

Year-End Tax Planning for Business-Owner Clients

What to coordinate with the client's CPA before Dec 31

Retirement plans

- ◆ **2026 limits:** 401(k) deferral \$24,500, catch-up \$8,000 at 50+ (\$11,250 at ages 60 to 63), IRA \$7,500 (plus \$1,100 catch-up at 50+), SIMPLE \$17,000 (Notice 2025-67).
- ◆ **Solo 401(k) timing:** elective deferrals must be elected by year end. IRS Pub. 560 lets a sole proprietor with no employees adopt a plan after year end, by the filing deadline without extensions. Do not count on it for a client with employees or an S corporation.
- ◆ **SEP and other plans:** a SEP can be set up and funded by the return due date including extensions. A SIMPLE IRA must be set up between Jan 1 and Oct 1, so it is too late for a new 2026 plan.
- ◆ **Backdoor Roth:** basis is tracked on Form 8606, and all traditional, SEP and SIMPLE IRAs are counted together using Dec 31 values. A large pre-tax IRA balance can make a conversion mostly taxable. Roth IRA contributions phase out at \$153,000 to \$168,000 (single) and \$242,000 to \$252,000 (joint) in 2026.

Income and payments

- ◆ **Estimated tax:** the fourth installment is due Jan 15, 2027. The safe harbor is the lesser of 90% of this year's tax or 100% of last year's, and 110% of last year's if prior-year AGI exceeded \$150,000 (\$75,000 if married filing separately).
- ◆ **S corporation salary:** shareholder-employees must be paid reasonable compensation before non-wage distributions, and the IRS can reclassify distributions as wages. Set the salary before the last payroll of the year.
- ◆ **QBI deduction:** 20% of qualified business income, with limits based on taxable income, W-2 wages and business type. Congress rewrote Section 199A for 2026 and later, so have the CPA rerun the projection instead of reusing last year's.
- ◆ **RMDs:** due by Dec 31 each year after the first (age 73 start). The missed-RMD excise tax is 25%, reduced to 10% if corrected within two years.

Investments and giving

- ◆ **Loss harvesting:** a loss is disallowed if substantially identical stock or securities are acquired within 30 days before or after the sale. Check every account the client controls, not just yours.
- ◆ **Charitable bunching and DAFs:** cash gifts to public charities are limited to 60% of AGI with a 5-year carryover. Starting in 2026, itemizers can deduct gifts only above 0.5% of AGI. A DAF gift needs written acknowledgment that the sponsor has exclusive legal control.
- ◆ **Standard deduction (2026):** \$32,200 joint, \$16,100 single. Bunching only helps if itemizing beats it in the gift year.

Before Dec 31: confirm with the CPA

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| ☐ Plan limits and contribution plan set | ☐ S corp salary set before last payroll |
| ☐ Solo 401(k) / SEP status confirmed | ☐ QBI projection rerun for 2026 |
| ☐ Backdoor Roth pro-rata checked | ☐ Loss sales cleared for wash sales |
| ☐ Q4 estimate and safe harbor reviewed | ☐ RMDs and charitable gifts scheduled |

Questions? Book a free 20-minute discovery call: <https://api.leadconnectorhq.com/widget/booking/hv99mLLsXX6FTjMys8b6> · nxtlevelcpa.com · info@sargiscpa.com · (704) 981-1191.