HB Wealth

2026 Year-End Tax Planning: Key Considerations Before December 31

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Many 2025 One Big Beautiful Bill Act (OBBBA) changes take full effect in 2026, including a new floor on charitable deductions, a cap on the value of itemized deductions for top-bracket filers, and an accelerated alternative minimum tax (AMT) exemption phase-out. While the planning items below are not exhaustive, they are reminders to confer with your HB Wealth advisory team and tax advisors before December 31.

Key 2026 Numbers at a Glance[1]	
37% bracket begins	$768,700 married filing jointly / $640,600 single
20% long-term capital gain rate begins	$613,700 married filing jointly / $545,500 single
3.8% Net Investment Income Tax	$250,000 married filing jointly / $200,000 single (not indexed)
State and Local Tax (SALT) deduction cap	$40,400; reduced when modified adjusted gross income (MAGI) exceeds $505,000
AMT exemption phase-out begins	$1,000,000 married filing jointly / $500,000 single
Estate, gift & generation-skipping transfer (GST) exemption	$15 million per person
Annual gift exclusion	$19,000 per recipient ($38,000 for married couples)
Qualified charitable distribution	Up to $111,000 per IRA owner (age 70½ or older)
401(k) / 403(b) deferral	$24,500 (+$8,000 age 50+; +$11,250 ages 60–63)
Excess business loss limit	$512,000 married filing jointly / $256,000 other

Start With a Projection

- **Run 2026 and 2027 projections:** Every move below depends on which bracket, threshold, or phase-out you land in.
- **Map your income against the key thresholds:** the 37% bracket, 20% capital gains rate, Net Investment Income Tax, SALT phase-down, AMT phase-out, and qualified business income (QBI) limits.
- **Confirm safe harbors.** Pay at least 110% of your 2025 tax if 2025 adjusted gross income (AGI) exceeded $150,000. Year-end withholding is treated as paid ratably through the year and can cure earlier-quarter shortfalls.
- **Watch income-related monthly adjustment amount (IRMAA).** 2026 income determines 2028 Medicare premiums; a large one-time income event may trigger future Medicare surcharges.
- **Accelerate or defer?** Where possible, take bonuses, distributions, or other income items in a lower-rate year, and make deductible payments in a higher year.

Charitable Giving – New 2026 Rules[2]

- **New 0.5% of AGI floor:** only gifts above the floor are deductible. Consider bunching several years of giving into one year to clear the floor only once.
- **Top-bracket limit:** for high-income taxpayers, deductions now save roughly 35¢ per dollar, not 37¢.
- **Give appreciated stock held over one year** instead of cash; use the cash to repurchase and reset your cost basis. Sell — don't donate — investments that have lost value.
- **Donor-advised fund:** take the deduction now and recommend grants to charities over time.
- **Age 70½ or older: qualified charitable distributions (QCDs) up to $111,000.** QCDs are excluded from income, count toward required minimum distributions (RMDs), and avoid both the new floor and the top-bracket limit. (QCDs cannot go to donor-advised funds.)
- **Allow time for transfers.** Start securities transfers early (mutual funds can take several weeks) and obtain written acknowledgments for gifts of $250 or more.

Investments & Capital Gains

- **Harvest losses** to offset realized gains. Review loss carryforwards and expected fund or K-1 gains first. Note: the wash-sale rule also applies to repurchases inside an IRA.
- **Harvest gains** if your 2026 income is unusually low, or gift appreciated shares to adult children in the 0% capital gains bracket (watch the kiddie tax through age 23).
- **Avoid buying mutual funds just before year-end distributions** in taxable accounts.
- **Spread out large gains,** where applicable, utilizing installment sales or §1031 exchanges to manage the 20% rate and net investment income tax (NIIT) thresholds.
- **Opportunity Zones:** gains deferred into pre-2027 Qualified Opportunity Fund investments are recognized on December 31, 2026 — plan for the cash. Gains realized now may be reinvested within 180 days into the new 2027 program.
- **Qualified small business stock (issued after July 4, 2025):** 50% / 75% / 100% gain exclusion at 3-, 4-, 5-year holding periods, up to $15 million. Document your holding periods.
- **Municipal vs. taxable bonds:** compare tax-equivalent yields and check private-activity bonds for AMT exposure.
- **Unrealized gains:** before selling a large, appreciated stock position or other investments, consider charitable gifting, loss harvesting, and multi-year diversification strategies.

Retirement Accounts[3]

- **Maximize 401(k) / 403(b) contributions by your last 2026 paycheck.** Catch-up contributions to your plan must be Roth if your 2025 Federal Insurance Contributions Act (FICA) wages exceeded $150,000.
- **Roth conversions must be completed by December 31** and cannot be undone. Consider converting enough to fill a lower tax bracket, pay the tax from non-IRA funds, and model the NIIT and IRMAA effects.
- **Backdoor Roth:** pre-tax IRA balances trigger the pro-rata rule — consider rolling them into a 401(k), where available, to minimize taxes on conversion.

- **Take required minimum distributions by December 31 (typically beginning at age 73).** Note that non-spousal inherited IRA beneficiaries now must take annual RMDs within the 10-year window — consider smoothing withdrawals over the distribution period.
- **Health accounts:** Health savings account (HSA) limits are $4,400 individual / $8,750 family (+$1,000 age 55+). Make 2027 flexible spending account (FSA) elections during open enrollment; the dependent care FSA limit rises to $7,500.

Executives & Equity Compensation[4]

- **Incentive stock options: model AMT before exercising.** The 2026 AMT exemption begins phasing out at lower income and phases out twice as fast. Consider selling underwater incentive stock option (ISO) shares before year-end triggering disqualifying disposition and avoiding AMT.
- **Restricted stock unit (RSU) and nonqualified stock option (NQSO) income:** the standard 22% supplemental withholding often falls short — consider a true-up payment either through increased year-end withholding or estimated tax payment.
- **Deferred compensation:** 2027 salary deferral elections are generally due by December 31 (or earlier under your plan). Always weigh the employer credit risk of non-qualified plans.
- **Restricted stock:** a §83(b) election must be filed within 30 days of the grant to qualify future appreciation for capital gain treatment.

Business Owners[5]

- **100% bonus depreciation (now permanent) and §179 expensing up to $2.56 million.** Assets must be placed in service by December 31.
- **State pass-through entity tax (PTET) elections** remain the best route around the individual SALT cap; confirm state payment timing requirements with your tax advisor.
- **QBI deduction:** manage taxable income against the $403,500–$553,500 phase-in range (married filing jointly), and revisit S corporation reasonable compensation guidelines.
- **Business losses:** test basis, at-risk, passive, and excess business loss limits in that order. Keep a log of material-participation hours (750 hours for real estate professionals).

- **Retirement plans for owners:** solo 401(k), cash balance, or defined benefit plans can create sizable deductions.

Estate, Gifting, and Family

- **The $15 million exemption is "permanent" — until Congress says otherwise.** Larger estates may consider spousal lifetime access trusts (SLATs), sales to grantor trusts, grantor retained annuity trusts (GRATs), and dynasty trusts with GST allocation. Plan to utilize the 2027 additional inflation adjustment of $480,000.
- **Make annual exclusion gifts ($19,000 per recipient) by December 31.** Unused amounts do not carry over. Wire funds rather than mailing checks. Tuition and medical bills paid directly to the provider are unlimited and gift-tax free. Plan to utilize the $20,000 2027 exclusion.
- **529 plans:** front-load up to five years of gifts ($95,000 individual / $190,000 couple; requires Form 709). The K-12 limit is now $20,000 per year, and long-held accounts may roll a limited amount of unspent education savings to a Roth IRA.
- **New §530A Minor Savings Accounts:** up to $5,000 per child per year, plus a $1,000 federal deposit for children born 2025–2028. Confirm how contributions interact with gift tax returns.
- **Review older estate plans:** formula clauses written for lower exemptions may over- or under-fund marital and family trusts at the current $15 million exemption. Also review and update any beneficiary designations.
- **Review estate plans for income tax efficiency:** take advantage of the current income tax basis step-up regime by purposely including low-basis assets in the taxable estate (perhaps through retained substitution powers in grantor trusts). Assets gifted during life or passing outside of the estate do not qualify.
- **Trusts and family entities:** non-grantor trusts reach the 37% rate at just $16,000 of income — consider distributions to beneficiaries (noting the 65-day rule permits distributions through early 2027). Complete Crummey notices, intra-family loan interest, and entity formalities.
- **Holiday family meetings:** a natural time to share plans and engage the rising generation.

Did Anything Change in 2026?

Any of these events can reshape your year-end plan – please let us know before December.

- Marriage, divorce, birth, or death in the family
- Business sale, initial public offering (IPO), or other liquidity event
- Job change, retirement, or sabbatical
- Large real estate purchase or sale
- Change of residence or state of domicile
- A child starting college or a new grandchild

Key Dates

November 30, 2026	Last day to "double up" a position you plan to sell at a loss and still avoid a 2026 wash sale.
December 31, 2026	Deadline for gifts, charitable transfers, RMDs and QCDs, Roth conversions, 401(k) deferrals, year-end trades, 2027 deferred compensation elections, and business assets placed in service.
January 15, 2027	Fourth-quarter 2026 federal estimated tax payment due.
April 15, 2027	Last day for 2026 IRA and HSA contributions; Simplified employee pension (SEP) and certain plan contributions may be made through the extended due date.

Review Your 2026 Year-End Plan

Year-end planning considerations can vary based on your income, investments, charitable goals, business interests, and estate plan. To discuss your planning considerations, please reach out to your HB Wealth Advisory team or request a consultation with one of our Wealth Advisors.

Sources

[1]Internal Revenue Service, 2026 tax inflation adjustments and related 2026 cost-of-living guidance. https://www.irs.gov/pub/irs-drop/rp-25-32.pdf; https://www.irs.gov/pub/irs-drop/n-25-67.pdf

[2]Internal Revenue Service, Publication 526, Charitable Contributions, and Topic No. 506, Charitable Contributions. https://www.irs.gov/publications/p526; https://www.irs.gov/taxtopics/tc506

[3]Internal Revenue Service, 2026 retirement plan and Health Savings Account guidance. https://www.irs.gov/pub/irs-drop/n-25-67.pdf; https://www.irs.gov/pub/irs-drop/rp-25-19.pdf

[4]Internal Revenue Service, Topic No. 427, Stock Options, and Publication 15, Employer's Tax Guide. https://www.irs.gov/taxtopics/tc427; https://www.irs.gov/publications/p15

[5]Internal Revenue Service, 2026 guidance related to depreciation, business losses and other business tax provisions. https://www.irs.gov/newsroom/excess-business-losses; https://www.irs.gov/taxtopics/tc704

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