBA, the limit would have reverted to 50% of AGI after 2025.

SMART MOVE: When donating to a charity, ensure the organization is qualified by searching the IRS database, https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations. Only donations qualified by the IRS are eligible for tax deductions.

Finally, the OBBBA introduced a new nonrefundable tax credit for individual taxpayers who make qualifying contributions to eligible scholarship-granting organizations – credit of up to $1,700. The purpose of this provision is to expand educational opportunities, particularly in the private and religious school sectors, by incentivizing private donations to these institutions.

Other Credits

The Child Tax Credit for 2026 is $2,200 per qualifying child. In the future, under OBBBA, the credit amount will be adjusted annually for inflation. The credit phases out for higher income taxpayers, starting at $400,000 for couples filing jointly and $200,000 for single filers. The phase-out reduces the credit amount by 5% for every dollar earned above these thresholds.

Child and Dependent Care Tax Credit. OBBBA introduced two key changes to the Child Dependent Care Tax Credit that take effect in 2026. The tax credit calculation increased from 35% to 50% of qualifying dependent care expenses. Also, there's a new phase-out structure with two tiers based on adjusted gross income (AGI).

In the first tier, the credit percentage is reduced by 1% for each $2,000 of AGI over $15,000. The rate cannot be reduced below 35% in this phase. In the second tier, for AGIs above $75,000 ($150,000 for joint filers), the percentage is further reduced by 1% for each $2,000 ($4,000 for joint filers) over that threshold. The floor remains at 20%. The qualifying dependent care expense cap remains $3,000 for one child and $6,000 for two or more dependents.

Tax-Advantaged Healthcare Arrangements

Health Savings Accounts

HSAs are triple tax-advantaged with tax-deferred contributions, tax-free potential earnings, and tax-free withdrawals for qualified medical expenses. You can roll over any balance you had left at year-end 2025 to 2026. Nonqualified withdrawals made before age 65 are subject to a tax penalty. After reaching 65, you can take penalty-free withdrawals for any reason but must pay income tax on the nonqualified amount. To save in an HSA, you must have a high-deductible health plan (HDHP).

OBBBA made changes that expand the health plans that qualify as HDHPs. First, it extends the rule allowing plans to be considered HDHPs, despite not having a deductible for telehealth services retroactively to January 1, 2025. Second, OBBBA expands HSA eligibility to include those enrolled in Bronze and Catastrophic plans available on state and federal insurance exchanges under the Affordable Care Act. This provision takes effect on January 1, 2026. And third, it allows individuals with HDHPs to enroll in Direct Primary Care arrangements (sometimes referred to as “concierge medical care”) while remaining HSA eligible, provided the monthly fee for DPC services doesn’t exceed $150 for individuals or $300 for families (both adjusted for inflation). DPC fees are also considered qualified medical expenses that can be paid with HSA funds. This provision takes effect on January 1, 2026.

HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITS

	2025		2026		CHANGE	
	Family	Single	Family	Single	Family	Single
HSA Contribution Limit	$8,550	$4,300	$8,750	$4,400	$200	$100
HSA Catch-up Contribution	$1,000	$1,000	$1,000	1,000	0	0
HDHP Minimum Deductible	$3,300	$1,650	$3,400	$1,700	$100	$50
HDHP Max Out-o-Pocket	$16,600	$8,300	$17,000	$8,500	$400	$200

IRS

Health Reimbursement Arrangements

Health Reimbursement Arrangements (HRAs) are accounts funded by your employer to help pay qualified health expenses. In 2026, employers can fund each employee’s HRA with a maximum of $2,200 in benefits, up from $2,150 in 2025.

Education Planning

“Trump Accounts”

Introduced in OBBBA, these are government-funded investment accounts designed to help children build wealth from birth. Children born between January 1, 2025, and December 31, 2028, who are U.S. citizens and have a Social Security number, are eligible to receive a one-time $1,000 deposit from the U.S. Treasury to start the account. Children born outside these four calendar years are also eligible for an account, but they won’t receive the $1,000 in government seed money.

Parents, grandparents, and other individuals can make after-tax contributions of up to a combined total of $5,000 per year to each account. Employers may also contribute up to $2,500 a year to accounts for their employees' dependents. Any employer contributions also count toward the overall $5,000 cap. The contributions grow tax-deferred until withdrawn. Account investment options are limited to mutual funds* or exchange-traded funds that track a qualified index, such as the S&P 500.

What's the education planning tie-in? Beginning the year the child turns 18, they can make penalty-free withdrawals for qualified educational costs. The child will incur regular income tax on earnings and tax-free contributions from the government/employers. Still, all after-tax contributions made by parents and others can be withdrawn tax-free. After age 18, the account functions similarly to a Traditional IRA, with continued tax-free growth and the ability to withdraw funds for any purpose starting at age 59-1/2.

Opening an account makes sense if your child is eligible for the $1,000 seed money. It may also be worth considering if your employer is willing to contribute to your child's account. Accounts can be opened beginning July 4, 2026. More guidance from the Treasury is expected before then.

Section 529 Plans

OBBBA changes make 529 plans more versatile than ever for meeting college and other educational needs. Essentially, a 529 plan allows you to invest money with tax-deferred earnings for a child's education. When the time comes, you can take tax-free withdrawals to pay qualified education expenses. Additionally, up to $10,000 (lifetime limit per beneficiary) from these plans can be used to pay qualified student loans of the beneficiary and any siblings.

Starting in 2026, families can withdraw up to $20,000 per year per beneficiary from 529 plans* for qualified K-12 expenses—up from the previous annual limit of $10,000. Qualified expenses now include not only tuition, but also curriculum and instructional materials (such as books or online courses), tutoring by licensed or expert instructors, dualenrollment fees, standardized test (e.g., SAT/ACT) fees, and educational therapies for students with disabilities.

Distributions may now be used tax-free for training registered under the Workforce Innovation and Opportunity Act, apprenticeships, and state-licensed certifications (specific qualifications may apply). Qualified expenses include tuition, fees, books, supplies, and exam fees in career training and continuing education.

**Investors should read the prospectus and consider the investment objectives, risks, charges, and expenses of the fund before investing. Because mutual and exchange-traded fund values fluctuate, redeemed shares may be worth more or less than their investment. Past performance won't guarantee future results.*

SMART MOVE: Reduce your taxable estate by front-loading five years' worth of gifts into a 529 plan in one year for a loved one's college education. Maximize your gift by giving up to the maximum annual tax-free gift limit of $19,000 (estimated) each year for up to five years, per donor, per recipient. Once you complete your gift, you can't make another gift to the same 529 plan for the five-year period.*

Coverdell ESA

The Coverdell Education Savings Account (ESA) remains unchanged, with a $2,000 annual contribution limit per student. You qualify to make a full nondeductible contribution if you file jointly, but the limit phases out at a modified AGI of $190,000–$220,000. Limits for singles are half of that. Earnings are tax-deferred, and qualified withdrawals are tax-free. You have until the April 15, 2026 tax filing deadline to make a Coverdell ESA contribution for 2025.

Educational Tax Credits

The American Opportunity Credit is for undergraduate expenses (up to $2,500 per student per year), while the Lifetime Learning Credit (up to $2,000 per student per year) is more flexible. You cannot claim both credits in the same tax year for the same student, nor can the student be declared a dependent by someone else.

SMART MOVE: Calculate the value of the tax benefits to see who should claim education deductions and/or credits-you or your child.

COMPARE THE CREDITS

2026 TAX INFORMATION	AMERICAN OPPORTUNITY TAX CREDIT	LIFETIME LEARNING CREDIT
Income Limit Filing Single	$90,000	$90,000
Income Limit Filing Jointly	$180,000	$180,000
Eligible Programs	Student must be pursuing a recognized educational credential	Student needn't be pursuing recognized educational credential
Enrollment Requirement	At least half-time	One or more courses
Years Available	Four per student	Unlimited

IRS

**Certain requirements may apply. Before investing, read the program offering statement and consider the investment objectives, risks, charges, and expenses associated with 529 plans. 529 Plans are not guaranteed by any state or federal agency. Consider whether the investor's or beneficiary's home state offers 529 plan-related tax or other benefits. Discuss 529 tax rules with your tax professional.*

Student Loans

OBBBA leaves undergraduate borrowing limits unchanged, with a federal loan cap of $27,000 over four years (or $31,000 for students taking longer to complete their degree). However, it sets firm caps on other loan types: Parent PLUS loans are capped at $20,000 per child, with a lifetime cap of $65,000 per student. Graduate PLUS loans are eliminated, leaving the Direct Unsubsidized Loan program as the sole source of Federal borrowing for graduate students – with pre-existing annual caps of $20,500 ($50,000 for professional degrees) and aggregate limits of $100,000 ($200,000 for professional students). The legislation also introduces a new combined lifetime borrowing cap of $257,500 across all Federal loan programs (excluding Parent PLUS loans) and makes forgiven student loan amounts taxable.

Student loan holders who qualify by income may still deduct up to $2,500 from their AGI in qualified education loan interest. This deduction phases out between a MAGI of $85,000 - $100,000 for individuals and $170,000 - $200,000 for married taxpayers filing jointly. Parents who help a child pay loans generally can't take the write-off. But if the child meets the MAGI qualifications and isn't eligible to be claimed as a dependent, they may claim the interest deduction.

Also, if your employer offers a qualified educational assistance program, you can use it to pay down up to $5,250 this year and later. Payments are excluded from your wages for income-tax purposes.

Plan for Retirement

OBBBA heralds changes that will influence how Americans save for retirement and other long-term goals. Lower income rates. Higher contribution limits. Enhancements to SIMPLE IRAs and SIMPLE 401(k) plans. The steps you take today to prepare for retirement will shape your financial picture during your later years.

You have a variety of retirement savings vehicles to which you can contribute, depending on what your employer offers. These vehicles include traditional and Roth IRAs, Simplified Employee Pensions (SEPs), SIMPLE plans, as well as 401(k), 403(b), and 457 plans.

Contributing to most of these retirement vehicles may reduce your taxable income today while your money potentially grows tax-deferred over time. Time is key. The longer you contribute, the more likely you'll be prepared for the retirement you want. At a bare minimum, you should try to contribute enough pay to take advantage of the maximum match your employer may make to your 401(k) account.

SMART MOVE: Take full advantage of any employer 401(k) or other retirement savings plan, flexible spending account, health savings account, and health reimbursement arrangement available to you.

RETIREMENT SAVINGS PLAN CONTRIBUTION LIMITS

PLAN	CONTRIBUTION	2025	2026*
401(k), 403(b), 457	Regular Employee	$23,500	$24,500
	Catch-up (50+)	$7,500	$8,000
	Catch-up (60-63)	$11,250	$11,250
	Combined Employer/ Employee	$70,000	$72,000
Traditional/Roth IRA	Individual	$7,000	$7,500
	Catch-up	$1,000	$1,100
Traditional IRA Income Limits for Deductible Contributions (Based on AGI)	Married Workplace Plan Participant Filing Jointly	$126,000-$146,000	$129,000-$149,000
	Married Spouse Workplace Plan Participant Filing Jointly	$236,000-$246,000	$242,000-252,000
	Single & Head of Household Filers	$79,000-$89,000	$81,000-$91,000
Roth IRA Income Limit (Based on AGI)	Married Filing Jointly	$236,000-$246,000	$242,000-$252,000
	Single Filers	$150,000-$165,000	$153,000-$168,000
SIMPLE IRA	General Contribution	$16,500	$17,000
	Contribution at Eligible Employers**	$17,600	$18,100
	General Catch-up Contributions (50-59 and 64+)	$3,500	$4,000
	Catch-up Contributions at Eligible Employers (50-59 and 64+)	$3,850	$3,850
	Catch-up Contributions (60-63)	$5,250	$5,250
SEP-IRA/Profit Sharing/Money Purchase	Contribution	$70,000	$72,000
Defined Benefit	Maximum Annual Additions	$70,000	$72,000

**IRS Notice 2025-67*

*** Employers with fewer than 25 employees and larger employers that contribute more to the plan have a higher contribution limit.*

Alternative Investments in 401(k) Accounts

A 2025 Executive Order could change the way 401(k) plans look in the future. For the first time, 401(k) plan participants may be able to access investments such as private equity, real estate, infrastructure, and even digital assets, options that have been largely out of reach until now. Guidance is expected from the Department of Labor and the Securities Exchange Commission before plan sponsors can offer the investments. When they are available, be sure to consult with your trusted advisor to determine whether these investments will help you achieve your retirement goals before investing your plan assets.

Enhancements to SIMPLE PLANS

OBBBA increases the contribution limits for SIMPLE IRAs and SIMPLE 401(k) plans (see table), including higher elective deferrals and catch-up contributions. Employers may also make additional nonelective contributions beyond the standard 2% nonelective or 3% matching contributions.

Rollovers from 403(b) plans to SIMPLE IRAs are now permitted, consistent with prior legislative changes. These enhancements are designed to increase contributions and provide greater flexibility.

SMART MOVE: When changing jobs, roll over any retirement funds directly into an IRA to avoid tax and potential early withdrawal penalties and keep your retirement money savings working for you.

Roth IRAs

Roth IRAs offer several advantages you can't find in other retirement accounts. While contributions are after tax, qualified distributions are tax-free, and there are no required minimum distributions during your lifetime. Contributing to a Roth IRA makes sense if you don't need the tax deduction now or want tax-free distributions later. Tax-free income from a Roth IRA may permit you to leave other retirement accounts alone until you must take RMDs from them.

SMART MOVE: Talk with your trusted advisor about converting a large plan balance to a Roth IRA over multiple years. This helps you "fill up" lower tax brackets without spilling into higher effective rates triggered by phase-outs. The interplay of deductions, surtaxes, and multi-year income planning makes DIY conversion planning a risky endeavor.

Estate Planning

From an estate and gift tax perspective, the most significant change OBBBA made is a permanent increase to the estate, gift, and generation-skipping transfer (GST) tax exemption amounts. For 2026, these amounts are $15 million per individual or $30 million for a married couple (to be reviewed annually for inflation adjustments), up from $ 13.99 million per individual or $27.98 million for a married couple in 2025. The new legislation retains the TCJA-era tax brackets for trusts and estates. This means that for assets transferred during a lifetime or at death with a cumulative value exceeding the exemptions, the marginal tax rate remains 40% of the value over the exemptions.

FEDERAL ESTATE TAX RATES

TAXABLE AMOUNT INDIVIDUALS	ESTATE TAX RATE	WHAT YOU PAY
$1 – $10,000	18%	18% on the taxable amount
$10,001 - $20,000	20%	$1,800 plus 20% on taxable amount over $10,000
$20,001 – $40,000	22%	$3,800 plus 22% on taxable amount over $20,000
$40,001 – $60,000	24%	$8,200 plus 24% on taxable amount over $40,000
$60,001 – $80,000	26%	$13,000 plus 26% on taxable amount over $60,000
$80,001 – $100,000	28%	$18,200 plus 28% on taxable amounts over $80,000
$100,001 - $150,000	30%	$23,800 plus 30% on taxable amounts over $100,000
$150,001 – $250,000	32%	$38,800 plus 32% on taxable amounts over $150,000
$250,001 – $500,000	34%	$70,800 plus 34% on taxable amounts over $250,000
$500,001 – $750,000	37%	$155,800 plus 37% on taxable amounts over $500,000
$750,001 – $1 million	39%	$248,300 plus 39% on taxable amounts over $750,000
$1 million+	40%	$345,800 plus 40% on taxable amounts over $1 Million

IRS

Spousal Exemption Portability

If part or all of one spouse's estate tax exemption is unused at that spouse's death, the estate can elect to permit the surviving spouse to use the deceased spouse's remaining exemption. This exemption portability provides flexibility upon the first spouse's death, but it has some limitations. While a portability-only estate tax return can be filed up to two years from the deceased spouse's death, it can be costly. Be aware that portability is available only from the most recently deceased spouse. It doesn't apply to the GST tax exemption and isn't recognized by many states for estate or inheritance tax purposes.

Step Up in Basis

A new fair market value is established for assets received after a donor's death—a step up in basis—but there is no step-up in basis for gifts received during a donor's life. The step-up in basis sets a new starting value for inherited assets, which can make a big difference if the assets have appreciated significantly.

A caution, though: Transferring assets to an irrevocable trust, a formerly popular strategy for transferring a family home, can take the trust assets out of the grantor's estate for all purposes. If the asset is no longer part of the grantor's taxable estate, it won't qualify for a step-up in basis. The assets in your irrevocable trust keep the same basis as when they are transferred to the next generation—or maybe to multiple generations. Be sure to review your trust arrangement with your estate professional.

Gift Taxes and Lifetime Giving

Annual gifting can prove an effective estate transfer strategy. The annual gift tax exemption is $19,000 per donor for each recipient in 2026. Amounts over that subtract from your estate tax basic exclusion amount.

If, for example, you and your spouse each max out your annual gift exemption to two children and two grandchildren, you'll avoid gift tax and preserve your entire estate tax exemption. In this example, a couple could gift $152,000 tax-free per year. Be sure, however, to use your annual exemption by December 31 because it doesn't carry over from year to year.

SMART MOVE: Spouses who are both U.S. citizens may transfer unlimited amounts to each other without incurring any gift tax, as any assets in excess of the couple's combined estate tax exemption will be taxed at the death of the surviving spouse, and transferring assets to the survivor defers the tax that the IRS will eventually collect.

SMART MOVE: If executed properly, paying for a grandchild's or some other person's tuition or medical expenses is an exception to the gift tax. Payments made directly to providers or schools aren't considered gifts.

Gifts to a non-US citizen spouse, however, are subject to limitations. Since a non-US citizen spouse may not be subject to the U.S. estate tax, one cannot transfer unlimited assets to a non-US citizen spouse, since that transferred wealth could potentially avoid U.S. estate taxation upon the non-US citizen spouse's death. Thus, when the recipient spouse isn't a U.S. citizen, and regardless of whether the non-U.S. citizen spouse is a resident or nonresident of the United States, the amount of tax-free gifts is limited to an annual exclusion amount. For calendar year 2026, the first $194,000 (up from $190,000 in 2025) of gifts to a spouse who is a non-US citizen aren't included in the total amount of taxable gifts.

SMART MOVE: The increased exemptions create opportunities to implement or expand lifetime gifting. Strategies you may want to explore with your trusted advisor include outright gifts or gifts in trust for children and future generations (dynasty trusts), spousal lifetime access trusts (SLATs), grantor-retained annuity trusts (GRATs), and charitable lead trusts (CLTs) or charitable remainder trusts (CRTs). Also, reassess trusts established under prior law, such as credit shelter, bypass, or marital trusts, in light of the higher exemptions.

State-level Estate Tax

Even if your estate is no longer subject to federal estate tax, you need to review and coordinate with any estate and inheritance taxes your state may levy. States can impose separate estate taxes with exemption amounts that are significantly lower than the federal level. These lower thresholds mean state estate taxes could apply even when federal estate taxes don't, making state-specific strategies essential for effective estate planning.

Business Tax Planning

OBBBA and Business Taxes

Read through the following checklist of OBBBA provisions for businesses and note any that you think may affect your 2026 business tax planning. Further details follow. OBBBA:

- Permanently increases bonus depreciation percentage to 100% for property acquired after January 19, 2025.
- Makes permanent the expensing of domestic research or experimental (i.e., R&D) expenses beginning in 2025. Taxpayers with gross receipts of $32M or less may apply this change retroactively to 2022. Foreign R&D expenses must still be amortized over 15 years.
- Makes the qualified business income (QBI) deduction permanent, increasing it to 20% and changing the phaseout of the deduction.
- Makes permanent the excess business loss limitation.
- Enhances the 1202 qualified small business stock (QSBS) exclusion with adjusted holding periods and increased dollar limit.
- Phases out and repeals various business energy credit provisions, including the clean vehicle credits.
- Permanently reinstates EBITDA calculation for interest expense limitation beginning in 2025.
- Increases the Section 179 maximum to $2,560,000 for 2026.
- Increases 1099-MISC/NEC reporting threshold to $2,000 in 2026.
- Reinstates 1099-K reporting threshold to $20,000 and 200 transactions.

Tax Rates and Business Structures

On the business front, OBBBA provides the most significant benefit to corporations in the manufacturing sector, and less so to those in the service industries. It continues the lower corporate tax rates, which are scheduled to expire at the end of 2025. Large businesses—those with more than $1 billion in reported income—can continue to pay taxes at a minimum corporate rate of 15%. For other C corporations, the tax rate remains a flat 21%. Pass-through companies, including S corporations and limited liability companies (LLCs), also receive more favorable treatment. Regardless of your company's structure, now may be a good time to review your corporate structure with your tax and legal professionals.

Pass-Through Entities

Pass-through entities—S corporations, partnerships, and sole proprietorships—benefit primarily by making the 20% Qualified Business Income (QBI) deduction permanent, expanding the State and Local Tax (SALT) deduction cap, preserving Pass-Through Entity Tax (PTET) deductibility, and implementing favorable changes to bonus depreciation and Qualified Small Business Stock (QSBS) rules. These provisions offer increased tax certainty and potential benefits for a wide range of business owners and investors.

No federal corporate income tax is levied on business income for pass-through entities. Instead, profits flow through to owners' individual tax returns, so they pay income tax only once at the personal tax rate. Review any passthrough entities you use with your tax provider.

Sole proprietorships and partnerships also avoid double taxation and receive flow-through treatment. However, these business structures don't provide the limited liability of S corporations and LLCs. Sole proprietors and partners may be personally liable for claims against their businesses.

Inflation Adjustments

As with personal taxes, numerous business deductions and credits have limitations that are adjusted annually for inflation. Some may also have new or continuing phaseouts that you should be aware of. Your employer-sponsored retirement plan, ESOPs, and other employee benefits may also be affected.

Deductions and Credits

Small businesses have unique characteristics and needs. Hence, the IRS has some tax provisions that are designed for or may be particularly beneficial to smaller companies.

Bonus Depreciation

Businesses must generally write off the costs of assets over their "useful life"—a set number of years based on the kind of asset. With bonus depreciation, businesses can immediately deduct those costs, subject to certain limits. Under the TCJA, 100% bonus depreciation was only allowed through 2022, subject to a phaseout that would allow a deduction for 80% of costs in 2023 and 60% in 2024. Under OBBBA, the 100% bonus depreciation provision is made permanent.

Section 179 Expensing

Section 179 lets you take an immediate expense deduction for purchases of depreciable business equipment instead of capitalizing and depreciating the asset over time. OBBBA expanded expensing to allow $2,560,000 of immediate deductions with a phaseout threshold beginning at $4,090,000 for property placed in service in 2026. These thresholds will be indexed for inflation starting after 2026. Section 179 applies to many of the same assets as bonus depreciation, but also includes property bonus depreciation doesn't cover, such as HVAC, fire protection, and alarm systems, off-the-shelf software, and furniture used in lodging facilities.

Research and Development Expenses

Previously, the R&D credit allowed businesses to write off qualifying R&D expenditures, but they had to amortize those costs over five years. Under OBBBA, full expensing for domestic R&D expenses is made permanent. You have several options for claiming this deduction. Consult with your tax advisors to determine which tax credits your business qualifies for and would benefit the company the most. Another benefit for small business owners is how the R&D credit works with the new expensing rules. This special tax credit allows smaller companies that engage in research and development activities to offset their business's tax liability. It's meant to encourage them to innovate, create, and conduct research that is useful to society.

The law prevents you from getting both a deduction and a credit on the same expenses. Instead, you must reduce the amount of domestic R&E expenditures you expense by the amount of research credit you claim. For example, if you have $100,000 in qualifying R&D expenses and claim a $10,000 research credit, you can only deduct $90,000 of those expenses.

Pass-Through Income Deduction

Thanks to OBBBA, owners of some pass-through businesses can continue to claim a deduction of up to 20% of qualified business income—plus 20% of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income. This tax break was formerly set to expire at the end of 2025. The deduction phases out at $403,500-$553,500 (joint filers), $201,750-$276,750 (single filers), and $201,775-$276,775 (married filing separately—not including the qualified business income deduction. Above these thresholds, the deduction is based on whether you're a specified service trade business (SSTB).

Net Operating Losses

No business wants to lose money. But if your corporation did in 2025, those net operating losses that couldn't be claimed last tax year or remain unclaimed from earlier years can be carried forward indefinitely.

Business Interest Deduction

The Tax Code limits corporations' business interest expensing to any business interest income plus 30% of the business's adjusted taxable income (ATI). Generally, this limit doesn't apply to companies with average annual gross receipts for the prior three taxable years below a certain threshold ($32 million for 2026). OBBBA reinstates a more favorable business interest expense by allowing businesses to add back depreciation, depletion, and amortization to their ATI calculation, which can increase the amount of deductible interest. The change is effective starting in 2025.

Qualified Business Income Deduction

OBBBA makes permanent the deduction for qualified business income ("QBI") under Section 199A of the Internal Revenue Code as enacted initially by TCJA—generally equal to 20% of a noncorporate taxpayer's aggregate QBI, subject to certain adjustments. A new minimum deduction of $400 per year, indexed for inflation, has been added for any noncorporate taxpayer whose aggregate QBI from all qualified trade or business activities in which the taxpayer materially participates exceeds $1,000.

Pass-Through Entity Tax (PTET) Deduction

Since the TCJA capped SALT deductions for individuals at $10,000, many states adopted PTET workarounds, which allowed pass-through entities (like partnerships and S-corporations) to pay state income taxes at the entity level, rather than individual owners paying at the personal level, effectively reducing the pass-through entity's income. Under OBBBA, the PTET deduction essentially remains the same as before.

Business Meals

A taxpayer can generally deduct 50% of business meal expenses that are ordinary and necessary expenses, such as taking a client to lunch or a prospective client to dinner. Before 2026, a variety of employer-provided meals were also deductible. But no longer. Under OBBBA, starting in 2026, the deduction for employer-provided meals will be disallowed, except for certain meals provided on vessels, oil or gas platforms, drilling rigs, and support camps.

Home Office Deduction

Self-employed business owners who use their home as their principal place of business and use a portion of their residence as a dedicated office (or warehouse/storage) space can claim the home office deduction. There are two ways to take a deduction: Deduct a portion of your mortgage interest, property taxes, insurance, and utilities equal to the percentage of your home's square footage dedicated to business use; or use the simplified method, which allows a maximum $1,500 deduction, depending on the square footage used.

Compliance

To support new deductions and credits, businesses may face additional documentation rules, including:

Enhanced reporting for employee wage types (e.g., tip income, overtime tracking), verification for green or domestic-use incentives, and additional due diligence standards for tax preparers.

Rental Real Estate Tax Benefits

Some interests in rental real estate qualify for the 20% pass-through income deduction. These enterprises are generally defined as owning real estate to generate rental income. To claim the deduction, you'll need to meet specific requirements.

> **SMART MOVES:** Keep separate books showing income and expenses for each rental real estate enterprise.
>
> Complete 250 hours or more of rental services each year if your rental real estate enterprise is less than four years old. For properties you've owned longer, 250 or more hours of rental services must have been performed in at least three of the past five years. Rental services include advertising the property for rent, collecting rent, and completing routine repairs or maintenance on the property. Maintain meticulous records, including time logs for hours of all services performed, a description of all services performed, dates on which such services were performed, and who provided the services. Attach this report to your tax return.

The formula to figure out your tax liability with the pass-through income provision is complex, so work with your tax professional. They can help you calculate your pass-through income and its tax.

More Tax-Managing Considerations

As a business, you have numerous other tax-managing opportunities available to you. See which ones fit your business.

Hire Family Members

Consider adding your spouse or children to your payroll to help maximize business tax deductions. A spouse who is an employee may be entitled to make IRA contributions or participate in your company's retirement plan. The family business can also provide all employees, including spouses, with additional benefits, such as health insurance, for which the premiums would be a business deduction. If you're self-employed, wages paid to children under age 18 aren't subject to Social Security or Medicare taxes. Of course, your kids must work to earn the wages.

Exit Planning

Potential taxes can significantly impact the proceeds from selling your business. One way to reduce the tax impact is to conduct an installment sale, especially if the buyer lacks sufficient cash or will pay a contingent amount based on the company's performance. Installment sales spread the gain over the contract's length, which may help avoid triggering the Net Investment Income Tax or short-term capital gains. However, there can be drawbacks, including the recapture of depreciation in the year of the sale or increasing tax rates in future years.

> **SMART MOVE:** Consider the entire picture when planning to sell your business. Tax consequences are only one of many important considerations.

If you're gifting your business to family members during your lifetime, you'll need to file a gift-tax return. You'll have the option of paying an immediate gift tax, or you can use your lifetime gifts and estate-tax exemption (currently $15 million). Unless the value of your business exceeds the exemption, you shouldn't owe any tax on the gift.

You have another option if you eventually plan to give your business to a family successor, but the business's value exceeds the exemption. You can use the annual gift-tax exclusion ($19,000 in 2026) to gradually give an ownership interest each year without incurring taxes.

Employee Benefits

Review your employee benefit offerings to ensure they continue to maximize potential tax breaks, while providing benefits that attract and retain qualified employees. OBBBA includes several provisions that directly affect employee benefits, while other changes may have an indirect impact on employer group medical plans.

Tax Credits for Small Business Retirement Plans

The credit for small businesses that set up a new retirement plan can be as much as $5,000 for the first three years. This credit provides small business owners with an incentive to offer their employees access to a retirement plan. For businesses that enroll new hires, another $500 in tax credits is automatically available each year for up to three years. And under OBBBA, credits can cover up to 100% of plan startup costs, increased from 50%.

The maximum auto-enrollment contribution for the first year of employment is 10% of compensation. Employees must have the choice to opt out of auto-enrollment. After the worker's first year, safe harbor plans can automatically increase employee contributions up to a maximum of 15% of compensation. Again, employees must have the option of opting out. Additionally, you have until the due date for your company's tax return filing to establish a plan and claim the credit for the previous year, which gives you more time to provide your employees with a profit-sharing contribution.

Qualified Retirement Plan Offset

If a participant fails to repay a loan, the plan may provide that the account balance is reduced or offset by the unpaid portion of the loan. The plan loan offset amount is the outstanding balance. A plan loan offset amount is treated as an actual distribution for rollover purposes. Suppose the plan loan offset is due to termination of the plan or severance from employment. In that case, an employee has until their federal income-tax due date, including extensions, for the taxable year in which the offset occurs to come up with and roll over the offset amount.

Qualified Plan Limits

The annual compensation limit for retirement accounts under Sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii) is $360,000 (estimated) in 2026.

> **SMART MOVE:** Get ready. In fall 2025, the IRS released final Roth catch-up regulations confirming that beginning next year, highly paid employees ($150,000+ in wages) who wish to make catch-up contributions to your 401(k) plan can only make them to a Roth account. If your plan doesn't allow Roth contributions, these employees won't be able to make any catch-up contributions in 2027 and later. Therefore, you may want to discuss adding Roth contributions to your plan with your benefits advisor. However, a plan sponsor can't force all employees to make their catch-up contributions to a Roth account, although this would simplify administration.

ESOPs

The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a five-year distribution period is $1,415,000 (to be adjusted for 2026). The dollar amount used to determine the lengthening of the five-year distribution period is $280,00 (to be adjusted for 2026).

Plan Compliance

To support new deductions and credits, businesses may face additional documentation rules, including:

Enhanced reporting for employee wage types (e.g., tip income, overtime tracking), verification for green or domestic-use incentives, and additional due diligence standards for tax preparers. Also, fines and penalties for non-compliance with ERISA requirements have increased annually, ranging from a few hundred dollars to a six-figure fine. Work with a compliance professional to ensure you don't trigger penalties or fines.

Expanded Child Care Assistance Benefits

The employer-provided childcare tax credit has increased from $150,000 to $500,000 (and up to $600,000 for small businesses), now covering 40%–50% of eligible expenses and indexed for inflation.

Student Loan Payments

TCJA allowed employers to make nontaxable contributions toward employees' student loan payments. The OBBBA makes this exclusion permanent. Additionally, it indexes the maximum educational assistance exclusion to $5,250 for inflation after 2026. You may also offer matching 401(k) contributions to employees based on their repayment of student loans. Participation is voluntary, and employees must opt in to participate.

> **SMART MOVE:** Employers may consider reviewing and updating their educational assistance plans to include employees' student loan payments and track the inflation adjustment for 2026.

Employer FMLA Tax Credit Extended

Beginning January 1, 2026, employers may continue to claim a credit of 12.5% to 25% of qualifying wages, depending on the employee's wages. The 2026 limit is $96,000 and will be adjusted for inflation in future years. Alternatively, an employer may elect a new method allowing the credit to be calculated based on premiums paid for qualifying paid leave insurance policies.

Taxable Fringe Benefits

Generally, you must report the value of benefits you provide to your staff as employees' taxable income—unless explicitly excluded by the IRS. These benefits include employee discounts on goods or services, parking subsidies of up to $340 (as of 2026), and company services offered at cost. They also include modest holiday gifts, minimal personal use of office equipment, and even occasional company parties. The value of more substantial benefits, such as personal use of a company car or a country club membership, must also be included in taxable income. Note that, starting in 2026, most moving expenses and bicycle commuting reimbursements are now taxable.

Flexible Spending Accounts (FSAs)

In 2026, the contribution limit for health flexible spending accounts (FSAs) is $3,400, and 20% of the limit, or $680, can be carried over. For dependent care FSAs, the limit will increase to $3,750 for single individuals and $7,500 for married couples filing jointly. Thanks to OBBBA, telehealth services are now permanently included under high-deductible health plans (HDHPs).

Accounting Methods

If your average annual gross receipts were $32 million or less in the three previous tax years, you can choose either a cash or accrual method of accounting in 2026. In 2025, the limit was an average of $31 million or less. You must use the accrual method if your gross receipts exceed that threshold.

> **SMART MOVE:** Before making a change, weigh the administrative burden, compliance requirements, and timing considerations to ensure a well-informed decision. Speak with your tax professional or see IRS Publication 538 – Accounting Periods and Methods for more information.

We Can Help

Tax regulations are constantly evolving and often complex. Working with your tax and financial professionals to learn how to minimize taxes and leverage your savings to invest in your future has never been more important. We urge you to call us to schedule an appointment. Getting a head start on tax planning can save you money, time, and stress.

FINRA Reference# FR2025-0925-0169/E

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 7, 2025

Reference: **FR2025-0925-0169/E** Org Id: 23568

1. 2026 Tax Planning Guide
   Rule: FIN 2210
   17 Pages

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Please note that our review does not pertain to the accuracy of the tax discussion included in this communication. It remains the firm's responsibility to ensure that this communication includes a complete and accurate discussion of all relevant tax issues.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.

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Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850
t 240 386 4500
f 240 386 4568