



# The Ultimate Guide to Taxes

STRATEGIES TO MINIMIZE WHAT YOU OWE  
FOR HIGH-EARNERS, BUSINESS OWNERS & WEALTH BUILDERS

# Stock Options & Investment Taxes

## TURN YOUR GAINS INTO AFTER-TAX WEALTH

Stock options and equity compensation are powerful wealth-builders, especially for employees at growing companies. However, the tax rules can turn a big portion of your gains over to the IRS if not handled carefully. By understanding the different types of awards and key tax events, you can legally minimize—or sometimes eliminate—taxes on millions in potential value.



## Key Concepts to Understand

### INCENTIVE STOCK OPTIONS (ISOS)

Employee stock options with special tax treatment—no regular income tax at exercise (but possible Alternative Minimum Tax); qualifying sales get pure long-term capital gains rates.

### NON-QUALIFIED STOCK OPTIONS (NSOS)

Most common options; the spread at exercise is taxed as ordinary income (like wages).

### RESTRICTED STOCK UNITS (RSUS)

A promise to deliver shares (or cash) after vesting over time; taxed as ordinary income at full market value when shares are delivered.

### SHORT-TERM CAPITAL GAINS

Profit on assets held one year or less—taxed at ordinary income rates (up to 37% federal + state).

### LONG-TERM CAPITAL GAINS

Profit on assets held more than one year—preferential rates of 0%, 15%, or 20%.

### NET INVESTMENT INCOME TAX (NIIT)

Additional 3.8% surcharge on investment income for high earners.

### QUALIFIED DIVIDENDS

Dividends from U.S. (or certain foreign) companies that meet holding-period rules—taxed at long-term capital gains rates instead of ordinary rates.

### WASH-SALE RULE

Disallows a loss deduction if you repurchase substantially identical securities within 30 days before or after the sale.

# Major Tax Events & 2026 Rates

## NSO EXERCISE

Bargain element (market price minus strike) taxed as ordinary income (10%–37% federal brackets + state tax).

## SALE OF SHARES HELD >1 YEAR

0%/15%/20% long-term rates + possible 3.8% NIIT if MAGI > \$200k single / \$250k married.

## ISO QUALIFYING DISPOSITION

Hold shares 2 years from grant + 1 year from exercise → entire gain taxed at long-term capital gains rates only.

## RSU VESTING

Full fair-market value taxed as ordinary income (reported on W-2).

## ISO EXERCISE

No regular tax, but spread counts for Alternative Minimum Tax.

## 2026 LONG-TERM CAPITAL GAINS THRESHOLDS

- 0% → taxable income ≤ \$49,450 single / \$98,900 married
- 15% → up to \$545,500 single / \$613,700 married
- 20% → above those levels

Only the portion of your long-term capital gains that exceeds the applicable income threshold is subject to the higher capital gains tax rate, while amounts below that threshold may qualify for a zero percent rate.

For more detailed information, please refer to IRS Publication 550 or the relevant section of the tax code on capital gains thresholds.

## POTENTIAL WAYS TO PAY LESS

Exercise NSOs or sell RSUs in years when your overall income is lower (e.g., sabbatical, gap year, or post-layoff).

Hold shares more than 1 year after exercise/vest—and meet the ISO 2+1 year rules when possible—for preferential long-term rate.

Harvest tax losses annually to offset gains dollar-for-dollar (plus up to \$3,000 against ordinary income).

Donate appreciated securities directly to charity or a donor-advised fund → avoid capital gains tax + deduct full market value.

Roll realized gains into Qualified Opportunity Zones → defer tax until 12/31/2031 (and possible partial exclusion).

Use Charitable Remainder Trusts (CRTs) to diversify highly concentrated stock positions with little or no immediate tax.

Accelerate deductible investment-related expenses (e.g., financial advisor fees) into the current year if expecting higher income next year.

# Small Business Taxes

Running a small business is tough enough without overpaying on taxes. That's why we listed considerations so you can discover real ways to potentially lower your tax burden, help boost your savings, and set your business up for long-term success.



## Maximize Deductions & Tax Credits

Get the most out of every dollar you spend and every credit available.

Track and deduct ordinary business expenses (office supplies, rent, utilities, marketing, travel, internet, home office, etc.).

Use asset depreciation or Section 179 to write off equipment and vehicles faster.

Claim the Qualified Business Income (QBI) deduction — up to 20% of qualified income.

Take available tax credits:

- Small Business Health Care Tax Credit (for offering employee health insurance)
- Research & Development (R&D) Tax Credit
- Work Opportunity Tax Credit (WOTC) for hiring from targeted groups (veterans, etc.)

## Choose & Review the Right Business Structure

Your entity choice dramatically affects taxes and liability — don't set it and forget it.

### LLC

Flexible taxation + personal asset protection.

### S-CORP

Can reduce self-employment taxes and avoid double taxation.

### C-CORP

May offer lower corporate rates but watch for double taxation.

Regularly revisit your structure with a tax advisor as your business grows or tax laws change.

# Use Timing & Deferral Strategies + Retirement Plans

Smart timing and retirement contributions are two simple legal ways to cut taxes today and help build wealth tomorrow.

Accelerate expenses into the current year or defer income to next year depending on expected tax brackets.

Shift income to family members in lower brackets (e.g., pay your kids for legitimate work).

Set up a tax-advantaged retirement plan:

- 401(k) – employer contributions reduce taxable income + possible setup tax credits
- SEP IRA – high contribution limits and simple for small businesses/sole proprietors



## Stay Compliant & Organized Year-Round

Smart timing and retirement contributions are two simple legal ways to cut taxes today and help build wealth tomorrow.

That means staying on top of payroll taxes (where you and your employees typically split the burden 50/50), fully understanding your self-employment tax obligations, keeping meticulous records with the help of good bookkeeping software or a trusted accountant, and proactively monitoring changes in tax laws.

By working closely with a tax professional throughout the year, you'll catch new deductions, credits, and planning opportunities the moment they become available, keeping more money in your business and avoiding costly surprises.

# Taxes in Retirement

Retirement savings can grow dramatically over decades, but the tax treatment of different accounts varies widely. Some offer upfront deductions, others provide tax-free withdrawals, and a few deliver triple tax advantages. Smart planning—not just how much you save, but where and when you withdraw—can literally save you hundreds of thousands in taxes over a 30-year retirement.



## Retirement Account Types

### TRADITIONAL 401(K)/IRA

Contributions can reduce your taxable income today (pre-tax); investments grow tax-deferred; all withdrawals are taxed as ordinary income. Income limits apply as it relates to Traditional IRA contributions.

### ROTH 401(K)/IRA

Contributions are made with after-tax dollars; investments grow tax-free; qualified withdrawals (after age 59½ and 5-year holding) are 100% tax-free.

### TAXABLE BROKERAGE ACCOUNT

No special tax shelter; you pay taxes annually on dividends and realized gains, but only at favorable long-term capital-gains rates if held >1 year.

### HEALTH SAVINGS ACCOUNT (HSA)

The only “triple tax-free” vehicle—deductible contributions, tax-free growth, and tax-free withdrawals for qualified medical expenses (including Medicare premiums in retirement).

### REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

Mandatory annual withdrawals from most pre-tax retirement accounts starting at age 73–75 (depending on birth year); failure to take them triggers a 25% penalty (reduced to 10% if corrected quickly).

## 2026 Contribution Limits

For 2026, the standard contribution limit for 401(k), 403(b), and most 457 plans is \$24,500, with an additional \$8,000 catch-up contribution allowed if you're age 50 or older — and an even larger \$11,250 "super catch-up" available specifically.

If you're ages 60 through 63 (for a potential total of up to \$42,250 if you're in that age range).

Traditional & Roth IRA: The standard contribution limit for Traditional and Roth IRAs is \$7,500, with an additional \$1,100 catch-up contribution allowed if you're age 50 or older (for a potential total of up to \$8,600).

Health Savings Account (HSA): \$4,400 individual / \$8,750 family (+\$1,000 catch-up age 55+)



## POTENTIAL WAYS TO PAY LESS

Perform Roth conversions during low-income years (e.g., early retirement before Social Security or RMDs kick in) to fill lower tax brackets at today's rates.

Follow optimal withdrawal sequencing: taxable accounts first → tax-deferred (Traditional) → Roth last.

Practice “asset location”: place tax-inefficient investments (bonds, REITs, high-dividend stocks) in tax-deferred accounts; keep tax-efficient growth stocks in taxable or Roth accounts.

Use Qualified Charitable Distributions (QCDs) directly from IRAs once age 70½—up to \$108,000 per person annually counts toward RMDs but is excluded from taxable income.

Treat HSAs as a stealth retirement account: pay current medical costs out-of-pocket and let the HSA compound tax-free for decades.

Delay Social Security until age 70 if possible to maximize the portion that may escape taxation.

# Keep More of Your Real Estate Wealth

Real estate is one of the more tax-advantaged investments you can own. From ongoing deductions to massive deferral or exclusion opportunities on sale, understanding a handful of core rules lets owners keep far more of their appreciation and cash flow.



## Key Property-Tax Concepts

### AD VALOREM PROPERTY TAX

The annual tax most people think of as “property taxes”—calculated as a percentage of your county’s assessed value of the land and buildings.

### HOMESTEAD EXEMPTION

A state-specific reduction in assessed value (or tax rate) for your primary residence; can save hundreds to tens of thousands annually depending on where you live.

### 1031 EXCHANGE (LIKE-KIND EXCHANGE)

Allows you to sell an investment property and defer all capital-gains tax by reinvesting the proceeds into another similar investment property.

### DEPRECIATION

A non-cash deduction that lets you write off the “wear and tear” on rental/investment properties over time (typically 27.5 years residential / 39 years commercial).

### STEP-UP IN BASIS

When you pass away, heirs inherit real estate at its current fair-market value—erasing decades of unrealized gains for capital-gains purposes.

### COST-SEGREGATION STUDY

An engineering-based analysis that reclassifies parts of a building (carpets, lighting, landscaping) into 5-, 7-, or 15-year property, dramatically accelerating depreciation deductions.

## Tax Treatment When You Sell (2026 Rules)

### PRIMARY RESIDENCE GAIN EXCLUSION

Up to \$250,000 single / \$500,000 married filing jointly completely tax-free if you owned and lived in the home for at least 2 of the last 5 years.

### INVESTMENT / RENTAL PROPERTY

When you sell investment or rental property, the profit (appreciation) is typically taxed as long-term capital gains at 0%, 15%, or 20% depending on your income level, while any depreciation you previously claimed is “recaptured” and taxed at a flat 25% federal rate. On top of that, higher-income taxpayers may owe an additional 3.8% Net Investment Income Tax, plus whatever capital-gains tax your state imposes. Fortunately, all of these taxes can be deferred indefinitely if you use a proper 1031 exchange to roll the proceeds into a similar replacement property.



## POTENTIAL WAYS TO PAY LESS

Challenge your annual property-tax assessment—many counties overvalue properties and appeals are often successful.

Claim every available exemption (homestead, senior, veteran, disability).

Use 1031 exchanges repeatedly to keep deferring gains as you upgrade or diversify holdings.

Perform cost-segregation studies on rental properties (especially newly acquired ones) for immediate bonus-depreciation windfalls.

Hold investment property until death for full step-up in basis for heirs.

Invest sale proceeds in Qualified Opportunity Zones for additional deferral + up to 100% exclusion if held 10+ years.

Use installment sales to spread gain recognition (and tax brackets) over multiple years.

# Protect Generational Wealth in a Changing Tax Landscape

Wealth-transfer taxes—estate, gift, and generation-skipping transfer (GST) taxes—can take up to 40% of large estates passed to heirs. With the current historically high federal exemptions still in place for 2026, proactive planning lets families move substantial assets tax-free while removing future appreciation from the taxable estate.



## Key Wealth-Transfer Concepts

### ESTATE TAX

Federal tax (up to 40%) on the fair-market value of your assets at death, after subtracting debts, expenses, and the available exemption.

### GIFT TAX

Tax on large transfers made during your lifetime; uses the same unified exemption as the estate tax.

### GENERATION-SKIPPING TRANSFER (GST) TAX

Additional flat 40% tax on transfers that skip a generation (e.g., to grandchildren), on amounts above the GST exemption.

### ANNUAL GIFT EXCLUSION

Amount you can give any person each year with no reporting or use of lifetime exemption (\$19,000 in 2026).

### LIFETIME EXEMPTION (BASIC EXCLUSION AMOUNT)

Total you can transfer during life or at death federal tax-free (\$15M per person in 2026).

### STEP-UP IN BASIS

Heirs inherit assets at current market value, erasing prior unrealized capital gains.

### PORTABILITY

Surviving spouse can inherit unused exemption from deceased spouse (must file Form 706 to elect).

**2026 KEY NUMBERS**

- Lifetime estate/gift/GST exemption: \$15M per person (\$30M married couple)
- Recent legislation (One Big Beautiful Bill Act): Increases to \$15M per person (\$30M married) starting January 1, 2026—permanent and inflation-indexed from 2027
- Annual gift exclusion: \$19,000 per donee (\$38,000 if married and splitting gifts)
- Gifts to non-citizen spouse: \$194,000 annual exclusion

**POTENTIAL WAYS TO PAY LESS**

Make annual exclusion gifts (\$19,000 per person) to as many recipients as desired—no impact on lifetime exemption.

Use the full 2026 exemption (or fund trusts now for future growth) to lock in transfers before any potential future changes.

Fund advanced trusts to remove appreciation from your estate while retaining access or control.

Hold appreciated assets until death for full step-up in basis (heirs sell tax-free).

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Combine charitable giving with wealth transfer for income streams + deductions.



# 2026 Tax Planning Checklist

## STOCK OPTIONS & INVESTMENT TAXES

- Long-Term Capital Gains Rates (held>1 year):
  - 0% → taxable income ≤ \$49,450 single / \$98,900 married
  - 15% → up to \$545,500 single / \$613,700 married
  - 20% → above those amounts
- Net Investment Income Tax (NIIT): +3.8% if MAGI > \$200k single / \$250k married
- ISO Holding Rules for pure LTCG treatment: 2 years from grant + 1 year from exercise
- Annual Tax-Loss Harvesting limit against ordinary income: \$3,000
- Charitable donation of appreciated stock: Avoid capital gains + deduct full FMV

## SMALL BUSINESS TAXES

- Qualified Business Income (QBI) Deduction: Up to 20% of qualified income
- Section 179 expensing limit (2026): Generally up to \$1,250,000+ (confirm annually)
- Key retirement plans & 2026 limits: - Solo 401(k): Up to \$72,000 + \$8,000 catch-up (\$81,250 ages 60-63 with super catch-up) - SEP IRA: Up to 25% of compensation or \$72,000 (whichever is less)

## TAXES IN RETIREMENT - 2026 LIMITS

- 401(k) employee contribution: \$24,500
  - \$8,000 catch-up (50+)
  - \$11,250 super catch-up (ages 60-63) → max \$42,250
- Traditional & Roth IRA: \$7,500 + \$1,100 catch-up (50+) → \$8,600
- HSA contribution: \$4,400 individual / \$8,750 family + \$1,000 catch-up (55+)
- RMD beginning age: 73-75 (depends on birth year)
- Qualified Charitable Distribution (QCD) max: \$108,000 per person (age 70½+)

## REAL ESTATE TAXES

- Primary residence gain exclusion: \$250k single / \$500k married (2-of-5 year rule)
- Depreciation recapture rate on sale: 25%
- 1031 Exchange: Defer 100% of capital gains + depreciation recapture
- Bonus depreciation (2026): Still available on certain shorter-life assets via cost-segregation

**GENERATIONAL WEALTH TRANSFER – 2026 & BEYOND**

- 2026 Federal lifetime estate/gift/GST exemption: \$15M per person (\$30M married)
- 2026 Annual gift-tax exclusion: \$19,000 per donee (\$38,000 if spouse splits)
- Gift to non-citizen spouse annual exclusion: \$194,000
- Hold appreciated assets until death → full step-up in basis for heirs

## Quick 2026 Action Items

- Gift \$19,000 per person before 12/31/2026
- Max out 401(k) + super catch-up if age 60-63
- Harvest tax losses before year-end
- Consider Roth conversions in low-income years
- Use remaining 2026 lifetime exemption (or lock in today for future growth)
- Schedule cost-segregation or 1031 planning if selling real estate

***Keep this checklist handy and review with your advisor — small moves now can potentially save money later!***