2026 Year-End Planning Guide

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CERTIFIED PUBLIC ACCOUNTANTS | WEALTH MANAGEMENT

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Dear Clients and Friends,

As another turbulent year draws to a close, taxpayers from all walks of life must cope with the ever-changing tax laws of the nation, including new rules and requirements established by the massive One Big Beautiful Bill Act (OBBBA) passed in 2025. Some OBBBA provisions became effective last year, while others kicked in this year, and still others are scheduled to take effect next year and beyond.

Generally, the OBBBA provides tax-saving opportunities for individuals and small business owners, although there are potential pitfalls to avoid. Furthermore, several longstanding tax benefits, such as residential energy credits, electric vehicle (EV) credits, and the Work Opportunity Tax Credit (WOTC) for hiring disadvantaged workers, are no longer on the books.

In addition, other extenuating factors—including the midterm elections and the uncertain economic climate—may have a significant impact on your tax outlook at the end of the year.

Finally, year-end tax planning should reflect other legislation enacted in recent years—including the "SECURE 2.0" law and the Tax Cuts and Jobs Act (TCJA) enacted during the president's first term—as well as key rulings and regulations issued by the IRS. It is difficult to navigate through this maze of complex rules without expert professional guidance.

Keeping all that in mind, we have prepared the following 2026 Year-End Tax Letter. For your convenience, the letter is divided into three sections:

*Business Tax Planning

*Individual Tax Planning

*Financial Tax Planning

Be aware that the concepts discussed in this letter are intended to provide only a general overview of year-end tax planning. It is recommended that you review your personal situation with a tax professional.



Business Tax Planning

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Business Tax Planning

First-Year Depreciation

Although personal interest is generally nondeductible, you may be able to write off certain other types of interest, subject to special rules.

Year-End Move

To ensure you can claim the maximum deductions allowed for 2026, place qualified property in service (i.e., prepare it for its intended use) before the end of the year. Otherwise, your business cannot claim either tax break on its 20 26 return.

1. Section 179 deduction: Section 179 allows a business to currently deduct the cost of qualified property, subject to a phase-out above a specified threshold, up to an annual limit essentially doubled by the OBBBA. The chart below shows the annual limits for this decade.

Tax year	Deduction limit	Phase-out
2021	$1.05 million	$2.62 million
2022	$1.08 million	$2.70 million
2023	$1.16 million	$2.89 million
2024	$1.05 million	$3.05 million
2025	$2.50 million	$4 million
2026	$2.56 million	$4.09 million

Be aware that the Section 179 deduction cannot exceed the taxable income from all your business activities this year. This rule could limit your deduction for 2026.

2. First-year bonus depreciation: The OBBBA permanently restores the first-year bonus depreciation deduction of 100%, retroactive to January 20, 2025. The deduction had been scheduled to be phased out completely after 2027.

Tip:

Regular depreciation under the Modified Accelerated Cost Recovery System (MACRS) may be claimed for any remainder. However, other special rules could affect MACRS deductions, such as separate limits on business vehicles.

Business Tax Planning

Research and Experimental Expenses

In this competitive business environment, it is often important for small businesses to keep pace with the latest technological advancements.

Year-End Move

Increase research and experimental (R&E) activities that will benefit your busine ss . Bes ides the economic advantages, the OBBBA provides tax breaks for business entities on the cutting edge .

Previously, the tax law permitted a business to fully deduct domestic R&E expenses in the year in which they were incurred. But the TCJA required costs incurred after 2021 to be capitalized and amortized over 60 months. The OBBBA reinstates the prior rules, retroactive to January 1, 2025. (Alternatively, a business can elect to amortize the expenses over 60 months.)
Depending on your company's situation, it may be beneficial to file an amended return for 2025.

Note: The amortization period for foreign R&E expenses remains at 15 years.



Tip:

A business may also qualify for a research and development (R&D) credit, but the same expenses cannot be claimed for both the R&E deduction and the R&D credit.

Start-Up Costs

Normally, the costs associated with the start-up of a new business venture must be amortized over 180 months. However, the tax law allows you to claim a current deduction of up to $5,000 for qualified start-up costs. The $5,000 write-off is phased out for costs above $50,000.

Year-End Move

Make sure you "open for business" before January 1, 2027. Typically, this means you must begin offering goods or services. Otherwise, you cannot claim the current $5,000 deduction.

Some common examples of deductible start-up costs are as follows:

- An analysis of potential markets, products, labor supply, transportation facilities, etc.
- Advertisements for the opening of the business.
- Salaries and wages for employees who are being trained and those instructing them.
- Travel costs to secure prospective distributors, suppliers, customers or clients.
- Salaries and fees for executives and consultants or similar professional services.

Tip:

In addition, you may be entitled to a current deduction of up to $5,000 for qualified organizational expenses (e.g., expenses of a CPA).

Business Bad Debts

In these uncertain economic times, many small businesses are struggling to stay afloat, resulting in large numbers of outstanding receivables and collectibles.

Year-End Move

Increase your collection activities now. For instance, you may issue a series of dunning letters to debtors asking for payment. Then, if you are still unable to collect the unpaid amount, you can generally write off the debt as a business bad debt in 2026.

Generally, business bad debts are claimed in the year they become worthless. To qualify as a business bad debt, a loan or advance must have been created or acquired in connection with your business operation and result in a loss to the business entity if it cannot be repaid.

Note: Keep detailed records of all collection activities—including letters, telephone calls, e-mails, texts and efforts of collection agencies—in your files. This documentation can help support your position claiming the worthlessness of the debt if the IRS ever challenges the bad debt deduction.



Travel and Entertainment Expenses

The travel and entertainment (T&E) tax rules are fraught with numerous twists and turns.

Year-End Move

Stay within the tax law boundaries. If you adhere to the strict recordkeeping requirements, you can maximize deductions for 2026. Be aware of the following points as you look to increase deductions at the end of the year.

- Under the "luxury car" rules, the deduction limit (including bonus depreciation) for a passenger vehicle placed in service in 2026 is $20,300 ($31,300 for certain heavy-duty SUVs). These figures are based on 100% business use and must be adjusted accordingly.

- A company may generally deduct 100% of the qualified business travel costs incurred by employees. To increase your current deduction, accelerate trips planned for 2027 into 2026.

- Previously, a business could generally deduct 50% of its qualified entertainment expenses. The deduction for entertainment expenses has been permanently repealed by the OBBBA, but you can still deduct 100% of the cost of a holiday party, provided the entire workforce—not just the higher-ups or company officers—is invited.

Tip:

If you use the standard mileage method for deducting auto expenses in lieu of actual expenses, the rate is 72.5 cents per business mile (plus related tolls and parking fees) for the first six months of 2026 and 76 cents per mile for the last six months.



Miscellaneous

- Under the O B BBA, e mployees may deduct the premium portion of up to $12,500 of overtime pay for si n gle filers or $25,000 for joint filers, subject to a phase - out beginning a t $150,00 0 or $30 0 ,000 of MAGI , respect ively . Consider the year-end implication s.

- Stock up on supplies you expect your business to need in the near future . If you buy the supplies in 202 6 , th e cost is deductible this year even if they are not used until 202 7 .

- Maximize the qualified business income (QBI) deduction of up to 20% for pass-through entities and self-employed individuals. Note that special rules apply if you are in a “specified service trade or business” (SSTB). The OBBBA extend ed this tax break and ma de it permanent.

- Delay bonuses to 2027 if your business is a calendar-year accrual-basis company. The bonuses generally are deductible on its 2026 return as long as they are paid by March 15, 2027. Bonuses received by employees in 2026 are taxable in 2026. Caveat: This technique does not apply to bonuses paid to majority owners of a C corporation or certain owners of an S corporation or a personal service corporation.

- Owners of pass-through business entities like S corporations , partnerships and limited liability companies (LLCs) may adopt SALT “workarounds” to qualify for state tax deductions or credits. How it works in brief: The business make s the payments and then tax benefits are passed through to individuals on their personal tax returns. Contact your tax professional for more details pertaining to your situation.

Individual Tax Planning

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Charitable Donations

The tax law allows you to deduct charitable donations within generous limits if you meet stated recordkeeping requirements. But the OBBBA creates several important tax complications.

Year-End Move

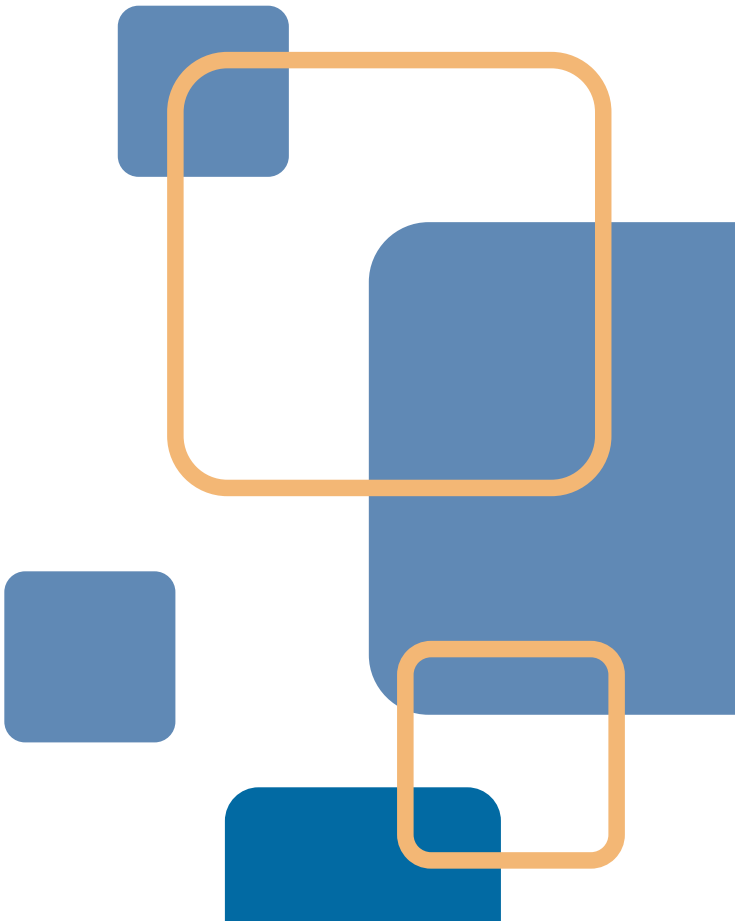
Bunch charitable donations in the year that does you the most "tax good." Typically, but not always, this will be a tax year in which you expect to itemize your deductions. For instance, you may shift large donations initially planned for 2027 into 2026.

Similarly, your overall strategy may depend on a couple of OBBBA changes affecting charitable deductions. First, the OBBBA imposes a first-time-ever "haircut" of 0.5% of adjusted gross income (AGI) before any donations are deducted, effective in 2026. This new rule may be especially important if you are planning to donate appreciated long-term gain property that would qualify for a deduction equal to the property's fair market value (FMV). The deduction for property is limited to 30% of AGI, but any excess may be carried over for up to five years.

Second, the OBBBA also allows a deduction of up to $1,000 of monetary gifts for non-itemizers, beginning in 2026. The maximum deduction is doubled to $2,000 on a joint return.

Tip:

Do not forget that a monetary contribution made by credit card in 2026 is deductible in 2026—even if the charge is not paid until 2027!



SALT Deductions

The TCJA limited the annual deduction for state and local tax (SALT) payments to $10,000. But the OBBBA increased the cap to $40,000 subject to several special rules.



Year-End Move

When appropriate, you may accelerate SALT payments into 2026 to increase your current deduction. In any event, however, the SALT deduction is only available to itemizers.

The SALT deduction is comprised of a combination of (1) state and local property taxes and (2) state and local income taxes OR sales taxes. If you choose to include sales taxes, you may deduct an amount equal to your actual receipts or a flat amount from an IRS table based on state of residence and family size.

Under the OBBBA, the $40,000 cap is increased by 1% each year from 2026 through 2029 until it reverts to $10,000 in 2030, making it $40,400 for 2026. This applies to both single and joint filers. Conversely, the OBBBA also includes a phase-out provision that reduces the deduction limit by 30% of the amount by which modified adjusted gross income (MAGI) exceeds $500,000 ($505,000 in 2026) until the deduction is reduced to $10,000.

Tip:

Your SALT deduction will likely include state and local income taxes if you reside in a state with high state income taxes. Conversely, you will probably opt to deduct sales taxes if you are a resident of a state with no or a low state income tax. Residents in other states falling in the middle may face tougher decisions.

Alternative Minimum Tax

The alternative minimum tax (AMT) calculation requires technical adjustments, inclusion of "tax preference items" and subtraction of an exemption amount, subject to a phase-out. After comparing AMT liability to regular tax liability, you effectively pay the higher of the two.

Year-End Move

Have your tax professional assess your AMT status. When it makes sense, you may shift certain tax preference items to 2027 to reduce AMT liability for 2026. For instance, you might postpone the exercise of incentive stock options (ISOs) that count as tax preference items for this purpose.

Due to recent legislative changes, the exemption amounts for the AMT have gradually increased, especially during the last decade. The exemption figures for 2021 through 2026 are shown below.

Filing status	2021	2022	2023	2024	2025	2026
Single filers	$73,600	$75,900	$81,300	$85,700	$88,100	$90,100
Joint filers	$114,600	$118,100	$126,500	$133,300	$137,000	$140,200

The OBBBA permanently establishes a favorable exemption phase-out threshold of $500,000 for single filers and $1 million for joint filers, with inflation indexing, beginning in 2026. However, the 2025 law also doubles the rate for phasing out exemptions.

Tip:

If you are sure that you will have to pay the AMT in 2026 and your top AMT rate of either 26% or 28% is lower than your top regular rate—currently topping out at 37%—you might choose to accelerate income into 2026.

Medical Expenses

Currently, you may deduct qualified medical expenses in excess of 7.5% of your AGI if you itemize deductions. This typically includes doctor and dentist visits, hospital stays, prescription drugs, health insurance, etc. Other special rules may apply.

Year-End Move

If it is appropriate, shift non-emergency expenses planned for 2027 into 2026. For example, you might arrange to have a routine year-end medical exam or a dental cleaning in late December instead of early January.

These extra expenses may push you over the 7.5% of AGI threshold for 2026 or boost an existing deduction if you have already cleared the mark. Conversely, if you absolutely will not qualify for a deduction, you might as well postpone these expenses to 2027.

Note that the cost of traveling for medical treatment is deductible even if comparable treatment is closer. In this case, you may deduct your actual expenses or an amount based on an IRS-approved flat rate (plus medical-related tolls and parking fees).

Tip:

For 2026, the flat rate began at 20.5 cents per mile, but it was raised to 23.5 cents per mile for the last six months of the year due to rising gas prices.



Interest Deductions

Although personal interest is generally nondeductible, you may be able to write off certain other types of interest, subject to special rules.

Year-End Move

It may make sense to accelerate interest expenses into 2026 if you intend to itemize this year. Assuming you stay within the tax law limits, the “extra” interest may be deductible in 2026.

Some of the main types of deductible interest expenses are as follows:

Mortgage Interest

Limited to the interest on the first $750,000 of “acquisition debt” to buy, build or substantially improve a qualified residence.

Investment Interest

Limited to the amount of net investment income.

Student Loan Interest

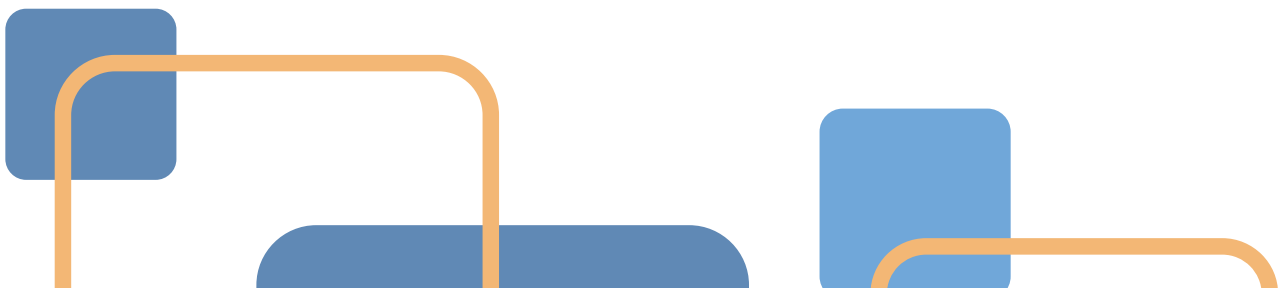
Limited to the first $2,500 of interest on qualified student loan debt, subject to a phase-out based on MAGI.

Auto Loan Interest

Limited to up to $10,000 of interest paid on qualified vehicles. This only applies to new (not used) vehicles, but most passenger cars, SUVs, minivans and pickup trucks assembled in the U.S. should otherwise qualify.

Tip:

The auto loan interest deduction, authorized by the OBBBA, only lasts from 2025 through 2028. It is subject to a phase-out beginning with MAGIs above $100,000 for single filers and $200,000 for joint filers.



Miscellaneous

- Minimize “kiddie tax” problems by having your child invest in tax-deferred or tax-exempt securities. For 2026, unearned income above $2,700 received by a dependent child under age 19 (or under age 24 if a full-time student) is taxed at the top tax rate of the parents.

- Pay tuition in 2026 for a child’s semester beginning in early 2027 if you can claim one of two higher education credits. However, both credits are subject to phase-outs based on MAGI.

- Avoid an estimated tax penalty under one of the safe-harbor exceptions. Generally, a penalty will not be imposed if you pay 90% of your current year’s tax liability or 100% of your prior year’s tax liability (110% if your AGI exceeds $150,000).

- Empty out flexible spending accounts (FSAs) for health care or dependent care expenses if you will forfeit unused funds based on the “use-it-or-lose it” rule. However, your employer’s plan may provide a carryover to 2027 of up to $680 of unused funds or a 2½-month grace period.

- Make home improvements that qualify for mortgage interest deductions as acquisition debt. This includes loans made to substantially improve your principal residence or one other home. Note that you can no longer claim deductions for interest paid as home equity debt.

- Tax-efficient investing is a tax-strategy opportunity. Rushton has a team of tax professionals and wealth management professionals who work together to help design tax-efficient investing strategies for specific tax situations.

Financial Tax Planning

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Financial Tax Planning

Capital Gains and Losses

Investors can manage sales of assets like securities at year-end to maximize tax benefits. But the rules are complex.

For starters, capital gains and losses offset each other. If you show an excess loss for the year, you can offset up to $3,000 of ordinary income and carry over any remainder to next year. Long-term capital gains from sales of securities owned longer than one year are taxed at a maximum rate of 15% (20% for high-income investors). Conversely, short-term capital gains are taxed at ordinary income rates reaching as high as 37%.



Year-End Move

Review your investment portfolio . Depending on your situation, you may decide to "harvest" capital losses to offset gains, especially high-taxed short-term gains, or realize capital gains that will be partially or wholly absorbed by losses.

Also, be aware that a 0% rate applies to taxpayers below certain income levels, such as young children. Plus, some taxpayers who ultimately pay ordinary income tax at higher rates due to their investments may qualify for the 0% tax rate on a portion of their long-term capital gains.

However, watch out for the "wash sale rule." If you sell securities at a loss and reacquire substantially identical securities within 30 days of the sale, the tax loss is disallowed. One way to avoid this adverse result is to wait at least 31 days to reacquire substantially identical securities.

Tip:

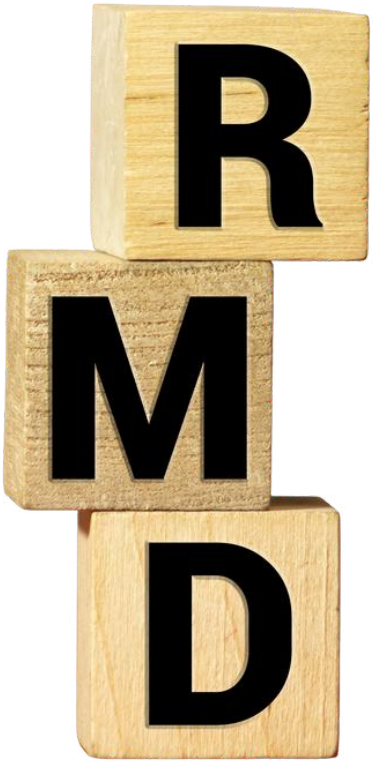
A disallowed loss increases your basis for the securities you acquire . Thus, it could reduce the amount of a taxable gain on a future sale

Required Minimum Distributions

Typically, you must begin taking “required minimum distributions” (RMDs) from IRAs and qualified retirement plans, like 401(k) plans, after a specified age. Under SECURE 2.0, the age threshold has been raised to 73 (scheduled to increase to 75 in 2033). The amount of the RMD is based on IRS life expectancy tables and your account balance at the end of last year.

Year-End Move

Review your situation and react accordingly. If you can postpone RMDs longer, you can continue to benefit from tax-deferred growth. Otherwise, make arrangements to receive RMDs before January 1, 2027, to avoid any penalties.



Conversely, if you are still working and do not own 5% or more of a business with a qualified plan, you can postpone RMDs from that specific plan until your retirement. This “still working ” exception does not apply to RMDs from IRAs or qualified plans of other employers.

Previously, the penalty for failing to take timely RMDs was equal to 50% of the shortfall. But SECURE 2.0 cuts the penalty in half to 25% (10% if corrected in a timely fashion).

Tip:

Beneficiaries of qualified plans and IRAs must also comply with RMD rules. If you are a non-spouse beneficiary, you are generally required to empty out the account over ten years.

Net Investment Income Tax

Certain high-income investors must cope with the 3.8% “net investment income tax” (NIIT) in addition to their regular income tax responsibilities.

Year-End Move

Reduce potential NIIT exposure for 2026. The tax applies to the lesser of net investment income—including capital gains, dividends and interest—or MAGI above $200,000 for single filers and $250,000 for joint filers.

Several potential ideas for minimizing the impact of the NIIT at the end of the year are as follows:

- Invest in tax-free municipal bond s or municipal bond funds.
- Harvest capital losses to offset gains.
- Focus on growth stock s i nstead of dividend- p aying stocks that creat e current income.
- Sell real estate on the installment basis (more on this below).

Tip:

Unlike many comparable provisions, the NIIT thresholds of $200,000/$250,000 are **NOT** indexed for inflation. Thus, this often-overlooked tax may begin to affect you as your income rises.

Financial Tax Planning

Installment Sales

If y ou sell real estate property at a gain, you must pay tax on the full amount of the capital gain in the year of the sale.

Year-End Move

Arrange to sell real estate (or other qualified property) on the installment basis. If you receive installment payments over two or more tax years, the tax is limited to a proportionate share of the gain that is paid over the years in which payments are actually received .



The tax benefits from installments sales may be two-fold for certain high-income real estate investors.

- So me of th e tax normally due on a real estate transaction is deferred.
- Your overall tax liability may be reduced b ecause you pay a greater portion of the tax due on a gain at the 15% capital gain rate rather than the 20% rate. Th is is because the tax liability is spread out over more years.

Tip:

If it makes sense (e.g., you have a low tax year or you are carrying over losses), you can “elect out” of installment sale treatment on your 2026 return. Otherwise, the tax treatment is automatic.

Estate and Gift Tax

About 25 years ago, t he federal estate and gift tax exemption was a relatively low $1 mi l lion. But it was gradually increased until it reached $10 million, i nd e xed annually for inflation. Now the OBBBA has permanently increased the ex emption to $15 million , beginning in 2026 , with future indexing. The exclusion amounts for th is decade are shown below.

Year-End Move

Adjust your estate plan as needed. For instance, your plan may implement various techniques, including the use of trusts, to maximize the benefits of the estate tax exemption.

Furthermore, you can reduce the size of your taxable estate through lifetime gifts. Thanks to the annual gift tax exclusion, you can give each recipient up to $19,000 in 202 6 without any gift tax liability. Thus, a couple can effectively give tax-exempt gifts up to $38,000 per recipient.

Tax year	Estate tax exemption
2021	$11.70 million
2022	$12.06 million
2023	$12.92 million
2024	$13.61 million
2025	$13.99 million
2026	$15 million

Tip:

You may “double up” by giving gifts in both December and January that qualify for the annual gift tax exclusion for 202 6 and 202 7 , respectively. The gift tax exclusion is expected to rise to $20,000 in 2027.



Miscellaneous

- Fund retirement plan contributions. Contributions within generous limits to plans and IRAs compound tax-deferred until withdrawn. The maximum 401(k) deferral for 2026 is $ 24,5 00, but larger contributions are allowed for certain older workers.

- If you rent out your vacation home, keep your personal use within the tax law limits. No loss deduction is allowed if your personal use exceeds the greater of 14 days or 10% of the rental period.

- From a tax perspective, it is often beneficial to sell mutual fund shares before the fund declares dividends (the ex-dividend date) and buy shares after the date dividends are declared.

- Consider a qualified charitable distribution (QCD). If you are age 70½ or older, you can transfer up to $1 11 ,000 of IRA funds directly to charity in 202 6 , free of tax (but not deductible). Plus, SECURE 2.0 authorizes a one-time transfer of up to $5 5 ,000 to a charitable remainder trust (CRT) or charitable gift annuity (CGA) as part of a QCD.

- Weigh the benefits of a Roth IRA conversion, especially if this will be a low-tax year. Although the conversion is subject to current tax, you generally can receive tax-free distributions in retirement, unlike taxable distributions from a traditional IRA.

Conclusion

This 2026 Year-End Tax Letter is based on the prevailing federal tax laws, rules and regulations. Of course, it is subject to change, especially if additional tax legislation is enacted by Congress before the end of the year.

Finally, remember that this letter is intended to serve only as a general guideline. Your personal circumstances will likely require careful examination. With our team of professionals with expertise in tax, wealth management, financial audits, and accounting services, we are able to tailor our approach to your needs. Please reach out to us with your questions to start designing a strategy specific to you.



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