



October 23, 2026

Dear Friends and Colleagues,

Back on July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was signed into law. 2026 is the first year in which many of its provisions are fully in effect, and several of them should be addressed prior to the end of the year.

The tax bill affects both individuals and businesses, and there are many changes and moving parts that could significantly impact your 2026 taxes and your related year-end planning.

Tax Deadlines

Below are the filing and payment deadlines for 2026 tax returns and 2027 estimated tax payments. If you are affected by a federally declared disaster, the IRS may postpone some of these deadlines:

Form 1040 Due Date: April 15, 2027. Extended Due Date: October 15, 2027

Form 1120S (S Corporation) Due Date: March 15, 2027. Extended Due Date: September 15, 2027

Form 1065 (Partnership/LLC) Due Date: March 15, 2027. Extended Due Date: September 15, 2027

Form 1041 (Estates and Trusts) Due Date: April 15, 2027. Extended Due Date: September 30, 2027

Form 1120 (C Corp) Due Date: April 15, 2027. Extended Due Date: October 15, 2027

2026 Individual Quarterly Estimated Tax Due Dates:

Fourth Quarter – January 15, 2027

2027 Individual Quarterly Estimated Tax Due Dates:

First Quarter – April 15, 2027

Second Quarter – June 15, 2027

Third Quarter – September 15, 2027

Fourth Quarter – January 18, 2028

Pass-Through Entity Tax Balance – No later than December 31, 2026

No Changes to Income Tax Rates

For 2026, tax rates remain the same for single and married individuals and are now permanent. The taxable income thresholds, however, have been adjusted for inflation.

**2026
Single taxpayers**

Taxable income over	But not over	Is taxed at
\$0	\$12,400	10%
\$12,401	\$50,400	12%
\$50,401	\$105,700	22%
\$105,701	\$201,775	24%
\$201,776	\$256,225	32%
\$256,226	\$640,600	35%
\$640,601		37%

**2026
Married filing jointly**

Taxable income over	But not over	Is taxed at
\$0	\$24,800	10%
\$24,801	\$100,800	12%
\$100,801	\$211,400	22%
\$211,401	\$403,550	24%
\$403,551	\$512,450	32%
\$512,451	\$768,700	35%
\$768,701		37%

Always remember, the taxable income rates and thresholds aren't all or nothing. You only pay tax at the higher rate on the income that exceeds the corresponding threshold.

With the current rates now permanent, no further major changes to the tax law are likely for the foreseeable future. Given that tax rates should remain stable in 2027, consider pushing income into 2027 and/or accelerating expenses into 2026.

The same theory applies to long-term capital gains. If you believe that long-term capital gain rates will remain stable in 2027, consider pushing gains into 2027 and/or accelerating losses into 2026.

Capital Gain Wash Rules

As a refresher, the wash sale rule (Section 1091 of the Internal Revenue Code) stops you from claiming a tax loss on a security if you buy the same or a “substantially identical” security within 30 days before or after the sale. That makes a 61-day window around the sale date. The rule exists to block a common trick: selling a losing position near year-end to lock in a deduction, then buying it right back so your investment exposure barely changes. When a wash sale happens, the loss isn’t gone for good. It’s deferred. The disallowed amount is added to the cost basis of the replacement shares, and your holding period from the original shares carries over. You get the benefit back when you eventually sell the new position in a transaction that isn’t itself a wash sale.

Wash sales matter most when you’re harvesting losses at year-end. Brokers report wash sales on Form 1099-B only within the same account, so if you trade across several accounts or brokerages, it’s up to you to track them.

Increase in State and Local Tax (SALT) Deduction

For years, the SALT deduction had been capped at \$10,000, which, for taxpayers in states like California and New York, was devastating. The deduction was increased to \$40,000 for 2025 and is \$40,400 (\$20,200 for married filing separately) for 2026. The deduction will increase 1% a year through 2029, at which point it will revert back to the \$10,000 limit in 2030.

For 2026, this increase phases out for taxpayers with Modified Adjusted Gross Income (AGI) over \$505,000 (\$252,500 if married filing separately), dropping back to the original \$10,000 at AGI of about \$606,000.

Getting a sense for what your AGI is going to end up at for 2026 is critical. If it’s going to fall below the phase out levels mentioned above, then you have the opportunity to take advantage of this increased deduction.

Total up your likely 2026 state income and property taxes and see how close to the \$40,400 deduction you are. If you’re over, then the \$40,400 will be the maximum you can deduct this year. If you’re under, explore pre-paying your property taxes or state income taxes to get you closer to this \$40,400 mark.

Change in Charitable Deductions

For those who use the standard deduction, a new charitable deduction is available beginning in 2026 - up to \$1,000 for single filers and \$2,000 for joint filers. This is in addition to your standard deduction. This deduction is limited to cash donations made directly to a qualifying charity (gifts to donor-advised funds do not qualify).

For those who itemize, beginning in 2026, only the total of your charitable contributions that exceed 0.5% of your AGI will be deductible. For example, if your AGI is \$300,000 and you have \$4,000 in charitable contributions, the first \$1,500 ($\$300,000 \times 0.5\%$) will not be deductible and your charitable deduction will be \$2,500. In addition, taxpayers in the 37% bracket will receive a tax benefit of only 35% on their itemized deductions.

If you use the standard deduction, keep in mind that the \$1,000/\$2,000 deduction resets each year, so spreading cash donations across years lets you use it every year.

If you itemize, the 0.5% haircut applies every year, so consider “bunching” donations into one year. Using the above example, donations of \$4,000 in 2026 and \$4,000 in 2027 will give you a total tax deduction of \$5,000 over two years (\$1,500 haircut each year). Making the entire \$8,000 donation in 2026 will give you a total deduction of \$6,500.

The amount and timing of these donations, plus any fluctuations in your income, will need to be considered in this strategy.

Residential Energy Credits Have Expired

Under the new bill, the Energy Efficient Home Improvement Credit and the Residential Clean Energy Credit expired at the end of the 2025 tax year.

The Residential Clean Energy Credit allowed you to claim 30% of your qualified solar installation costs as a credit, a dollar-for-dollar reduction of the federal income tax you owe.

Improvements made in 2026 do not qualify for either credit. If you placed qualifying property in service in 2025 but did not claim the credit, an amended 2025 return may still be possible.

Retirement Plans for 2026

Below are the 2026 contribution limits for retirement plans, including the catch-up provisions for those over 50. The 2027 limits are typically announced in November:

401(k) and 403(b) employee contribution limits have been increased to \$24,500 for 2026 (up from \$23,500 in 2025). The catch-up contribution limit for taxpayers age 50 and over is \$8,000 in 2026. The catch-up contribution limit for taxpayers between the age of 60 and 63 remains \$11,250.

SIMPLE IRA contribution limits have been increased to \$17,000 in 2026 (up from \$16,500 in 2025) and the catch-up contribution limit for taxpayers age 50 and over is \$4,000 (\$5,250 for ages 60 to 63).

SEP contribution limits have been increased to \$72,000 for 2026 (up from \$70,000 in 2025).

IRA contributions have been increased to \$7,500 for 2026 (up from \$7,000 for 2025). The IRA catch-up contribution limit for those age 50 and over is now \$1,100.

Beginning in 2026, one key change to the catch-up components: If the taxpayer's prior-year Social Security Wages exceeded \$150,000 with the same employer, the catch-up must be made as Roth Contributions.

So, as an example, if you are 53 years old, have a W-2 of \$200,000, and want to maximize your 401k, your contributions would look like:

401K Contribution: \$24,500
Roth Catch-Up Contribution: \$8,000

Pass-Through Entity Tax Payments

For most states, the Pass-Through Entity Payment (PTE) remains in place, despite the SALT increase. California has extended its PTE election through the 2030 tax year.

To take advantage of the PTE Credit for 2026, California required a "down-payment" on this credit.

This amount was calculated one-of-two ways:

1. If you did not take advantage of the PTE credit for the 2025 tax year, then you were required to pay \$1,000 to California by June 15, 2026, with the remaining balance of the 2026 credit payable by December 31, 2026;
2. If you did take advantage of the PTE credit for the 2025 tax year, then you were required to pay at least 50% of the 2025 credit by June 15, 2026, with the remaining balance of the 2026 credit payable by December 31, 2026.

Beginning in 2026, missing the June 15 payment no longer disqualifies the election; instead, the credit is reduced by 12.5% of the unpaid amount.

Information Reporting Thresholds

Starting with payments made on or after January 1, 2026, businesses only have to issue Form 1099-NEC (contractor pay) or Form 1099-MISC (rents, prizes, and similar payments) when they pay someone \$2,000 or more in a year. The old threshold of \$600 had been in place for decades. For a small business, that means less year-end paperwork. A contractor paid \$1,500 for the year no longer needs a 1099-NEC, though one paid \$2,200 still does. Unlike the old \$600 figure, the \$2,000 threshold will be adjusted for inflation starting in 2027.

The 1099-K change matters most to side-gig sellers. Form 1099-K reports payments that go through card processors and apps such as PayPal, Venmo, Etsy, eBay, and rideshare

platforms. OBBBA restored the original rule: a form is issued only if you receive more than \$20,000 and have more than 200 transactions in a year. That threshold is not indexed for inflation.

Bonus Depreciation and Section 179 for Business Owners

OBBBA made 100% bonus depreciation permanent for qualifying property acquired after January 19, 2025. Before that, bonus depreciation had been phasing down by 20 points a year. Machinery, equipment, computers, furniture, certain vehicles, and qualified improvement property can be deducted in full in the year it's placed in service, with no dollar cap. Used equipment qualifies as long as it's new to your business. Section 179 is the companion provision. For 2026 it allows up to \$2,560,000 of qualifying purchases to be expensed, and that limit starts phasing out dollar-for-dollar once total purchases go above \$4,090,000. Both limits are now permanent and indexed to inflation.

The two work differently. Section 179 is elective and can be applied asset by asset, and it can't create or increase a business loss. Bonus depreciation has no dollar limit and can create a loss, and it applies to entire asset classes unless you opt out. Many owners use Section 179 to fine-tune their taxable income and use bonus depreciation for the rest. For year-end planning, the key fact is that the asset has to be placed in service by December 31, not just ordered or paid for. Two cautions apply. Many states, including California, don't follow federal bonus depreciation. And a full write-off now leaves less depreciation for later years, when your tax bracket might be higher.

Eight Differences in the Tax Law Between Federal and California

1. **Capital gains.** Federal law taxes long-term gains at 0%, 15%, or 20%, plus the 3.8% net investment income tax. California has no special capital gains rate, so gains are taxed as ordinary income at up to 13.3%, which includes the 1% surcharge on income above \$1 million.
2. **SALT and itemized deductions.** The federal SALT cap is \$40,400 in 2026. California doesn't let you deduct the state income tax itself. However, it doesn't cap property tax deductions, it keeps the old \$1 million mortgage interest limit and allows interest on up to \$100,000 of home equity debt, and it still allows miscellaneous itemized deductions above 2% of AGI. The California standard deduction is only a few thousand dollars, so many people take the standard deduction federally but itemize for California.
3. **Bonus depreciation and Section 179.** California doesn't allow bonus depreciation, and its Section 179 limit is only \$25,000, with a phase-out starting at \$200,000 in purchases. That compares with \$2.56 million federally. A business taking \$500,000 of federal bonus depreciation would have that much more California taxable income in year one, which could mean up to about \$66,500 in California tax. California recovers the cost over the asset's normal depreciation life instead.

4. **The QBI deduction.** The 20% federal deduction for pass-through business income, now permanent, doesn't exist in California. Business owners pay California tax on the full amount.
5. **HSAs.** California doesn't treat HSAs as tax-favored. Contributions, including employer contributions, are added back to California income, and the account's interest, dividends, and gains are taxable in California each year.
6. **The new OBBBA deductions.** California doesn't allow the federal deductions for tips, overtime, seniors, or car loan interest. Tips and overtime are fully taxable on California returns. Several bills to adopt state versions were introduced in 2026, but none is in effect as of the latest reporting.
7. **Social Security and interest income.** California doesn't tax Social Security benefits at all, while federal law taxes up to 85% of them. California also exempts interest on U.S. Treasury bonds, but taxes interest on municipal bonds from other states, which is tax-free federally. Only California municipal bonds are exempt from both.
8. **NOL suspension and the cap on credits.** California has suspended net operating loss deductions for tax years 2024 through 2026 for taxpayers with more than \$1 million of income. The carryforward periods are extended to make up for the suspension.

Should you have any questions about the above information, or any other tax planning issues, please feel free to reach out by phone or email.

Sincerely,



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