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2026 Tax Guide for Procter & Gamble Employees

What to Know, What to Watch, and What to Plan Before Year-End

Taxes are one of the largest—and most controllable—expenses Procter & Gamble employees will face over their lifetime. Yet for many employees, tax planning is treated as a once-a-year exercise focused on filing a return, rather than a multi-decade strategy tied to compensation, retirement timing, and investment decisions.

This **2026 Tax Guide for Procter & Gamble Employees** is designed to help you understand how P&G-specific benefits and compensation interact with the tax code, and how thoughtful planning can help you keep more of your hard earned money—both before and after retirement.

This guide is educational in nature and focuses on common planning themes we see among P&G employees. Individual circumstances vary, and personalized advice is always recommended.

Who This Guide Is For

This guide is especially relevant if you are:

- An active P&G employee (mid-career or late-career)
- Within 5–7 years of retirement
- Planning to retire in 2026 or the next few years
- Recently retired from P&G
- Participating in the Savings Plan, PST, STAR, LTIP, RSUs, or stock options

1. Key 2026 Tax Themes

While tax laws evolve over time, several consistent themes matter for 2026 planning:

- Inflation-adjusted tax brackets continue to shift thresholds upward, creating planning opportunities
- Capital gains planning remains a powerful tool, especially for retirees or those with variable income
- Future tax uncertainty makes proactive planning more valuable than reactive planning
- Timing matters—when income is received can be just as important as how much is received

For many P&G employees, the goal is not to pay zero tax in any one year, but to **pay the least amount of tax over your lifetime.** Our goal is to establish a plan to keep as much of your hard earned money in your pocket versus Uncle Sam's (legally).

2. Understanding P&G Compensation and Taxation

P&G Savings Plan (401(k))

The Savings Plan is a cornerstone of retirement planning for P&G employees.

Key tax considerations include:

- Pre-tax contributions reduce current taxable income but create future taxable withdrawals
- Roth contributions do not reduce current income but can provide tax-free withdrawals later
- Catch-up contributions (age 50+) allow additional tax-advantaged savings–see 2026 changes below

As employees approach retirement, the decision between pre-tax and Roth contributions often becomes more strategic than early in one's career.

Profit Sharing Plan (PST)

PST balances grow tax-deferred and are taxed as ordinary income when distributed.

Important planning points:

- PST withdrawals increase taxable income in retirement (as does pulling dividends from the plan while working, which is generally not recommended)
- Large PST balances can push retirees into higher tax brackets later in life
- PST distributions interact with Social Security taxation and Medicare premiums
- Preferred stock should be maintained and distributed under **NUA rules** at retirement for tax bracket optimization
- It is prudent to diversify PG stock exposure toward ~40% beginning around age 45

Understanding how PST fits into a broader retirement income plan is critical.

STAR and LTIP Awards

STAR and LTIP awards often create unexpected tax surprises.

General tax characteristics:

- Income is taxed as ordinary income when vested or paid
- Awards can significantly increase marginal tax brackets in certain years
- Withholding may not fully cover actual tax liability

Planning ahead for STAR and LTIP income can help avoid surprises and create opportunities to offset income through deductions, charitable giving, or Roth strategy adjustments.

RSUs and Stock Options

Restricted Stock Units (RSUs)

- Taxed as ordinary income at **vesting**

- Value at vesting is included on your W-2
- Additional capital gains or losses occur after vesting based on stock movement
- General guidance is to use a cashless sale at vesting to manage PG concentration risk

Stock Options

- Non-Qualified Stock Options (NQSOs) are taxed as ordinary income upon exercise
- Withholding and timing matter; a general rule of thumb is to exercise no later than the 7th year of the grant

3. Capital Gains and P&G Stock Strategy

Capital gains are one of the most powerful—and often misunderstood—areas of tax planning.

Capital Gains Basics

- Short-term gains (held one year or less) are taxed as ordinary income
- Long-term gains (held more than one year) receive preferential tax rates

The 0% Capital Gains Opportunity

Many retirees and near-retirees qualify for the 0% long-term capital gains bracket, depending on taxable income.

A common mistake is avoiding gains entirely rather than realizing them strategically at low or even zero federal tax rates. A married couple filing jointly can realize close to $130,000 of long-term gains while paying zero federal taxes - executing the NUA distribution with the preferred shares often creates this opportunity for retired P&G employees.

Strategic realization of gains can:

- Reduce future tax exposure
- Optimize lifetime tax liability
- Improve portfolio flexibility
- Support spending needs tax-efficiently

4. Retirement Timing and Tax Planning

Final Working Years at P&G

The last few working years often present unique opportunities:

- Coordinating bonuses, STAR, and LTIP income
- Reviewing Roth vs pre-tax contributions
- Planning charitable gifts in high-income years
- Preparing for severance or transition income

Decisions made during these years often shape tax outcomes for decades.

Early Retirement: A Unique Tax Window

For many retirees, the years between retirement and Social Security represent a powerful tax planning window.

During this period:

- Income is often temporarily lower
- Roth conversions may be attractive
- Capital gains can often be realized at favorable rates

These years are often the most valuable for proactive tax planning.

5. Required Minimum Distributions (RMDs)

RMDs force taxable withdrawals from tax-deferred accounts later in life.

Why RMDs matter:

- They can significantly increase taxable income
- They may push retirees into higher tax brackets
- They can increase Medicare premiums
- Pre-tax Inherited IRAs, post 2020, should be incorporated in planning

Planning ahead can reduce the long-term impact of RMDs.

6. Charitable Giving Strategies for P&G Employees

Charitable giving can be both meaningful and tax-efficient. Charitable giving is always meaningful but can also be optimized for tax purposes.

Common strategies include:

- Donating appreciated P&G stock, especially low-basis NUA shares post retirement
- Using Donor-Advised Funds (DAFs)
- Bunching deductions in high-income years
- Qualified Charitable Distributions (QCDs) from IRAs (once eligible)

Charitable planning is often best integrated with investment, cash flow and tax planning.

7. Medicare and Taxes

Medicare premiums are income-tested.

Higher income from:

- Capital gains
- Roth conversions
- IRA withdrawals

can trigger **Income-Related Monthly Adjustment Amounts (IRMAA).**

The goal is not necessarily to avoid IRMAA entirely, but to intentionally plan around it. Many retirees submit an IRMAA appeal when retirement is the qualifying life event.

8. 2026 Tax Planning Checklist

Before the end of 2026, consider:

- Reviewing total taxable income (not just salary)
- Coordinating STAR, LTIP, and equity compensation
- Evaluating Roth vs pre-tax contributions
- Reviewing capital gains opportunities
- Planning charitable gifts strategically
- Proactively adjusting tax withholdings and quarterly estimates
- Modeling retirement income and tax scenarios

9. Tax Season Items P&G Employees Commonly Miss

PG 2025 RSU & Stock Option Activity – Avoiding Double Taxation

If you exercised NQSOs or had RSUs vest in 2025, proper reporting is critical.

E*TRADE will issue a Form 1099 summarizing stock activity. However, this income is **also included on your W-2.** To avoid double taxation, your tax preparer must also receive the **Stock Plan Transaction Supplement**, which adjusts cost basis for income already taxed.

E*TRADE does **not** automatically include this form.

To locate it:

- Log in to E*TRADE
- Navigate to the Tax Center
- Select your Stock Plan Account
- Download the Stock Plan Transaction Supplement

Cincinnati City Tax Note:
Non-qualified stock option income (not RSUs) is deducted for Cincinnati municipal tax purposes. Ensure you are not paying the 1.8% city tax on NQSO income.

2025 Roth IRA & Backdoor Roth IRA Contributions

You may still fund your 2025 Roth IRA by the earlier of filing your return or **April 15, 2026.**

- Contribution limits: $7,000 ($8,000 if age 50+)
- Direct Roth income phaseout limits: $150,000 (single) / $236,000 (MFJ)

If over the limit, a **Backdoor Roth IRA** may be appropriate:

1. Make a non-deductible Traditional IRA contribution
2. Convert that contribution to a Roth IRA

Proper reporting on **Form 8606** is essential. When done correctly, there are no tax implications on the converted after-tax contribution.

Ohio Taxpayers – Scholarship Granting Organization (SGO) Credit

Ohio taxpayers may claim a dollar-for-dollar state tax credit for cash donations to approved SGOs.

- Credit limits: $750 (single) / $1,500 (MFJ)
- Deadline: Earlier of filing your return or April 15, 2026

Example: A married couple with a $1,500 Ohio tax liability can donate $750 each and eliminate their Ohio tax bill entirely.

10. 2026 Tax Planning & Law Changes

Safe Harbor & Stock Compensation

Safe harbor generally requires paying:

- 110% of prior-year tax liability if AGI exceeded $150,000
- 100% if below that threshold

With RSUs and stock options, relying solely on prior-year safe harbor can lead to large underpayments or overpayments. P&G withholds 22% federal tax on equity compensation by default, which is often insufficient.

If you plan to exercise options or have large RSU vesting in 2026, adjusting W-4 withholdings or quarterly estimates should be part of your planning.

Charitable Giving Changes (OBBBA)

Beginning in 2026:

- Standard deduction filers may deduct up to $1,000 per filer for cash charitable donations (DAFs do not qualify)
- Itemizers face a new floor: charitable contributions below 0.5% of AGI are not deductible

Savings Plan / 401(k) Catch-Up Contributions

Effective January 1, 2026, employees with $150,000+ of FICA wages in 2025 must make catch-up contributions as **Roth contributions.**

- Catch-up limit increased to $8,000
- Contributions increase taxable wages
- P&G has automatically enrolled affected employees

Employees wishing to opt out must do so via **Alight.**

Final Thoughts

Tax planning for P&G employees is rarely about finding loopholes or shortcuts. Instead, it's about coordination—aligning income, investments, retirement timing, and personal goals.

The most effective plans are proactive, flexible, and personalized.