Year-End Tax Report

Moves to Make Before December 31 — and What's Changing for 2026 and 2027

Scott McMurdie, CFP® and Eric McMurdie, CFP®

There are only four months left in the 2026 tax year, and that is exactly the point of this report. Almost every meaningful tax decision you can still make for 2026 has a hard deadline of December 31 — after that date, the year is closed and the opportunity is gone. Roth conversions, charitable gifts, tax-loss harvesting, Required Minimum Distributions, and workplace retirement plan deferrals all have to happen before the calendar turns. The return you file next April simply reports what you did; it does not give you another chance to change it.

One distinction is worth setting up front, because it shapes everything that follows. A small number of tax moves come with a grace period into next spring: you can still fund a 2026 Traditional IRA, Roth IRA, or Health Savings Account right up until April 15, 2027. Almost nothing else works that way. Roth conversions, charitable gifts, tax-loss harvesting, annual-exclusion gifts, Required Minimum Distributions, and 401(k) payroll deferrals are all strictly calendar-year events, and December 31 closes every one of them. When someone tells us they'll deal with taxes at filing time, this second category is what they have already given up.

This year that deadline matters more than usual. Several provisions of the One Big Beautiful Bill Act (OBBBA) took effect for the first time in 2026 — a larger standard deduction, a much higher SALT cap, a new floor under the charitable deduction for itemizers, a new above-the-line charitable deduction for people who don't itemize, and a cap on the value of itemized deductions for top-bracket taxpayers. Some of these help you; at least one of them argues for accelerating a gift you might otherwise have made next year. Knowing which is which, before December, is the whole game.

This report moves from the big picture down to the specifics. We start with what changed for 2026 and why planning ahead beats reacting in April, then walk through the 2026 tax brackets, standard deduction, and capital gains tables, followed by the retirement and IRA contribution limits. From there we get into the decisions that drive most year-end conversations — RMDs and Qualified Charitable Distributions, Roth conversions, the new charitable rules, family credits, and gift and estate basics —

and close with the mistakes we see most often. You don't need to read it front to back. Jump to what applies to you, and call us about the rest.

One note before we start: the figures here are the published federal numbers for 2026, and the strategies described are general ones. Which of them actually fit depends on your income, your bracket, and whatever else is happening in your life this year — and that is exactly the conversation we'd like to have with you between now and December.

THE BIG PICTURE: WHAT'S NEW FOR THE 2026 TAX YEAR

- The standard deduction rose to $16,100 for single filers, $32,200 for married couples filing jointly, and $24,150 for heads of household.
- The SALT deduction cap is $40,400 for 2026, up from $40,000, and rises about 1% per year through 2029 before reverting to $10,000 in 2030. The higher cap phases down for taxpayers with high modified adjusted gross income.
- New for 2026: itemizers can only deduct charitable contributions above a floor of 0.5% of AGI. The first half-percent of your AGI in giving is no longer deductible.
- Also new for 2026: taxpayers who do not itemize can claim an above-the-line charitable deduction of up to $1,000 ($2,000 for joint filers). The 0.5% floor does not apply to this deduction.
- The $6,000 senior deduction ($12,000 for a married couple where both spouses qualify) for taxpayers 65 and older continues for 2026, phasing out above $75,000 MAGI (single) or $150,000 (joint). It runs through 2028.
- The deductions for tip income, overtime pay, and interest on a loan for a new U.S.-assembled vehicle all continue for 2026 and run through 2028.
- The federal estate and gift tax exemption jumped to $15,000,000 per person for 2026. The annual gift tax exclusion stayed at $19,000 per recipient.
- Retirement savers can defer more: the 401(k) limit rose to $24,500, the IRA limit to $7,500, and the age-50 catch-up to $8,000.

Proactive vs. Reactive Tax Planning: Why It Matters Most in the Fall

There's a meaningful difference between reacting to your taxes every April and planning for them all year long. A reactive approach means discovering what you owe — or what you left on the table — only after it's too late to do anything about it. The return is filed, the calendar year is closed, and the opportunity has passed. A proactive approach means reviewing your situation while you can still act, which for most decisions means now, not in the last week of December when custodians, charities, and payroll departments are all backed up.

Autumn is when proactive planning pays the most, because it's the last stretch of the year when you still have a full picture of your income and enough runway to act on it. By September you generally know what your income will look like, whether you had a strong or weak year in your business, whether you realized gains, and whether you're near a bracket or phase-out threshold. That combination — good information plus remaining time — is exactly what you don't have in April.

A proactive approach almost always produces a better result than a reactive one, and it's the approach we take with every client relationship. If we haven't had that conversation with you recently, the next few weeks are the right time for it.

2026 Federal Income Tax Brackets

Rate	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	$0 - $12,400	$0 - $24,800	$0 - $12,400	$0 - $17,700
12%	$12,401 - $50,400	$24,801 - $100,800	$12,401 - $50,400	$17,701 - $67,450
22%	$50,401 - $105,700	$100,801 - $211,400	$50,401 - $105,700	$67,451 - $105,700
24%	$105,701 - $201,775	$211,401 - $403,550	$105,701 - $201,775	$105,701 - $201,775
32%	$201,776 - $256,225	$403,551 - $512,450	$201,776 - $256,225	$201,776 - $256,200
35%	$256,226 - $640,600	$512,451 - $768,700	$256,226 - $384,350	$256,201 - $640,600
37%	$640,601+	$768,701+	$384,351+	$640,601+

2026 federal income tax brackets, taxable income, all filing statuses. Source: irs.gov (Rev. Proc. 2025-32). Married-filing-separately thresholds are one-half of the joint amounts.

2026 Standard Deduction

Filing Status	2026 Standard Deduction	Additional (Age 65+ or Blind)
Single	$16,100	+$2,050 per condition
Married Filing Jointly	$32,200	+$1,650 per spouse, per condition
Married Filing Separately	$16,100	+$1,650 per condition
Head of Household	$24,150	+$2,050 per condition

Source: irs.gov. The $6,000/$12,000 OBBBA senior deduction is separate from, and in addition to, this age-65+ standard deduction addition — and it is available whether you itemize or not.

2026 Long-Term Capital Gains Tax Brackets

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

2026 long-term capital gains brackets, taxable income, all filing statuses. Source: irs.gov (Rev. Proc. 2025-32).

The Net Investment Income Tax and Additional Medicare Tax

Two additional taxes can push your effective rate on investment income and wages meaningfully higher than the brackets above suggest. The Net Investment Income Tax (NIIT) is a 3.8% surtax on net investment income — interest, dividends, capital gains, rental income, and similar — for taxpayers with modified AGI above $200,000 (single or head of household), $125,000 (married filing separately), or $250,000 (married filing jointly). Separately, an Additional Medicare Tax of 0.9% applies to wages and self-employment income above those same thresholds. Neither threshold is indexed for inflation, so more households cross them every year simply through raises and portfolio growth. For a high-income investor realizing a large gain, the two surtaxes can push the effective top rate on that gain to 23.8% — a number worth knowing before, not after, a large sale.

2026 Retirement Plan Contribution Limits

Account / Limit	2026 Amount	2025 Amount
401(k) / 403(b) / 457 / TSP elective deferral	$24,500	$23,500
401(k)/403(b)/457 catch-up (age 50-59 or 64+)	$8,000	$7,500
'Super' catch-up (age 60-63 only)	$11,250	$11,250
Total defined contribution limit (employee + employer)	$72,000	$70,000
SIMPLE IRA elective deferral	$17,000 ($18,100 for certain plans)	$16,500
SIMPLE IRA catch-up (age 50+)	$4,000	$3,500
Traditional or Roth IRA	$7,500	$7,000
IRA catch-up (age 50+)	$1,100	$1,000
Qualified Charitable Distribution (age 70½+)	$111,000	$108,000
Health Savings Account — self-only / family coverage	$4,400 / $8,750	$4,300 / $8,550
HSA catch-up (age 55+) / Health FSA salary reduction	$1,000 / $3,400	$1,000 / $3,300

Sources: irs.gov (Notice 2025-67, Rev. Proc. 2025-19, Rev. Proc. 2025-32). Workplace plan deferrals must be made through payroll by December 31, 2026. The IRA and HSA contribution deadline for the 2026 tax year is April 15, 2027.

2026 IRA Deduction Phase-Out Ranges (If Covered by a Workplace Plan)

Filing Status	2026 MAGI Phase-Out Range
Single, covered by a workplace plan	$81,000 - $91,000
Married filing jointly, contributor covered by a workplace plan	$129,000 - $149,000
Married filing jointly, spouse covered (you are not)	$242,000 - $252,000

Source: irs.gov. If neither spouse is covered by a workplace retirement plan, the full IRA deduction is generally available regardless of income.

2026 Roth IRA Contribution MAGI Limits

Filing Status	Full Contribution Below	Fully Phased Out Above
Single / Head of Household	$153,000	$168,000
Married Filing Jointly	$242,000	$252,000

Source: irs.gov. Taxpayers above these limits may still be able to fund a Roth through a 'backdoor' conversion — ask us whether that applies to you.

Required Minimum Distributions: The Deadline You Cannot Miss

If you have a Traditional IRA, 401(k), or similar pre-tax account, the IRS requires you to begin taking Required Minimum Distributions at age 73 for anyone born in 1951 through 1959 (the age rises to 75 starting in 2033 under SECURE 2.0). Your 2026 RMD must be out of the account by December 31, 2026. Missing an RMD, or taking less than required, can trigger a penalty of 25% of the shortfall, reduced to 10% if corrected promptly. If you turned 73 this year, you have a one-time option to delay your first RMD to April 1, 2027 — but doing so means taking two distributions in 2027, which often pushes you into a higher bracket. That trade-off is worth running the numbers on rather than defaulting to the delay.

Qualified Charitable Distributions

If you're 70½ or older, a Qualified Charitable Distribution lets you send up to $111,000 in 2026 directly from your IRA to a qualified charity. The amount counts toward your RMD but is excluded from your taxable income entirely. That exclusion is more valuable in 2026 than it used to be, because the new 0.5%-of-AGI floor on itemized charitable deductions does not touch a QCD — the money simply never appears in your income.

For charitably inclined retirees who take the standard deduction, a QCD is now clearly the most efficient way to give.

Roth Conversions Before December 31

A Roth conversion moves money from a pre-tax account into a Roth account, triggering ordinary income tax on the converted amount now in exchange for tax-free growth and tax-free withdrawals later. Conversions tend to make the most sense in years when your income, and therefore your bracket, is temporarily lower than usual — early retirement before Social Security and RMDs begin, or a year with a business loss. Because brackets reset every January, the decision is a calendar-year one: a conversion completed on December 31 counts for 2026, and one completed on January 2 counts for 2027.

The right size for a conversion is usually 'fill the rest of the current bracket, and stop.' That takes a full-year projection rather than a December guess, because a conversion can raise your MAGI enough to trigger the NIIT or increase your Medicare premiums two years later. Please call us before converting rather than after.

> ***Before we go further: our priority is you.*** *This report exists to help you feel prepared and confident heading into year-end, not just to help you file a return next spring.*

Charitable Giving Under the New 2026 Rules

Cash gifts to public charities remain deductible up to 60% of adjusted gross income, a ceiling OBBBA made permanent. But 2026 introduces a floor underneath that ceiling: itemizers can only deduct charitable contributions to the extent they exceed 0.5% of AGI. On $400,000 of AGI, the first $2,000 of giving produces no deduction at all. Small annual gifts lose their deduction value entirely, while large gifts lose comparatively little — which strengthens the case for 'bunching.'

Bunching means combining two or more years of intended giving into a single tax year, often through a Donor Advised Fund, so you clear both the standard deduction threshold and the new 0.5% floor in the bunching year while still spreading actual grants to charities over time. Gifts of appreciated securities held longer than a year remain more efficient than cash: you generally deduct full fair market value and avoid capital gains tax on the appreciation. And if you do not itemize, 2026 brings a new above-the-line deduction of up to $1,000 ($2,000 joint) for cash gifts — modest, but it applies on top of the standard deduction and is not subject to the floor. Charitable driving remains deductible at $0.14 per mile.

Tax-Loss Harvesting and Capital Gains

If you're holding positions worth less than you paid, selling them before December 31 lets you use those losses to offset realized gains elsewhere in the portfolio, plus up to $3,000 of ordinary income, with anything left over carried forward indefinitely. The rule to respect is the wash-sale rule: repurchasing the same or a substantially identical security within 30 days before or after the sale disallows the loss. Harvesting works best as a deliberate, portfolio-level exercise rather than a reaction to a single holding — and it should never override the underlying investment case for owning something.

Family Tax Credits and Deductions

The Child Tax Credit is $2,200 per qualifying child under 17 for 2026, with up to $1,700 refundable, and it is now indexed for inflation going forward. It phases out above $200,000 of MAGI for single filers and $400,000 for joint filers. The Child and Dependent Care Credit covers 20-35% of up to $3,000 of qualifying care expenses for one dependent, or $6,000 for two or more — keep the receipts for daycare, after-school care, and summer camp, because this credit is frequently underclaimed.

Business Owners: The QBI Deduction and Year-End Timing

The 20% qualified business income deduction was made permanent by OBBBA. For 2026, the limitations begin phasing in above $201,775 of taxable income for single filers and $403,500 for joint filers, over a wider range than before, which softens the cliff that used to sit at the threshold. If you're a pass-through owner near those numbers, the timing of December invoices, equipment purchases, and retirement plan contributions can each move your deduction meaningfully.

Gift and Estate Tax Basics

For 2026 you can give up to $19,000 per person ($38,000 for a married couple splitting gifts) to as many individuals as you like without filing a gift tax return or using any of your lifetime exemption. Beyond that, gifts count against the lifetime federal estate and gift tax exemption, which rose to $15,000,000 per person for 2026 and is indexed going forward — meaning very few families will owe federal estate tax, though some states tax estates at far lower thresholds. Annual exclusion gifts must be completed by December 31 to count for this year.

WHAT THIS MEANS FOR YOU

- December 31, 2026 is the hard deadline for Roth conversions, charitable gifts, tax-loss harvesting, RMDs, and 401(k) deferrals. Start these in October or November — not the last week of December.
- If you give to charity and itemize, the new 0.5%-of-AGI floor may make bunching two years of gifts into 2026 meaningfully better than splitting them across 2026 and 2027.
- If you're 70½ or older and charitably inclined, a Qualified Charitable Distribution of up to $111,000 sidesteps the new floor entirely and counts toward your RMD.
- If you turned 73 this year, decide deliberately whether to take your first RMD in 2026 or delay to April 1, 2027 — delaying means two distributions in one year.
- If you're 60-63, you can put up to $11,250 into your workplace plan as a 'super catch-up' instead of the standard $8,000.
- Check the higher $40,400 SALT cap and the senior, tip, overtime, and auto-loan-interest deductions against your own situation — you may qualify for savings you weren't expecting.
- A Roth conversion may make sense at your current bracket, but it can also trigger the NIIT and raise your Medicare premiums two years out. Call us before you convert.

Key Dates Between Now and April

- September 15, 2026 — Third-quarter 2026 estimated tax payment due.
- October 15, 2026 — Extended deadline to file a 2025 return, and deadline for SEP-IRA or

Keogh contributions made with a filed extension.

- Early December 2026 — Practical cutoff for year-end requests. Custodians, charities, and payroll departments are all backed up in late December; give transactions time to settle.
- December 31, 2026 — Last day for Roth conversions, charitable gifts, annual-exclusion gifts, tax-loss harvesting, RMDs, and workplace plan deferrals to count for 2026.
- January 15, 2027 — Fourth-quarter 2026 estimated tax payment due.
- April 15, 2027 — 2026 federal return due, and last day to fund a 2026 Traditional or Roth IRA or HSA.

Common Year-End Mistakes to Avoid

- Waiting until the last week of December, when a transaction may not settle in time to count for the year.
- Making the same modest annual charitable gifts without checking whether the new 0.5% floor now wipes out the deduction.
- Converting to a Roth without projecting the effect on the NIIT, deduction phase-outs, or future Medicare premiums.
- Missing a Required Minimum Distribution, or taking less than required — the penalty can reach 25% of the shortfall.
- Harvesting a loss and then repurchasing the same security within 30 days, which disallows the loss under the wash-sale rule.
- Overlooking the state tax consequences of a conversion or a large gain, not just the federal impact.

Services We're Proud to Offer You

HOW WE SUPPORT YOU YEAR-ROUND

- Client review meetings.
- Quarterly economic updates.
- Tax reports like this one, to keep you informed on proactive tax-saving opportunities and changes.
- Regularly scheduled updates on timely and important topics.
- Coordination with your CPA, attorney, and other professionals when helpful.
- An exceptional client service experience, every time you reach out.

A Few Simple Terms

A quick, plain-language refresher on some of the bigger terms in this report:

- Marginal tax rate — the rate you pay on your last dollar of income; only income within each bracket is taxed at that bracket's rate.
- Adjusted Gross Income (AGI) / Modified AGI (MAGI) — your total income minus adjustments; MAGI drives many phase-outs.
- Required Minimum Distribution (RMD) — the minimum you must withdraw each year from most pre-tax retirement accounts starting at age 73.
- Roth conversion — moving pre-tax retirement money into a Roth account, paying tax now for tax-free withdrawals later.
- Qualified Charitable Distribution (QCD) — a direct transfer from an IRA to charity that counts toward your RMD without being taxed as income.
- Charitable deduction floor — new for 2026: itemizers may only deduct giving above 0.5% of AGI.

- Donor Advised Fund (DAF) — an account that lets you take a charitable deduction now and recommend grants to specific charities over time.
- Tax-loss harvesting — selling an investment at a loss to offset capital gains elsewhere in your portfolio.
- Wash-sale rule — repurchasing a substantially identical security within 30 days of a loss sale disallows that loss.
- Net Investment Income Tax (NIIT) — an additional 3.8% surtax on investment income above certain thresholds.
- Annual gift tax exclusion — the amount you can give any individual each year without filing a gift tax return or using your lifetime exemption.

A Quick Year-End Checkup

A few questions worth thinking about — and calling us about if any apply to you:

- Did your income, filing status, or number of dependents change in 2026?
- Have you fully funded your workplace plan, IRA, and HSA for the year?
- Are you holding unrealized gains or losses worth reviewing before December 31?
- Is there a charitable gift, Roth conversion, or QCD that makes sense this year rather than next?
- Is your RMD complete, and is anyone in the family taking a first RMD this year?
- Did you start a business, change jobs, retire, sell property, or have another major life event in 2026?

SHARE THE PROACTIVE APPROACH!

Many of our best relationships began with an introduction from a client like you. If someone you know is heading into year-end without a plan, please call Sandy at (972) 907-0110 — we'd love to help them get ahead of it too.

→ Add a name to our mailing list

→ Invite a guest to a workshop or webinar

→ Encourage someone to schedule a complimentary year-end tax and financial checkup

Sources: irs.gov (Rev. Proc. 2025-32, Rev. Proc. 2025-19, Notice 2025-67); taxfoundation.org.