

ClientLine®

December 2026

YEAR-END DEADLINES YOU CAN'T AFFORD TO MISS

December moves fast, but a handful of tax and retirement deadlines fall on December 31, whether you're ready or not. Miss one, and there's no do-over until next year. Here's what to wrap up before the ball drops.

TAKE YOUR RMD

If you're 73 or older (75 for those born in 1960 or later), you generally must take your required minimum distribution (RMD) from tax-deferred retirement accounts by December 31. Miss the deadline, and the IRS penalty is steep: 25% of the amount you should have withdrawn, reduced to 10% if you correct it quickly. If you turned 73 this year, you get a one-time pass to wait until April 1, 2027—but that means doubling up on distributions next year.

GIVE DIRECTLY FROM YOUR IRA

If you're 70½ or older, a qualified charitable distribution (QCD) lets you send up to \$111,000 in 2026 directly from your IRA to a qualified charity. It counts toward your RMD but isn't included in taxable income—a meaningful difference from writing a check and claiming a deduction. The gift must reach the charity by December 31 and must move directly from your custodian to the charity.

USE YOUR GIFT EXCLUSION

In 2026, you can give up to \$19,000 per

recipient without using your lifetime exemption or filing a gift tax return (\$38,000 for married couples who elect gift splitting, which does require a return). It doesn't carry over—an unused exclusion for 2026 is lost once the year ends.

FUND WHAT YOU CAN

Contributions to a 401(k) or similar employer plan must be made through payroll by December 31, so check your final paycheck dates now. IRAs and HSAs are more forgiving—you have until the April 15, 2027 tax-filing deadline.

HARVEST YOUR LOSSES

If you're sitting on investment losses,

selling before year-end lets you offset gains elsewhere in your portfolio and up to \$3,000 against ordinary income. Just avoid buying back the same or a substantially identical security within 30 days, or the wash-sale rule will disallow the loss.

None of these moves happen automatically. Mark your calendar now, and loop in your advisor before December slips away.



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MAKE THE MOST OF A YEAR-END BONUS

A year-end bonus feels like free money—but a little strategy now can make it work harder for you before it vanishes into holiday spending.

PAY YOURSELF FIRST

Route a portion directly into your 401(k), or HSA before it hits your checking account. You'll reduce this year's taxable income and give the money more time to grow.

TACKLE DEBT

Paying down a credit card balance yields a guaranteed return equal to its interest rate—hard to beat anywhere else in your portfolio.

BUILD YOUR CUSHION

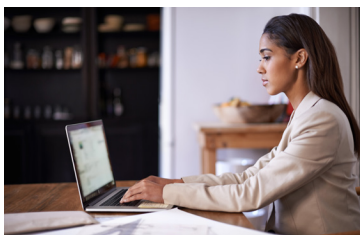
If you don't have three to six months of expenses saved, a bonus is an easy way to jumpstart an emergency fund without touching your regular paycheck.

THEN, CELEBRATE A LITTLE

Once the essentials are covered, it's fine to set some aside for the holidays—just decide on the amount before you spend it.

CLIENT PROFILE

Dana, a sole proprietor, runs a one-woman marketing consultancy and had her most profitable year yet, netting \$255,000 in self-employment income. With no retirement plan in place, her advisor recommends that she open a Solo 401(k) before December 31.



Because Dana has no employees other than herself, she can make an employee deferral of up to \$24,500 for 2026 and an employer profit-sharing contribution of up to 25% of her net self-employment earnings—for a combined total of \$72,000.

Her advisor explains that most businesses must establish a Solo 401(k) by December 31 to contribute for the current tax year, though sole proprietors with no employees have a narrow exception that allows them to set up as late as their filing deadline. Her advisor also notes that a Solo 401(k) offers a Roth option and allows plan loans—a SEP IRA doesn't allow plan loans. Dana opts to open the plan now, which locks in her 2026 deferral option without last-minute paperwork.

By acting before year-end, Dana preserves all options—and meaningfully lowers her 2026 tax bill.

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

THE TAX RULES BEHIND HOLIDAY GIVING

'Tis the season for client thank-yous and employee appreciation—but the tax treatment depends entirely on what you give and to whom you give it.

CLIENT GIFTS: MIND THE \$25 CAP

The IRS caps the deduction for business gifts to any one client or associate at \$25 per person, per year—a limit that hasn't moved since 1962. Costs to wrap, ship, insure, or personalize the gift don't count against that cap, so a \$25 gift with \$15 of custom packaging is still fully deductible. Give to a company for general use rather than one person, and the cap doesn't apply at all.

EMPLOYEE GIFTS: NON-CASH STAYS TAX-FREE

Small, infrequent items—a holiday ham,

a gift basket, or tickets to a game—generally qualify as “de minimis” fringe benefits: deductible to your business and tax-free

to your employee. Cash and cash equivalents don't receive that treatment. A gift card is a nice gesture, but the IRS treats it exactly like a paycheck—fully taxable and subject to withholding, regardless of the amount.

KEEP RECORDS

Note who received each gift and its business purpose. If your holiday giving list is long or includes a major client-appreciation event, loop in your advisor before the invoices are due.



HOLIDAY GIFTS: WHAT'S DEDUCTIBLE, WHAT'S TAXABLE

Client thank-yous and employee appreciation get very different tax treatment. Here's the quick reference:

WHAT YOU GIVE	DEDUCTIBLE?	TAXABLE TO RECIPIENT?
Client Gift <i>tangible item</i>	Up to \$25/year	No
Employee Non-Cash Gift <i>ham, basket, party</i>	Fully deductible	No
Employee Cash or Gift Card <i>any amount</i>	Fully deductible	Always
Client Meals & Entertainment	Meals 50% Entertainment 0%	N/A

Source: IRC Section 274(b) (business gifts); IRS de minimis fringe benefit guidance.

THE CASE FOR A ROTH CONVERSION BEFORE YEAR-END

Converting a traditional IRA or 401(k) to a Roth means paying taxes now in exchange for tax-free growth later—and December is the decision deadline, since a conversion must be completed by December 31 to count for the 2026 tax year.

A conversion makes the most sense when you expect to be in the same or a higher tax bracket in retirement, or when a lower-income year gives you room to convert at a lower rate than usual. Once converted, the funds grow tax-free, qualified withdrawals are tax-free, and—unlike a traditional IRA—a Roth IRA has no lifetime required minimum distributions for the original owner.

THE CATCH

The amount you convert is added to your taxable income for the year, which can push you into a higher bracket or trigger phase-outs of other deductions and credits. Converting in smaller amounts over several years, rather than all at once, often preserves more of the benefit.

Talk with your advisor about how

a conversion fits your broader tax picture before year-end.



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What is a Qualified Charitable Distribution?

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A qualified charitable distribution (QCD) allows IRA owners age 70½ or older to send funds directly from their IRA to a qualified charity, up to \$111,000 in 2026. Because the funds go directly to the charity, they're excluded from your taxable income—even though they count toward your required minimum distribution (RMD).

This differs from a standard charitable deduction, which requires itemizing to see full tax benefit. A QCD lowers your income whether or not you itemize.

The gift must be completed by December 31 and made directly by your IRA custodian—funds you withdraw yourself don't qualify.

DON'T LET YOUR FSA MONEY DISAPPEAR

Most flexible spending accounts (FSAs) operate on a use-it-or-lose-it basis—money left unspent at year-end typically doesn't roll over and reverts to your employer's plan. Here's how to spend it down before it's gone.

CHECK YOUR PLAN'S RULES FIRST

Some employers offer a grace period extending into mid-March or allow a small carryover, often about \$680 for 2026. Confirm your plan's specifics before assuming the money is gone for good.

SCHEDULE OVERDUE APPOINTMENTS

Dental cleanings, eye exams, and physicals are classic FSA-eligible

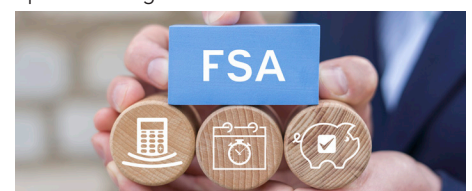
expenses—and December appointments are often easier to book than you'd expect this time of year.

STOCK UP ON ELIGIBLE ITEMS

Reading glasses, contact lenses, sunscreen, first-aid supplies, and many over-the-counter medications qualify. Check your plan's list before you shop, since eligible items vary by employer.

SUBMIT RECEIPTS EARLY

Don't wait until the deadline to submit a reimbursement claim—claims can take time to process, and a late submission may mean forfeiting funds you already spent on eligible care.



HOW BONUS DEPRECIATION WORKS

Thanks to the One Big Beautiful Bill Act (OBBBA), 100% bonus depreciation is now a permanent part of the tax code—a meaningful advantage for business owners planning equipment purchases.

WHAT QUALIFIES

Bonus depreciation applies to tangible property with a recovery period of 20 years or less—such as machinery, equipment, computers, and certain vehicles. To claim the deduction on your 2026 return, the property must be acquired after January 19, 2025, and placed in service by year-end.

HOW IT WORKS

Rather than depreciating an asset's cost over several years, bonus depreciation allows you to deduct 100% of its cost in the year it's placed in service.

For example, a \$150,000 piece of equipment purchased and put to use in December can be fully deducted on your 2026 return, rather than being spread over five or seven years.

HOW IT INTERACTS WITH SECTION 179

Section 179 and bonus depreciation can work together. Many businesses apply Section 179 first, up to its annual limit, then use bonus depreciation on the remainder—though the mechanics depend on your specific purchases and income.

WATCH FOR RECAPTURE

If you sell the asset before the end of its normal useful life, you may owe depreciation recapture, which is taxed as ordinary income at up to 37%. Before making a large equipment purchase for the deduction alone, talk with your tax advisor about timing and your long-term plans for the asset.



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