

ClientLine®

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YEAR-END STRATEGIES TO REDUCE YOUR TAX BILL



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Ideally, you have worked to minimize your taxes throughout the year. Here are some year-end strategies that may help further reduce your tax bill. Before implementing these or any year-end strategies, talk with your tax professional.

DEFER OR ACCELERATE INCOME

Project whether you'll have higher taxable income in 2026 or 2027. If 2027 is higher, consider receiving your employer bonus, investment income, and business income this year.

Do the opposite if, for example, you expect to lose a dependent, have a spouse on leave, or incur business losses, resulting in lower taxable income in 2027.

BUNCH DEDUCTIONS

For instance, if 2026 medical expenses exceed the 7.5% of adjusted gross income (AGI) threshold, squeeze in planned 2026 medical expenses to maximize 2026 tax savings.

Before bunching expenses into 2026, consider your overall tax brackets for this year and 2027. If you expect your income to rise enough in 2027 to push you into a higher bracket, it may make sense to postpone a deduction.

TOP OFF YOUR HEALTH SAVINGS ACCOUNT

You have until April 15, 2027, the tax filing deadline, to make Health Savings Account (HSA) contributions for this year. If you haven't already maximized your contribution, do so. HSA contributions and

earnings are generally excluded from taxable income, and distributions aren't taxed if used to pay qualified medical expenses. Other requirements apply, including enrollment in a high-deductible medical plan.

HSA Contribution Limits

For planning purposes, compare the 2026 and the new 2027 inflation-adjusted limits.

	Individual	Family	Additional Catch-Up
2026	\$4,400	\$8,750	\$1,000
2027	\$4,500	\$9,000	\$1,000

REVIEW YOUR CHARITABLE GIVING PROGRAM

Reviewing your 2026 charitable giving effectiveness and potential tax benefits may help minimize 2026 taxes and significantly affect 2027 taxes.

Ensure your 2026 expectations are reasonable given your and the charity's timelines for change and the nature of the work. Consider how giving more could increase impact and reduce taxes.

Each year, changes affect individuals and small business owners, so it's important that we conduct your year-end review to ensure you're on track.

PASS-THROUGH INCOME DEDUCTION

Under the One Big Beautiful Bill Act (OBBBA), owners of certain pass-through businesses can continue to claim a deduction of up to 20% of qualified business income—plus 20% of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income. This tax break was previously set to expire at the end of 2025. The deduction phases out between \$403,500—\$553,500 (joint filers), \$201,750—\$276,750 (single filers), and \$201,775—\$276,775 (married filing separately—not including the qualified business income deduction). Above these thresholds, the deduction depends on whether you're in a specified service trade or business (SSTB).

TALK TO A PRO

Consult your tax professional regarding this deduction to determine whether you and your business meet the requirements and to assess your unique situation.

CLIENT PROFILE

Maureen's yoga center has grown faster than expected, so she's considering using a third-party service for payroll processing and management.



Maureen consulted her tax professional and reviewed IRS Tax Tips for guidance. She found that she could best protect her business by hiring one of these services:

Certified professional employer organizations are generally liable only for filing employment tax returns and for making deposits and payments for the taxes their customers report on wages and other compensation.

Reporting agents are generally limited to depositing taxes via the Electronic Federal Tax Payment System (EFTPS). Employers remain responsible for ensuring that returns are filed and taxes are paid on time.

Section 3504 agents withhold, report, and pay employment taxes and share liability for all federal tax withholding with the employer. Employer returns are filed using the agent's Employer Identification Number (EIN). Generally, customers must still file FUTA tax returns using their EINs.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

TURN A TRUMP ACCOUNT INTO A TAX-FREE NEST EGG

Want to build a solid tax-advantaged foundation for a child or grandchild? Here's a strategy that uses a child's Trump retirement account and may be worth discussing with your tax and financial professionals.

THE CONCEPT

Your contributions to the child's account aren't tax-deductible. However, contributions you or others make grow tax-deferred, which can provide a substantial investment advantage. The strategy is designed to capitalize on tax-deferred growth to support your family's long-term goals. Each year, maximize your contributions within the allowed limits. The limits for 2026 and 2027 are \$5,000.

While the child owns the account, you manage it until they turn 18. After that, all contributions and earnings made before age 18 are treated as traditional IRA contributions and are subject to a 10% early-withdrawal penalty. These balances can also be rolled over into a Roth IRA.

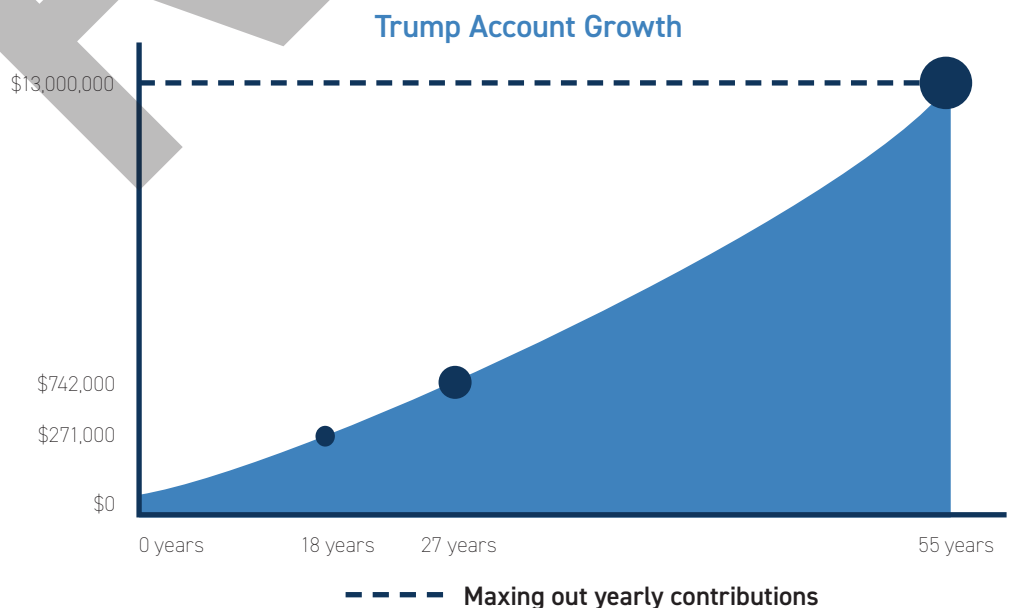
THE TWIST

A series of well-planned Roth conversions is the twist. For many young adults, the year they turn 18 is an especially good time to

begin converting the account to a Roth IRA. As long as the young adult's total income—earnings plus the converted amount—is within the 0% tax bracket, no federal income tax will be owed. During the college years, similar partial conversions could also be untaxed. After that, the child could convert the remaining balance and pay the corresponding tax in the tax year the conversion is completed. Alternatively, they could continue partial rollovers until the entire balance has been converted, potentially paying less tax overall.

BENEFITS

Contributing early, during low-income years, secures decades of tax-free growth—a lasting tax advantage. Contributions to a Roth IRA, including those in a Trump account established in your child's early years, may be withdrawn tax- and penalty-free before retirement. Your child can later use those funds to buy a home or start a business.



**Based on opening an account at birth with a \$1,000 opening deposit and contributing \$5,000/year. These are estimates, and actual results may differ. Visit the official Trump Accounts website, trumpaccounts.gov, for more information.*

LIFE INSURANCE: YOU HAVE OPTIONS

September is National Life Insurance Awareness Month, making it an ideal time to explore insurance options or review your current coverage. Life insurance* proceeds can provide a financial lifeline for loved ones if something happens to you. The type of policy you choose may depend on how long you'll need coverage and on the policy's cost.

TERM INSURANCE

Term insurance provides coverage for a set period, typically 10 to 30 years, though shorter and longer terms are also available. If you die during the term, the policy pays a death benefit to your beneficiaries. A term policy has no cash value. It is less expensive than permanent insurance and may be a good choice if others depend on your income.

PERMANENT INSURANCE

Permanent insurance generally remains in effect as long as you continue paying premiums. In addition to the death benefit, the policy builds cash value over time. Permanent insurance is a good option if you want lifetime coverage, access to the policy's cash value through withdrawals or loans, and are comfortable with higher premiums.

Review all your options to help you choose the right policy for your circumstances.

**Applications for life insurance are subject to underwriting. No insurance coverage exists unless the required premium is paid to put an issued policy in force. Accessing cash values may reduce the death benefit and policy values, trigger tax consequences, surrender fees, and charges, and may require additional premium payments to maintain the contract. Guarantees are based on the claims-paying ability of the issuer.*



Q

When is the filing deadline if I requested an extension?

A

The deadline is October 15, 2026. Even though you filed for an extension, it's important that you follow these key rules.

- ◇ No Extra Time to Pay: An extension to file is not an extension to pay. Any taxes owed are still due by the original April deadline to avoid penalties.
- ◇ Estimate Your Tax: You must estimate your total tax liability and pay what you can when submitting the extension to minimize potential failure-to-pay penalties and interest.
- ◇ State Taxes: Check with your state's tax department, as some automatically accept a federal extension while others require a separate state extension form.

HANDLE TAXES WITH CARE

There is no wiggle room when it comes to handling federal income and FICA taxes withheld from employees' paychecks. These taxes are government property that employers hold "in trust" and remit to the IRS on a set schedule. Employers are not permitted to use this "trust fund" money for any other purpose.

SERIOUS PENALTY

The penalty for violating the rules is severe. Any person involved in collecting, accounting for, or paying the trust fund taxes — a "responsible person" — who willfully fails to do so may be liable for a penalty equal to 100% of the unpaid taxes. This penalty is strictly enforced.

RESPONSIBLE PERSONS

Generally, a responsible person is anyone with the authority to ensure that taxes are paid. This may include a corporation's officers, directors, shareholders, employees, and partners in a partnership. Under certain circumstances, even family members and professional advisors may be subject to the penalty. It's not uncommon for there to be more than one responsible

person. When that's the case, each responsible person may be liable for the full penalty.

A WORD ABOUT WILLFUL

Failure to pay trust fund taxes can be willful even without an intentional attempt to evade payment. Temporarily "borrowing" from the trust fund to meet bona fide business expenses in a pinch can qualify as willful.

TIMING AN INHERITANCE

Longer lifespans have transformed inheritances from profound, life-altering events into later-life financial supplements for heirs. This shift raises important questions: When should your heirs receive their inheritance, and how can you ensure it benefits them rather than burdens them?

CONSIDER LIFETIME GIFTS

Estate planning isn't just about what happens after you die. Giving gifts during your life—directly or through a trust—can reduce estate taxes and help heirs now. For example, in 2026, you can give up to \$19,000 per person annually without incurring gift or estate tax.

EMOTIONAL ASPECTS TO WEIGH

Receiving an inheritance late in life can create problems for your heirs. It's not just about money—it also brings the pain of losing someone. Timing can

strain relationships, and giving early can ease stress by letting loved ones enjoy their inheritance while you are still alive.

INVOLVE FAMILY NOW

If you want to share your money wisely, involve your heirs in decisions now. Open conversations about financial goals and family values can help everyone. This approach makes your heirs feel included and helps align your plans with their needs and dreams. Ultimately, aligning the timing and

method of transferring your wealth ensures your inheritance is a meaningful benefit for your heirs, not a burden. Consider how proactive planning and involving your family can help your legacy have a lasting, positive impact.



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