TAX PLANNING

BENJAMIN F. EDWARDS®

2026 Year-End Tax Guide



Information contained in this document is as of November 12, 2026.

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First Full Year for One Big Beautiful Bill Act (OBBBA)

This year marks the first full year of the new One Big Beautiful Bill Act being the law of the land. The bill introduced several changes and will require a full review of your tax planning situation.

Important 2026 Tax Information

The OBBBA made many tax laws "permanent" (that is until Congress changes them again), but we do have stable rates and brackets for the foreseeable future. That means in 2026 the top income tax bracket stays at 37%, applying to individuals with more than $640,600 in taxable income; $768,700 for married taxpayers[1]. For those "in the middle," the middle tax bracket stays at the 24% rate. That rate begins at $105,700 for single and $211,400 for married taxpayers. You need more than $201,775/single and $403,550/married to climb into the next bracket. All brackets continue to be indexed for inflation.

Standard Deductions Increased

Standard deductions remain at high levels and personal exemptions remain eliminated. The standard deductions for 2026 are $16,100 for single and $32,200 for married taxpayers[2].

Long-Term Capital Gains Tax Rates

Long-term capital gain rates remain at 0%, 15% and 20%, while the most common and largest bracket is the 15% tax rate. Even though the 15% rate is the most common, the 20% rate is still historically low. That said, even if you fall into the 20% rate, this is still well below the 37% top marginal rate on ordinary income.

2026 LT Capital Gain Tax Rates	Single	Married, Filing Jointly
0%	$0 - $49,450	$0 - $98,900
15%	$49,451 - $545,500	$98,901 - $613,700
20%	$545,501+	$613,701+

State and Local Tax (SALT) Deduction

The SALT cap for 2026 remains higher this year: $40,400 for most taxpayers. It will increase an additional 1% going forward each year until 2029. In 2030, the SALT cap will revert to $10,000. The deduction is reduced by 30% of modified adjusted gross income (MAGI) that exceeds $505,000, but the SALT deduction cannot go below $10,000.

[1] All references to "married taxpayers" will be defined as married filing jointly.
[2] An additional standard deduction applies for taxpayers who are aged 65 and older or blind.

Temporary Deduction for Qualifying Individuals with Tip or Overtime Income

For 2026, the OBBBA allows a deduction of up to $25,000 for qualified tips for a taxpayer in an occupation that customarily and regularly receives tips. Moreover, there is a deduction of $12,500 single/$25,000 married for qualified overtime compensation. These deductions are allowed whether you itemize or not.

These deductions are available through 2028 and are subject to phaseout. Both begin phasing out when MAGI exceeds $150,000 single/$300,000 married. Both require specific documentation to identify the compensation for tax reporting purposes, and those looking to take these deductions should collaborate with their employer and their tax advisor to meet these documentation requirements.

Temporary Enhanced Deduction for Seniors

For seniors aged 65 and older, an enhanced deduction of $6,000 will be available if MAGI is $75,000 or less ($150,000 or less, if married), regardless of whether you take the standard deduction or itemize. The deduction is phased out above these limits and eliminated for seniors with MAGI above $175,000 single/$250,000 married.

The enhanced senior deduction is stacked on top of the standard deduction for taxpayers aged 65 and older. For example, if you are a single filer using the standard deduction and you are age 65 or older, the total available deduction is $24,150 ($16,100 standard deduction plus $2,050 age 65+ standard deduction plus $6,000 enhanced senior deduction). For married couples, if both spouses are age 65 or older and using the standard deduction, the total is $47,500. The enhanced senior deduction applies only for tax years through 2028.

Child Tax Credit

The maximum child tax credit for 2026 is $2,200 per eligible child under age 17. There is also a $500 nonrefundable credit for a dependent of the taxpayer who is not a qualifying child. The credits begin to phase out when MAGI exceeds $200,000 single/$400,000 married.



Temporary Deduction for Auto Loan Interest

Individuals can now deduct up to $10,000 in new passenger vehicle loan interest if the vehicle was assembled in the United States and purchased between January 1, 2025, and December 31, 2028. MAGI phaseouts apply.

Estate Tax Exclusions

The transfer tax exclusion for 2026 is $15 million per person, meaning a married couple can protect up to $30 million from estate tax with proper planning. Portability of an unused exclusion of a deceased spouse remains. The estate tax rate stays at 40%, and the exclusions continue to index for inflation.

Charitable Contribution Rules Are Modified

Significant changes to charitable contribution rules became effective in 2026. For itemizers, the new charitable deduction rules are much more complex. While the qualifying requirements to take a charitable deduction remain, there is a new floor that must be met to take the deduction. Now deductions will be allowed only for contributions exceeding 0.5% of your adjusted gross income (AGI).

For example, if your AGI is $500,000 in 2026 and you make a $10,000 gift, you can only deduct $7,500 of the gift because the first 0.5% of your AGI ($2,500) is a floor threshold that must be surpassed before you can take the deduction.

For those who do not itemize, you will be able to deduct up to $1,000 single/$2,000 married for cash contributions made to qualifying charities. This is considered an “above-the-line” deduction, meaning the deduction lowers your taxable income dollar for dollar before applying the standard deduction. This is akin to the brief deduction allowed during COVID-19, which at the time was a $300/$600 deduction.



Top 10 Tax Tips For Year End



Taxes are an important financial planning consideration, and there are certain actions you can take before the end of the year that may be beneficial to you. Below are our top 10 planning opportunities for you to review before the new year. Make sure you work with your tax advisor to see if any of these techniques apply to your personal situation.

1. Review Accounts for Realized and Unrealized Gains and Losses

As performance among asset classes varies throughout the year, be sure to review your portfolio to make sure your allocation continues to align with your goals. If some adjusting is in order, consider whether to take action such as realizing any capital gains or losses.

When selling securities you own, remember that the trade date – the date the order is executed – should be used to determine your holding period, not the settlement date. The last trading date to realize capital gains or losses for most securities this year is December 31. Consider whether the higher standard deduction means you may no longer need to itemize. The approach you take could cause you to delay or accelerate realizing these losses/gains. Recall, though, that even if you do not itemize you can still apply up to $3,000 of excess capital losses to your taxable income as that deduction is “above the line.”

Choppy markets often provide opportunities for tax-loss selling in taxable accounts. If you are selling securities for a loss, remember the wash-sale provisions. You can’t deduct a loss on the sale of securities if you purchase a substantially identical investment within 30 days. This includes the 30-day period before and after the date of the sale.

To avoid the wash-sale rule, wait at least 31 days and then repurchase the security, or you can double up and wait the required amount of time to sell. The last day to double up this year is November 30. By doubling up, you can retain a holding in the security and still take the loss by selling the original holding 31 days after you doubled the holding.

2. Review Whether to Accelerate or Defer Income or Deductions

Review your financial situation with your tax advisor to evaluate whether you should accelerate any income or deductions into the current year or defer them into next year. If you can control when to take income or a deduction, choosing the appropriate time to take such actions may assist with managing your potential tax liability year over year, especially if you may be in a lower or higher tax bracket this year vs. next year. Obtaining a multiyear tax projection can assist with identifying potential areas of opportunity for managing various tax brackets and thresholds, such as when to recognize capital gains/losses, when to make Roth conversions or take distributions from retirement accounts, or if bunching charitable contributions can make a difference.

3. Don't Forget About Specific Tax Lots When Selling

As you review your investments and ponder repositioning your portfolio, consider your cost basis if you are selling positions with multiple tax lots in taxable accounts. Specifically identifying the shares you sell gives you greater control over your taxable gains and losses.

4. Be Mindful of Extra Tax Liabilities and Potential Loss of Deductions

For individuals with MAGI of $200,000 ($250,000 if married), there is a 0.9% additional Medicare tax for wages and compensation in excess of the $200,000/$250,000 thresholds. For these taxpayers there is also a potential 3.8% net investment income tax to be paid on investment income. Investment income includes dividends, interest, royalties, rents, passive activity income and capital gains. The 3.8% tax applies to the lower of a taxpayer's net investment income, or the amount that the taxpayer's MAGI exceeds the applicable threshold.

For example, assume a married couple filing jointly has a MAGI of $315,000 and net investment income of $50,000. They will pay a 3.8% tax on investment income of $50,000 ($1,900 in this example) because it is lower than the amount of MAGI in excess of the $250,000 threshold ($65,000). Importantly, these thresholds are not indexed for inflation.

Higher incomes also impact your cost for Medicare, and there is a two-year lookback period for determining your premiums. For example, 2026 income will determine 2028 Medicare premiums. For 2026, Medicare Part B and Part D premium surcharges begin at incomes above $109,000/single and $218,000/married. These thresholds are adjusted for inflation each year but are a good guide to understanding if higher Medicare costs will apply to you.



There are also itemized deductions or tax credits that may become reduced or eliminated as your income increases, especially for those in the top tax bracket. For example, taxpayers in the 37% tax bracket will be taking itemized deductions at the rate of a 35% tax bracket filer. You will want to review these items, along with other thresholds impacted by higher income, with your tax advisor to determine if they are applicable to your specific situation.

5. Start Your Gift Process Early

Charitable Contributions. As discussed above, there are new rules taking effect in 2026 impacting charitable contribution deductions for taxpayers itemizing their deductions and for those taking the standard deduction. If you will itemize this year, there is a new 0.5% AGI floor charitable contributions must exceed to receive a potential deduction. Also, if you are in the top 37% marginal bracket, your total itemized deductions may be reduced further. Taxpayers not itemizing their deductions will be able to take an "above the line" deduction of $1,000 single/$2,000 married for cash contributions made directly to qualified charities.

Bunching. With the new potential reductions for charitable giving and higher standard deductions, you may want to consider "bunching" a couple of years of your charitable gifts into a specific tax year. Bunching involves making larger gifts in years you itemize while taking the standard deduction in other years. For example, instead of gifting $10,000 a year over three years to your favorite charity, you would gift $30,000 in the year you itemize and use the standard deduction in the remaining two years. This can be an outright gift of $30,000 to your selected charities, or you can use tools like Donor Advised Funds to receive the deduction today but disburse those dollars over time going forward.

Giving Appreciated Securities. For charitable planning, the strategy of giving highly appreciated assets held longer than a year instead of cash allows you to deduct the fair market value of the asset donated without recognizing capital gains on those assets. If you itemize, you can deduct up to 60% of your AGI for cash gifts to qualified charities. If you gift appreciated assets, the deduction is limited to 30% of your AGI. Amounts contributed above these AGI limits may be carried forward for up to five years.

Gifting to Individuals. Turning to gifts to individuals, the current maximum gift exclusion is $19,000 per person, per year ($38,000 if married). Remember, though, when you gift an asset to an individual you typically gift them your basis in that asset. Gifting assets with little or no taxable gain may allow your beneficiary to sell that asset and use the proceeds with little or no income tax consequence. Conversely, if the individual is in a lower tax bracket than you, consider gifting appreciated securities and let the recipient pay tax at their rates upon redemption.

Annual Gifting

Remember you can gift up to $19,000 per person, per year ($38,000 if married) gift tax free to as many individuals as you like. The gifts must be delivered by year end to count for the 2026 tax year. Gifts greater than $19,000 per person ($38,000 if married) require the filing of a gift tax return.



If you are planning charitable giving or making gifts to individuals, make sure those gifts are completed by year end. If you intend to claim a charitable deduction on your tax return for this year, don't forget that it may take some time to make the gift, especially if you are transferring stock or other noncash assets. Start the gift process early to ensure that the transfer is made before the end of the year.

6. Make Sure You Are Maximizing Your IRA and Retirement Plan Contributions

For long-term goals such as retirement, tax-deferred investing is a way to boost your savings and reduce current taxes. Increasing 401(k) savings or making IRA contributions are ways to get additional tax deferral on your investments. Tax deferral means you won't pay taxes on investment earnings as you earn them, but instead you are taxed later when you take withdrawals, presumably during your retirement.

Currently, the maximum salary deferral contribution limit for 401(k), 403(b) and 457(b) plans is $24,500. The standard catch-up contribution amount is $8,000 for individuals aged 50-59, and 64 or older. While the "super" catch-up contribution amount for individuals aged 60-63 is $11,250. At a minimum, make sure you are contributing enough to your employer retirement plan to obtain any employer matching contribution. For traditional and Roth IRAs, there is a combined maximum contribution limit of $7,500 with a $1,100 catch-up contribution for individuals aged 50 or older.

Also, keep in mind that if you are age 50 or older and earned more than $150,000 in FICA wages in 2025, this year marks the first year that your catch-up contributions must be made as Roth salary deferrals. Alternatively, if your employer's 401(k), 403(b) or 457(b) plan does not provide for Roth contributions, then you cannot make catch-up contributions. It's either Roth catch-up contributions or none at all if you exceed the limit. The 2026 limit increases to $155,000 for making 2027 catch-up contributions.

Increase to Retirement Savings in 2027
In 2027, 401(k), 403(b), and 457(b) plan salary deferral contributions can be made in amounts up to $25,500 and catch-up contributions for individuals aged 50 – 59 and 64 or older are $8,500. The "super" catch-up for participants aged 60 – 63 increases to $11,750. Eligible compensation and the overall plan contribution (IRC Sec. 415) limit have also increased.

Traditional and Roth IRA annual contribution maximums for 2027 remain $7,500. In addition, catch-up contributions for individuals aged 50 or older remain $1,100. Modified AGI limits for deducting traditional IRA contributions and for contributing to Roth IRAs have increased as well.

Find more information on retirement savings cost of living adjustments at **www.irs.gov**.

If you are already maximizing your contributions to your retirement accounts and are looking for additional tax deferral for retirement, consider additional saving opportunities available through deferred annuities.

7. Take Advantage of Tax-Efficient Investments and Accounts

If you are in a higher tax bracket, you may want to consider increasing funding to tax-efficient investments and accounts. Life insurance, tax-exempt municipal bonds, Health Savings Accounts and Roth IRAs provide tax efficiency in various forms.

Life Insurance. Certain types of life insurance build cash value. The interest earned on the cash value is not taxed when earned and you might be able to withdraw or borrow against the cash value tax-efficiently.

Municipal Bonds. Interest paid on municipal bonds is generally exempt from federal and, in some cases, state and local taxes. Keep in mind that any capital gain arising from the sale of a municipal bond is still taxable, and income from some municipal bonds may be taxable under the alternative minimum tax (AMT) rules.

Health Savings Accounts (HSAs). HSAs provide a way to save for future health care expenses in a tax-advantaged way. The contributions made are tax deductible (or are made via pretax payroll contributions through your employer), grow tax-deferred, and when used for qualified healthcare expenses, the withdrawals are tax-free. To be eligible for an HSA, your healthcare coverage must be a high-deductible health plan.

Roth IRAs. Roth IRAs provide tax-free distributions in retirement, but only if certain conditions are met. Generally, you must be at least the age of 59½ and have held the Roth IRA for five years for earnings to be distributed tax-free, although they can also be made prior to age 59½ due to death, disability or first-time home purchase. There are also limits on who can contribute and how much can be contributed to a Roth IRA each year.



8. Consider a Roth IRA Conversion

Anyone with a traditional IRA has the choice to convert to a Roth IRA. Qualified employer-sponsored retirement plan assets can also be converted to a Roth IRA after you become eligible to receive distributions from the retirement plan. In addition, your employer's 401(k), 403(b) or 457(b) plan may also allow you to convert your pretax account balances to designated Roth accounts within the plan (if permitted by plan document provisions).

Conversion comes with a cost – amounts converted will be subject to ordinary income tax in the year converted. Conversion can be advantageous if you desire tax-free retirement income (after five years and age 59½), you don't want to take required minimum distributions during your lifetime, or you desire tax-free income for your heirs after your death. A conversion must be completed by year-end to be included as income on this year's tax return. Use caution and discuss this strategy with your tax professional before converting because a conversion is a one-way street. You cannot "undo" a conversion once it has been completed.

9. Review Education Saving Goals and Spending

Consider funding an education savings plan through an Education Savings Account (ESA) or 529 savings plan for a child or a grandchild. Both offer tax deferral. Both also provide tax-free distributions if they are used for qualified education expenses. ESAs typically have broader flexibility for K-12 expenses and the investments you can choose from, but income and contribution limits apply. 529 savings plans provide greater flexibility for overall educational use without income limits for contributors. Although neither provides a federal income tax deduction for the contributor, some states provide residents with an income tax credit or deduction for 529 plan contributions.

For students attending college, qualified expenses for your federal income tax return include tuition, fees, books, and supplies, in addition to certain housing and food costs. 529 savings plans have a $20,000 limit on K-12 qualified expenses, which includes things like curriculum, books or instructional materials, online education, certain tutoring expenses, and fees for standardized achievement and advanced placement testing in addition to tuition. But they can also be used after high school for trade schools, registered apprenticeship programs, student loan repayments (up to $10,000) for the student or siblings of the student, and for fees connected

with obtaining or maintaining certain workplace credentials. Be aware that some states do not mirror federal income tax law for what qualifies as a tax-free 529 savings plan distribution. Confirm your state's income tax treatment before taking a withdrawal.

If you have already saved using an ESA or 529 plan and are now taking withdrawals, before the year ends you'll want to make sure your withdrawals do not exceed your qualified education expenses this year. The general rule of thumb is you will want to match your current-year withdrawals to expenses incurred during this calendar year. Talk to your tax professional about the documentation you should keep regarding your expenses.

10. **Remember to Take RMDs; QCDs Create Opportunities When Age 70½ or Older**
December 31 is the deadline to receive your current year required minimum distribution (RMD), unless it is your first year. If your 73rd birthday is this year, you can delay your first RMD until April 1 of next year, but doing so will require you to take both this and next year's RMD next year.

    If you have an inherited retirement account, you may also have to take annual RMDs. For eligible designated beneficiaries, such as a surviving spouse, or a non-spouse individual who is disabled, chronically ill or not more than 10 years younger than the account owner, RMDs based on your single life expectancy begin in the year following the year of death. There may also be an RMD required if the account owner died prior to taking their own RMD in the year of death, which any beneficiary can take.

    If you are a non-spouse beneficiary subject to the 10-year rule, it is important to remember if you inherited a retirement account from someone who was already receiving RMDs at the time of death, you must also continue to receive annual RMDs in years one through nine, in addition to making the final distribution in year 10. This is referred to as the "at least as rapidly" rule.

    If you are charitably inclined and age 70½ or older, you may want to consider a Qualified Charitable Distribution (QCD). QCDs are tax-free gifts you make directly to qualified charities from an IRA. You must be at least age 70½ at the time of the gift, and QCDs are limited to $111,000 per eligible individual in 2026. If you also must take RMDs, QCDs can strategically be used as a way to satisfy your RMDs up to the $111,000 limit without including the RMD in taxable income. You can also make a one-time $55,000 gift to a split-interest entity.

Work With Your Tax Professional and Your Financial Advisor

Even though the OBBBA passed last year, we are still experiencing some items that became effective this year. Some of these concepts may or may not apply to your individual situation. Accordingly, plan on working closely with your tax professional and your financial advisor to address your specific situation and seek the most advantageous tax planning to meet your overall financial goals. ■

Calendar of Important Dates

2026 Deadline for:	
Nov 30	Doubling up for 2026 (to avoid the wash sale rule)
Dec 31	Selling a security for a 2026 gain or loss (trade date determines the tax year) Taking 2026 RMDs (unless it is your first year) Converting a traditional IRA to a Roth IRA for 2026 Making gifts for 2026 (transfer must be completed by year end) Making 529 plan contributions for 2026 (for federal gift tax purposes; state tax deduction deadlines may vary)

2027 Deadline for:	
Jan 15	Paying fourth quarter 2026 estimated taxes
Mar 15	Filing calendar-year tax returns for partnerships and S-corporations (excluding extensions) Establishing and funding SEP IRA and other retirement plans for S-corporations for 2026 (unless filing under extensions)
Apr 1	Taking 2026 RMDs if it is your first year
Apr 15	Filing 2026 income tax returns Paying first quarter 2027 estimated taxes Opening and making contributions to traditional IRAs, Roth IRAs and Coverdell Education Savings Accounts for 2026 Establishing and funding SEP IRA and other retirement plans for calendar year sole proprietors and C-corporations for 2026 (unless filing under extensions)
Jun 15	Paying second quarter estimated taxes
Aug 2	Filing qualified retirement plan returns (Form 5500) for calendar-year plans
Sep 15	Paying third quarter estimated taxes
Oct 1	Establishing a SIMPLE IRA plan for 2027
Oct 15	Filing 2026 individual tax returns with automatic extensions
Nov 30	Doubling up for 2027

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