

2026 Year-End Tax Planning Guide: What Businesses and Individuals Need to Act on Before December 31





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Executive Summary

2026 tax planning: what changed, what matters, and where to act

A year ago, the One Big Beautiful Bill (OBBB) was brand new. Today, it is the foundation for tax planning.

For many taxpayers, 2026 is when the OBBB's most consequential provisions fully take effect. It is also the year several transition relief measures expire, and the final year to address a deferral deadline that has been approaching since the Tax Cuts and Jobs Act (TCJA) of 2017. Layer in constantly shifting tariff policies, a permanent Opportunity Zone program, and a new tax-advantaged savings account for children, and the tax planning landscape becomes even more complex.

Beyond paying more tax, the biggest risk is missing the credit, refund, election, or planning opportunity that could have changed the outcome. Aprio's 2026 Year-End Tax Guide highlights the developments to watch, the deadlines to prioritize, and the decisions that may require action now.

Business deductions

Permanent 100% depreciation, immediate expensing for qualified production property, and higher Section 179 limits create more ways to accelerate deductions in 2026.

R&D expensing

Domestic research costs are currently deductible under Section 174A. In most cases, the method selected for 2025 continues into 2026, while foreign research must still be amortized over 180 months.

Tariffs and refunds

The Supreme Court held that IEEPA does not authorize tariffs. Refunds are moving forward, replacement tariffs remain in litigation, and Section 232 and Section 301 duties still apply.

SALT

The federal cap rises again in 2026, while states continue to assess how the changes affect their pass-through entity tax programs.

International tax

GILTI is now NCTI, and FDII is now FDDEI. New rates, revised foreign tax credit calculations, and a pro rata rule may create unexpected income for shareholders.

Opportunity Zones

Gain deferred under the original program must be recognized by December 31, 2026. A new program begins in 2027, offering new investment rules and reporting requirements.

Estate and gift

The lifetime exemption is \$15 million per person for 2026 and will be indexed for inflation in future years.

Individual planning

Lower rates, the larger standard deduction, and Section 199A are now permanent.

Trump Accounts

A new tax-favored account for children under 18, including a \$1,000 federal seed contribution.

Business tax in year two of the OBBB: where the deductions are now

In 2025, business tax planning was about reacting to a new law that would profoundly transform the tax landscape. With the legislation in full effect, this year is about using it well.

Prior to the enactment of the OBBB, many advisors planned defensively in case provisions from the TCJA lapsed. Now that these changes are firmly established, guidance has started to arrive, and the question has changed from “what might happen” to “what are we leaving on the table.” Businesses must now move beyond precautionary planning and reevaluate their tax strategies and structures to uncover opportunities and improve potential savings.

Capitalization and expensing: two levers worth pulling

- **100% bonus depreciation is back for good:** The OBBB permanently restored 100% bonus depreciation under IRC Section 168(k) for qualified property acquired and placed in service after January 19, 2025. This means that all qualified assets placed in service in 2026 will be eligible for 100% bonus depreciation.
- **Qualified production property (QPP) opens up manufacturing real estate:** Property used as an integral part of manufacturing production activity can now be expensed at 100%.

CASE STUDY:

Turning a mixed-use HVAC investment into accelerated deductions

A new HVAC system serving both production and administrative areas may qualify for different depreciation treatment based on how the property is used. Allocating the investment between those functions can accelerate a portion of the deduction.

The scenario:

- A consolidated group owns the real estate used by its manufacturing subsidiary.
- Half of the plant supports production, while the other half is used for administrative functions.
- The group installed a new HVAC system that costs \$100,000. Construction began on January 1, 2026, and the system was placed in service December 31, 2026.

How the deduction is calculated

CALCULATION	PRODUCTION PORTION	ADMINISTRATIVE PORTION
Allocated HVAC cost	\$50,000	\$50,000
Tax treatment	Eligible for 100% first-year depreciation as qualified production property	Depreciated over the standard 39-year recovery period
First-year deduction	\$50,000	\$1,282
Total first-year deduction	\$51,282	

The takeaways:

When building systems support both qualified production and nonqualifying functions, taxpayers may use a reasonable method to allocate costs between the two uses. In this case study, the allocation produces \$51,282 in first-year deductions, compared with depreciating the entire HVAC investment over 39 years.

Businesses should document the property's use, the allocation methodology, and the required election when evaluating eligibility for accelerated depreciation.

Enhanced Section 179 expensing

The OBBB significantly expanded the amount businesses can deduct for qualifying purchases. Before the law's passage, Section 179 deductions were limited to \$1 million in aggregate eligible costs. For 2026, the new cap for immediate expensing of qualified purchases has increased to a \$2.56 million aggregate cost limit, with a \$4.09 million threshold before the phaseout begins.

These higher thresholds give businesses greater flexibility to accelerate deductions and reduce after-tax costs on planned investments.

New corporate charitable deduction thresholds

The OBBB introduced a pivotal change in corporate charitable deductions, effective for tax years beginning after December 31, 2025:

- **A new 1% floor:** Under prior law, corporate taxpayers could deduct all charitable contributions up to 10% of taxable income. The new law requires a corporation's charitable contributions to exceed 1% of its taxable income before the corporation may begin claiming deductions for charitable contributions. The 10% ceiling remains in place.
- **Disallowed deductions:** Any disallowed deductions can be carried forward for up to five years. Amounts excluded by the new 1% floor become eligible only in tax years where the total contributions exceed the 10% cap.

These modifications will significantly reduce the benefits derived from corporate charitable giving. To make the most of available deductions, corporations will now need to manage their contributions carefully and balance their charitable spending within the boundaries of the two new contribution limits.

Business interest expense under Section 163(j)

Several significant changes to the business interest limitation under IRC Section 163(j) may create new deduction opportunities. For tax years beginning after December 31, 2024, taxpayers with depreciation, amortization, and depletion expenses are allowed to add back those expenses when calculating their limitation. The law also expands the floor plan financing rules for automotive businesses, which may provide a greater deduction opportunity.

Other OBBB changes may reduce the amount of interest taxpayers can deduct. For tax years beginning after December 31, 2025, taxpayers will have even more limited ability to capitalize interest as a means of reducing the impact of the business interest limitation. In addition, taxpayers engaged in certain foreign transactions may no longer include certain controlled foreign corporation (CFC) income when calculating their limitation. Either instance could further restrict deductible interest expense.

Section 1202: a wider door for qualified small business stock

Section 1202 has historically afforded shareholders of certain small businesses the ability to exclude portions of capital gains when selling Qualified Small Business Stock (QSBS). The OBBB widened it in three ways:

1. **A higher per-issuer cap.** The flat cap rises from \$10 million to \$15 million, including an annual inflation adjustment starting in 2027.
2. **A higher asset threshold.** Companies that did not qualify as a small business due to aggregate gross assets exceeding \$50 million can now qualify due to the increased cap up to \$75 million.
3. **A tiered holding period.** The holding period at which taxpayers derive benefits from has been reduced from five years to only three years.

Together, these changes broaden access to Section 1202 and may significantly increase its potential tax benefits. Investors may now qualify for larger gain exclusions after a shorter holding period, while many companies previously excluded because of the asset threshold may now qualify as a small business under the provision.

Other notable tax extensions and expansions

Due to the uncertainty of whether provisions from the TCJA would be extended, many entities and advisors took conservative approaches. However, all entities should continue reviewing their tax strategies to identify opportunities and align their approaches with current law. The OBBB provides clarity on several noteworthy extensions of the TCJA laws, including:

TAX PROVISION	KEY CHANGES
Qualified Business Income Deduction (Section 199A)	• Made permanent • Increased phaseout limit by \$25,000 • Established a minimum deduction of \$400 for qualified businesses
Excess Business Loss Limitations	• Made permanent
Low Income Housing Credit	• Made permanent • Locked in a new 12% increase to each state's annual ceiling starting in 2026 • Lowered tax-exempt bond financing requirements from 50% to 25% of aggregate project costs placed in service in 2025 or later

Staying ahead: strategic review and proactive tax planning

The sweeping business tax changes introduced by the OBBB make now an important time for businesses of all types to reassess their tax strategies and entity structures. A proactive review can help companies capture available benefits while maintaining compliance with the latest statutes.



Research and development: living with your Section 174A method

For many businesses, research and development (R&D) is not a standalone initiative. It is an integral part of the everyday work improving products, refining business models, increasing efficiency, and developing what comes next. Recent changes to the tax treatment of these activities, introduced by the OBBB, give businesses greater flexibility in how they recover these costs and may create significant tax saving opportunities compared to previous years.

Immediate deductions return for domestic R&E costs

One of the OBBB's most significant changes was the return of an immediate deduction option for domestic research and experimental (R&E) expenditures under the new IRC Section 174A. Under the previous law, businesses had to capitalize domestic R&E costs and amortize them over five years. For tax years beginning in 2025, taxpayers could choose an accounting method that either deducted domestic R&E costs as they were paid or incurred or elect to capitalize and amortize them over at least five years. This change benefits companies that engage in R&E activities by accelerating the deduction of these costs and reducing their current tax bill.

The OBBB also gave eligible small businesses an opportunity to go back and deduct domestic R&E costs capitalized in 2022 through 2024 by filing amended returns by July 6, 2026. Small business taxpayers that did not amend by the due date could instead deduct their remaining unamortized balance in 2025 or spread the deduction evenly over 2025 and 2026.

Two methods are available for 2025 and beyond

In most cases, the method chosen for 2025 will continue to apply to the 2026 return. Taxpayers can choose between:

1. **Section 174A(a) deduction method:** Domestic R&E costs connected with the taxpayer's trade or business are deducted currently.
2. **Section 174A(c) amortization method:** Domestic R&E costs are capitalized and amortized over at least five years, beginning in the first month the taxpayer benefits from the expenditure.

Because both method changes were adopted on a cut-off basis in 2025, there is no catch-up adjustment flowing into 2026. Taxpayers will continue to benefit from the more flexible treatment of these costs in 2026 and beyond.

Transition relief for previously capitalized costs

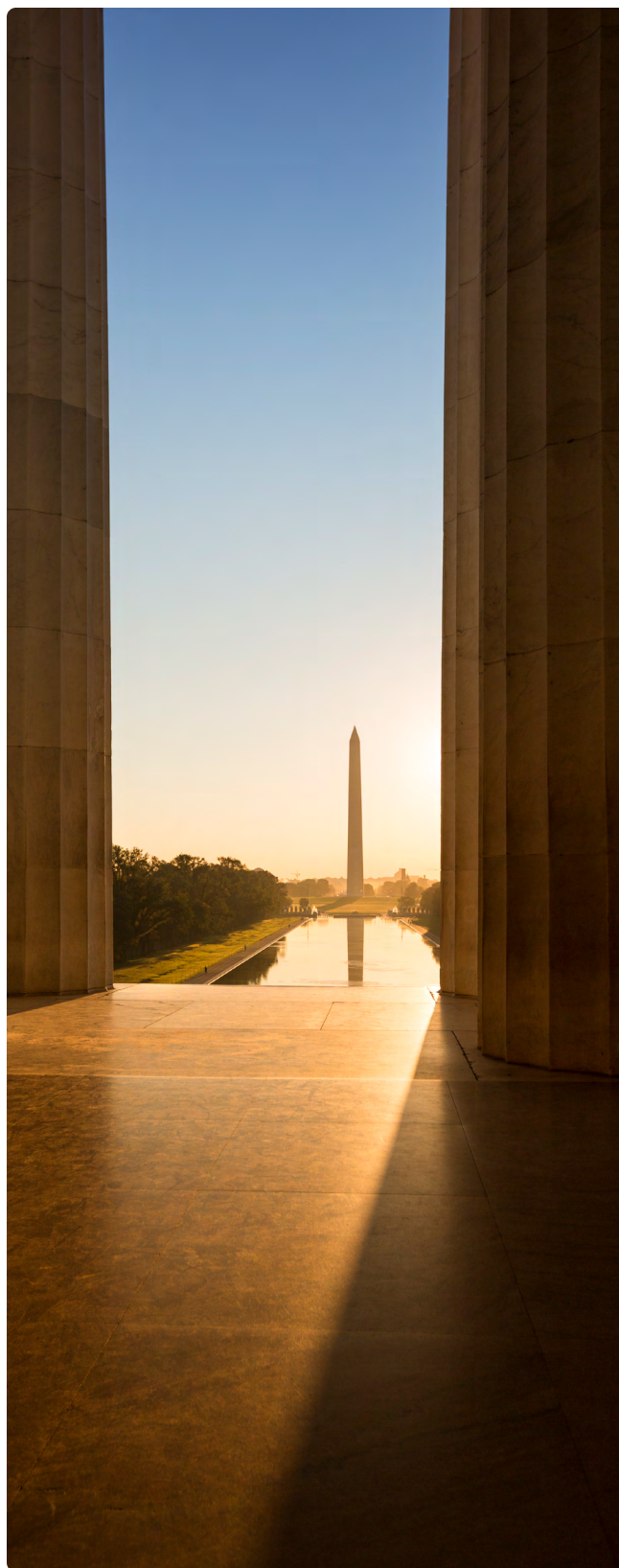
The OBBB also provided transition relief options for taxpayers that capitalized domestic R&E costs in 2022 through 2024 under the prior law.

- **Recover the remaining balance in one year:** Taxpayers that elected the recovery of unamortized amounts method could deduct the remaining balance either entirely in the first tax year beginning after December 31, 2024, or evenly over two years.
- **Spread the deduction over two years:** Taxpayers that selected the two-year option can claim the second installment on the 2026 return, creating an additional income tax deduction that year.
- **Continue the existing amortization schedule:** Taxpayers that made neither the recovery election nor the small business retroactive election will continue amortizing those previously capitalized costs under the method used on their 2022 through 2024 returns.

Foreign R&E costs remain subject to longer amortization

International research activities do not receive the same favorable treatment. The OBBB did not change the treatment of foreign R&E expenditures, which must still be capitalized and amortized for 180 months, beginning at the midpoint of the tax year in which the costs are incurred.

Businesses should therefore continue documenting where each research activity is performed, even when domestic R&E costs are being deducted currently. As part of broader tax and operational planning, taxpayers with international research functions may also want to evaluate whether conducting more of that work outside of the U.S. would support business objectives, while providing access to the more beneficial tax laws applicable to domestic R&E expenditures.





Individual tax in 2026: what stuck, what shifts, and what is new

Before the OBBB became law, individual taxpayers faced uncertainty as numerous provisions, deductions, and limitations were scheduled to sunset at the end of 2025. The legislation reshaped the tax landscape by making several TCJA provisions originally set to expire permanent and introduced new benefits for individual taxpayers.

Without the OBBB, marginal tax rates, brackets, and the standard deduction would have reverted to pre-TCJA levels. Instead, taxpayers can continue benefiting from lower marginal rates, an expanded standard deduction, and enhanced credits, while also evaluating new deductions and credit opportunities.

The changes are broad, and not every provision is covered below. The following sections focus on the measures most likely to affect individual taxpayers.

Permanent extensions and structural changes

1. **Individual tax rates:** The lower marginal rates introduced through the TCJA have been permanently extended.
2. **Standard deduction:** The TCJA nearly doubled the standard deduction and has now been permanently extended.
3. **Personal exemptions:** The personal exemption remains permanently eliminated, with an exception for certain senior taxpayers.
4. **Moving expenses:** The moving expense deduction and reimbursement exclusion are permanently eliminated for certain senior taxpayers.
5. **Qualified business income:** Section 199A is permanent, meaning owners of specified pass-through businesses will continue to see a 20% deduction for qualified business income.

Expanded credits and new opportunities

1. **529 plans:** Beginning in 2026, up to \$20,000 annually may be distributed tax-free for qualifying K-12 tuition and other eligible primary education expenses.
2. **Child Tax Credit (CTC):** The credit was increased to \$2,200 per qualifying child for 2025, and income thresholds have been permanently expanded for taxpayers.
3. **Adoption credit:** Now up to \$5,000 of the credit is refundable.
4. **Scholarship contribution credit:** Taxpayers who contribute to an eligible scholarship fund may claim a credit of up to \$1,700, with certain limitations.
5. **ABLE accounts:** Beginning in 2026, eligible designated beneficiaries who contribute to an ABLE account and claim the Saver's Credit can now claim up to a \$2,100 credit. The law also expands opportunities for additional contributions and qualifying 529 plan rollovers.
6. **Alternative Minimum Tax (AMT):** The higher AMT exemption amounts remain in place, while the phaseout thresholds have been modified, locking in a more favorable AMT framework for many individual taxpayers.
7. **Excess business losses:** The limitation on excess business losses for noncorporate taxpayers has been extended through 2028. This change will limit the deduction a noncorporate taxpayer can take for their business losses in a given year.

Targeted changes for earners and credit recipients

1. **Premium Tax Credit (PTC):** Beginning January 1, 2026, taxpayers who received excess PTC amounts will be required to repay in full and, if enrolling in coverage during a special enrollment period, will no longer be eligible for the PTC. Beginning January 1, 2028, taxpayers who received the PTC will be required to verify specific insurance application information.
2. **Employer-provided education assistance:** The annual exclusion of up to \$5,250 has been permanently extended, and qualifying student loan discharges due to disability or death will continue to be excluded from a taxpayer's income.
3. **Business interest deductions:** Owners of pass-through businesses could see an increased limitation on their business's interest deduction, and the ability to deduct interest in future years.

New deductions for tips and overtime

Among the most visible of the new provisions were the deductions for qualified tips and overtime compensation, which plays a key role in the earnings of many individuals. While regular wages remain fully taxable, taxpayers who meet the criteria could see up to a \$25,000 above-the-line deduction for qualified tips and overtime compensation through 2028.

These provisions are designed to offer relief to taxpayers in the hospitality, food service, and retail spaces, where tips and overtime compensation make up a significant portion of their income. However, eligibility is not automatic. Taxpayers must meet several requirements to be eligible for the deduction, including income thresholds, reporting, and tip type. As enforcement and interpretation evolve, proactive documentation and planning will be important to help confirm eligibility and compliance.

Itemized deductions: the decision shifts year to year

The OBBB modified several rules that governed itemized deductions, affecting a wide range of deductions. Because eligibility, income limits, and effective dates vary, individuals are put into a position where they need to decide whether to itemize or take the standard deduction, with this decision looking different year-to-year.

For taxpayers to properly evaluate the potential financial impact, a clear understanding of the changes and additions to these deductions is important and creates an opportunity for planning and adjusting tax strategies. Discussed below are some of the most influential changes and additions.

- **Personal auto loan interest:** Taxpayers may be eligible to deduct up to \$10,000 in annual interest on qualifying personal auto loans taken out after December 31, 2024, if they meet the income threshold limits and the vehicle underwent final assembly in the U.S.
- **Charitable giving for non-itemizers:** As part of its effort to promote charitable giving, the OBBB reinstated the above-the-line charitable contribution deduction, allowing non-itemizing taxpayers to deduct up to \$1,000, or \$2,000 for married couples filing jointly.

- **Charitable giving for itemizers:** Individual taxpayers who itemize will only see a deduction if their charitable contributions exceed 0.5% of their adjusted gross income (AGI) for the tax year.
- **Cash gifts to public charities:** The deduction limit of up to 60% of AGI for cash contributions to public charities has been permanently extended.
- **Mortgage interest:** The existing \$750,000 cap on the mortgage interest deduction for acquisition indebtedness has been permanently extended. In addition, the legislation now allows mortgage insurance premiums to be treated as deductible qualified residence interest, offering another potential benefit for homeowners.
- **State and local taxes:** The SALT cap deduction has been temporarily increased from \$10,000 to \$40,400 for 2026 and will increase 1% every year through 2030.
- **Casualty loss limitations:** The existing limitations have been permanently extended, and they now include state-declared disaster areas in addition to federally declared disaster areas.
- **Miscellaneous itemized deductions:** Deductions for miscellaneous expenses, such as union dues, tax preparation fees, and investment expenses, remain permanently eliminated.

Tax planning considerations for charitable giving

The new charitable contribution rules under the OBBB make careful planning especially important, particularly with respect to the timing, type of contributions, and the potential limitations on deductibility. To make the most of the available deductions, taxpayers should evaluate whether to spread charitable contributions over multiple years or bunch contributions into a single year. This analysis can help determine which approach reduces the impact of the 0.5% floor and reduces the amount of deductions that may be permanently disallowed.

For taxpayers aged 70 ½ or older, qualified charitable distributions (QCDs) may provide an additional planning opportunity. QCDs allow eligible individuals to make charitable contributions directly from an eligible individual retirement account (IRA) to a qualified charity. Because QCDs are not subject to the 0.5% charitable contribution floor and are excluded from AGI, they may offer a tax-efficient alternative to donating cash or other assets.

CASE STUDY:

How contribution timing can reduce the impact of the deduction floor

Beginning in 2026, itemizing taxpayers generally may deduct charitable contributions only to the extent their annual giving exceeds 0.5% of adjusted gross income. Grouping several years of planned gifts into one tax year can spread that fixed floor across a larger contribution.

The scenario:

- An individual with an AGI of \$150,000 itemizes their deductions.
- The individual is considering either a \$2,000 cash contribution to a qualified public charity or grouping several planned gifts into one year for a total contribution of \$25,000.
- For 2026, the charitable deduction floor for an itemizing individual equals 0.5% of AGI. In this example, the floor is \$750.

Comparing the two giving approaches

EFFECT OF THE 0.5% AGI FLOOR

CALCULATION	ANNUAL CONTRIBUTION	GROUPED CONTRIBUTION
AGI	\$150,000	\$150,000
Cash contribution	\$2,000	\$25,000
0.5% AGI floor	(\$750)	(\$750)
Potential charitable deduction	\$1,250	\$24,250
Planning effect	The floor reduces the deductible amount by 37.5% of the contribution.	The same \$750 floor applies to the larger gift, reducing the deductible amount by only 3%.

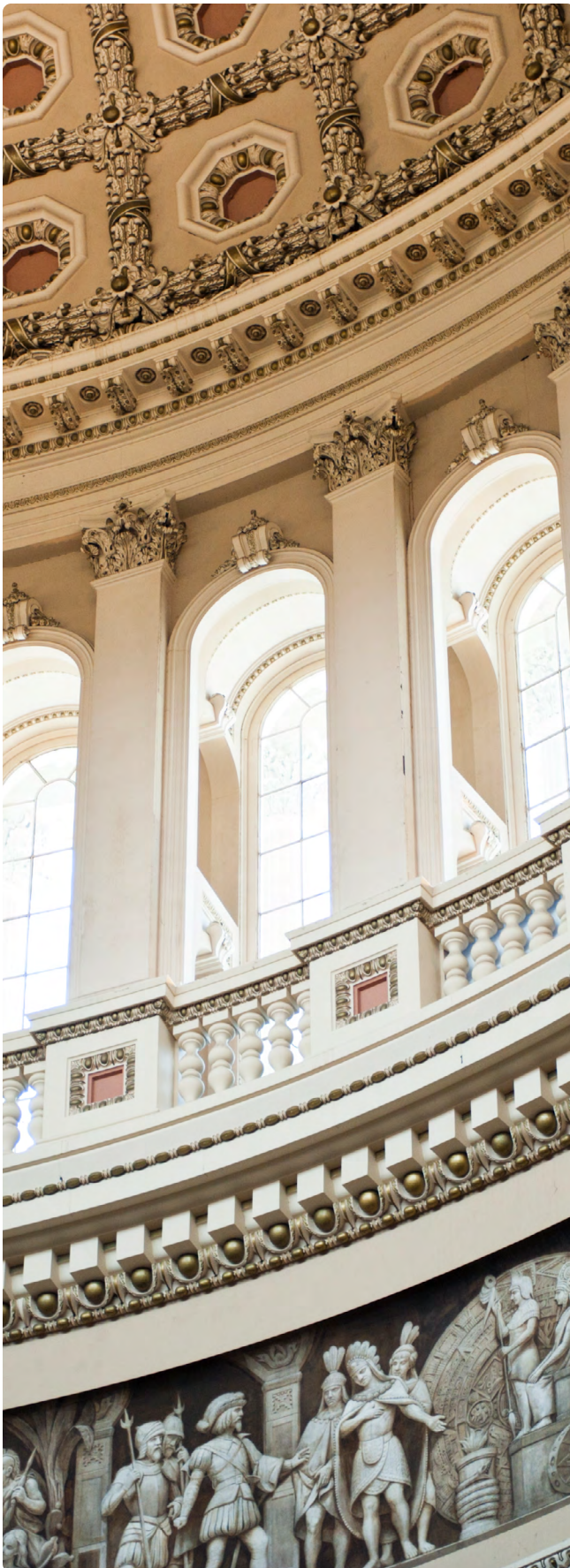
The takeaway:

Grouping charitable contributions into a single tax year does not eliminate the 0.5% AGI floor, but it can reduce the floor's impact relative to the total amount given. Donors should coordinate the timing of gifts with their itemized deductions, cash flow, and charitable goals, while considering other contribution limits.

Why planning matters

The OBBB has fundamentally reshaped the individual tax framework by solidifying previously temporary provisions, while layering in new benefits to help alleviate the burden for taxpayers. While many of the provisions introduced aim to promote ease, the complexity of phased rollbacks, income-based limits, and timing nuances demand frequent attention and planning.

Staying informed can help taxpayers and their advisors plan with confidence as the rules continue to change.



The future of wealth transfers: estate and gift planning at a \$15 million exemption

Taxes touch nearly every facet of life, including the parts that outlast us, from lifetime gifts and trusts to the transfer of assets at death. The good news is that the changes to the estate and gift tax rules from the OBBB are still in effect.

For 2026, the lifetime exemption amount remains at \$15 million per individual and will increase each year to adjust for inflation. The \$15 million exemption is the amount of assets that can pass to beneficiaries without being subject to estate tax.

Understanding the current estate planning framework

To effectively execute proactive estate tax planning, it's important to have a clear understanding of the current estate planning landscape and awareness of anticipated legislative shifts. There are three foundational factors under the current law that will shape future estate planning strategies:

- 1. Federal estate tax exemption:** As of 2026, U.S. citizens and residents can transfer up to \$15 million per person (\$30 million for married individuals filing jointly) before federal estate taxes apply. This exemption facilitates substantial wealth transfers to heirs without incurring estate taxes.

2. **Gift and generation-skipping transfer (GST) taxes:** The lifetime gift tax exemption mirrors the estate tax exemption, allowing individuals to make substantial lifetime gifts without immediate tax consequences. The GST tax applies to transfers to grandchildren and later generations so that wealth transferred across generations remains subject to tax.
3. **Step-up in basis:** Upon death, assets transferred through an estate receive a step-up in basis to their fair market value, potentially reducing capital gains taxes for heirs when assets are sold.

Estate planning strategies to consider

The right estate planning strategy depends on the family's goals, assets, cash-flow needs, and tolerance for giving up control. To leverage the expanded estate and gift tax exemption and navigate evolving regulations, it's important to consider the following techniques:

- **Irrevocable Life Insurance Trusts (ILITs):** An ILIT can help mitigate estate taxes by holding life insurance policies outside of your taxable estate, providing liquidity to cover estate taxes or equalizing inheritances.
- **Grantor Retained Annuity Trusts (GRATs):** A GRAT can help a taxpayer to transfer assets to beneficiaries at a reduced gift tax cost, while leveraging expected asset appreciation and retaining an income stream for a specified period.
- **Charitable Remainder Trusts (CRTs):** A CRT can provide a way to support charitable causes while receiving income during your lifetime, potentially reducing both income and estate taxes.
- **Family Entities:** Family entities, such as family limited partnerships and family LLCs, can help a taxpayer transfer ownership of family assets to future generations, while retaining control and potentially reducing estate taxes through valuation discounts.
- **Qualified Personal Residence Trusts (QPRTs):** A QPRT can help a taxpayer transfer a primary or secondary residence to heirs at a reduced gift tax value, while retaining the right to live in the residence for a specified term.

Beyond taxation: addressing the non-tax side of estate planning

A well-defined estate plan should do more than reduce taxes. It should encompass broader concerns about protecting your legacy, your loved ones, and your life's work.

Non-tax estate planning considerations include:

- **Asset protection:** Trusts and other entities may help shield assets from creditors and legal challenges, while preserving your legacy for your intended beneficiaries.
- **Healthcare directives:** Advance healthcare directives and powers of attorney help see that medical wishes are honored and trusted individuals are empowered to make decisions on your behalf if you become incapacitated.
- **Guardianship:** Parents of minor children can appoint trusted guardians to care for their children and establish a framework for managing inherited assets.
- **Business succession:** A coordinated succession plan can support a smooth transition of ownership and management, preserving the business' value and continuity.

Proactive estate planning steps for a secure future

The estate planning landscape is shifting, and the best results come from early and deliberate action, such as careful planning and paying close attention to current and future legislation. Proactive steps taken today can help estate structures enhance asset protection, while simultaneously affording taxpayers the freedom to enjoy access to their assets.

Ways to seize the moment include:

- **Reviewing and updating existing documents:** Schedule a comprehensive review with your trusted advisor to determine whether your estate plan aligns with current laws and potential future changes.
- **Enhancing liquidity and asset flexibility:** Consider utilizing high exemptions to move assets from restrictive entities, which may support greater growth and easier access. This approach may be especially helpful for those who adopted more conservative

approaches to estate planning in prior years.

- **Evaluating trust structures:** Review existing trusts and entities with potential tax law changes to determine whether they continue to support your wealth preservation and distribution goals.
- **Incorporating non-tax concerns:** Address non-tax issues, such as asset protection, healthcare directives, guardianship, and business succession in your estate plan for a comprehensive approach.

CASE STUDY:

How taxable gifts affect lifetime exemption and estate tax exposure

Two U.S. citizens, John and Jennifer, illustrate how gifts above the annual exclusion reduce each donor's available lifetime exemption and how that reduction affects the estate tax calculation at death.

The scenario:

- John and Jennifer are U.S. citizens who planned to file a joint tax return for 2026.
- During the year, they each made separate gifts of \$40,000 to various individuals.
- Near the end of 2026, John passed away, leaving behind \$5 million in assets.
- Neither spouse has previously used any portion of their individual lifetime gift and estate tax exemption.

Gift tax impact for each spouse

2026 GIFT TAX CALCULATION PER SPOUSE

CALCULATION	AMOUNT
Gift to the recipient	\$40,000
Less 2026 annual exclusion	(\$19,000)
Taxable gift applied against lifetime exemption	\$21,000
2026 lifetime exemption	\$15,000,000
Remaining lifetime exemption	\$14,979,000

ESTATE-LEVEL IMPACT

CONSIDERATION	RESULT
Remaining exemption	After the \$21,000 taxable gift, John has \$14,979,000 of basic exclusion remaining.
Estate tax exposure	John's \$5 million gross estate is below his remaining exemption. Assuming no other taxable gifts, includible assets or adjustments, no federal estate tax would be due.
Inherited asset basis	Property inherited from John generally receives a basis equal to its fair market value on the date of death, unless an alternative valuation or another exception applies. This basis adjustment may reduce a beneficiary's taxable gain on a later sale.

The takeaway:

Gifts above the annual exclusion can create a filing requirement even when no gift tax is payable. They also reduce the donor's remaining lifetime exemption, which may affect future estate tax exposure.

Seizing estate planning opportunities

The current estate and gift tax rules present greater opportunities for preserving and transferring wealth. A strategy that considers transfer taxes, income tax basis, control, access to assets, and family objectives can help protect your legacy for generations to come.

Transformative shifts in international taxation: NCTI, FDDEI, and the first filing season

As global commerce flourishes in the new digital era, countries worldwide are keen on developing international tax laws to discourage profit-shifting and tax avoidance by multinational enterprises, while simultaneously keeping their markets competitive. As the U.S. continues to adapt its international tax regime, 2026 brought numerous changes that will dramatically reshape the international tax landscape.

Treaty activity has continued, including the April 28, 2026 U.S.-Croatia protocol, and several other treaties or protocols pending ratification. However, the year's international tax agenda was less about a wave of new rulings and more about the practical task of applying OBBA-driven statutory changes and regulatory detail.

U.S. tax treaty updates: spotlight on the Belarus suspension

The U.S. Department of the Treasury and the Republic of Belarus mutually agreed to suspend part of the income tax treaty established in 1973, effective December 17, 2024, through December 31, 2026, unless ended earlier by mutual determination. The suspension applies to the treaty exemption for interest on credits, loans, and other forms of indebtedness connected with trade financing.

While the suspension is in place, withholding agents may not accept treaty claims for exemption from U.S. withholding on qualifying interest payments made to residents of Belarus.

Transfer pricing in a digital age: Facebook litigation continues

The Facebook, Inc. v. Commissioner litigation serves as an important reminder of what is at stake when multinational companies transfer valuable intellectual property to foreign affiliates.

In 2025, the Tax Court issued its opinion in Facebook, Inc. v. Commissioner, a long-running dispute over the value of intellectual property rights transferred to Facebook's Irish affiliate. The court valued the transferred intellectual property at approximately \$7.8 billion—higher than Facebook's reported value, but substantially lower than the valuation asserted by the IRS.

A central point of contention between the IRS and Facebook has been over which method produced the most reliable arm's length transaction, a dispute that has continued into later tax years.



- **September 2025 assessment:** The IRS asserted approximately \$15.9 billion in additional tax, plus interest and penalties, for tax years 2017 through 2019. The assessment primarily involved transfer pricing with Meta's foreign subsidiaries and related international tax adjustments.
- **Tax Court challenge:** Meta challenged the assessment in Tax Court, but the court denied Meta's challenge.
- **2026 regulatory challenge:** Meta also challenged Treasury regulations requiring stock-based compensation to be included in costs shared among related parties developing intangible property.

These disputes underscore the importance of carefully documenting intangible property valuations and multinational cost sharing arrangements.

The OBBB effect in international taxation

The OBBB's major international tax provisions took effect for taxable years beginning in 2026, reshaping the U.S. tax landscape for multinational businesses. The legislation:

- Replaces Global Intangible Low-Taxed Income (GILTI) and Foreign-Derived Intangible Income (FDII) with the Net CFC Tested Income (NCTI) and Foreign-Derived Deduction-Eligible Income (FDDEI) regimes;
- Revises foreign tax credit rules;
- Modifies CFC attribution and income inclusion rules; and
- Makes the CFC look-through rule permanent.

Understanding the combined effects is important to international tax planning and compliance, but the real work for 2026 is applying these provisions for the first time.

Key changes that will affect returns for tax year 2026 include:

New exclusions for deduction-eligible income (DEI)

For dispositions after June 16, 2025, income and gain from sales or other dispositions of intangible property and property subject to depreciation, amortization, or depletion are excluded from deduction-eligible

income (DEI). This exclusion may reduce the income eligible for the Foreign-Derived Deduction-Eligible Income (FDDEI) deduction. In August 2026, the Treasury and the IRS issued proposed regulations clarifying the scope of the exclusion, including how it applies to certain intangible property transactions.

The proposed regulations also clarify that licensing intangible property generally is not treated as a sale or disposition for purposes of the exclusion, meaning qualifying licensing income may remain eligible for the FDDEI deduction. Businesses disposing of or licensing intellectual property should consider these rules when determining their DEI and resulting FDDEI deduction.

Updated tax year requirements for specified foreign corporations

The OBBB repealed the one-month deferral election under IRC Section 898(c)(2), requiring specified foreign corporations to use the same taxable year as their majority U.S. shareholder. The change applies to taxable years beginning after November 30, 2025, and may result in a one-month short taxable year for affected corporations.

In August 2026, the Treasury and the IRS issued proposed regulations providing transition rules for allocating foreign income taxes between the short taxable year and the succeeding taxable year.

Foreign tax credit changes

Disallowance of a foreign tax credit related to distributions of previously taxed NCTI

The OBBB disallows a 10% foreign tax credit (FTC) of foreign income taxes associated with distributions of previously taxed earnings and profits (PTEP) arising from Section 951A inclusions. However, the Treasury and the IRS later clarified that the rule applies when the underlying Section 951A inclusion arises in a U.S. shareholder tax year ending after June 28, 2025, rather than based simply on when the PTEP is distributed. Proposed regulations issued in 2026 incorporate this guidance and require separate tracking of pre- and post-June 28, 2025 Section 951A PTEP.

Adjustments to the FTC limitation calculation

The FTC allows taxpayers to take a dollar-for-dollar reduction in U.S. tax for taxes paid to foreign governments on income also subject to U.S. tax. However, IRC Section 904 limits the credit to the amount of U.S. income (FTC income pool) attributable to foreign-sourced income. The larger the pool, the more credit taxpayers can use, but deductions, sourcing rules, and various allocations can shrink it.

For shareholders of controlled foreign corporations, several key updates apply:

- **NCTI must be reduced by the new 40% deduction:** Any deduction allowed under IRC Section 250(a)(1)(B), commonly known as GILTI (but is now referred to as NCTI for tax years beginning in 2026), must be allocated and apportioned when determining the net CFC tested income. This net income is then used to calculate taxable income and the FTC limitation. The NCTI deduction is now 40% of the net CFC tested income (as amended by the OBBB). The deduction is generally taxpayer-friendly but also lowers the FTC pool that limits the amount of foreign tax credits that may be applied to U.S. income.
- **Exclusion of interest and R&D expenditures from FTC limitation:** Interest and R&D expenses no longer reduce the Section 904 FTC limitation used to calculate foreign credits allowed to offset U.S. taxable income.
- **Only directly allocable expenses are permitted:** Other deductions reduce NCTI for purposes of the Section 904 FTC limitation only if they are directly allocable to that income. This change preserves more NCTI in the FTC limitation and may increase the foreign tax credits available.

For businesses in inventory production, the following rules apply:

- **Updated sourcing rules for inventory:** New IRC Section 904(b)(6) allows a portion of the income from U.S.-produced inventory sold outside the U.S. through a foreign office or fixed place of business to be treated as foreign-sourced income for FTC limitation calculation purposes. The amount treated as foreign-sourced income cannot exceed 50% of the income from qualifying inventory sales.

GILTI becomes NCTI

Beginning in 2026, GILTI has been renamed to NCTI. More importantly, the OBBB eliminated the former 10% deemed return on qualified business asset investment (QBAI). As a result, NCTI is now based on net CFC tested income without subtracting a deemed return on tangible foreign assets. This change simplifies the calculation but may increase inclusions for taxpayers with significant foreign tangible assets.

Key adjustments to NCTI include:

- **Deduction rate:** The Section 250 deduction decreases from 50% to 40%, resulting in an effective U.S. corporate tax rate of 12.6% on NCTI before foreign tax credits.
- **Increased FTC for foreign taxes paid:** The deemed-paid FTC under Section 960(d) increases from 80% to 90% of qualifying foreign income taxes attributable to NCTI.

FDII becomes FDDEI

The Section 250 deduction decreases from 37.5% to 33.34% of qualifying FDDEI, resulting in an effective U.S. corporate tax rate of approximately 14% on qualifying income. The new rules also eliminate the previous 10% deemed return on QBAI, which could reduce the amount of income eligible for the deduction. In addition, FDDEI no longer subtracts interest and R&E expenses when determining deduction-eligible income. These changes may increase the FDDEI benefit for businesses with significant U.S. tangible assets, interest expense, or R&E expenditures.

Other international tax changes

- **BEAT Rate:** The base erosion and anti-abuse tax (BEAT) rate increases from 10% to 10.5%, rather than the previously scheduled 12.5% for 2026. Special rules continue to apply to banks and registered securities dealers.
- **CFC Look-Through Rule:** IRC Section 954(c)(6) was permanently extended by the OBBB, allowing certain payments between related CFCs to avoid treatment as Subpart F income. Specifically, certain dividends, interest, rents, and royalties received from a related CFC are excluded from the foreign personal holding company income. The exclusion applies only to the portion attributable to income of the related CFC that is neither Subpart F income nor effectively connected income. The rule had been scheduled to expire after 2025.
- **Restored downward attribution rules:** The OBBB restores IRC Section 958(b)(4), reversing the broad downward attribution rule that had applied since the

TCJA. Once again, stock owned by a foreign person will not attribute ownership to a U.S. person when determining CFC status. The new IRC Section 951B retains downward attribution rules for certain foreign-controlled structures. Proposed regulations issued in August 2026 implement the new pro rata share rules, including guidance addressing changes in CFC ownership during the taxable year, multiple classes of stock, and certain transition issues.

- **Redefined CFC income inclusion:** Beginning in 2026, IRC Section 951(a) requires U.S. shareholders to include their share of a CFC's Subpart F income based on the portion of the year they owned the CFC stock. Previously, a shareholder had to own the stock on the last relevant day of the CFC's taxable year to have an inclusion. The new rule can therefore create Subpart F income for shareholders that sell their CFC stock before year-end.

First filing season priorities

Section 987 foreign currency regulations take effect

The final IRC Section 987 regulations apply to taxable years beginning after December 31, 2024, making the 2025 tax year the first year of required application for most calendar year taxpayers. Section 987 applies when a taxpayer operates through a qualified business unit (QBU), such as certain foreign branches, that uses a functional currency different from that of its owner.

Filing considerations: The regulations provide rules for translating the QBU's income or loss and determining the amount, timing, character, and source of foreign currency gain or loss recognized by its owner. The new rules also include transition provisions for preexisting Section 987 gain or loss and several elections affecting how Section 987 amounts are calculated and recognized. Taxpayers subject to the regulations should also consider the new reporting requirements, including Form 8964-TRA for transition information and Form 8964-ELE for Section 987 elections.

OECD Pillar Two: the side-by-side package

In January 2026, the OECD/G20 Inclusive Framework agreed to a new "Side-by-Side" package coordinating the Pillar Two global minimum tax rules with qualifying domestic minimum tax regimes, including the U.S. international tax system. Under the agreement, qualifying U.S.-parented multinational groups may be exempt from the Pillar Two Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR), recognizing the U.S. minimum tax regime as operating alongside Pillar Two.

The package also introduces additional safe harbors and simplifications intended to reduce Pillar Two compliance burdens while preserving the application of qualified domestic minimum top-up taxes (QDMTTs).

Planning considerations: U.S.-based multinational groups should consider the new safe harbors when evaluating their Pillar Two exposure and compliance obligations in foreign jurisdictions.

CASE STUDY: Why a mid-year CFC sale may still trigger an income inclusion

Taxpayer-shareholders must now be alert to CFC purchase and sale timing. The amendment of Section 951(a) can now materially alter the tax consequences of CFC acquisitions and dispositions. Shareholders can no longer assume that selling CFC stock before year-end eliminates Subpart F or NCTI attributable to its period of ownership.

The scenario:

- A U.S. parent owns 100% of ForeignCo., a CFC, and sells all of its stock to an unrelated purchaser on June 30, 2026, with the foreign entity retaining its CFC status.
- ForeignCo. earns \$3 million of CFC tested income and \$650,000 of Subpart F (passive) income evenly throughout 2026.

How the amended rule changes the result

CONSIDERATION	PRIOR RULE	AMENDED RULE
Ownership requirement	Under the prior last-day framework, the U.S. parent generally would not have a Subpart F or tested income inclusion because it did not own ForeignCo. stock on the last relevant day of ForeignCo.'s taxable year.	For CFC taxable years beginning after December 31, 2025, a U.S. shareholder may have an inclusion if it owns CFC stock on any day during the year.
Allocation method	The year-end ownership test generally determined which shareholder took the inclusion into account.	The proposed regulations generally allocate Subpart F income and tested items based on the shareholder's ownership period, using daily proration when ownership changes during the year.
2026 result	A June 30 sale ordinarily could have prevented an inclusion for the seller under the former rule.	The U.S. parent allocates the income attributable to its 181-day ownership period even though it sells its entire interest before year-end.

Illustrative 2026 inclusion:

Assuming income is earned evenly and daily proration applies: the U.S. parent owns ForeignCo. for 181 of 365 days. Its illustrative allocation is approximately \$1.49 million of CFC tested income and \$322,000 of Subpart F income, for a combined inclusion of approximately \$1.81 million.

The takeaway:

A pre-year-end CFC stock sale no longer provides a simple path to avoiding Subpart F or NCTI attributable to the seller's ownership period. Buyers and sellers should model ownership-period allocation before closing and address tax-year closing elections, information sharing, reporting responsibilities, and economic true-ups in the transition documents.

Strategic international tax planning amid change

With the OBBB's international tax changes now in effect, businesses should review their cross-border structures and model the combined impact of the new NCTI, FDDEI, FTC, BEAT, and CFC rules. These changes may affect tax liabilities, foreign tax credit utilization, and existing international tax planning strategies.



Tariffs after *Learning* *Resources:* refunds, replacements, and what is still in force

The tariff landscape has changed more than any other area of tax this year, and it is still moving.

In February 2026, the Supreme Court struck down tariffs that had been imposed early in 2025 under the authority of the International Emergency Economic Powers Act of 1977 (IEEPA). This ruling opened the door for over \$100 billion in refunds, which are currently being processed by U.S. Customs and Border Protection (CBP) through the Consolidated Administration and Processing of Entries (CAPE) system. Meanwhile, the Trump Administration has continued to impose other tariffs under various federal statutes, which in turn has led to more litigation challenging the legality of those tariffs.

Businesses affected by tariffs need to understand that two things can be true at once: they may be owed money, and they may still be paying duties. Either way, the current state of play requires businesses to continuously monitor developments as part of their planning process.

What the Court decided

After taking office, President Trump declared national emergencies related to illegal drug trafficking and trade deficits with other countries. The IEEPA tariffs rested on the theory that IEEPA granted the President the authority to “regulate importation” in response to these national emergencies and that imposing tariffs was part of that regulatory power.

However, the Supreme Court’s *Learning Resources, Inc. v. Trump* decision rejected that rationale on the basis that tariffs are part of Congress’s Article I taxing power and that the President’s ability to regulate importation under IEEPA did not include tariffs. The decision was handed down on February 20, 2026, and collection of IEEPA tariffs ended on February 24, 2026.

How refunds are being processed

The *Learning Resources* decision invalidated tariffs collected under IEEPA but did not specify how the tariffs should be refunded. In March 2026, the Court of International Trade (CIT) ordered CBP to liquidate or

reliquidate entries that had included IEEPA tariffs. Then on April 20, 2026, CBP commenced the refund process by launching the Consolidated Administration and Processing of Entries (CAPE) system.

The CAPE refund process requires the importer of record or its authorized customs broker to:

1. **File a CAPE declaration** through the regular Automated Commercial Environment (ACE) system that importers already use to manage customs declarations and duty payments.
2. **Download the CAPE Upload Template** from their ACE portal and populate the template with a set of entries on which IEEPA tariffs were paid.
3. **Batch entries** for each CAPE declaration up to 9,999 entries for which the importer is requesting a refund.
4. **Confirm that their automated clearing house (ACH) banking information** for refunds is updated in their ACE portal before submitting a CAPE declaration. CBP has reported many suspended IEEPA refunds due to missing or incorrect ACH information.

What is still in force

The *Learning Resources* decision and subsequent CAPE refund process have generated a great deal of attention over the past year but are just one part of the story. Several tariffs remain in effect, some are in varying stages of litigation that may lead to future refund claims, and others have been announced but not yet implemented.

Four tariff authorities are set to reshape the current trade landscape, but their scope, timing, and legality vary significantly. Businesses should stay updated on the following tariffs:

AUTHORITY	WHAT IT TARGETS	CURRENT STATUS	LEGAL LANDSCAPE	KEY TAKEAWAY
Section 122	Broad 10% tariff on goods imported from various countries, imposed after the IEEPA tariffs were invalidated.	Expired on July 24, 2026. Section 122 measures may remain in place for no more than 150 days unless Congress extends them.	The CIT ruled the tariffs unlawful on May 7, 2026, but the Federal Circuit stayed that decision pending appeal. No refund process is currently available.	Expired, but litigation and refund uncertainty remain.

AUTHORITY	WHAT IT TARGETS	CURRENT STATUS	LEGAL LANDSCAPE	KEY TAKEAWAY
Section 232	Imports considered a threat to national security, including steel, aluminum, copper, semiconductors, pharmaceuticals, and drones.	Currently in effect.	No current challenge to legality.	The most legally stable of the four tariff authorities.
Section 301	Historically, Chinese imports linked to unfair trade practices. The new tariffs address trading partners viewed as insufficiently aggressive in combating forced labor.	In effect since the Section 122 tariffs expired in July 2026.	Several lawsuits allege that the government's investigation did not satisfy the statutory requirements.	Active, with procedural challenges underway.
Section 338	Certain Canadian alcoholic beverages, dairy products, motor vehicles, and related goods, in response to alleged discrimination against U.S. products.	50% of U.S. tariffs effective August 22, 2026. Canada imposed similar retaliatory tariffs effective September 8, 2026.	No legal challenge is noted in the source copy.	A targeted U.S.-Canada escalation with reciprocal tariffs.

Building a tariff process, not a tariff reaction

Planning for tariffs is a challenge for businesses given the constant changes and various legal authorities at work. The businesses handling it well have a standing process rather than a series of constant fire drills.

Management should be able to answer these questions at any point:

Trade policy continues to lean heavily on tariffs in various forms. The next few years will require a consistent effort by businesses to properly plan for tariff expenditures while also taking advantage of refund opportunities.

- 1. Current tariffs:** Which tariffs currently in effect impact the business?
- 2. Future tariffs:** What new tariffs have been announced but have not been implemented yet?
- 3. Current refunds:** Which tariffs that have already been paid are eligible for a refund? What are the current processes and deadlines for filing a refund claim? Is the business the importer of record, or is another party? How should refund receivables be recorded on the books?
- 4. Future refunds:** Which tariffs were imposed under authorities that are currently being challenged in court? What tariff payments may become eligible for a refund if those tariffs are ruled to be invalid?



Employment tax readiness: what employers need to know

For tax year 2025, the employment tax landscape experienced several changes related to the OBBB, but employers received limited guidance. While the U.S. Secretary of the Treasury provided temporary penalty relief during this transition period, the relief will no longer apply for tax year 2026. With the transition period ending, employers will need to focus on accuracy and compliance to help reduce the risk of penalties for improper accounting and reporting.

The finalized 2026 Forms W-2 and Forms 1099 now include revised reporting for qualified tips and overtime compensation. They also introduce additional reporting requirements for Trump Account contributions. These changes make coordination between tax, payroll, human resources, and finance teams especially important throughout the year, not just at year-end.

2026 year-end employment tax checklist

- **Review payroll data early:** Reconcile payroll records and correct any discrepancies. Timely corrections are easier to make in the current year than in the following year
- **Collaborate with your payroll provider:** Begin year-end planning early, especially regarding the impact on qualified tip and overtime compensation.
- **Test system readiness:** Confirm that payroll systems can handle the 2026 requirements and are accurately calculating items, such as HSA limits, social security rates, and catch-up contributions.
- **Monitor new withholding guidance:** Watch for IRS and state and local updates affecting new 2027 withholding tables and incorporate changes into payroll processes when released.
- **Protect deposit compliance:** Maintain accurate records and deposit filings on time, as late deposit penalties and interest can add up quickly.
- **Check the calendar:** Account for filing and deposit deadlines that shift due to holidays and weekends.

Paid family and medical leave credit

For tax years beginning after December 31, 2025, the employer credit for paid family and medical leave has been expanded and made permanent. Employee eligibility has been broadened while also giving the employer more flexibility in calculating the credit. The IRS has also issued transition relief for employers, making it important to maintain proper documentation and review policies in coordination with state regulations before claiming the credit.

Qualified overtime and tips under the OBBB

Tax year 2025 marked the first year individuals could claim the deductions for qualified tips and overtime compensation. Now, guidance has expanded for tax year 2026 with the IRS releasing several publications and revising the applicable forms to account for these items.

Although the deductions are determined at the individual taxpayer level, employers play a critical reporting role, including reviewing withholding for accuracy and providing proper disclosure on informational forms. It remains the employee's responsibility to adjust withholding based on their valid Form W-4 at their own discretion.



State employment tax considerations

As the year comes to an end, businesses tend to encounter a variety of changes ranging from transactions and restructuring to acquisitions and employee attrition fluctuations. Reviewing state employment taxes should be incorporated alongside a federal employment tax analysis to confirm proper evaluation of compliance and administrative responsibilities.

Here are a few items to remember when reviewing state employment taxes:

State income tax withholding

- Conduct thorough checks and balances, especially for employees who might have relocated during the year or those who plan to move after year-end.
- Reconcile state remittances and employment tax returns for accuracy.
- Identify state-based remote and cross-border employees and appropriately apply the correct tax treatment to maintain state withholding compliance.

State Unemployment Insurance (SUI or SUTA)

- Consider remote employees and their locations as SUI tax varies by state and depends on where the actual work takes place.
- Review each state's wage bases and tax rates as these vary significantly, with some states as high as 14%.
- Determine whether the employer or the employee is responsible for paying this tax.

Local employment taxes

- Identify any local employment taxes that need to be considered, even if less common.
- Review whether tax can be calculated as a percentage of wages, a flat amount, or a percentage of state tax.
- Consider both resident and nonresident work arrangements as some jurisdictions, such as Philadelphia, have both resident and nonresident withholding requirements at different employee rates.

Prepare employment taxes now to reduce year-end risk

Shifts in employment tax rules have demanded businesses take a proactive approach that anticipates regulatory updates of federal, state, and local obligations. Businesses should consider leveraging early planning, strategic partnership with payroll providers and qualified consultants, and diligent recordkeeping to maintain compliance.



SALT in 2026: pass-through workarounds, conformity, and a shifting rate map

Since the passage of the OBBB, the state and local tax (SALT) landscape has continued to evolve. While many of the major changes happened before the end of last year, 2026 has brought a second wave.

SALT deduction and PTET workarounds

After the TCJA introduced a \$10,000 cap on SALT deductions for individuals, many taxpayers in high property tax states had their deductions severely limited. Many states introduced a version of pass-through entity tax (PTET) to circumvent this cap and allow the pass-throughs to pay tax on behalf of their owners. The OBBB raised the SALT cap to \$40,000 in 2025 and it increases by 1% every subsequent year through 2029, after which the cap will return to \$10,000—creating a legislative conundrum for states with PTET provisions tied to the federal cap.

As of October 2026, 38 states have adopted PTET programs, falling into three categories:

1. **Tied to the federal cap:** States with PTET programs that will expire when the federal SALT cap expires or is no longer in effect.
2. **Fixed expiration dates:** States with set expiration dates. For example, Minnesota and Oregon's PTET programs are set to expire December 31, 2027, while California's PTET program will run through December 31, 2030.
3. **No expiration:** States that have no expiration date or have permanently extended their PTET regime, including Illinois, Maine, Utah, and Virginia.

The PTET has drawn a lot of attention since the TCJA in 2017, and was propelled back into the news with the OBBB, prompting states with sunsets to take legislative action to prevent their PTET provisions from expiring. Notably, no state that had a PTET prior to the OBBB has allowed their provision to expire.

Three approaches to state conformity

In the wake of new tax legislation, it becomes more apparent that there are different approaches to how each state can respond, shaping local tax law through various forms of conformity. When adopting or decoupling from the federal changes, there are three types of state conformity:

- 1. **Rolling conformity:** Automatic adoption of legislative changes as they are written. As of October 2026, 18 states currently utilize rolling conformity, including New York, North Carolina, and Illinois.
- 2. **Static conformity:** Where a state conforms to the federal changes on a specified date and requires legislative action to make any further changes. As of October 2026, 19 states that use static conformity, including California, Georgia, and Virginia.

- 3. **Selective conformity:** Some states do not conform at all or conform minimally by adopting a select number of provisions while also adding modifications and exclusions as they see fit. As of October 2026, there are five that follow this selective conformity, including New Jersey, Pennsylvania, Arkansas, Mississippi, and Alabama.

A common area of decoupling is bonus depreciation. Roughly two-thirds of states do not recognize bonus depreciation, while 45 states conform at least partially with the Section 179 deduction. With 100% bonus depreciation reinstated, the decision between taking the Section 179 deduction or bonus depreciation becomes a more nuanced decision, especially at the state level.

CASE STUDY:

When the federal answer is the wrong state answer

A Georgia business is weighing two ways to deduct a major equipment investment. The federal result may appear straightforward, but Georgia's conformity rules change which option delivers the stronger combined benefit.

The scenario:

- The entity places \$5 million of bonus depreciation and Section 179-eligible assets in service during the tax year 2026.
- Taxable income before depreciation is \$500,000.
- Projected taxable income for the following year is \$1 million.
- Georgia does not conform with federal bonus depreciation.

Comparing two approaches

CONSIDERATION	BONUS DEPRECIATION	SECTION 179 DEDUCTION
Current year federal result	A \$5 million deduction generates a \$4.5 million federal net operating loss.	The \$5 million investment exceeds the \$4 million phaseout threshold by \$1 million, reducing the \$2.5 million maximum deduction to \$1.5 million. Because Section 179 cannot create a taxable loss, the business deducts \$500,000 and reduces its current year taxable income to \$0.

CONSIDERATION	BONUS DEPRECIATION	SECTION 179 DEDUCTION
Federal carryforward	The \$4.5 million NOL carries forward. Based on the example's assumption, it offsets 80% of the following year's \$1 million income, leaving \$200,000 taxable and preserving the remaining NOL.	The unused \$1 million Section 179 deduction carries forward and can reduce the following year's projected \$1 million of taxable income to \$0.
Georgia result	Georgia does not conform with bonus depreciation. State taxable income remains \$500,000 before the state-allowable regular depreciation deduction.	Georgia recognizes the applicable Section 179 deduction limits. The business receives the deduction for both federal and Georgia purposes, subject to applicable limitations.

The takeaway:

Bonus depreciation produces the larger immediate federal deduction, but it offers no corresponding state bonus depreciation. Section 179 can produce a more balanced federal and state result over the two-year period. The better choice depends on the business' projected income, cash tax priorities, and the rules in every state where it files.

Net operating losses

The treatment of net operating losses (NOL) has faced several discrepancies between federal and state law in recent history. The federal rule currently states that taxpayers can offset up to 80% of their net income with NOLs. But two states—namely California and Illinois—are leading the charge to limit the ability of taxpayers to utilize these carried forward losses at the state level.

However, they differ in concessions when it comes to NOLs that are unable to be utilized:

- **California has implemented new rules** limiting NOLs that taxpayers can take for 2024 through 2026. The suspension of NOLs in California does not apply to taxpayers subject to less than \$1 million in corporate tax, or to individuals with less than \$1 million in modified adjusted gross income. California offers an extension of the carryover period for each year there is a disallowance.
- **Illinois has placed a \$500,000 cap** for NOL deductions for C corporations, effective for tax years ending after December 31, 2024, and before December 31, 2027. In Illinois, the standard 20-year carryforward applies, without special rules for unused NOLs.

Shifting apportionment and market-based sourcing methods

There continues to be a shift in states gradually moving away from the traditional three-factor apportionment method for income, instead favoring the single sales factor apportionment method for sales of tangible assets. Single sales factor apportionment is a method where income is taxed solely on the sales within that state. For example,

California has revised its apportionment formula over the last few years, decreasing the weight of the traditional three-factor method and placing a much heavier emphasis on the actual sales.

By the 2026 tax year:

- 38 states will use single sales apportionment
- Six states will continue to use the traditional three-factor method
- Two states will utilize 50% of sales

On the other hand, many states are leveraging market-based sourcing to determine how income from services and intangibles is attributed to a specific state. This approach differs from the cost-of-performance method traditionally used by states. Cost-of-performance sourcing evaluates where a business incurs costs during income-producing activity, while market-based sourcing focuses on the customer's location.

States generally determine location based on where the customer receives the benefit or where the service is delivered. This shift has made it easier for states to subject out-of-state revenue to state taxes if the services are provided within their borders.

SALT tax rate changes

Tax rates were among the most significant areas of change in the SALT landscape for 2026.

- **Georgia:** House Bill 463 cut the flat personal and corporate income tax down to 4.99% from 5.19% and is retroactive to January 1, 2026. The bill provides additional provisions to further reduce the state income tax by 0.0125% until the rate reaches 3.99%.
- **North Carolina:** The state is in the process of reducing its corporate tax rate to zero. The corporate rate was 2.25% in 2025 and falls to 2% for years beginning after January 1, 2026. Then in 2028, the rate will be reduced to 1% and finally reach 0% for tax years beginning after 2029.
- **Nebraska:** In 2026, the rate fell from 5.2% to 4.55%, marking the third consecutive year of rate cuts, with 3.99% as the targeted goal for 2027.
- **California:** Passed bill SB 122, which will cut the first-year annual franchise tax for new LLCs, LPs, and LLPs from \$800 to \$400 for the years 2027, 2028, and 2029.

New York City's pied-à-terre tax

In 2026, New York City implemented a pied-à-terre tax applying to certain high-value residences that are not used as a primary residence. The tax became effective on July 1, 2026, and will be rolled out in two phases. Phase one covers the period of July 1, 2026, through June 30, 2028, and applies different rates and thresholds for condos and cooperatives.

The first period's rates and thresholds are as follows:

ONE-, TWO-, AND THREE-FAMILY HOMES

PROPERTY VALUE	ANNUAL SURCHARGE
\$5 million to \$15 million	0.80%
\$15 million to \$25 million	1.05%
Greater than \$25 million	1.30%

CONDOMINIUMS AND COOPERATIVES

PROPERTY VALUE	ANNUAL SURCHARGE
\$1 million to \$3 million	4.00%
\$3 million to \$5 million	5.25%
Greater than \$5 million	6.50%

On July 1, 2028, all properties move to thresholds and rates for one-, two-, and three-family homes. The condominium and cooperative table only applies for the period of July 1, 2026 through June 30, 2028.

In early August, the rollout of the tax was halted by legal action. At that time, around 4,200 homeowners who received notices of the tax had appealed, and about 1,900 appeals were approved. For those who have received notice of the new tax and believe they should not be subject to it, continue to submit appeals.

Navigating the future of state and local taxation

From PTET program extensions to evolving conformity and apportionment rules, states continue to adapt, weighing the impacts of both federal changes against local responses. As lawmakers grapple with the cascade of tax law changes triggered by the OBBB, the future of state and local taxation remains dynamic, requiring careful planning and ongoing education.



Qualified Opportunity Zones: one program ending, one program beginning

The Opportunity Zone (OZ) program was created by the TCJA in 2017 and later modified by the OBBB. It is an economic development tool designed to revitalize distressed communities across the U.S. through private and public investments. The program consists of designated census tracts nominated by state governors and certified by the U.S. Department of the Treasury as eligible for qualified investments. Because investments are made through Qualified Opportunity Funds (QOFs), investors can participate in OZ projects without directly owning the underlying real estate or other qualifying property.

Opportunity Zone 1.0

The original Opportunity Zone program (OZ 1.0) remains in effect for investments made before December 31, 2026, and zones designated under the TCJA rules will remain in effect through the end of 2028.

OZ 1.0 introduced three tax benefits for qualifying investments:

1. Deferral of eligible capital gains until the earlier of disposal of the investment or December 31, 2026
2. Partial reduction of the deferred gain of 10% after five years and an additional 5% after seven years
3. Tax-free appreciation on a qualified investment held for 10 years or longer

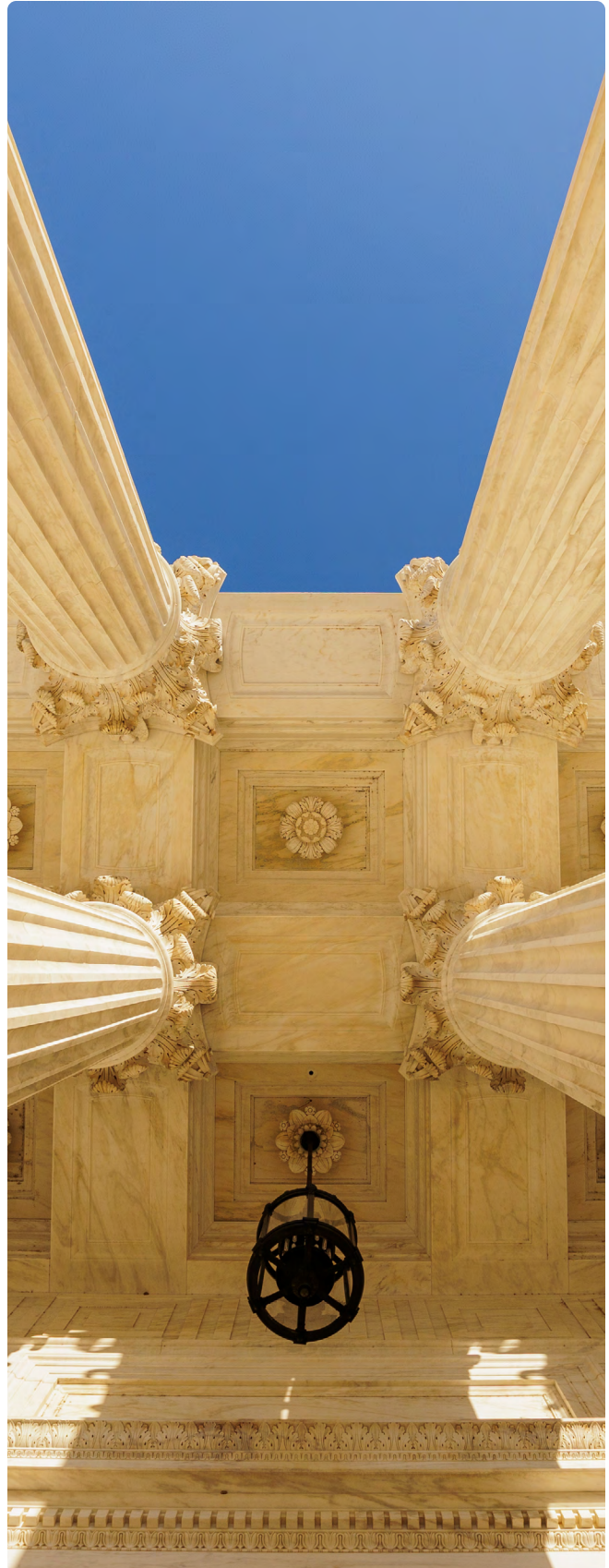
To qualify, investors generally were required to reinvest the eligible gain in a QOF within 180 days of the sale or exchange that generated the gain. For this purpose, eligible gain generally means capital gain, including Section 1231 gain, from a sale or exchange with an unrelated party.

However, the rules provide more flexibility for gains generated through pass-through entities. If the entity has not already elected to defer the gain, investors may begin the 180-day reinvestment period on one of these three dates:

- The pass-through entity's year-end;
- The date the underlying gain was triggered; or
- The unextended due date of the pass-through entity's tax return.

This flexibility gives taxpayers additional time to evaluate their investment options. A taxpayer can also use multiple 180-day periods for separate investments associated with the same gain, provided that each portion of the gain is deferred only once.

The benefits of OZ 1.0 are not without limitations. Because the deferral period ends on a fixed date, the available step-up benefits diminished over time. The seven-year, 15% step-up was unavailable for investments made after December 31, 2019, and the five-year, 10% step-up was unavailable for investments made after December 31, 2021. However, the exclusion for appreciation on a qualified investment held for at least 10 years remains available in full.



CASE STUDY:

How a 2019 Opportunity Zone 1.0 investment can deliver three tax benefits

A taxpayer's investment illustrates how the original OZ 1.0 rules can combine temporary gain deferral, a basis increase, and the potential exclusion of future appreciation.

The scenario:

- The taxpayer sells a rental property in January 2019 and realizes a \$500,000 capital gain.
- In April 2019, the taxpayer invests the full \$500,000 gain into a QOF rather than recognizing it immediately.
- The investment is made within the general 180-day window for deferring eligible gain.

How the tax benefits unfold

OZ 1.0 INVESTMENT TIMELINE

MILESTONE	TAX RESULT
April 2019 investment	The taxpayer defers recognition of the \$500,000 eligible gain until an inclusion event or December 31, 2026, whichever occurs first.
Five-year holding period	Because the investment was made by the December 31, 2021 cutoff date, it is eligible for the five-year holding period and the resulting 10% step-up. The \$50,000 basis increase reduces the deferred gain recognized in 2026 from \$500,000 to \$450,000, assuming no earlier inclusion event occurred.
Seven-year holding period	Because the investment was made by the December 31, 2019 cutoff date, it is eligible for the seven-year holding period and the resulting 15% step-up. The \$75,000 basis increase reduces the deferred gain recognized in 2026 from \$500,000 to \$425,000, assuming no earlier inclusion event occurred.
Investment sold after 10-year holding period	After holding the qualifying investment for at least 10 years, the taxpayer may elect to adjust its basis to fair market value when it is sold or exchanged.

The takeaway:

Timing drives the value of an OZ 1.0 investment. The taxpayer's April 2019 investment qualifies for the full 15% basis increase before the December 31, 2026 recognition date. A continued 10-year hold can add a separate benefit by potentially excluding the investment's appreciation from federal tax. However, taxpayers cannot increase their basis in the investment until the year 2047.

Preparing for OZ 1.0 gain recognition

Gain deferred under OZ 1.0 must be recognized in income by December 31, 2026. The amount includable is the excess of:

- The lesser of the originally deferred gain or the fair market value of the qualified investment; over
- The taxpayer's basis in that investment, which reflects any five- and seven-year basis step-up.

As the deadline approaches, taxpayers should evaluate available planning opportunities, including the potential impact of the gain recognition on their overall tax liability and estimated tax payment requirements.

Planning for appreciated OZ 1.0 investments

For OZ 1.0 investments that have performed well, taxpayers may consider:

- Conducting a cost segregation study
- Reviewing portfolio balances for tax-loss harvesting
- Evaluating charitable contribution or distribution planning opportunities

Gain recognition under OZ 1.0 cannot be rolled into the new OZ 2.0 program.

Planning for underperforming OZ 1.0 investments

For investments that have underperformed or declined in value, taxpayers may consider:

- Intentionally triggering an inclusion event to allow for a new deferral into OZ 2.0
- Evaluating the investment's fair market value at year-end
- Reviewing the source and character of the original gain with a tax advisor for additional planning opportunities

This structure keeps the deadline and calculation together, then organizes the planning guidance by the investment's performance.

Opportunity Zone 2.0

The OBBB established a permanent OZ framework, commonly referred to as Opportunity Zone 2.0 (OZ 2.0). The first round of new nominations opened on July 1, 2026, giving governors a 90-day window before closing on September 28, 2026 (a 30-day extension is available on request), to nominate up to 25% of their state's eligible low-income census tracts, or a minimum of 25 tracts.

Although the designation process remains generally consistent with the original framework, OBBB imposes stricter eligibility requirements for Low-Income Communities (LICs). Under the revised rules, a census tract generally must satisfy one of two tests:

- Median family income does not exceed 70% of the applicable statewide or metropolitan area median income, reduced from the original 80%; or
- The poverty rate is at least 20%, and median family income does not exceed 125% of the applicable area median income.

The 125% ceiling is an anti-gentrification guardrail that applies to the poverty rate test, so a high-income tract cannot qualify on poverty rate alone. The legislation also eliminates the prior provision that allowed contiguous, non-LIC census tracts to qualify for OZ designation. The OBBB also repeals the special rule that automatically treats every low-income community in Puerto Rico as a designated OZ.

For QOF investments made after December 31, 2026, investors can receive up to a five-year deferral of eligible gains, beginning in the year of the initial investment. At the end of the five-year period, qualified investments can receive a 10% step-up in basis, reducing the amount of the deferred gain subject to tax. This five-year deferral is available for gains realized before December 31, 2026, that are reinvested in a QOF in 2027, provided the investment is made within the applicable 180-day period and all other requirements are satisfied. OZ 2.0 gives investors a more flexible timeline by linking the five-year deferral period to the investment date rather than a single statutory deadline.

CASE STUDY:

How Opportunity Zone 2.0 creates a rolling five-year deferral

The example below illustrates how the OZ 2.0 rules replace the original program’s fixed recognition date with a five-year deferral period tied to the date of the QOF investment.

The scenario:

- The taxpayer sells an investment on December 1, 2026, and realizes a \$500,000 eligible capital gain.
- On January 15, 2027, the taxpayer invests the full \$500,000 gain in a QOF.
- The investment is made within the applicable 180-day period and, because it occurs after December 31, 2026, can qualify for the OZ 2.0 rules.

How the tax benefits unfold

OZ 2.0 INVESTMENT TIMELINE

MILESTONE	TAX RESULT
January 15, 2027 investment	The taxpayer may elect to defer the \$500,000 eligible gain until the earlier of an inclusion event or five years after the QOF investment is made.
Five-year holding period	After holding the qualified investment for five years, the taxpayer receives a basis increase equal to 10% of the deferred gain. The taxpayer’s basis increases by \$50,000 and the gain included at the end of the five-year deferral period is only \$450,000.
10-year holding period	If the taxpayer continues to hold the qualifying investment for at least 10 years, they may elect to adjust its basis to fair market value upon disposition, excluding the QOF investment post-investment appreciation from federal taxable income.

The takeaway:

Timing drives the value of an OZ 1.0 investment. The taxpayer’s April 2019 investment qualifies for the full 15% basis increase before the December 31, 2026 recognition date. A continued 10-year hold can add a separate benefit by potentially excluding the investment’s appreciation from federal tax. However, taxpayers cannot increase their basis in the investment until the year 2047.

Qualified rural opportunity funds

In addition to modifying the original rules, OZ 2.0 introduced the Qualified Rural Opportunity Fund, a new type of QOF that invests exclusively in qualifying rural areas. Investments in these funds may offer additional tax benefits, including a 30% step-up in basis, compared to 10% on a non-rural investment, and a reduced substantial improvement requirement for existing structures located in rural areas from 100% to 50%.

The lower threshold may make it easier for rural property investments to satisfy the program's requirements. Unlike most OZ 2.0 provisions, this reduced substantial improvement threshold took effect on enactment rather than in 2027. This means properties in the 1.0 program that are in rural zones (Notice 2025-50) have their substantial improvement requirement reduced as well.

Enhanced reporting and compliance requirements

The new OZ 2.0 program introduces enhanced reporting and compliance requirements that apply to investors, QOFs, and QOZ businesses, beginning with the 2026 tax year for most OZ investments. These requirements are intended to increase transparency and oversight of the OZ program and are accompanied by increased penalties for noncompliance.

Investors, QOFs, and QOZ businesses should consult with their tax advisor before year-end to review the new requirements and prepare accordingly. The Treasury has already proposed rules that would require certain information reporting to be filed separately from tax returns in early 2027.

Additional OZ tax planning considerations

Unlike a Section 1031 exchange for real estate, an OZ gain deferral does not require the cash invested in a QOF to come directly from the original sale. The only tie to the original gain deferred is that the investment must:

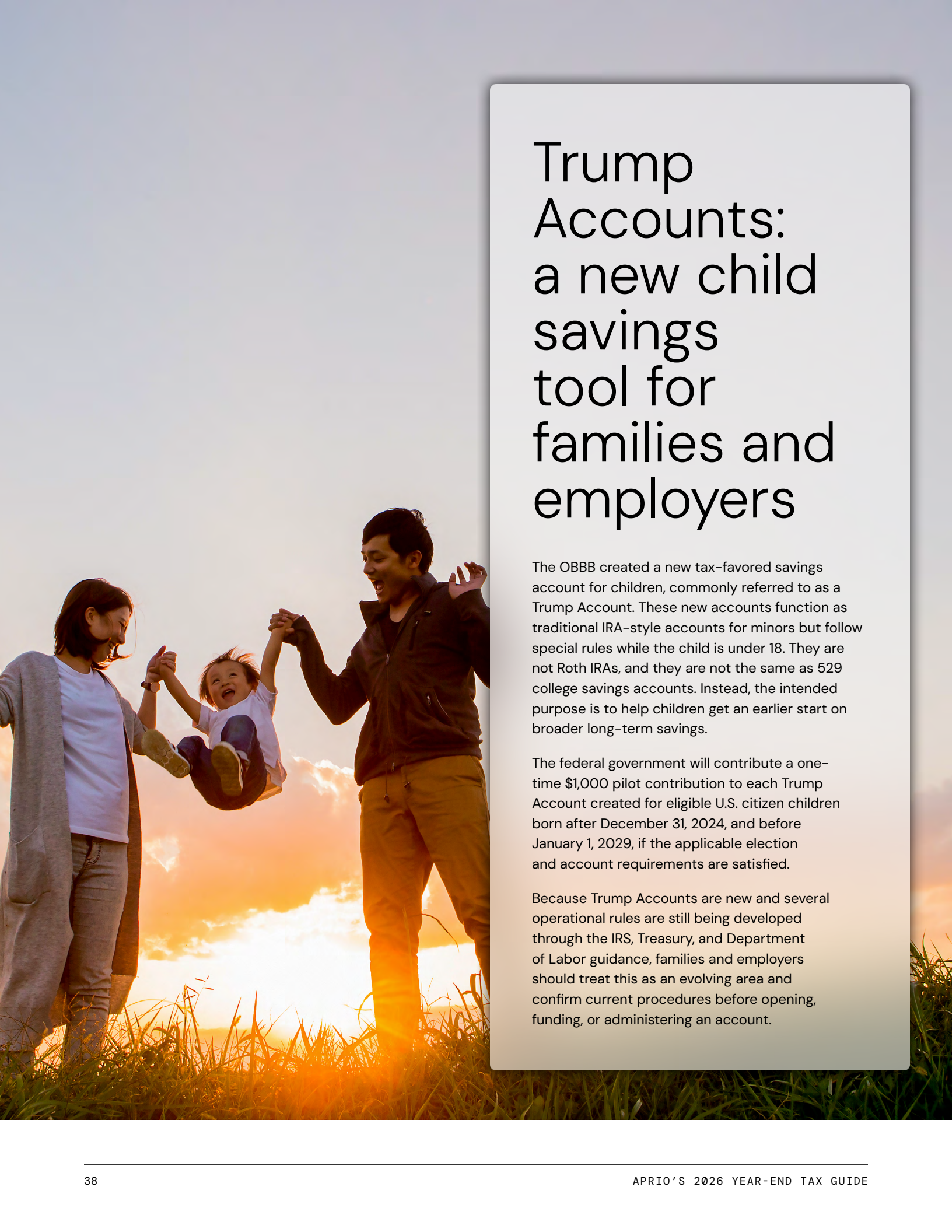
- Be equal to or less than the gain amount; and
- Be reinvested within the 180-day requirement.



OZ 1.0 and OZ 2.0: evaluating two planning opportunities

The transition from the OZ 1.0 provisions to the new OZ 2.0 rules may create additional planning opportunities before year-end. Because many OZ 1.0 funds are expected to be winding down or nearing the end of their investment periods, investors may have an opportunity to pursue shorter-term investments with more defined exit timelines and potentially lower investment risk.

By comparison, investing early in a new OZ 2.0 fund may involve a longer investment horizon and greater uncertainty regarding the timing and magnitude of the eventual return. Investors should weigh the differences when evaluating which opportunity best aligns with their tax planning objectives, risk tolerance, and investment timeline.



Trump Accounts: a new child savings tool for families and employers

The OBBB created a new tax-favored savings account for children, commonly referred to as a Trump Account. These new accounts function as traditional IRA-style accounts for minors but follow special rules while the child is under 18. They are not Roth IRAs, and they are not the same as 529 college savings accounts. Instead, the intended purpose is to help children get an earlier start on broader long-term savings.

The federal government will contribute a one-time \$1,000 pilot contribution to each Trump Account created for eligible U.S. citizen children born after December 31, 2024, and before January 1, 2029, if the applicable election and account requirements are satisfied.

Because Trump Accounts are new and several operational rules are still being developed through the IRS, Treasury, and Department of Labor guidance, families and employers should treat this as an evolving area and confirm current procedures before opening, funding, or administering an account.

Who is eligible?

A Trump Account generally may be opened for a child who:

- Is a U.S. citizen;
- Is under the age of 18 at the end of the calendar year for which the account election is made;
- Has a valid social security number issued before the account is opened; and
- Meets the applicable election requirements under the Treasury and IRS guidance for IRC Section 530A.

An authorized individual must make the election using the procedures made available by the IRS. Only the first processed election will establish the initial Trump Account for an eligible child. Until the child turns 18, the account is in what the guidance calls the “growth period” and generally runs from the date the account is opened and ends on December 31 of the year before the child turns 18.

Who can contribute?

One practical feature of Trump Accounts is that the child does not need earned income to receive contributions during the growth period. Contributions may come from:

- Parents;
- Grandparents;
- Relatives;
- Friends;
- Other individuals; or
- Employers, subject to special rules.

For years before the child turns 18, contributions generally must be made by December 31 of that contribution year. The usual IRA rule allowing prior year contributions up to the tax filing deadline generally does not apply during the growth period.

Contribution limits and tax treatment

Before the beneficiary turns 18, regular contributions are limited to \$5,000 per year, with the cap set to be indexed for inflation after 2027. The contributions are not deductible from the contributor’s taxable income. However, the tradeoff is that investment earnings can grow tax-deferred inside the

account until withdrawn. Certain contributions are treated as exempt contributions and do not count against the \$5,000 annual cap, including:

- Certain rollovers;
- Qualified general contributions; and
- The federal \$1,000 pilot contribution.

Investment rules during the growth period

Trump Accounts are not open-ended brokerage accounts while the child is under age 18. During the growth period, investments are limited to certain low-cost mutual funds or exchange-traded funds that track the S&P 500 or another qualifying U.S. equity index.

Eligible funds cannot use leverage, and annual fees and expenses generally cannot exceed 0.10% of the account balance. The proposed regulations provide additional guidance on eligible investments.

Under the proposed rules:

- A qualified index generally must consist primarily of equity investments in U.S. companies.
- An index would primarily meet a proposed safe harbor if U.S. companies represent at least 90% of its weighting.
- The index generally cannot be industry or sector specific.
- Funds that track environmental, social, and governance (ESG) indexes would be excluded.
- Trustees would need to monitor offered funds and correct ineligible investments with proposed safe harbors and correction periods.

Together, these investment rules are designed to keep the account focused on broad-based, low-cost, long-term equity investing during the child’s growth period.

How Trump Account employer contributions work

Employers may be able to contribute to Trump Accounts under IRC Section 128, but only through a Trump Account Contribution Program (TACP). A TACP must be a separate, written employer plan that meets requirements similar to dependent care assistance programs.

A qualifying TACP may allow up to \$2,500 per employee per year to be excluded from the employee's income. This amount is indexed for inflation after 2027, and the exclusion is per employee, not per child. If an employee has more than one child with a Trump Account, the maximum amount of employer contributions that can be excluded is \$2,500 in total, not \$2,500 per child.

Employer contributions that qualify for the IRC Section 128 exclusion are not subject to federal income tax withholding. However, they generally remain subject to Social Security, Medicare, RRTA, and FUTA taxes unless another exclusion is applied. Contributions that do not qualify for the IRC Section 128 exclusion may still be made through a TACP under an IRC Section 125 cafeteria plan using pre-tax salary reductions, but only for contributions to a dependent's Trump Account, not the employee's own Trump Account.

Employers must notify the account trustee that the contribution is a TACP employer contribution excludable from income, and employees must receive a written statement by January 31. Reporting the contribution on Box 12 using Code TA of the employee's W-2 will satisfy this requirement.

Withdrawals and tax treatment for Trump Accounts

Before the year the beneficiary turns 18, withdrawals are generally not allowed, except for limited situations, such as certain qualified rollovers, qualified ABLE account rollovers or transfers, correction of excess contributions, or distributions after the beneficiary's death.

Starting January 1 of the year the beneficiary turns 18, the account transitions to a traditional IRA. The special under-18 investment restrictions fall away, and regular IRA contribution, investment, and distribution rules apply.

Distributions are generally taxed as ordinary income to the extent they are taxable, and early withdrawals before age 59 ½ are subject to the 10% early distribution penalty, unless an exception applies. Potential exceptions may include certain first-time homebuyer expenses, qualified higher education expenses, or birth or adoption distributions, depending on the facts and applicable IRA rules.

When determining how much of a distribution is taxable, Trump Accounts are not aggregated with the beneficiary's other IRAs. This matters because a distribution from a Trump Account is taxed based solely on the basis and earnings within the Trump Account, without being affected by the beneficiary's basis in other traditional IRAs. Employer contributions that were excluded from income, the \$1,000 government seed funding, and certain charitable or government contributions do not create after-tax basis in the account.

Trump Accounts and ERISA

The Employee Retirement Income Security Act (ERISA) of 1974 is a federal law that establishes minimum standards for employer-sponsored retirement and health plans, including rules for fiduciary responsibility, reporting, disclosures, and participant protections. ERISA generally applies to private sector employer benefit plans, but not to IRAs or most governmental and church plans.

An ERISA account means a retirement account that is part of an employer-sponsored retirement plan subject to ERISA, such as a 401(k) plan. ERISA accounts receive additional legal protections, including fiduciary oversight and protection from creditors and limits on how plan assets can be assigned or transferred.

The Department of Labor (DOL) stated in Technical Release 2026-02 that Trump Accounts and TACPs generally will not be treated as ERISA employee pension benefit plans, even if funded in whole or in part by the employer contributions under IRC Section 128. The DOL's reasoning is that these accounts generally provide tax-advantaged savings for employees' dependents, rather than retirement income for employees themselves. The practical difference is that Trump Account assets do not receive ERISA's federal protections that apply to ERISA-covered retirement plans. The lack of ERISA account classification does not mean Trump Account assets are unprotected, but

taxpayers should understand that the account is legally more like an IRA than an employer-sponsored 401(k).

IRS guidance is still developing

The IRS issued Notice 2025-68 with initial guidance on Trump Accounts and employer contribution programs. Then in March 2026, the IRS issued proposed regulations addressing:

- Account requirements and elections
- Responsible parties, trustees, and related rules
- A \$1,000 pilot contribution program
- Eligible investments during the growth period

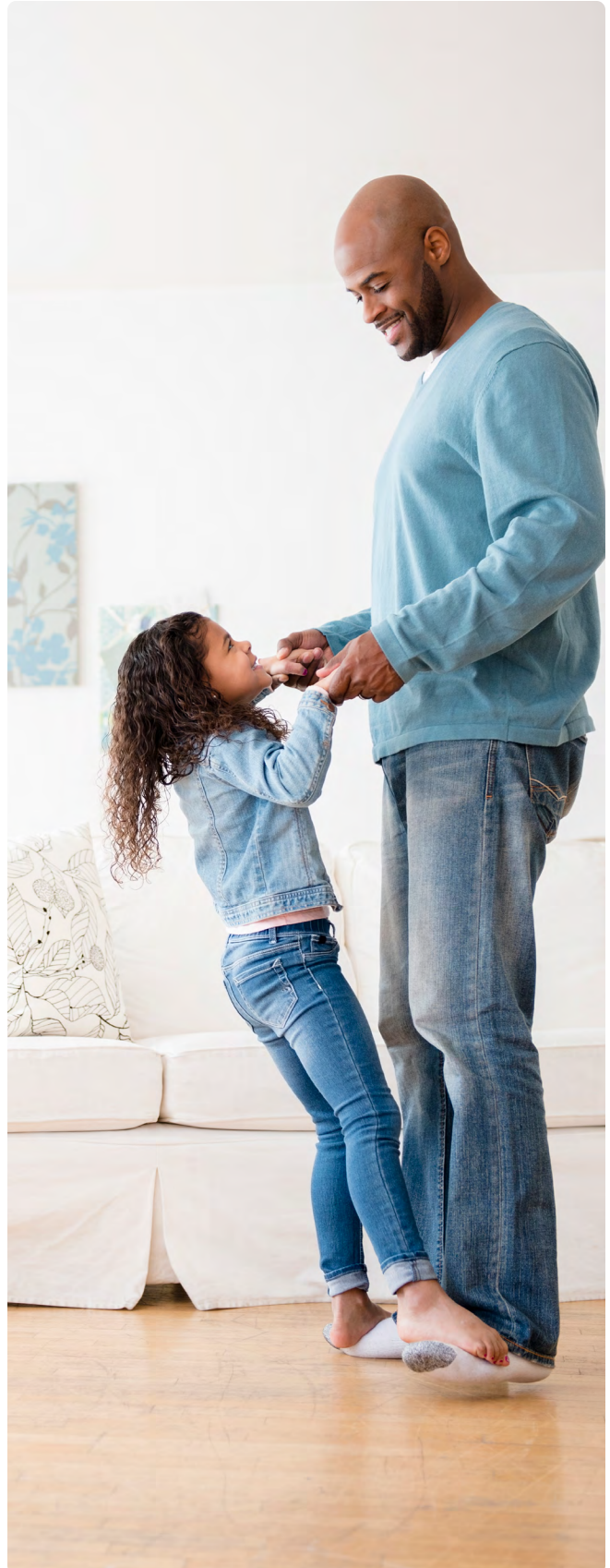
Because several rules rely on proposed regulations and agency guidance, employers should review the latest IRS, Treasury, and DOL guidance before taking action.

Key planning considerations for Trump Accounts

For families, Trump Accounts may be a useful way to start long-term savings for children, especially those eligible for the \$1,000 federal seed contribution. Families should pay close attention to:

- Eligibility and account opening procedures;
- Annual contribution limits;
- Investment restrictions; and
- The limited availability of withdrawals before age 18.

For employers, Trump Accounts may become a new low-cost employee benefit, but they require careful implementation. A TACP must be documented properly, coordinated with payroll and W-2 reporting, communicated to trustees and employees, and tested under applicable nondiscrimination rules. Because these accounts are new and agency guidance is still evolving, the best year-end planning step is to identify eligible children, monitor account opening procedures, and decide whether family or employer contributions make sense once accounts become available.



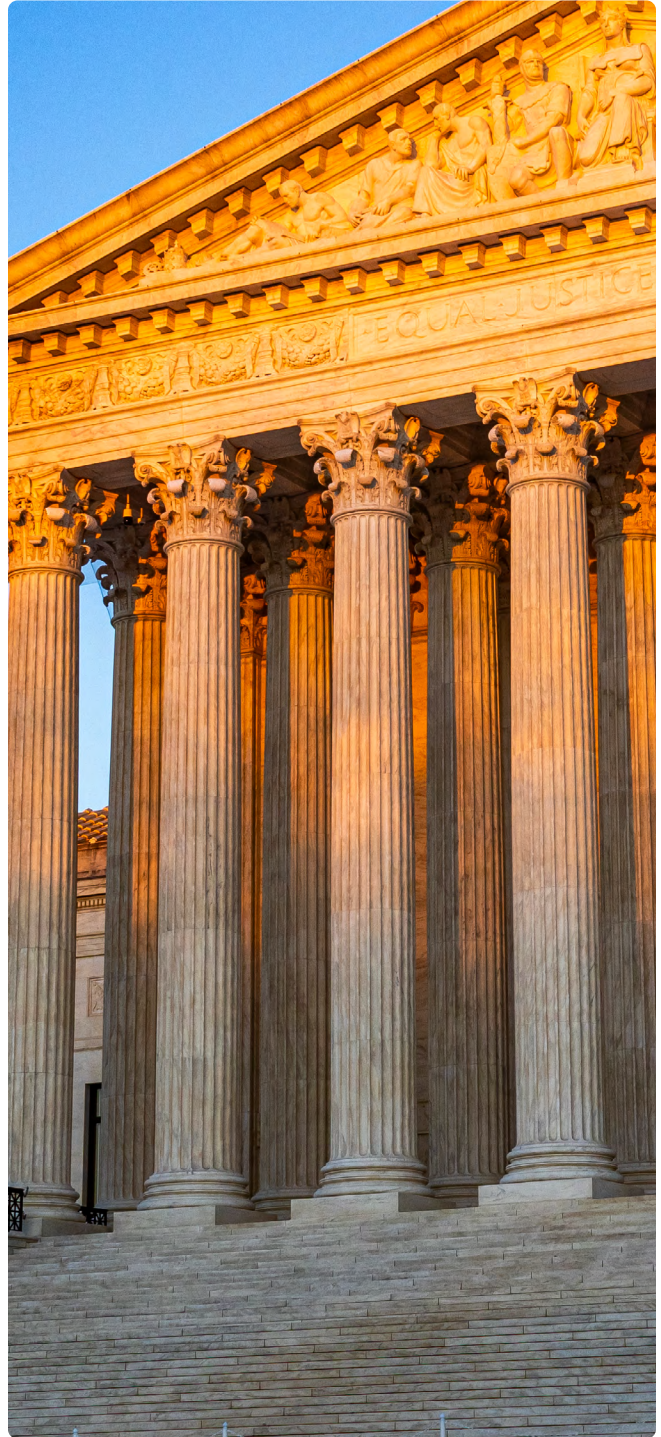
Final thoughts: turn 2026 tax changes into timely action

Tax planning in 2026 demands more action than 2025 did, but for a different reason. Last year focused on understanding a new law. This year is about responding to the deadlines, elections, and refund opportunities that the law created, several of which expire permanently on December 31, 2026.

The best strategies are proactive and specific to you. Prioritizing these areas can help you focus on your planning:

- **Check the calendar first.** Gain deferred under OZ 1.0 must be recognized by December 31, 2026, and some planning windows have already closed.
- **Claim what you are owed.** If you paid IEEPA tariffs, confirm that you are the importer of record and update your ACH information before filing a CAPE declaration.
- **Reassess defensive positions.** Conservative choices made while the TCJA's future was uncertain may no longer serve you.
- **Model state and federal outcomes separately.** Treatment of bonus depreciation, Section 179, net operating losses, and apportionment continues to diverge, widening the potential gap between federal and state results.
- **Evaluate international provisions together.** NCTI, FDDEI, foreign tax credit changes, BEAT, and the new CFC pro rata rule interact. Modeling them in isolation can produce an incomplete picture.
- **Revisit gifting and legacy plans.** A \$15 million exemption may change which wealth transfer strategies make the most sense.
- **Recalculate charitable giving timing.** New floors may make bunching contributions more valuable than giving evenly from year-to-year.

Effective planning is not about mastering every rule. It is about asking the right questions early enough to turn deadlines, elections, and changing tax provisions into informed decisions rather than unexpected costs.



2026 tax and retirement plan tables

2026 tax brackets with filing status

TAX RATE	SINGLE	MARRIED FILING JOINTLY/ QUALIFYING WIDOW	MARRIED FILING SEPARATELY	HEAD OF HOUSEHOLD
10%	\$0 to \$12,400	\$0 to \$24,800	\$0 to \$12,400	\$0 to \$17,700
12%	\$12,401 to \$50,400	\$24,801 to \$100,800	\$12,401 to \$50,400	\$17,701 to \$67,450
22%	\$50,401 to \$105,700	\$100,801 to \$211,400	\$50,401 to \$105,700	\$67,451 to \$105,700
24%	\$105,701 to \$201,775	\$211,401 to \$403,550	\$105,701 to \$201,775	\$105,701 to \$201,750
32%	\$201,776 to \$256,225	\$403,551 to \$512,450	\$201,776 to \$256,225	\$201,751 to \$256,200
35%	\$256,226 to \$640,600	\$512,451 to \$768,700	\$256,226 to \$384,350	\$256,201 to \$640,600
37%	\$640,601 or more	\$768,701 or more	\$384,350 or More	\$640,601 or more

Alternative minimum tax rates

FILING STATUS	AMT EXEMPTION AMOUNT	AMT EXEMPTION PHASE-OUT THRESHOLDS AT AMTI	AMT TAX RATES 26% APPLIES TO	AMT TAX RATES 28% APPLIES TO
Single	\$90,100	\$500,000	AMTI < \$244,500	AMTI > \$244,500
Married Filing Jointly/ Qualifying Widow	\$140,200	\$1,000,000	AMTI < \$244,500	AMTI > \$244,500
Married Filing Separately	\$70,100	\$500,000	AMTI < \$122,250	AMTI > \$122,250
Head of Household	\$90,100	\$500,000	AMTI < \$244,500	AMTI > \$244,500

Social Security

FILING STATUS	SOCIAL SECURITY TAX RATE	WAGE BASE LIMIT
Single	6.2%	\$184,500
Married Filing Jointly/Qualifying Widow	6.2%	\$184,500 Per Spouse
Married Filing Separately	6.2%	\$184,500
Head of Household	6.2%	\$184,500

2026 contribution deduction limit

ASPECT	IRA	ROTH IRA	SEP	SIMPLE	401(K)
Single/Head of Household	Fully deductible when MAGI is < \$81,000 Partially deductible when MAGI is between \$81,000 and \$91,000 Nondeductible when MAGI is > \$91,000	No deduction (withdrawal is tax-free). \$7,500 contribution when MAGI is < \$153,000 Partial contribution when MAGI is between \$153,000 and \$168,000 No contribution when MAGI is > \$168,000	Employer contributions are generally deductible up to 25% of aggregate eligible employee compensation Contribution limit is the lesser of 25% of compensation or \$72,000, with compensation capped at \$360,000	Employer Match: Up to 3% of compensation or 2% up to a maximum salary of \$360,000 Reduces taxable income	Compensation limit is set at \$360,000
Married Filing Jointly/Qualifying Widow	Fully deductible when MAGI is < \$129,000 Partially deductible when MAGI is between \$129,000 and \$149,000 Nondeductible when MAGI is > \$149,000	No deduction (withdrawal is tax-free) \$7,500 contribution when MAGI is < \$242,000 Partial contribution when MAGI is between \$242,000 and \$252,000 No contribution when MAGI is > \$252,000	Employer contributions are generally deductible up to 25% of aggregate eligible employee compensation Contribution limit is the lesser of 25% of compensation or \$72,000, with compensation capped at \$360,000	Employer Match: Up to 3% of compensation or 2% up to a maximum salary of \$360,000 Reduces taxable income	Compensation limit is set at \$360,000
Married Filing Separately	Partially Deductible when MAGI < \$10,000. Nondeductible when MAGI > \$10,000.	No deduction (withdrawal is tax-free). Partial contribution when MAGI < \$10,000. Not eligible when MAGI > \$10,000	Employer contributions are generally deductible up to 25% of aggregate eligible employee compensation Contribution limit is the lesser of 25% of compensation or \$72,000, with compensation capped at \$360,000	Employer Match: Up to 3% of compensation or 2% up to a maximum salary of \$360,000 Reduces taxable income	Compensation limit is set at \$360,000
Annual Contribution Limit	\$7,500	\$7,500	\$72,000	\$17,000	\$24,500
Catch-Up Contribution Limit (50+)	\$1,100	\$1,100	N/A	\$4,000 (Age 60-63 \$5,250)	\$8,000 (Age 60-63 \$11,250)

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Connect with us.



Jeffrey Gershen, CPA

Partner | Tax Practice Leader
Aprio Advisory Group, LLC

JEFFREY.GERSHEN@APRIO.COM



John Rose, J.D.

National Tax Director |
Professional Services Group
Aprio Advisory Group, LLC

JOHN.ROSE@APRIO.COM



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