INTUIT Accountants

Tax Planning Guide
2026–2027

LEARN. EARN. GROW.

Dear Tax Professional,

Thank you for your interest in Intuit ProConnect Tax, Intuit Lacerte Tax, and Intuit ProSeries Tax. To help you plan for a successful year and to say thank you, please enjoy this copy of the 2026–2027 Intuit Accountants Tax Planning Guide.

What's inside:

- New tax law changes for tax year 2026
- Key deadlines to help with compliance and planning
- Recommended to-do lists
- Specialized tips for important client life events and more

Your work relies on your expertise, and this guide will provide you with a supplemental framework to help you stay informed, save time on planning ahead, and align your team for efficiency and success.

Thank you again for your interest in Intuit professional tax products. If you have any questions, please contact one of our tax consultants at 866-253-3168.

Sincerely,
Intuit Accountants Team

Introduction

Summer 2026

Fall 2026

Winter 2026–2027

Spring 2027

Elevate with intention:
2026 is the year to make the shift

The returns are out the door. The extensions have been submitted. Your compliance obligation is fulfilled. Now comes the strategic question: Is your practice being built by design or by default?

If you've been in this profession for three or more years, you've already earned your stripes through more than one busy season. You know the grind, you know your clients, and you've built something real. The question now isn't whether you can survive another tax season. It's whether you're building the practice you actually want.

The 2026–2027 cycle comes with a gift: legislative certainty. The One Big Beautiful Bill Act (OB3), signed on July 4, 2025, locked in and expanded many provisions that were set to expire at the end of 2025. Starting January 1, 2026, the estate tax exemption is now $15 million per individual ($30 million per married couple). The SALT cap has increased from $10,000 to $40,000. Qualified small business stock (QSBS) exclusion limits are more generous. Qualified business income deduction (QBID) is permanent. Bonus depreciation is fully restored. For the first time in years, you can advise clients on long-term strategies without a sunset clause hanging over every projection.

That certainty creates opportunity.

The shift from preparer to advisor

The practitioners experiencing meaningful growth are not simply the most efficient preparers. They are the ones who have repositioned themselves as strategic year-round advisors. That repositioning doesn't happen overnight, but 2026 is a particularly good year to accelerate it.

In practice, that shift tends to show up in four places:

Client clarity
You can articulate precisely who your ideal client is. You are not chasing every return that comes through the door. You are building depth in the relationships that matter most and being intentional about which new clients fit that profile.

Year-round presence
You are in contact with your most important clients outside of tax season. You are reviewing financials, flagging opportunities, and having planning conversations before year-end—not after it. Clients experience you as a resource, not just a deadline.

Pricing that reflects value
You have moved away from hourly billing for advisory work. Your fees reflect the scope and outcome of the engagement, not the clock. Clients pay for your expertise and your judgment, not the hours it took to exercise them.

Deliberate relationships
You have a small network of attorneys, financial advisors, and other professionals who understand exactly who you serve and send you clients accordingly. These relationships were built intentionally and are maintained with consistency.

What OB3 means for your practice in 2026

The OB3 changes are not just technical updates, they are planning opportunities that require your guidance to unlock. Here are the areas where you can immediately step into deeper advisory work:

For your W-2 and working-family clients

- The new tip income deduction (up to $25,000) and overtime deduction (up to $12,500 per individual) benefit workers who previously had few planning levers. These clients now need you to document carefully and structure withholding accordingly. In addition, under current guidance, tips generally qualify only if they are reported on an applicable information return, which may create issues for tips paid in cash or through platforms such as Zelle. For more detail, see the Intuit article No tax on tips: The Zelle problem we didn't see coming.

- The overtime deduction: Up to $12,500 per individual ($25,000 MFJ) of FLSA-qualified overtime compensation is deductible. The FLSA requirement is a detail that will trip up both clients and practitioners who are not prepared for it.

- DCAP exclusion increase: The employer-provided dependent care assistance exclusion increased from $5,000 to $7,500 ($3,750 for MFS). For working parents with young children or disabled dependents, a broad and often overlooked planning opportunity, this is a direct and recurring tax benefit. Open enrollment conversations are happening soon for 2027 plan years.

- The expanded SALT cap ($40,000 for most filers starting in 2025) revives itemized deduction planning for middle- to high-income clients in high-tax states, especially when combined with mortgage interest and charitable contributions.

- The senior deduction ($6,000 per qualifying individual age 65+) increases refund potential for retirees and changes withholding conversations.

For your business owner clients

- 100% bonus depreciation is restored for assets purchased and placed in service after January 19, 2025. Every business owner investing in business assets or qualified leasehold improvements should be running a depreciation strategy through your office before year-end.

- QBI deduction is now permanent. The 20% Section 199A deduction no longer has a sunset. Long-range structuring decisions around compensation, entity design, and capital investment can now be made with a multi-year horizon. The analysis you were cautious to recommend because of the scheduled expiration is now appropriate to build into the plan.

- Expanded QSBS exclusion. For stock issued after July 4, 2025, the gross asset limit rises to $75 million, the maximum exclusion increases to $15 million, and a tiered holding period structure now allows partial exclusions at three and four years. For clients with growth-stage C-corp investments or considering entity conversion, this is a multi-year advisory engagement, not a filing question.

For your high-net-worth clients

- The estate and gift tax exemption is now $15M per individual ($30M for married couples), indexed for inflation starting in 2027. The uncertainty around a potential drop back to $5 million has been removed. Planning can shift from urgency-driven decisions to deliberate, long-term strategy.

- Dynasty trust strategies and family limited partnership structures can all be executed thoughtfully rather than reactively.

- Charitable giving has been restructured. The 60% AGI cap on cash contributions to public charities is now permanent, and a new 0.5% AGI floor means the first portion of charitable giving is nondeductible. For significant donors, the bunching strategy has new variables. Model the full picture—SALT, the floor, and the cap—before advising on year-end giving.

Building the practice infrastructure to support growth
Technical knowledge is expected. Infrastructure is what determines whether you can grow without burning out.

Your pricing structure
If most of your revenue is still tied to hourly billing, growth will eventually stall. Fixed-fee and advisory retainers stabilize cash flow, reduce friction, and position you as a strategic partner rather than a timekeeper. This isn't just about earning more. It's about operating differently. We go deep on this topic in the August 2026 article, *Value-based pricing: moving beyond hourly billing.*

Your referral relationships
A practice without a functioning referral network is entirely dependent on repeat business and word of mouth, both of which plateau. Strategic partnerships with attorneys, financial advisors, and other professionals create a pipeline that compounds over time. We cover building this network in the November 2026 article, *Building a high-value referral network with attorneys and financial advisors*.

Your succession plan
Even if retirement is fifteen years away, the decisions you make now about your client base, your documentation systems, and your firm structure will determine what your practice is worth when you're ready to exit or bring on a partner. We address this directly in the January 2027 article, *Succession planning for your own practice: building enterprise value and planning your exit*.

Your team and capacity
Solo practitioners hit a ceiling. When you're doing everything yourself, the business is fragile and your capacity is capped. The first hire, role clarity, documented processes, and thoughtful automation are not optional for growth. They are the foundation of a scalable firm. We tackle all of it in the May 2027 article, *Building the infrastructure for scale: SOPs, automation, and role design for growing firms*.

How to use this guide

Each month pairs key compliance deadlines with an article designed for professionals who are past the basics and ready to build intentionally. Every technical article is intentionally framed through an advisory lens: The goal is not just to explain the law, but to show you how to use it to deepen client relationships and elevate your role from preparer to trusted advisor.

Each article is designed to do two things. First, highlight a specific technical or practice management insight that you can implement. Second, connect that technical content directly to a real advisory opportunity inside your firm.

Key tax facts for 2026

STANDARD DEDUCTION	
Married filing jointly/surviving spouse	$32,200
Single/married filing separately	$16,100
Head of Household	$24,150

ADDITIONAL STANDARD DEDUCTION	65+ or blind	65+ and blind
Married/surviving spouse	$1,650	$3,300
Unmarried	$2,050	$4,100

ADOPTION CREDIT	
Maximum credit	$17,670
Phaseout range	$265,080–$305,080

EDUCATION CREDITS	
American Opportunity maximum credit	$2,500
Phaseout threshold—joint filers	$160,000–$180,000
Phaseout threshold—all other filers	$80,000–$90,000
Lifetime Learning maximum credit	$2,000
Phaseout threshold—joint filers	$160,000–$180,000
Phaseout threshold—all other filers	$80,000–$90,000

OB3 SENIOR DEDUCTION (age 65+) (tax years 2025–2029)	
Per eligible taxpayer (age 65+)	$6,000
Maximum per married couple (both qualifying)	$12,000
Phase-down threshold—MFJ	MAGI > $150,000 MFJ
Phase-down threshold—all other filers	MAGI > $75,000

EDUCATOR EXPENSE DEDUCTION	
Maximum deduction	$350

EDUCATION SAVINGS BOND EXCLUSION	
Phaseout range—joint filers	$152,650–$182,650
Phaseout range—all other filers	$101,800–$116,800

STUDENT LOAN INTEREST DEDUCTION	
Maximum deduction	$2,500
Phaseout range—joint filers	$175,000–$205,000
Phaseout range—all other filers	$85,000–$100,000

HEALTH SAVINGS ACCOUNTS	Self-Only	Family
HDHP deductible	$1,700	$3,400
Out-of-pocket expense cap	$8,500	$17,000
Maximum contribution	$4,400	$8,750

MEDICAL SAVINGS ACCOUNTS	Self-Only	Family
HDHP deductible	$2,900–$4,400	$5,850–$8,750
Out-of-pocket expense cap	$5,850	$10,700

HEALTH FLEXIBLE SPENDING ACCOUNT	
Maximum salary reduction contribution	$3,400

TRANSPORTATION FRINGE BENEFITS	
Vanpool/transit pass monthly exclusion	$340
Qualified parking monthly exclusion	$340

CAPITAL GAINS TAX RATES			
Type of return	Joint return/ surviving spouse	Head of household	Single
Maximum zero rate amount	$98,900	$66,200	$49,450
Maximum 15% rate amount	$613,700	$579,600	$545,500

INDIVIDUAL RETIREMENT ACCOUNT DEDUCTION	
Maximum deduction	$7,500
Catch-up contribution age 50 or older	$1,100
Phaseout range—joint filers	$129,000–$149,000
Phaseout range—single/head of household	$81,000–$91,000
Phaseout range—married filing separately	$0–$10,000
Phaseout range—joint filer/active participant spouse	$242,000–$252,000

ROTH IRA CONTRIBUTION	
Maximum contribution	$7,500
Catch-up contribution age 50 or older	$1,100
Phaseout range—joint filers	$242,000–$252,000
Phaseout range—single/head of household	$153,000–$168,000
Phaseout range—married filing separately	$0–$10,000

Key tax facts for 2026

RETIREMENT SAVINGS CONTRIBUTION CREDIT			
Credit percentage	**50%**	**20%**	**10%**
AGI limit–joint filers	$0–$48,500	$48,501–$52,500	$52,501–$80,500
AGI limit–head of household	$0–$36,375	$36,376–$39,375	$39,376–$60,375
AGI limit–other filers	$0–$24,250	$24,251–$26,250	$26,251–$40,250

SOCIAL SECURITY TAXES	
Maximum net taxable self-employment earnings	$184,500
"Nanny tax" threshold	$3,000

FOREIGN INCOME	
Foreign earned income exclusion	$132,900

ANNUAL EXCLUSION FOR GIFTS	
Gift tax exclusion	$19,000
Exclusion for gifts to a non-citizen spouse	$194,000

MILEAGE ALLOWANCES	
Standard business mileage allowance	72.5¢
Medical and moving allowance	20.5¢
Charitable	14¢

CHILD TAX CREDIT
Increased to $2,200 per child under 17
Refundable portion is $1,700 for 2026, adjusted for inflation
SSN requirement for both child and taxpayer

CHARITABLE DEDUCTION AVAILABLE TO NONITEMIZERS		
Taxpayers/Non-itemizers can deduct cash donations up to:	$2,000 MFJ	$1,000 all other filing statuses

SALT DEDUCTION
New cap $40,400 per return ($20,200 MFS) in 2026
Phased down for MAGI over $505,000 ($252,500 MFS)
Cannot go below $10,000 ($5,000 MFS)

SENIOR DEDUCTION
Additional $6,000 per taxpayer age 65+
Available to itemizers and non-itemizers
Phased down for MAGI over $75,000 ($150,000 MFJ)

VEHICLE LOAN INTEREST DEDUCTION
Deduct up to $10,000 for interest on personal use vehicle loans
Phase-down begins when MAGI is over $100,000 ($200,000 MFJ)

TIP INCOME DEDUCTION
Deduct up to $25,000 of qualified cash tips
Only applies to workers in tip-receiving occupations as of 12/31/2024; SSTBs do not qualify
Phase-down begins when MAGI is over $150,000 ($300,000 MFJ)

OVERTIME COMPENSATION DEDUCTION
Individuals who receive qualified overtime compensation may deduct the pay that exceeds their regular rate of pay
Capped at $12,500 per taxpayer ($25,000 MFJ)
Phase-down begins when MAGI is over $150,000 ($300,000 MFJ)
Deduction is available for both itemizing and non-itemizing taxpayers

529 PLAN FLEXIBILITY
Tax-free rollovers allowed from 529 plans to ABLE accounts
Expanded use for certified job training and apprenticeship programs

QUALIFIED DISASTER LOSSES
Deduction available for personal casualty losses due to federal- or state-declared disasters

CHILD AND DEPENDENT CARE CREDIT
Nonrefundable tax credit increases to 35% of qualified expenses

DEPENDENT CARE ASSISTANCE PROGRAMS (DCAP/DCFSA)
Contribution limit increases to $7,500 ($3,750 MFS)

GAMBLING LOSSES
Limited to 90% of total losses

CHARITABLE CONTRIBUTION FLOOR
Those who itemize can no longer deduct the first 0.5% of AGI in charitable contributions

Refer to Intuit Accountants' "Annual IRS Inflation Adjustments" article for a comparison of the 2025 and 2026 amounts.

June 2026

Key compliance dates

Wednesday, June 10
Tips reporting for May (Form 4070). Employees who received $20 or more in tips during May must report to their employer.

Friday, June 12
Regular-method excise taxes deposit for the last 16 days of May.

Monday, June 15
Second installment of 2026 estimated tax due for individuals and calendar-year corporations. Monthly payroll tax deposit for May (Form 941).

Thursday, June 25
Communications and air transportation taxes deposit for the last 16 days of May.

Monday, June 29
Regular-method excise taxes deposit for the first 15 days of June.

Tuesday, June 30
Wagering tax (Form 730) and Heavy Highway Vehicle Use Tax (Form 2290) for May due. Floor stocks tax for ozone-depleting chemicals if applicable.

June 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4
5	6	7	8	9	10	11

To-do list:

Confirm Q2 estimated tax payments

Verify that individual and business clients have submitted their 2nd-quarter 2026 payments. This is also an ideal touch point to initiate a mid-year advisory conversation.

Identify S-corp salary review candidates

Pull a list of S-corp clients whose reasonable compensation has not been reviewed in 12+ months. June is the right time when adjustments can still be implemented before year-end.

Launch mid-year advisory reviews

Reach out proactively to your top 20 business clients. Frame these as 30-minute check-ins on YTD financials, Q3 projections, and any entity structure opportunities surfaced by OB3.

Schedule your own mid-year practice review

Review your capacity, pricing, and top client relationships. Which engagements are underpriced? Which clients are ready for a broader advisory conversation?

From compliance to conversation: using entity-structuring conversations to open the advisory door

There is a version of this conversation that happens every year in tax practices: A client comes in for their S-corp return, you notice the salary looks light, you flag it in the notes, maybe mention it briefly at pickup, and move on. The return gets filed, the client leaves, and the advisory opportunity disappears for another 12 months.

There is another version: You call that same client in June, walk through the compensation picture, model out two or three scenarios, and by the end of the conversation you're discussing retirement plan design, the QBI deduction, and whether a C-corp conversion might be worth exploring given their growth trajectory. Same client. Same technical knowledge on your end. What changed was the conversation. That is the difference between compliance and advisory.

Entity structuring, especially S-corp optimization, is one of the cleanest advisory entry points available. It is technical. It has a measurable tax impact. And it naturally expands into retirement planning, succession strategy, and exit discussions. If you're building advisory into your firm, this is a practical place to start.

The S-corp opportunity: what most clients don't understand

The mechanics are familiar. An S-corp owner pays themselves a reasonable salary subject to payroll taxes and takes additional distributions that are not subject to FICA. The payroll tax savings can be meaningful, often $5,000 to $25,000 or more annually for a profitable owner. That outcome depends on the structure being maintained correctly year after year.

What most clients do not understand is that "reasonable compensation" is not a fixed number, and that getting it wrong in either direction creates problems. Set the salary too low, and the IRS has an increasingly active enforcement posture on S-corp compensation, particularly for profitable service businesses. Set it too high, and you're leaving money on the table through unnecessary payroll tax exposure.

The advisory opportunity is in the modeling. When you show a client their after-tax position across two or three salary scenarios, factoring in payroll tax, QBI impact, retirement contribution limits, and state-level considerations, you are delivering something they cannot get from a tax preparation service alone. You are now quantifying a decision.

Reasonable compensation: the technical framework

Guidance and case law is that S-corp shareholder-employees must be paid a salary commensurate with the services they provide. While "reasonable" is inherently fact-specific, the IRS and courts commonly look at:

Role and qualifications. Training, experience, and duties performed by the shareholder-employee

Comparable compensation. What the corporation would pay an unrelated employee to perform the same services

Time devoted. The time and effort devoted to the business. Passive investors with no active role have a stronger argument for lower or zero salary.

Distributions-to-salary ratio. Minimal salary paired with large distributions is an audit flag.

Business performance. The financial condition of the business. Salary can be adjusted during periods of genuine financial stress, but consistency matters.

In practice, the most defensible approach is a combination of internal analysis (what is the owner actually doing, and how many hours?) and external benchmarking (what would you pay someone to do that job?). Tools like the RSSC (Reasonable S-Corp Compensation) calculation framework, BLS Occupational Employment Statistics, and industry-specific salary surveys all support a documented position.

Pro Tip: Document the analysis annually. Roles evolve. Revenue grows. Staff changes. A salary that was reasonable three years ago may not be reasonable today. A brief annual memo in the client file is inexpensive protection against an IRS challenge.

The QBI interaction: why salary level matters more than ever

One of the most consequential planning considerations for S-corp owners post-OB3 is the interaction between W-2 compensation and the Section 199A Qualified Business Income deduction.

Starting in 2026, OB3 expands the phase-in ranges for both specified service trades or businesses and businesses subject to the wage and property limitation.

The phase-in range increases:

- From $100,000 to $150,000 for married filing jointly
- From $50,000 to $75,000 for all other filers

That translates into the following 2026 ranges:

- $403,500 to $553,500 for joint filers (up from $394,600 to $494,600 in 2025)
- $201,750 to $276,750 for single filers and heads of household (up from $197,300 to $247,300 in 2025)

Some pass-through owners who previously phased out of the deduction may now qualify. Planning strategies that were necessary to reduce the wage limitation impact in prior years may no longer be as critical for certain clients.

For S-corp owners, this still brings us back to wages.

Above the threshold, the QBI deduction for non-SSTBs is limited to the greater of:

- 50% of W-2 wages, or
- 25% of W-2 wages plus 2.5% of qualified property

That means compensation planning continues to directly affect the size of the deduction.

A profitable owner paying themselves a low salary may not only create reasonable compensation risk, but may also be limiting their QBI deduction because there are not enough W-2 wages to support the full 20% benefit.

The modeling here matters.

Compare payroll tax cost at higher salary levels against the incremental QBI deduction allowed under the wage limitation. In some cases, increasing salary improves the overall tax result. In others, it does not. The answer depends on the numbers.

OB3 also introduced a minimum QBI deduction of $400, indexed for inflation, for taxpayers with at least $1,000 of QBI from one or more active businesses in which they materially participate. The taxpayer must show regular, continuous, and substantial involvement in the activity.

This provision will not move the needle for larger businesses. But for smaller active businesses that were previously phased out or limited to zero, it creates a floor that did not exist before.

The advisory opportunity here is straightforward.

Run the numbers again in 2026. Do not assume last year's analysis still applies.

When you walk a client through how wage levels, income thresholds, and entity structure affect their QBI deduction, you are helping them evaluate tradeoffs using current law.

That is advisory.

The entity conversion conversation: when to raise it

Beyond optimizing an existing S-corp, the entity-structuring conversation sometimes leads somewhere more fundamental: Should this business be a different entity type entirely? With OB3 now settled law, a few specific scenarios make this conversation worth having in 2026:

S-corp to C-corp for QSBS planning
For clients with growth-stage businesses that could potentially be sold in three to five years, the expanded QSBS exclusion under OB3 is a compelling reason to evaluate C-corp status. A qualifying C-corp with gross assets under $75 million at issuance may allow a gain exclusion of up to $15 million, or 10 times basis, per shareholder.

The critical caveat is that only post-conversion appreciation qualifies. A business that converts from an S corporation or LLC to a C corporation does not generate QSBS until C corporation stock is issued. The 5-year holding period begins at that time. We cover QSBS mechanics in depth in the August 2026 article *Value-based pricing: moving beyond hourly billing*.

LLC to S-corp for established profitable businesses
For sole proprietors or single-member LLCs generating high net income, the S-corp election remains one of the most straightforward tax planning moves available. The payroll tax savings on the distribution portion of income, combined with the QBI deduction optimization discussed above, typically justify the administrative cost of maintaining payroll.

The right time to raise this is not at tax filing but at mid-year when you have a clear picture of the prior year's profitability. The return is complete. The numbers are final. You can see exactly how salary, distributions, and QBI played out. That gives you real data to work with.

Multi-member LLC vs. partnership vs. S-corp
For clients with business partners, the entity structure question involves additional layers: Basis rules differ between partnerships and S-corps, the ability to make special allocations exists only in partnerships, and certain fringe benefit rules are more favorable for C-corps. These conversations require careful analysis but are exactly the kind of high-value advisory work that distinguishes a strategic tax advisor from a return preparer.

Pro Tip: Do not have entity structure conversations in the middle of busy season. Build a June and July advisory calendar. Schedule 15 to 20 business owner reviews. You will identify more opportunities and have time to implement changes before year-end.

Moving the conversation forward: from compliance to advisory

Technical knowledge alone does not create advisory. Conversations do. Here is a framework:

1. **Start with an observation.** "When reviewing your return, I noticed your salary-to-distribution ratio has shifted. I want to make sure we're positioned correctly and run a few numbers on whether there is a better structure."
2. **Quantify the opportunity.** Show the model. Even a simple spreadsheet comparing two or three scenarios: current salary, IRS-defensible salary, optimized salary accounting for QBI. Numbers create clarity.
3. **Ask the forward-looking question.** "What does the next three to five years look like for this business?" The answer to that question determines which planning levers matter most.
4. **Propose a defined next step.** Not another tax return, a specific deliverable. A compensation analysis memo. A retirement plan comparison. A QSBS eligibility review. Give them something tangible that extends the relationship beyond the filing.

The professionals building advisory practices are not doing something fundamentally different from what you already do. They are being more intentional with conversations they were already having. Entity structuring is the ideal starting point because the technical skill is already there. It just needs to be positioned differently.

A final thought as we kick off the 2026–2027 planning year: The advisory practice you build this year is the one that protects you from commoditization over the next decade. AI tools are already capable of preparing routine returns. They are nowhere close to replacing the judgment, relationships, and proactive guidance that define a great tax advisor. The entity structuring conversation is one place where that value is immediately visible to the client. Start there.

July 2026

Key compliance dates

Friday, July 10
Tips reporting for June (Form 4070). Employees who received $20 or more in tips during June must report to their employer.

Tuesday, July 14
Regular-method excise taxes deposit for the last 15 days of June.

Wednesday, July 15
Monthly payroll tax deposit for June (Form 941).

Monday, July 27
Communications and air transportation taxes deposit for the last 15 days of June.

Wednesday, July 29
Regular-method excise taxes deposit for the first 15 days of July.

Friday, July 31
Form 941 for Q2 2026 due. Form 720 (Q2 excise tax) and PCOR Fee due. Form 5500 for employee benefit plans (calendar-year plans). Wagering tax (Form 730) and Heavy Highway Vehicle Use Tax (Form 2290) for June due.

July 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29	30	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1
2	3	4	5	6	7	8

To-do list:

File Q2 payroll and excise returns

Prepare and file Forms 941, 720, and 5500. Confirm all June payroll deposits are reconciled before filing.

Identify QSBS candidates in your client base

Review business owner clients who hold C-corp stock, have startup investments, or are considering entity conversion. The OB3 changes make this the right time to initiate that conversation.

Review entity conversion opportunities

For clients considering S-corp to C-corp conversion for QSBS purposes, July is the ideal window to begin the analysis and enough lead time to implement before year-end if the facts support it.

QSBS under OB3: what changed and how to plan around it

If you work with founders, startup investors, or clients considering a C-corp conversion, the OB3 changes to Section 1202 should be on your radar. The Qualified Small Business Stock (QSBS) exclusion was already one of the most powerful tax planning tools in existence. OB3 made it broader and, in certain cases, more flexible.

The core mechanics: what Section 1202 does

Section 1202 allows eligible shareholders to exclude some or all of the capital gain realized on the sale of Qualified Small Business Stock (QSBS) held for the required holding period. For stock that qualifies under the post-OB3 rules, the potential exclusion has increased to up to $15 million of gain per taxpayer, per issuing corporation, completely excluded from federal income tax.

Section 1202 allows eligible taxpayers to exclude capital gain on the sale of Qualified Small Business Stock (QSBS), assuming all requirements are met.

For stock issued after July 4, 2025, the potential exclusion is up to:

- $15 million of gain per taxpayer, per issuing corporation, or
- 10 times basis, if greater

That exclusion applies at the federal level.

To qualify, five core requirements must be satisfied:

1. The issuing entity must be a domestic C corporation at the time of issuance.
2. The corporation's gross assets must not exceed $75 million (for stock issued after July 4, 2025) immediately before and after issuance.
3. At least 80% of the corporation's assets must be used in an active qualified trade or business during substantially all of the holding period.
4. The stock must be acquired at original issuance. Secondary purchases do not qualify.
5. The shareholder must be a non-corporate taxpayer (individuals, trusts, partnerships, and S corporations can qualify; C corporations cannot).

The OB3 changes:

Here is what materially shifted under OB3 for stock issued after July 4, 2025:

- Gross asset limit increased from $50 million to $75 million.
- Maximum exclusion increased from $10 million to $15 million (still subject to the 10x basis rule).
- Holding period became tiered:
  - 3 years: 50% exclusion
  - 4 years: 75% exclusion
  - 5 years: 100% exclusion

Legacy stock (issued before July 4, 2025) remains under prior rules.

The holding period strategy: new planning under OB3

Under prior law, the rule was simple. Hold more than five years or receive no exclusion. OB3 changed that. Now, partial exclusion is available at years three and four. That affects real-world decisions. If a founder receives an acquisition offer in year three, they are no longer forced into an all-or-nothing choice. A 50% exclusion may materially change the after-tax analysis.

The $15 million exclusion: understanding the per-taxpayer, per-issuer structure

The $15 million exclusion cap under OB3 applies per taxpayer per issuing corporation. This creates legitimate planning opportunities through ownership structure:

Married couples

The exclusion is per taxpayer, not per return. If both spouses directly hold QSBS, each may qualify for up to $15 million. Ownership structure matters. Do not assume community property or joint ownership automatically doubles the exclusion.

Multiple issuers

The exclusion applies separately to each issuing corporation. A founder or investor holding qualifying QSBS in multiple C corporations may potentially exclude up to $15 million per company. This is why QSBS planning for early-stage investors and serial entrepreneurs is such a high-value advisory engagement.

Family members and trusts

Gifted QSBS carries over holding period and original issuance status. Properly structured gifting to non-grantor trusts or family members can multiply available exclusions. Structure carefully and document thoroughly.

This is not a filing-season issue. It is a long-term ownership planning issue.

Entity conversion: LLC and S-corp to C-corp

One of the most frequent planning questions post-OB3 is whether a client should convert their existing LLC or S-corp to a C-corp to take advantage of the QSBS exclusion. The answer requires careful analysis, and several traps await the unprepared. The main traps are not always obvious at the outset. Some create immediate tax on conversion, others prevent the client from receiving a qualifying original issuance, and others do not surface until years later when the stock is sold and the exclusion is challenged. The planning opportunity is significant, but only if the structure, timing, and documentation are handled correctly from the beginning.

Trap 1: LLC to C-corp conversion can trigger gain

An LLC can check the box on Form 8832 to be treated as a C-corp for tax purposes. This is treated as an issuance of shares for Section 1202 purposes, which is required for QSBS eligibility. However, note that liabilities in excess of basis in the LLC can create gain on conversion under Section 357(c). Review the LLC's balance sheet carefully before proceeding.

Trap 2: S-corp to C-corp conversion does not create QSBS

Simply terminating an S-election does not constitute a new stock issuance and therefore does not create QSBS-eligible stock. A restructuring, often involving an F reorganization into a new holding C corporation, is typically required to achieve a qualifying new issuance. This is more administratively complex but achieves the required new issuance.

Trap 3: Ownership changes can break the benefit

QSBS benefits can flow through partnerships and S corporations, but only if:

- The entity acquired the stock at original issuance.
- The partner or shareholder was an owner at the time of acquisition and remains so through the holding period.

Late-joining partners do not inherit QSBS eligibility for stock already held.

A partnership may distribute QSBS to partners without destroying eligibility. Contributing QSBS into a partnership, however, destroys eligibility. Trace the ownership timeline carefully and review any admissions, transfers, or contributions before assuming the exclusion applies.

Trap 4: NOLs can absorb the benefit without cash tax savings

One of the most overlooked QSBS issues involves net operating losses. If a taxpayer enters the year of QSBS sale with an NOL carryforward, excluded QSBS gain is added back for NOL absorption purposes.

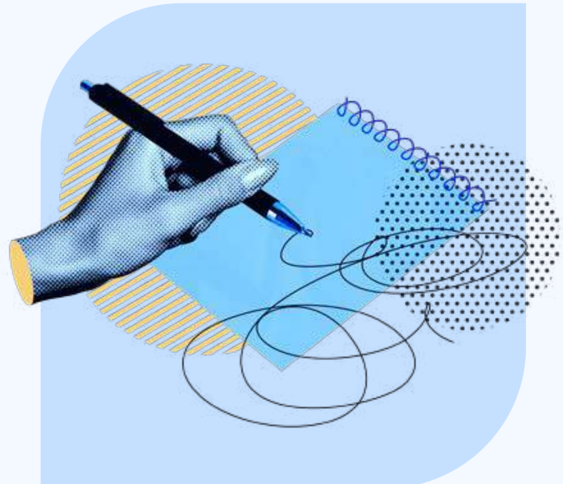
The result: The NOL disappears without producing a cash tax benefit.

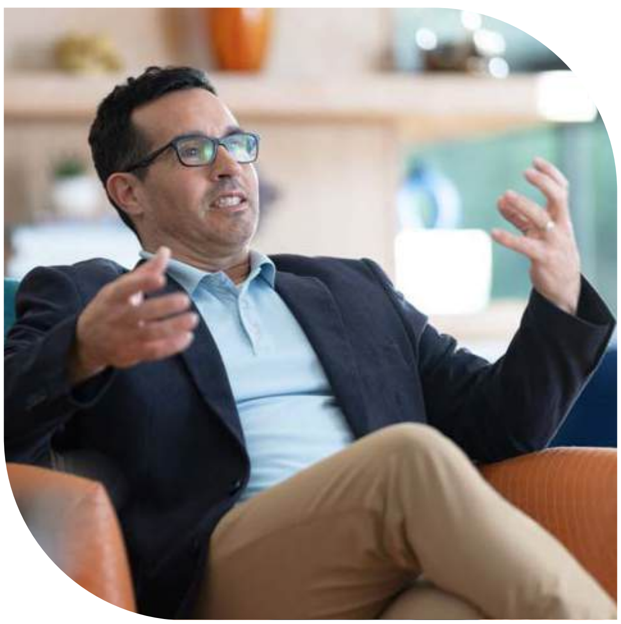
Before finalizing any return involving large QSBS exclusions, check for NOL carryforwards and model the impact.

Trap 5: Poor documentation can ruin a good structure
QSBS is realized at exit but tested over years. Even a well-designed structure can become difficult to defend without evidence of original issuance, gross asset compliance, active business status, ownership history, and conversion details. Build the file at issuance rather than trying to reconstruct it years later.

Maintain:
- Evidence of original issuance
- Historical balance sheets confirming gross asset compliance
- Documentation supporting active trade or business qualification
- Ownership records
- Conversion valuations
- 83(b) elections

Build the file at issuance, not at sale. Reconstructing five-year-old data under audit pressure is not ideal.





Advisory perspective

QSBS planning is not a one-year compliance task. It is a multi-year advisory engagement that involves:
- Eligibility analysis
- Structural planning
- Ongoing monitoring
- Exit modeling

This work cannot be automated. Software can calculate gain, but it cannot evaluate ownership structuring, holding strategy, conversion timing, or the interaction of Section 1202 with a client's broader wealth plan.

For practitioners willing to master this area, QSBS is not just technical knowledge, it is a differentiator.

In a profession moving toward automation of routine compliance, differentiation matters.

August 2026

Key compliance dates

Monday, August 10
Tips reporting for July (Form 4070). Extended due date for Form 941 Q2 if all deposits were made on time.

Wednesday, August 12
Communications and air transportation taxes deposit for the first 15 days of July.

Friday, August 14
Regular-method excise taxes deposit for the last 16 days of July.

Monday, August 17
Monthly payroll tax deposit for July (Form 941).

Wednesday, August 26
Communications and air transportation taxes deposit for the last 16 days of July.

Friday, August 28
Regular-method excise taxes deposit for the first 15 days of August.

August 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

To-do list:

Review S-corp and partnership extended returns

Begin preparing extended returns for the September 15 deadline. Confirm all client data has been received.

Audit your own pricing

Pull your top 20 client engagements and compare what you charged to what you delivered. Which engagements are most underpriced? That list becomes your value-based pricing pilot group.

Identify three clients for a pricing conversation

Choose three clients whose engagements have grown in complexity without a corresponding fee adjustment. Plan to have the pricing conversation before year-end.

Draft or update your service tier structure

Before you can price by scope, you need to define what each tier includes. Use August, while the season is quieter, to write down what your three levels of engagement actually look like in practice.

Value-based pricing: moving beyond hourly billing

August has a particular feeling in a tax practice. The chaos of April is far enough behind you that the adrenaline has worn off. September 15 is close enough that you're not fully in recovery mode. You're in extension season, working hard, heads down, moving returns. And somewhere in the background, often quiet enough to ignore, is a question a lot of practitioners carry through this stretch of the year: Am I actually getting paid for what I'm worth?

Let's start with something simple: If you bill by the hour, your revenue is tied to your time. There are only so many hours in a week. At some point, growth requires either working more or charging more per hour. Working more leads to burnout. Raising rates past a certain point creates tension with clients who start watching the clock. That's the structural limit of hourly billing.

Most tax professionals don't realize this until they're several years into practice and feel capped.

Value-based pricing shifts the model. Instead of charging for time, you charge for scope and outcome. Revenue is no longer directly tied to how long something takes you. It is tied to the level of responsibility and insight you bring to the engagement. This is not theory. Many firms have already made this shift. The question is whether you're ready to.

Why hourly billing undervalues your work

There is a built-in flaw with hourly billing. It penalizes efficiency.

An experienced practitioner can solve in 30 minutes what a less experienced one might take three hours to resolve. Under hourly billing, the more experienced professional earns less for the same result. That does not make sense economically.

Hourly billing also reframes the client conversation. Instead of asking, "What did you help me accomplish?" clients start asking, "Why did this take so long?" That shift reduces your work to time spent rather than judgment exercised.

Value-based pricing changes that conversation. The client pays for a defined scope of services. The deliverables are clear. The time it takes you becomes irrelevant.

A practical framework for value-based pricing

This does not require a full firm overhaul overnight. It requires structure.

1. Define scope clearly
If you move to fixed pricing without defining scope, you will resent your own model.

Be explicit:

- Which returns are included
- How many meetings
- What advisory deliverables
- What response time commitment
- What triggers a change in scope

Clarity protects both sides.

2. Understand the client's economics
The best value-based prices are anchored to the client's financial reality. A client paying $250,000 in annual tax has a different tolerance for advisory fees than one paying $25,000. Before you price, understand what problems you're solving and what those solutions are worth in context. If you help a client restructure compensation and save $40,000 in tax, the value of that conversation is not measured in hours, it's measured in impact.

3. Use tiered packages
Tiered pricing makes the decision easier for clients.

For example:

Tier 1–Compliance
Entity and individual returns. One annual review meeting. Standard response time.

Tier 2–Advisory
Everything in Tier 1 plus two advisory meetings, a year-end projection, estimated tax monitoring, and proactive updates.

Tier 3–Comprehensive
Everything in Tier 2 plus quarterly meetings, entity structure reviews, retirement planning coordination, and priority access.

Most clients will choose the middle tier. That is normal. The structure gives them choice without turning the conversation into a negotiation over hours.

4. Price for the relationship, not the task
The strongest version of value-based pricing is structured as an annual engagement that can be billed monthly or annually, but it reflects an ongoing relationship. This creates predictable revenue for you, predictable costs for the client, and a structural incentive for both parties to deepen the relationship.

Pro Tip: Start with your best existing clients, not your most difficult ones. When you first introduce value-based pricing, pilot it with clients who already trust you and understand the value you deliver. Their positive experience becomes your proof of concept. Restructuring pricing with a skeptical client is harder than getting an enthusiastic client to see the logic of the new model.

Having the conversation

The hesitation most practitioners feel is not about math. It's about confidence.

Here's a simple approach:

1. Lead with scope
Explain what the engagement includes before you mention price.

2. Tie it to outcomes
"This structure allows us to proactively review your compensation, run projections midyear, and identify tax planning opportunities early enough to make adjustments before year-end to improve your tax outcome."

3. Present options
Let the client choose the tier that fits.

4. Be steady when questioned
If a client says, "This is more than I was paying," the response is straightforward: "Yes. The scope is different. Here's what's included now."

Advisory Angle
Value-based pricing is a practice development decision as much as it is a revenue decision. When you move to scope-based engagement pricing, you naturally attract clients who are buying a relationship and a service level, not the lowest return preparation fee they can find. Over time, that self-selection changes the composition of your client base. The clients who stay are the ones who understand and value what you deliver. The clients who leave because the price increased were often your most difficult and your least profitable anyway. The shift improves the practice from both directions.

Transitioning existing clients

The most common question: How do I move existing clients to value-based pricing without losing them? The answer is transparency and lead time. At the end of each engagement season, communicate the new pricing structure clearly, explain what is changing and why, and give clients time to consider. Most long-term clients who value your work will adapt. Those who leave were probably not your best clients to begin with.

A useful framing: "I have restructured how I price my services to better reflect the advisory work I do year-round. Here is what your engagement will look like going forward, and here is what it includes." Do not apologize for the change. Deliver it with confidence.

Pro Tip: Do not pilot value-based pricing with your most complex or most difficult clients. Start with the clients who already trust you—the ones who call you with mid-year questions without being asked, who refer their colleagues and family, who treat you like an advisor rather than a vendor. They already see the value. You are simply making the structure of the relationship explicit. Their positive experience becomes the template for the next conversation, and the one after that.

September 2026

Key compliance dates

Thursday, September 10
Tips reporting for August (Form 4070).

Monday, September 14
Regular-method excise taxes deposit for the last 16 days of August.

Tuesday, September 15
Third installment of 2026 estimated tax due for individuals and calendar-year corporations. S corporation (1120-S) and Partnership (1065) returns due if on extension. Monthly payroll tax deposit for August (Form 941).

Friday, September 25
Communications and air transportation taxes deposit for the last 16 days of August.

Tuesday, September 29
Special September deposit rule: Regular-method excise taxes deposit for the period beginning September 16 and ending September 26.

Wednesday, September 30
Wagering Tax (Form 730) and Heavy Highway Vehicle Use Tax (Form 2290) for August due. Final due date for special September deposit rules for excise tax.

September 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3
4	5	6	7	8	9	10

To-do list:

File all extended S-corp and partnership returns

September 15 is the hard deadline. Confirm all extended pass-through returns are completed and submitted.

Run retirement plan reviews for business owner clients

September is ideal for cash balance plans and defined benefit plan proposals. Contributions must be made by the return due date, including extensions, but the plan must be established before year-end.

Advanced retirement planning: cash balance plans, Mega Backdoor Roth, and multi-vehicle strategies

When you're working with high-net-worth clients, the standard retirement conversation is usually insufficient. Maxing out a 401(k) and adding a SEP or profit-sharing contribution might check the compliance box, but it often does very little to materially change their tax liability.

The gap between what most high earners are doing and what is actually available under the code is significant. And that gap represents one of the clearest advisory opportunities in your practice.

For the right client profile, annual tax-advantaged contributions can reach $200,000, $300,000, or even more. The tools are not new. They are just underutilized.

The contribution gap: why standard plans are not enough

For 2026, the 401(k) elective deferral limit is $24,500. With employer profit sharing, total defined contribution plan limits increased to $72,000. That is meaningful for many clients. But for a business generating $500,000 or more in net income, a $72,000 pre-tax contribution may not significantly move the overall tax picture.

This is where the conversation shifts from "max out your 401(k)" to "what is the total retirement capacity of this business?"

When you frame it that way, you begin to see how much planning room is left on the table.

Cash balance plans: the heavy lifter

A cash balance plan is technically a defined benefit plan, but from the participant's perspective it resembles an account balance that grows annually at a stated crediting rate. From a tax standpoint, the employer contributions are fully deductible, and contribution levels are driven by actuarial calculations based on age and compensation.

Cash balance plan contributions are determined by actuarial valuation based on your client's age, compensation history, and the benefit formula the plan sponsor chooses. Because the IRS annual benefit limit for defined benefit plans (including cash balance plans) is around the mid-$200,000s for 2026, older, higher-earning participants often support very large deductible contributions in practice.

The most powerful structure layers a cash balance plan on top of a 401(k) with profit sharing. The owner first maximizes the 401(k) elective deferral and employer contribution, then adds the cash balance contribution. For a profitable 55-year-old owner, total deductible retirement contributions can exceed $300,000 in a single year.

Of course, this is not plug-and-play. Cash balance plans are subject to ERISA and require annual actuarial certification. Administrative and actuarial costs are typically in the range of a few thousand dollars annually. If the business has employees, they must generally be included, which increases the overall funding requirement. These plans work best in businesses with few employees, or where employees are younger and lower compensated.

Cash balance plans also require consistency. Before recommending one, confirm that the business has stable cash flow and can sustain required contributions.

When presented properly, this is not an abstract idea. It is a concrete savings calculation. Instead of saying, "You could contribute more," show the client what an additional $200,000 deduction does to their federal and state tax liability this year. High earners respond to numbers.

Pro Tip: For the right client, a cash balance plan can become one of the most valuable planning opportunities you offer all year. The key is to quantify the opportunity clearly. Model the additional deductible contribution, estimate the federal and state tax impact, and present the strategy as a concrete planning decision rather than a general retirement idea.

The Mega Backdoor Roth

While the cash balance plan focuses on large deductible contributions, the Mega Backdoor Roth focuses on long-term tax-free growth. For high earners who are phased out of direct Roth IRA contributions, the Mega Backdoor Roth can allow significantly more money to move into Roth status each year. The structure is straightforward in concept: Make after-tax contributions to a 401(k) beyond the elective deferral limit, up to the overall annual plan cap, and then convert those after-tax amounts to Roth either inside the plan or through a rollover to a Roth IRA.

This strategy only works if the 401(k) plan document allows after-tax employee contributions and either in-plan Roth conversions or in-service distributions of after-tax amounts. Many standard payroll-provider plans do not include these features automatically. For owner-only plans, amendments are often possible, but the plan must be reviewed carefully.

This is not a strategy you assume is available. It is one you verify.

Multi-vehicle stacking

The most advanced planning approach is not choosing between strategies. It is stacking them intentionally.

A high-earning business owner may have access to:

- 401(k) elective deferrals
- Employer profit sharing
- After-tax contributions for Mega Backdoor Roth conversion
- A cash balance plan
- An HSA for triple tax-advantaged savings

When layered properly, total annual tax-advantaged contributions can reach several hundred thousand dollars. For the right client profile, there is no other recurring strategy in the code that produces this level of tax deferral and long-term compounding potential.

The key is not complexity for its own sake. It is alignment. The client must have the income, cash flow stability, and long-term horizon to justify the structure.

Why this is an advisory conversation

Retirement planning is one of the cleanest ways to move from compliance to advisory.

Every business owner cares about their tax bill. Every business owner cares about long-term security. When you combine those two in a midyear planning conversation, the value is visible.

October 2026

Key compliance dates

Thursday, October 1
Extended calendar-year Estates and Trusts (Form 1041) returns due.

Tuesday, October 13
Tips reporting for September (Form 4070). Extended due date for Form 941 Q3 if all deposits were made on time.

Wednesday, October 14
Special September deposit rule: Regular-method excise taxes deposit for the last 4 days of September.

Thursday, October 15
Extended Individual (1040) and Corporate (1120) returns due. Monthly payroll tax deposit for September (Form 941).

Tuesday, October 27
Communications and air transportation taxes deposit for the last 15 days of September.

Thursday, October 29
Regular-method excise taxes deposit for the first 15 days of October.

October 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1	2	3	4	5	6	7

To-do list:

Complete all extended individual and corporate returns

October 15 is the hard deadline. Prioritize 1040s for clients with complex investment income, SALT considerations, or OB3 deductions requiring careful documentation.

Begin year-end tax planning conversations

October is the optimal window. Enough of the year has passed to project income accurately; enough time remains to implement strategies. Start with your highest-complexity clients.

Model SALT scenarios for high-income itemizers

Identify clients in high-tax states who itemize. The new 2026 $40,400 SALT cap combined with OB3's phase-down for MAGI over $505,000 creates planning opportunities worth quantifying now.

Review Q3 payroll and excise filings

File Forms 941 and 720 by October 30 and reconcile all year-to-date payroll data. October is also a good time to review payroll for any year-end bonus planning.

SALT deep dive: advanced planning for the new landscape

For tax professionals serving clients in high-tax states, the SALT deduction has been one of the most impactful planning limitations of the last decade. The original TCJA $10,000 cap didn't just reduce deductions. It changed behavior. Many clients stopped itemizing entirely because the math no longer worked.

OB3 reopens the conversation but not in a simplistic way. Starting in 2026, the SALT cap increases to $40,400 per return and $20,200 for married filing separately, with 1% annual increases through 2029. That is the headline. The phase-down is where the planning lives.

The 2026 SALT cap and phase-down mechanics

For 2026:

- Cap: $40,400 (MFJ) / $20,200 (MFS)
- Phase-down threshold: $505,000 (MFJ) / $252,500 (MFS)
- Reduction formula: Cap reduced by 30% of MAGI above the threshold
- Floor: $10,000 (MFJ) / $5,000 (MFS)

A key point for planning is that this is not a cliff. It is a narrow phase-down window. That means the cap phases down across a MAGI band of approximately $505,001 to $606,333. Only once MAGI exceeds roughly $606,333 does the cap hit the $10,000 floor.

Phase-down mechanics: where the planning actually lives

The clients who benefit most from modeling are not necessarily the clients with the highest taxes. They're the clients sitting inside the phase-down band.

For example, in 2026: If a joint filer has $515,000 of MAGI, that is $10,000 above the threshold. Reduction = 30% × $10,000 = $3,000. Allowable SALT cap is $37,400. At $600,000 of MAGI: excess = $95,000, reduction = 30% × $95,000 = $28,500, allowable SALT cap is $11,900. Now we are very close to the $10,000 floor. This gradual reduction is why modeling matters. The cap does not collapse quickly. It erodes steadily.

Itemized deduction planning: Re-run the math for clients you stopped modeling

In many high-tax states, the $10,000 cap made itemizing pointless for a large segment of clients. Under OB3, those same clients may now be itemizing again, but only if total itemized deductions exceed the standard deduction. That sounds obvious, but here's what changes in practice: You can't rely on last year's default decision.

If you have clients who have taken the standard deduction for years solely because of the SALT cap, re-run the itemized-versus-standard analysis. This is especially important for clients with property taxes, mortgage interest, and charitable giving that can be timed or structured.

A practical example: A couple with $280,000 of income, $22,000 of state income tax, and $18,000 of property tax was capped at $10,000 under prior law. Under OB3, they may be able to reach the full $40,400 SALT allowance in 2026. That is not automatically a tax win unless itemizing clears the standard deduction threshold, but it reopens planning opportunities that were dormant.

OB3 charitable deduction changes: three provisions working together

OB3 made three significant changes to the charitable deduction landscape. Understanding how they interact is essential before advising clients on giving strategies for 2026 and beyond.

1. The new 0.5% AGI floor (effective 2026)

Starting in 2026, charitable contributions are deductible only to the extent they exceed 0.5% of AGI. In plain terms, the first 0.5% of AGI in charitable giving produces no deduction. It becomes a built-in "dead zone." That is a subtle shift in the law, but it changes how we frame charitable planning conversations.

Here is what that looks like in real numbers:

Client AGI	0.5% Floor (Nondeductible)	Practical Effect
$100,000	$500	First $500 not deductible
$250,000	$1,250	First $1,250 not deductible
$500,000	$2,500	First $2,500 not deductible
$1,000,000	$5,000	First $5,000 not deductible

For many clients, this does not radically change their tax outcome. But it does change expectations. Under prior law, every dollar of charitable giving (subject to overall percentage limits) generally produced some marginal benefit. That is no longer true.

The real planning takeaway is this: Clients who give just above the margin need to be intentional.

If a client's giving hovers around that 0.5% threshold each year, they may be losing part of the tax benefit without realizing it. In some cases, it makes sense to bunch contributions so they are meaningfully above the floor in one year rather than barely clearing it annually.

This is not dramatic planning. It is disciplined planning. And it is one of those small rule changes that will be missed entirely unless you bring it up proactively.

Technical Insight: Starting in 2026, C corporations also have a floor. C corporations face a 1% taxable income floor on charitable deductions, on top of the 10% cap. Contributions disallowed only because of the 1% floor generally do not carry forward.

2. The permanent 60% AGI cap

OB3 makes permanent the 60% of AGI limitation on cash charitable contributions. Under prior law, this limit was set to revert to 50% after 2025. The permanence of the 60% cap is a planning win for high-income clients who make substantial annual charitable contributions.

The practical impact is most significant for clients who are large donors relative to their income. A client with $300,000 of AGI can now deduct up to $180,000 in cash contributions in a single year (subject to the 0.5% floor). The 5-year carryforward applies to contributions that exceed the annual AGI limit.

3. The non-itemizer deduction ($1,000/$2,000)

Beginning in 2026, taxpayers who claim the standard deduction may deduct up to $1,000 of qualified cash contributions, or $2,000 for married filing jointly.

This appears modest but shifts client behavior. Many standard deduction clients previously ignored charitable substantiation because there was no tax benefit. Now there is.

Pro Tip: Update your 2026 tax organizer now to prompt standard-deduction clients to report charitable giving. For years, it didn't matter. Now, up to $2,000 (MFJ)/$1,000 (single) is deductible. If you don't prompt for it, most clients won't report it.

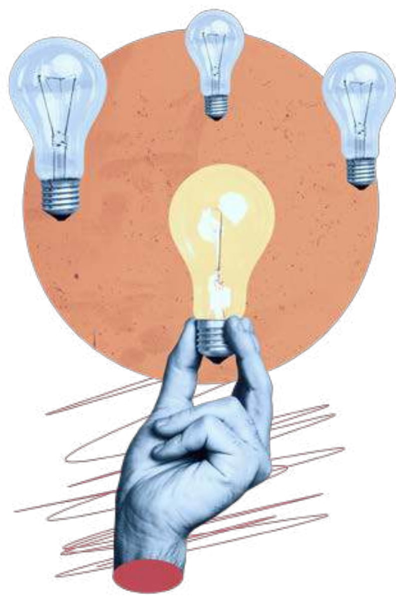
Bunching strategies: still useful, just more strategic now

Bunching is still effective for clients near the itemized threshold. The difference now is that SALT can be a bigger component of the "high year," which makes the two-year analysis more valuable.

Charitable bunching pairs well with the higher SALT cap. A donor-advised fund remains one of the simplest ways to front-load charitable contributions into a high-itemized year while still supporting giving over time. The practical planning step here is to model the two-year outcome, not just the high year. Some clients get meaningful net savings. Others barely move the needle. The model tells you which is which.

PTET: The SALT workaround still matters

Pass Through Entity Tax (PTET) did not become irrelevant just because the cap moved to $40,400 for 2026. For many pass-through business owners, PTET remains the best way to bypass the SALT cap entirely at the federal level by deducting state tax at the entity level.



Mechanically, it works the same way it has since Notice 2020-75. The entity pays state tax, deducts it federally as a business expense, and the owner receives a state credit or deduction to prevent double taxation.

What changed is the decision process. With a higher individual cap, some clients may not need PTET as aggressively. Others still do. The break point depends on how much state tax is tied to pass-through income and how much SALT capacity the client has available after personal property taxes and other state liabilities.

One caution that should always be part of this conversation is the QBI interaction. The PTET deduction reduces pass-through income, which can reduce QBI and the related 199A deduction. That does not mean PTET is bad. It means PTET is a modeling decision, not a default election.

Advisory Angle

Use SALT and charitable planning as a gateway to broader strategy. Under OB3, higher SALT limits and revised charitable rules create new room to plan. Model SALT, layer in charitable timing, and evaluate retirement contributions together. When clients see the integrated impact, the conversation moves from compliance to true advisory.

High-MAGI clients: SALT becomes a MAGI management conversation

For clients near the $505,000 MAGI threshold, SALT becomes a planning lever. Reducing MAGI can preserve more SALT capacity, and the combined benefit can be significant.

This is where retirement planning becomes tied directly to SALT planning. If a client is above $600,000 MAGI, they may be pushed down to the $10,000 floor. If planning deductions move them closer to $505,000, they are not just saving tax on the deduction itself. They are also restoring SALT capacity that would otherwise be phased down.

This is one of the rare situations where a deduction can create a second-order benefit. It's worth modeling because the compounding effect can make certain strategies more cost-effective than they look on the surface.

Why this becomes advisory work

Many clients in high-tax states have been frustrated by SALT limitations for years. They've felt the pain but haven't understood the mechanics. Walking them through the new cap, explaining who benefits and who doesn't, and modeling their outcome across a few planning levers is an easy way to deliver real value.

The best part is that SALT rarely stands alone. Once you model SALT, you naturally end up discussing charitable strategy, retirement contributions, PTET elections, and income timing. That's the full-picture planning conversation that separates an advisor from a preparer.

State-level considerations and conformity

One final reminder: State conformity is not automatic. Some states have their own itemized rules and may not mirror federal treatment. In addition, PTET mechanics vary by state, including election deadlines, credit calculation rules, and interaction with resident and nonresident filings.

Before recommending PTET or building a plan around SALT assumptions, confirm the state-specific rules for the jurisdictions your clients operate in.

November 2026

Key compliance dates

Monday, November 2
Form 941 for Q3 2026 due. Form 720 for Q3 2026 due. Deadline moved from October 31 (Saturday).

Tuesday, November 10
Tips reporting for October (Form 4070). Extended due date for Form 941 if all deposits were made on time.

Thursday, November 12
Communications and air transportation taxes deposit for the first 16 days of October.

Friday, November 13
Regular-method excise taxes deposit for the last 16 days of October.

Monday, November 16
Monthly payroll tax deposit for October (Form 941).

Wednesday, November 25
Communications and air transportation taxes deposit for the last 16 days of October.

Friday, November 27
Regular-method excise taxes deposit for the first 15 days of November.

November 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	1	2	3	4	5
6	7	8	9	10	11	12

To-do list:

Finalize year-end tax projections for all major clients

November is the last meaningful window to implement planning strategies before year-end. Run projections for every client with significant tax exposure and identify specific actions.

Review clients for OB3 deduction documentation

Tip income, overtime compensation, and vehicle loan interest deductions all require specific documentation. Identify which clients will claim these deductions and confirm records are in order.

Conduct payroll compliance review

Ensure all quarterly payroll filings are accurate and year-to-date payroll data is reconciled. Bonus planning should be finalized this month for implementation in December.

Identify audit risk areas in your client base

Review your highest-complexity returns for the patterns that correlate with IRS scrutiny. Proactive documentation now is significantly less expensive than responding to an audit later.

Building a high-value referral network with attorneys and financial advisors

In most successful tax practices, the best clients arrive through referrals. Not marketing funnels. Not random inquiries. Referrals.

What separates an average referral network from a high-performing one is intention. Many practitioners have a handful of informal relationships that occasionally produce work. Few build those relationships deliberately, with the same care they apply to client service.

A strong referral network compounds. One solid relationship with an estate planning attorney can generate steady introductions for years. A financial advisor who truly trusts your technical judgment can become a consistent source of complex planning engagements. That does not happen by accident. It happens through credibility, structure, and consistency.

Why referral networks underperform

Most networks are built casually. A few connections from a local bar association meeting. A financial advisor a client happens to know. Occasional lunches. Sporadic referrals.

This produces unpredictable results because the relationship has not been defined. There is no shared understanding of who the ideal client is, how each party adds value, or how communication should flow.

High-performing referral relationships are deeper. They are built on demonstrated competence and reinforced through regular, low-effort touchpoints. The goal is not to have a long list of contacts. It is to have a short list of trusted professionals who confidently refer meaningful work.

Choosing the right partners

Estate planning attorneys are often the highest-value referral partners for tax practitioners serving affluent clients. Their work intersects directly with tax planning, especially in light of the expanded estate exemption under OB3. Estate plans without coordinated tax input are incomplete. Attorneys who understand that actively seek tax partners who elevate their client outcomes. Financial advisors and wealth managers are equally important. They operate in a world where tax impacts every investment decision, yet most are not equipped to provide detailed tax analysis. An advisor who can call you to validate the tax implications of a Roth conversion or concentrated stock sale becomes more valuable to their client. That value builds loyalty. And loyalty builds referrals.

Business attorneys represent another strategic category. Entity formation, restructurings, acquisitions, and exits all carry tax implications. When attorneys know that you understand both technical compliance and strategic structuring, they begin to bring you into conversations earlier.

Specialty tax practitioners should not be overlooked. Professionals focused on cost segregation, R&D credits, international tax, or state and local tax can serve as both collaborators and referral sources. When you bring in a specialist to strengthen a client's outcome, you demonstrate depth rather than limitation.

When evaluating any potential partner, ask yourself two questions. Would I confidently send my best client to this person? And do I believe they would send their best client to me? If the answer is no to either, the relationship will not produce meaningful work.

The first conversation

The first conversation with a potential referral partner should not feel like a pitch. It should feel like professional due diligence.

Ask how they serve clients. Ask where they see recurring friction points. Share how you approach planning in areas that intersect with their work. Demonstrate substance rather than enthusiasm.

If you serve business owners, talk about compensation planning, QBI optimization, or entity structuring. If they focus on estates, discuss how you coordinate income tax modeling around trust distributions or lifetime gifting strategies.

The goal is not to "secure referrals." The goal is to establish whether your expertise genuinely complements theirs.

Demonstrating competence

Professional referrals are built on trust, and trust is built on competence.

One of the simplest ways to demonstrate competence is to provide value without being asked. If a legislative change affects their client base, send a concise explanation of what it means. Offer to co-host a short educational session for clients. Be available when they have a technical question and respond promptly.

Over time, consistent technical clarity builds confidence. When a financial advisor encounters a client with a complex compensation structure or a business attorney closes a transaction that raises tax structuring issues, your name should surface naturally.

Staying present without being overbearing

The best referral relationships are maintained through steady, low-friction contact. A quarterly check-in. A brief email summarizing a relevant development. A quick call when something affects a shared client.

You do not need elaborate events or constant outreach. Consistency matters more than intensity.

The objective is simple: When a client mentions a tax issue in the advisor's office, you are the first person they think of.

Circular 230 and transparency

If a referral arrangement involves compensation, Circular 230 requires disclosure. Any referral fee or commission structure should be disclosed in writing to the client. The disclosure should be clear and included in your engagement documentation.

Most high-quality referral relationships are non-compensatory. They are built on mutual respect and reciprocal value rather than fee sharing. Even in those cases, transparency with clients about why you recommend a particular professional strengthens trust.

Turning relationships into a pipeline

A network becomes a pipeline when both parties actively think of each other in relevant situations.

Track referrals. Know who is sending you work and what type. Be intentional about reciprocation. Referral flow does not have to be equal in every quarter, but over time it should feel balanced.

If referrals consistently move in only one direction, the relationship may need recalibration.

The practitioners who build the strongest networks are those who treat referral relationships with the same discipline they apply to client relationships. They invest time, demonstrate competence, and maintain presence.

The long-term value

A well-built referral network is more than a marketing channel. It is an appreciating asset.

As the practices of your referral partners grow, so does your exposure to higher-quality clients. As trust deepens, you are brought into more complex situations earlier in the planning process. Over time, those relationships become embedded in your professional identity.

And when you eventually consider succession planning for your own firm, a documented, stable referral network adds real enterprise value.

The most successful tax professionals do not leave referrals to chance. They build them deliberately, nurture them consistently, and allow them to compound.

December 2026

Key compliance dates

Thursday, December 10
Employees who received $20 or more in tips during November must report to their employer (Form 4070).

Monday, December 14
Regular-method excise taxes deposit for the last 15 days of November.

Tuesday, December 15
Employers applying the monthly deposit rule must deposit Social Security, Medicare, and withheld income tax on payments made in November.

Tuesday, December 29
Regular-method excise taxes deposit for the first 15 days of December.

Thursday, December 31
Form 730 (wagering tax) for November wagers due. Form 2290 (heavy highway vehicle use tax) for vehicles first used in November due. Last day to establish a new retirement plan for 2026 deductibility (for defined benefit and cash balance plans).

December 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2
3	4	5	6	7	8	9

To-do list:

Execute all year-end planning strategies

December 31 is the hard deadline for most planning moves: retirement plan contributions, bonus payments, charitable donations, equipment purchases for bonus depreciation, and Roth conversions.

Review dependent care benefits enrollment and reimbursement

The DCAP exclusion increased to $7,500 under OB3. Clients whose employers offer dependent care FSAs should confirm that their 2026 and 2027 election amounts reflect the new limits. Year-end is the window for open enrollment changes.

Review OB3 deduction eligibility for all clients

Run through every OB3 deduction—tips, overtime, vehicle loan interest, senior deduction, SALT, charitable non-itemizer—and confirm documentation is in order for clients who will claim them.

Finalize Roth conversion analysis

December is the last opportunity for 2026 Roth conversions. For clients in a low-income year or with significant NOL carryforwards, model the optimal conversion amount.

OB3 individual provisions: advanced implementation for client situations

December is where planning becomes execution. The strategies discussed mid-year either get implemented now or they wait another twelve months. For OB3's individual provisions, 2026 is the first full year-end operating under the new law. Many of these deductions look straightforward on paper but require documentation discipline and thoughtful modeling to be captured correctly.

This is not about knowing the rules. It is about implementing them well.

Below are the OB3 individual provisions most likely to affect complex client situations, along with the nuances practitioners will encounter for the first time this filing season.

Dependent Care Assistance Programs (DCAP): the $7,500 exclusion

One of the most practical and widely applicable changes under OB3 is the increase to the employer-provided dependent care assistance exclusion under Section 129. Unlike some of the more technical provisions in the legislation, this change affects a broad segment of working families and requires proactive communication from tax professionals.

Beginning in 2026, the exclusion amounts increase as follows:

- Single / Married Filing Jointly: from $5,000 to $7,500
- Married Filing Separately: from $2,500 to $3,750

The exclusion applies to employer-provided dependent care benefits, including dependent care flexible spending account (DFSA) contributions. These amounts are excluded from the employee's gross income and are not subject to Social Security or Medicare tax. In many cases, the combined income and payroll tax savings makes DCAP one of the most tax-efficient benefits available to working parents.

Who this impacts

The DCAP exclusion is relevant for any client with qualifying dependents. That includes children under age 13 and disabled dependents of any age who require care to allow the taxpayer (and spouse, if married) to work or look for work.

This is not a narrow planning population. It includes dual-income households with young children, employees caring for disabled family members, and many middle- and upper-income families who historically maximized the $5,000 cap. For these clients, the additional $2,500 exclusion represents a meaningful increase in tax-advantaged benefits.

Because the exclusion reduces both income tax and payroll tax exposure, the incremental savings can be substantial, especially for clients in higher marginal brackets.

The timing issue: open enrollment matters

The technical change is straightforward. The implementation is where advisory value shows up.

Dependent care FSA elections are typically made during open enrollment for the upcoming plan year. For calendar-year plans, 2027 open enrollment is occurring now or in the coming months. Clients who were previously maximizing the $5,000 limit will not automatically increase their election to $7,500 unless prompted.

Client Conversation
Open enrollment deadlines and procedures can vary by employer and plan. Encourage clients to confirm their enrollment window and submission deadlines early so they do not miss the opportunity to increase their dependent care FSA election for the upcoming year.

This is where the tax professional steps in. Clients should be advised to review their elections and consider increasing contributions to the new $7,500 limit if their dependent care expenses justify it.

Pro Tip: The DCAP increase from $5,000 to $7,500 is worth approximately $500–$700 in annual tax savings for a client in the 22–24% bracket, accounting for income tax, Social Security, and Medicare tax savings on the excluded amount. That is a straightforward win to communicate to clients during open enrollment season. A brief email or client alert about the new limit will be appreciated by every client with young children or dependent care responsibilities.

Child and Dependent Care Credit: permanently 50%

Separate from the DCAP exclusion, the Child and Dependent Care Credit under Section 21 has been permanently increased under OB3. The maximum credit rate increases from 35% to 50% of qualified dependent care expenses.

Credit mechanics under OB3

The credit applies to qualified expenses for care of a qualifying child under age 13 or a disabled dependent, incurred so the taxpayer can work or look for work. The expense limits that determine the maximum credit base are:

- $3,000 for one qualifying person (unchanged)
- $6,000 for two or more qualifying persons (unchanged)

The maximum credit is now 50% of the applicable expense limit, reduced based on AGI. For 2026, the full 50% rate applies at AGI of $15,000 or below. The rate phases down as AGI increases, reaching a floor of 20% for filers with AGI between $75,001 and $105,000 ($150,001 and $210,000, respectively, for MFJ).

DCAP coordination: the critical interaction

Here is the provision that creates the most confusion in practice: The Child and Dependent Care Credit and the DCAP exclusion both apply to dependent care expenses, but they cannot both apply to the same expenses. The expenses used to calculate the credit must be reduced by any tax-free employer-provided dependent care benefits received.

For example, a client with two children who receives $7,500 in employer-provided DCAP benefits and incurs $10,000 in qualifying expenses can claim the credit on only $10,000 minus $7,500 = $2,500 of remaining expenses, not the full $6,000 limit. For clients who maximize the DCAP exclusion, the credit base is significantly reduced.

The coordination rule means that maximizing the DCAP exclusion does not always maximize the combined benefit. For lower-income clients where the credit rate is higher, the credit may be worth preserving even at the cost of a lower DCAP contribution. Run both scenarios to determine the optimal split.

Common error: double-counting
Some practitioners mistakenly calculate the Child and Dependent Care Credit on the full expense limit without reducing for DCAP benefits. This overstates the credit. The coordination rule under Section 21(c) requires the reduction. Review your software settings and any manual calculations to ensure DCAP benefits are being properly netted against the credit base.

2026 return considerations

For 2026 returns, do not assume every client will have access to the full $7,500 exclusion.

Some employers updated plan documents immediately after OB3 was enacted. Others did not amend their plans until the next plan year. The allowable exclusion is governed by the employer's plan terms.

If a client's employer adopted the higher limit mid-year, confirm that the full exclusion is properly reflected on Form W-2 and in the tax software. If the employer did not amend the plan for 2026, the exclusion may still be limited to $5,000 for that tax year.

Reviewing box 10 of Form W-2 and confirming plan documentation will prevent misapplication.

Why this is advisory work

This provision is a reminder that not all advisory opportunities are complex. Some of the most valuable planning conversations are operational.

Updating your client communication to flag the new $7,500 limit, reminding eligible clients during open enrollment, and confirming plan adoption on the 2026 return are straightforward actions. But they create tangible savings and demonstrate that you are paying attention to changes that affect your clients' daily financial lives.

For working families, dependent care costs are real and recurring. When you help them capture tax-efficient benefits they might otherwise miss, you move beyond compliance into practical, ongoing advisory.

The tip income deduction: practical implementation

OB3 creates an above-the-line deduction of up to $25,000 for qualified cash tip income for workers in tip-receiving occupations. The phase-down begins at $150,000 of MAGI for single filers and $300,000 for married filing jointly. The deduction reduces taxable income, not adjusted gross income.

Eligibility hinges on occupation. The taxpayer must be in an occupation that customarily and regularly receives tips as of December 31, 2024. That date matters. A worker who transitions out of a tipping occupation in 2025 may still qualify depending on interpretation and guidance, but this is an area where documentation and facts matter.

For employees, Form W-2 provides the initial anchor for substantiation. Allocated tips and reported tips offer primary support. For self-employed individuals in tipping industries, contemporaneous records are critical. A daily or weekly log is the cleanest solution. Encourage clients to implement that system now rather than reconstruct later.

What's changing
The 2026 Form W-2 will play a larger role in substantiating the qualified tip deduction. Qualified tips will be reported in box 12a under code TP, and the Treasury Tipped Occupation Code(s) will be reported in box 14b.

Withholding creates a secondary planning issue. Most employers calculated 2026 withholding without considering this new deduction. Many eligible workers may see larger refunds than expected. That is positive in one sense, but it may require withholding adjustments for 2027 to avoid over-withholding going forward.

The overtime compensation deduction: where misunderstanding will occur

The overtime deduction allows up to $12,500 per taxpayer, or $25,000 for married filing jointly, for qualified overtime compensation. The key word is qualified.

The statute ties the deduction directly to overtime paid under the Fair Labor Standards Act. That means hours worked over 40 per week where overtime pay is required under FLSA. Not all extra pay qualifies. Voluntary overtime arrangements, salaried employee bonus structures, and overtime paid by employers not subject to FLSA may not meet the requirement.

This is likely to be an area of confusion during filing season.

Documentation is the practical hurdle. W-2 forms may not separately identify FLSA-qualified overtime. In many cases, it will be embedded in box 1 wages. Practitioners may need employer payroll breakdowns or written confirmation that specific wages represent FLSA overtime.

What's changing

The 2026 Form W-2 will also play a larger role in substantiating the qualified overtime deduction. Qualified overtime compensation will be reported in box 12a under code TT.

The opportunity here is identifying the right clients. Manufacturing, logistics, healthcare, hospitality, and hourly workforce industries should be reviewed proactively. These were often compliance-only returns in prior years. Under OB3, they now present legitimate planning value.

Vehicle loan interest deduction: straightforward but easy to misapply

OB3 allows a deduction of up to $10,000 for interest paid on a loan for a taxpayer's primary personal-use vehicle. The deduction phases down above $100,000 of MAGI for single filers and $200,000 for married filing jointly. It is available regardless of itemizing.

To qualify, the interest must be paid on a loan that originated after December 31, 2024, and is secured by the vehicle. The vehicle must be a new car, minivan, van, SUV, pickup truck, or motorcycle with a gross vehicle weight rating of less than 14,000 pounds that has undergone final assembly in the United States. Used vehicles do not qualify.

The critical distinction is that this applies to a primary personal vehicle. It does not apply to a business vehicle already deducted through Schedule C or pass-through reporting. It does not apply to a second personal vehicle. Mixed-use vehicles require allocation.

Until lender reporting guidance is fully implemented, clients should retain annual loan statements reflecting interest paid. Intake procedures may need updating once Form 1098-VLI final reporting guidance is issued.

The planning nuance is modest, but the documentation discipline matters.

What's changing

Beginning with tax year 2026 reporting, lenders will use the new Form 1098-VLI to report qualified passenger vehicle loan interest received during the year.

The senior deduction: MAGI management becomes central

Taxpayers age 65 or older may deduct $6,000 per eligible individual, with a phase-down beginning at $75,000 of MAGI for single filers and $150,000 for married filing jointly.

For retirees on fixed income, this deduction can meaningfully affect their net tax liability. The complexity arises when it interacts with other income decisions.

Roth conversions, IRA distributions, and capital gains can push MAGI into phase-down territory. For clients in their early to mid-60s, Medicare IRMAA thresholds must also be considered. A transaction that increases MAGI may reduce or eliminate the senior deduction while simultaneously increasing Medicare premiums.

For clients near the threshold, modeling is not optional. It is necessary.

Gambling losses: the new 90% rule

Prior law allowed taxpayers to deduct gambling losses only to the extent of gambling winnings, a dollar-for-dollar offset. OB3 modifies this rule: Effective 2026, gambling losses are deductible to the extent of gambling winnings, but only up to 90% of those losses.

How the new rule works
If a client had $50,000 of gambling winnings and $60,000 of gambling losses in 2026, the analysis under OB3 is:

1. Gambling winnings are fully includable in gross income: $50,000.
2. The deductible loss is limited to the lesser of actual losses or 90% of those losses, up to the amount of winnings.
3. 90% of $60,000 losses = $54,000. But the deduction is still capped at winnings, so $50,000 of losses are deductible.
4. In this example, the 90% rule does not further limit the deduction because winnings are the binding constraint.

Instead, the 90% rule becomes the binding constraint when losses are less than or equal to winnings. Example: A client with $50,000 of winnings and $50,000 of losses can now deduct only $45,000 (90% of $50,000), leaving $5,000 of net gambling income taxable that would have been fully offset under prior law.

Pro Tip: The gambling loss limitation under OB3 is a provision many clients will not hear about until they see a larger-than-expected tax bill. Getting ahead of it with a brief client communication, particularly for clients who gamble regularly, is a simple advisory touch that demonstrates you are watching out for them.

December 2026

Year-end OB3 implementation checklist

Use this as a working checklist for December client calls:

- [ ] Confirm DCAP election amount and whether employer plan reflects the new $7,500 limit for 2026 and 2027.
- [ ] Calculate Child and Dependent Care Credit base after netting DCAP benefits; confirm no double-counting.
- [ ] Confirm tip income documentation is maintained and year-to-date amount is known.
- [ ] Confirm overtime pay qualifies under FLSA and obtain employer documentation.
- [ ] Verify vehicle loan interest amount and confirm vehicle qualifies as primary personal use.
- [ ] For clients age 65+, calculate the senior deduction and model MAGI against the phase-down threshold.
- [ ] For gambling clients, pull win/loss statements and model the 90% rule impact on net taxable income.
- [ ] For clients who do not itemize, calculate non-itemizer charitable deduction increase of $2,000 (MFJ)/$1,000.
- [ ] Execute any final Roth conversions, retirement plan contributions, or equipment purchases before December 31.

The broader advisory opportunity

These new individual deductions may appear straightforward, but their real value lies in the conversations they create.

Clients in tipping occupations, hourly industries, and retirement phases now have planning variables that did not exist before. Those conversations expand your role beyond reporting income to actively managing tax outcomes.

If you are discovering these opportunities in mid-December for the first time, that is not a failure. It is a signal. Next year, move these discussions into mid-year planning so that December becomes a month of execution rather than triage.

The practitioners who elevate their role under OB3 will not be the ones who merely know the provisions. They will be the ones who implement them deliberately, document them thoroughly, and connect them to the broader tax strategy.

That is where compliance turns into advisory.

January 2027

Key compliance dates

Tuesday, January 12
Employees who received $20 or more in tips during December 2026 must report to their employer (Form 4070).

Thursday, January 14
Regular-method excise taxes deposit for the last 16 days of December 2026.

Friday, January 15
Fourth estimated tax payment due for individuals and calendar-year C corporations (Form 1040-ES). Employers applying the monthly deposit rule must deposit Social Security, Medicare, and withheld income tax on payments made in December 2026.

Wednesday, January 27
Communications and air transportation taxes deposit for the last 16 days of December 2026.

Friday, January 29
Regular-method excise taxes deposit for the first 15 days of January.

January 2027

Sun	Mon	Tue	Wed	Thu	Fri	Sat
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

To-do list:

Update tax organizers and engagement letters for OB3

Ensure your intake process captures all new OB3 deductions: tips, overtime, vehicle loan interest, senior deduction, and the non-itemizer charitable deduction. Clients will not self-report these without prompting.

Schedule your own annual practice review

January is the right time to assess your practice: pricing, client mix, capacity, and growth goals. What worked in 2026? What needs to change? Give this conversation the same attention you give client planning.

Begin succession planning conversations with key clients

High-net-worth clients and business owners who do not have succession plans are exposed. January sets up planning conversations that should be implemented well before year-end.

Succession planning for your own practice: building enterprise value and planning your exit

Here is a question most tax professionals avoid longer than they should: What is your practice worth, and who would realistically buy it?

If the answer is unclear, or if the value depends almost entirely on you personally, then succession planning is not a future issue. It is a present one.

January, before filing season consumes your attention, is the right time to think about it. Not because you are necessarily exiting soon, but because succession planning is less about leaving and more about building a firm that has transferable value. The same decisions that increase enterprise value also make the practice more stable, scalable, and less stressful to run today.

What actually drives practice value

In the tax and accounting space, practices are often valued as a multiple of gross annual revenue. A typical range for a traditional tax-heavy practice may fall around 1.0 to 1.5 times revenue, with higher multiples for firms that demonstrate predictable cash flow, strong client retention, diversified revenue streams, and documented systems.

But the multiple is not arbitrary. It reflects risk.

Recurring revenue is one of the strongest drivers of value. A buyer is paying for predictable future income. A practice built around annual retainers, monthly advisory engagements, bookkeeping, or payroll services will generally command more than a practice built entirely on once-a-year return preparation.

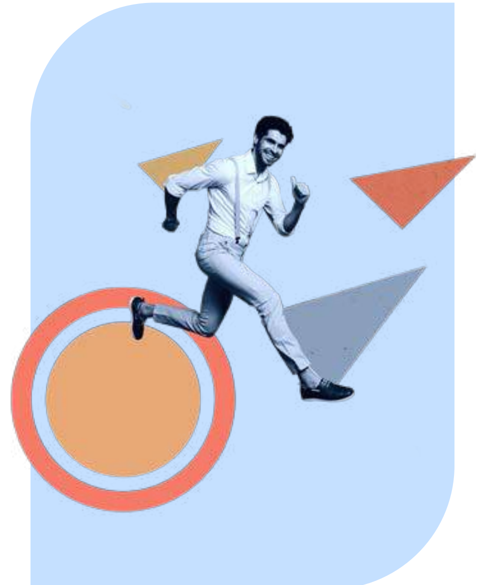
Client relationship structure matters just as much. If every significant relationship runs directly through the owner, the goodwill is personal. Personal goodwill does not fully transfer. Institutional goodwill does. Buyers discount practices where the owner is the sole relationship holder.

Systems are another major driver. Documented onboarding processes, return preparation workflows, review checklists, and communication standards make a practice understandable to someone new. A buyer cannot purchase chaos and expect to make sense of it in thirty days.

Client concentration also plays a meaningful role. If a handful of large clients represents a significant portion of revenue, the buyer assumes risk. Losing one or two accounts post-sale could materially change the economics. A diversified client base stabilizes value.

Finally, team depth changes everything. A practice supported by capable staff who can operate independently of the owner is materially more valuable than a solo practice where every decision flows through one person.

Understanding your exit options



Most solo practitioners default to the idea of an external sale. This is the most common path. Another firm acquires the client list, payments are typically structured over two to four years based on retention, and the seller remains for a transition period.

Mergers are another option. A merger with a larger firm can reduce administrative burden, provide infrastructure, and expand service offerings. For practitioners who want to continue practicing but no longer want to run a firm alone, this can be attractive. The negotiation centers on compensation, role, and autonomy post-merger.

Internal succession often produces the highest long-term value, but it requires intentional development. Bringing on a junior practitioner and gradually transitioning relationships preserves culture and client continuity. It also requires patience, trust, and clear documentation of expectations.

A partner buy-in structure can serve as both growth strategy and succession path. Sharing equity introduces shared responsibility, capital contribution, and alignment challenges that must be carefully structured. A handshake understanding is not sufficient. Governance documents matter.

Why timing matters

Succession planning cannot be compressed into a short runway. The levers that meaningfully increase value take time.

Recurring revenue does not build in one year. Developing client-facing staff takes multiple seasons. System documentation requires discipline. Shifting pricing models requires confidence and iteration.

A practitioner who decides to sell in 18 months and only then begins improving structure will receive a very different offer than one who has spent five years building transferable value.

Even if you are ten years away from exit, starting now improves optionality later.

Building transferable value today

The steps that increase enterprise value are the same steps that make your practice more sustainable.

STEP 1: Convert transactional work into recurring revenue. Engagements change the revenue profile. When compliance clients move into advisory retainers, bookkeeping packages, or structured annual agreements, revenue becomes predictable. Predictable revenue is valuable.

STEP 2: Building systems that do not depend on you reduces fragility. If someone else could follow your documented process and produce a consistent result, your practice becomes transferable. If every decision requires your personal judgment with no framework, it is not scalable.

STEP 3: Develop client-facing staff. This may be one of the most important investments you can make. When clients build trust with your team, not just you, retention risk drops significantly during a transition. This also reduces your personal capacity ceiling today.

STEP 4: Reducing client concentration takes deliberate growth strategy. If a small group of clients represents an outsized share of revenue, actively expanding the middle tier stabilizes the practice. Buyers notice concentration risk immediately.

The advisory parallel

Working through succession planning for your own firm sharpens how you advise your business owner clients.

Every principle applies to them as well: Reduce dependency on a single individual, build systems, create recurring revenue, diversify client or customer bases, document processes, and prepare for transition before it is urgent.

When you have navigated these questions inside your own firm, you speak from experience rather than theory. That credibility changes the advisory conversation.

Advisory Angle

The succession planning work you do for your own practice can become a blueprint for the conversations you have with business owner clients. The same principles apply: Reduce dependence on one person, build systems, strengthen recurring revenue, and document processes to support continuity and transition. When you have worked through these issues in your own firm, you bring more than theory to the conversation. You bring experience, and that makes your advisory guidance more credible.

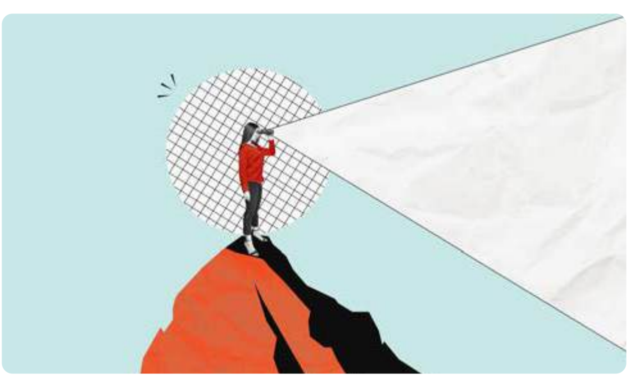
Getting a baseline valuation

At some point, you need a number.

A valuation from a broker or CPA experienced in accounting firm transactions gives you a baseline. Even if you are years away from exit, understanding your current value and the specific factors that would increase it provides direction.

Most practices fall somewhere in the 1.0 to 1.5 times revenue range, adjusted for revenue mix, retention, systems, and team strength. High-end multiples are not random. They are earned through structure.

If your current valuation feels underwhelming, that is not discouraging. It is actionable. It tells you exactly where to focus.



The larger question

Succession planning is not about retirement. It is about control.

A practice with enterprise value gives you options. You can sell. You can merge. You can bring in a partner. You can scale back gradually. You can leverage your firm as an asset rather than simply a job.

A practice that depends entirely on you gives you very few choices.

The earlier you begin building transferable value, the more flexibility you create for your future self.

February 2027

Key compliance dates

Monday, February 1
Furnish Forms W-2 to employees and Forms 1099-NEC to independent contractors. File Forms 940 (FUTA), 941 Q4, W-3, and 1096 if paper filing. (January 31 falls on Sunday; deadline moves to Monday, February 1.)

Wednesday, February 10
Tips reporting for January (Form 4070).

Friday, February 12
Regular-method excise taxes deposit for the last 16 days of January.

Tuesday, February 16
Employers applying the monthly deposit rule must deposit Social Security, Medicare, and withheld income tax on January payments. Deadline for employees who claimed withholding exemption in 2026 to file new Form W-4 for 2027.

Thursday, February 25
Communications and air transportation taxes deposit for the last 16 days of January.

Friday, February 26
Regular-method excise taxes deposit for the first 15 days of February.

February 2027

Sun	Mon	Tue	Wed	Thu	Fri	Sat
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	1	2	3	4	5	6
7	8	9	10	11	12	13

To-do list:

Distribute W-2s and 1099s by February 1

January 31 is a Sunday in 2027; the deadline moves to Monday, February 1. Reconcile all payroll records and ensure accuracy before issuing. Late or incorrect forms create both client and IRS issues.

File all required information returns

Paper 1099s and 1098s are due to the IRS by February 28. Electronic filings of Form 1099-MISC are due March 31. Prioritize accuracy—mismatches between 1099s and reported income are a primary IRS matching trigger.

Review QBI optimization for pass-through clients

As S-corp and partnership returns come in, run the QBI calculation for all eligible clients. Identify any where salary adjustments or entity structure changes could improve the deduction going forward.

Audit bonus depreciation positions

With 100% bonus depreciation fully restored under OB3, confirm all qualifying asset purchases are properly documented and the election is being applied correctly. This is a high-value deduction that requires clean documentation.

Identify clients who should consider S-corp election for 2027

February is not too early for clients who should make an S-corp election effective for 2027. The election deadline is March 15 for a calendar-year entity.

OB3 small business:
advanced pass-through and QBI optimization strategies

At first glance, the small business provisions of OB3 look straightforward. The QBI deduction is now permanent. Bonus depreciation is back at 100%. It feels like clarity after several years of uncertainty.

But permanence does not mean simplicity. For practitioners serving pass-through business owners, the real value lies in how these provisions interact with each other and with the client's broader structure. Entity type, compensation levels, capital investment timing, and retirement contributions all feed into the QBI calculation. The difference between a basic outcome and an optimized one is often five figures per year.

This is where advisory work lives.

QBI is permanent—that changes the planning horizon

The Section 199A 20% QBI deduction is now permanent under OB3. That matters more than it first appears. For years, many structuring decisions were made cautiously because of the looming sunset. With permanence, long-range planning becomes more defensible.

Clients can now structure compensation, entity arrangements, and capital investment with a multi-year lens instead of asking whether the deduction will disappear in the next cycle. That alone elevates the advisory conversation.

OB3 also introduced, starting 2026, a minimum QBI deduction floor of $400 for taxpayers with at least $1,000 of active QBI and material participation. While modest in dollar terms, it ensures that marginally profitable businesses no longer calculate to zero due to mechanical limitations. Update your workflows to capture it automatically. It will be missed if you rely on older templates.

Threshold management is still where the strategy lives

The income thresholds remain central. For 2026, the wage and SSTB phase-in ranges expand under OB3. Joint filers enter the phase-in band at roughly $403,500 and fully phase out by approximately $553,500. Single filers enter at roughly $201,775 and phase out around $276,775. The broader phase-in range creates additional planning space.

Above the threshold, non-SSTB businesses are limited by the greater of 50% of W-2 wages or 25% of W-2 wages plus 2.5% of unadjusted basis of qualified property. For SSTBs, the deduction phases out entirely once income exceeds the top of the band.

This is where structuring decisions matter. For S corporation clients, reasonable compensation directly affects the W-2 wage limitation. Too little salary may create audit exposure and weaken the QBI limitation calculation. Too much salary reduces QBI unnecessarily. The right number is not just defensible. It is strategic.

Capital investment also feeds into the limitation through the qualified property component. Timing equipment purchases or cost-segregated assets can improve the QBI limitation calculation in the right fact pattern. But it must be modeled alongside depreciation elections.

For clients hovering near the threshold, retirement plan contributions and other above-the-line deductions become powerful. Reducing taxable income below the phase-in band may preserve the full 20% deduction without dealing with wage limitations at all. In some cases, the marginal benefit of a retirement contribution includes both the direct deduction and the preservation of QBI.

Aggregation elections are often overlooked

Aggregation under Treasury Regulation §1.199A-4 remains one of the most underused QBI tools. Clients with multiple related pass-through entities may benefit from combining wages and qualified property across entities.

The classic scenario is one business generating strong income but paying minimal wages, while another related entity pays substantial wages with modest income. Calculated separately, the QBI limitation may restrict the deduction. Aggregated, the wage pool may support a larger combined deduction.

Aggregation must meet specific common ownership and operational interdependence requirements and must be applied consistently in future years. But the analysis is often a one-time modeling exercise with recurring annual benefit. For clients who have accumulated entities over time, especially under different advisors, reviewing the full ownership map can surface savings that have gone unrealized for years.

Pro Tip: Aggregation elections are often overlooked, particularly when a client's entity structure developed over time with input from different advisors. Reviewing all pass-through businesses owned by the same client may uncover a better Section 199A position when the businesses are related closely enough to qualify under the aggregation rules. In many cases, that review happens once but produces recurring tax benefit going forward.

Bonus depreciation: powerful, but not always optimal

OB3 restored 100% bonus depreciation for qualifying property purchased and placed in service after January 19, 2025. That means full expensing of eligible tangible personal property and certain other assets is once again available.

On its own, that is simple. In practice, it is not.

Bonus depreciation reduces QBI because it reduces business income. For clients relying heavily on the 20% deduction, aggressive bonus depreciation can shrink QBI and therefore shrink the QBI deduction. The net tax effect is not always obvious.

For example, accelerating $300,000 of depreciation may generate a significant current-year deduction, but it can also reduce QBI by the same $300,000. That reduction could decrease the potential QBI deduction by up to $60,000 (20% x $300,000). Depending on income level and limitation mechanics, the immediate depreciation write-off could produce a better result. In others, the loss of QBI benefit may reduce the overall advantage. The key is to compare both before deciding.

Section 179 adds another layer. It cannot create a net operating loss and is limited to taxable income from active business. Bonus depreciation can create an NOL. For clients with variable income or future income expectations, the decision between Section 179 and bonus depreciation is strategic, not automatic.

The right answer is client-specific and year-specific. Always model before electing.

The S corporation election still matters

For sole proprietors and single-member LLCs generating consistent high profit, the S corporation election remains one of the clearest small business tax strategies available.

The planning window matters. For calendar-year entities, the election must be made by March 15 to be effective for that year. The modeling should compare projected self-employment tax under the current structure with payroll tax under an S corporation structure, accounting for reasonable compensation, payroll costs, retirement contribution limits, and any state-specific implications. The goal is not simply to reduce FICA. It is to create a sustainable structure that aligns compensation, QBI optimization, and retirement planning.

The larger advisory opportunity

With QBI now permanent and bonus depreciation restored, small business planning is no longer short-term. The decisions you help clients make today will compound over years.

Clients who understand how compensation, entity structure, capital investments, retirement contributions, and aggregation elections interact with QBI are operating at a structural advantage. Clients who simply file returns are not.

The practitioner who revisits these variables annually, models the trade-offs, and adjusts deliberately is not just preparing returns. They are optimizing an ongoing tax architecture.

That is advisory. And it is where long-term value is created for both the client and the firm.

Key compliance dates

Monday, March 1
Paper Forms 1099, 1098, and W-2G with the IRS for 2026, accompanied by Form 1096 (February 28 is Sunday; deadline moves to March 1).

Paper Forms 8027 to report tip income for large food and beverage establishments.

Wednesday, March 10
Tips reporting for February (Form 4070).

Friday, March 12
Regular-method excise taxes deposit for the last 13 days of February.

Monday, March 15
Calendar-year S corporations and partnerships must file 2026 returns (Forms 1120-S and 1065) or request extension.

Deadline to provide Schedule K-1s to shareholders and partners. Monthly payroll deposit for February.

Thursday, March 25
Communications and air transportation taxes deposit for the last 13 days of February.

Monday, March 29
Regular-method excise taxes deposit for the first 15 days of February.

Deposit federal excise taxes for the second half of March (Form 720).

Wednesday, March 31
Electronically file Forms 1099-MISC, 1098, and W-2G for 2026 with the IRS.

March 2027

Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	3
4	5	6	7	8	9	10

To-do list:

File S-corp and partnership returns or extensions by March 15

Complete pass-through returns and distribute K-1s to shareholders and partners. Delays in K-1 distribution create downstream problems for individual filers.

Identify three referral partners to connect with this month

March, the heart of filing season, is counterintuitively one of the best times to reach out to estate attorneys and financial advisors. They are dealing with the same clients and have the same year-end questions.

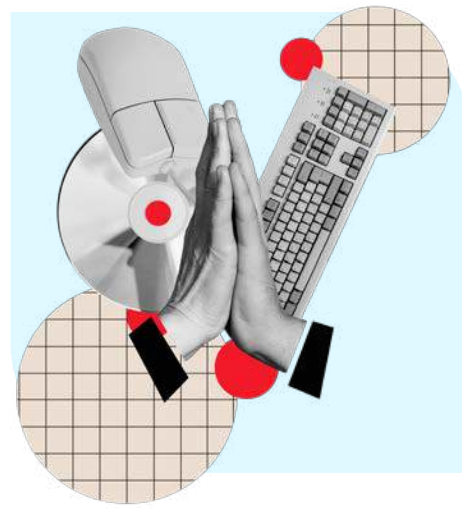
Transmit electronic 1099 and information returns by March 31

Electronic filing deadline for all information returns. Confirm all 1099s and 1098s have been transmitted and acknowledgements received.

Build your referral partner list for post-season outreach

Make a list of the professionals your best clients also work with: their attorneys, financial planners, insurance advisors. These are your highest-probability referral partners. Plan outreach for May.

Building the compliance-to-advisory bridge: protecting clients while elevating your role



There are two ways audit risk shows up in a tax practice.

In the first version, it appears as a notice. A CP2000 lands in the client's mailbox. An exam letter arrives. You shift into defense mode.

In the second version, audit risk is part of your planning lens. You are identifying areas of exposure before the IRS does. You are shaping documentation habits. You are adjusting positions while there is still time to do so. That second version changes how clients see you. It moves you from "the person who files the return" to "the professional who protects me."

This article is about building that second version deliberately. Audit awareness is not just defensive. It is one of the most natural bridges from compliance work into year-round advisory.

The 2026 enforcement environment

With continued emphasis on complex returns, enforcement remains focused on higher-income taxpayers, pass-through entities, and areas where technical reporting errors create revenue leakage.

For practitioners serving business owners and high-net-worth individuals, several areas consistently draw scrutiny.

Pass-through entities remain a central focus. Basis calculations, at-risk limitations, and passive activity loss rules are routinely examined. Returns reflecting significant partnership losses or complex basis adjustments should be reviewed carefully before filing.

S corporation compensation continues to be an active area of IRS enforcement, particularly in service businesses where officer wages appear disproportionately low relative to distributions. This is not a theoretical risk. It is one of the most consistently litigated issues in S corporation examinations.

Worker classification also remains a priority. Businesses relying heavily on independent contractors should have a defensible, documented classification analysis rather than relying on industry norms.

With the expansion of Section 1202 under OB3, QSBS claims are likely to receive additional attention. The larger the exclusion, the greater the audit interest. The gross asset test, active business requirement, and original issuance rules will be closely examined.

Finally, new OB3 deductions such as tip income, overtime, and vehicle loan interest will naturally draw early enforcement attention. New deductions often receive disproportionate review in the first several filing seasons.

The theme is consistent: Complexity plus dollar magnitude equals scrutiny.

Red flags by client type

Different client profiles carry different exposure patterns.

For business owners and S corporation shareholders, the most common red flags include officer compensation that appears artificially low, significant home office or vehicle deductions without contemporaneous records, unexplained swings in gross receipts, and recurring losses that offset other income year after year.

For high-income individual filers, disproportionate itemized deductions relative to income, large cash charitable contributions without proper substantiation, and SALT deductions consistently at or near the statutory cap deserve careful documentation. The expanded $40,000 SALT cap (cap increases 1% annually through 2029) under OB3 restores value but also increases the likelihood that those deductions will be reviewed.

Pass-through investors claiming passive losses, particularly those asserting real estate professional status, should be treated with heightened care. The 750-hour requirement and the more-than-50% test are fact-driven. Without contemporaneous logs, the position weakens significantly under examination.

Cryptocurrency remains an enforcement focus, even resulting in the new Form 1099-DA, that requires brokers to report sales, exchanges, and dispositions of digital assets like cryptocurrency and NFTs. Clients who have traded across platforms without centralized reporting software are often unaware of reporting gaps. Every taxable transaction matters, including crypto-to-crypto trades.

These are not reasons to avoid planning. They are reasons to document planning properly.

Building the file before the audit

The most effective audit defense is documentation created before an IDR arrives.

For S corporations, an annual reasonable compensation analysis should live in the file. It does not need to be lengthy. A concise memo explaining methodology and referencing comparable salary data is often sufficient. The goal is to demonstrate that compensation was evaluated, not guessed.

For business expense deductions, especially home office, vehicle, meals and travel, contemporaneous documentation is critical. Reconstructed logs prepared at tax time are less persuasive than records maintained throughout the year.

Real estate professional claims require discipline. Time logs and activity tracking must be maintained consistently. Waiting until filing season to estimate hours undermines credibility.

QSBS files should include documentation of all five eligibility elements at issuance and be updated annually. These files are rarely easy to reconstruct years later when a liquidity event occurs.

For OB3's new deductions, consider creating a documentation checklist now. If clients understand the substantiation standard early, you reduce the risk of scrambling later.

Turning audit awareness into advisory

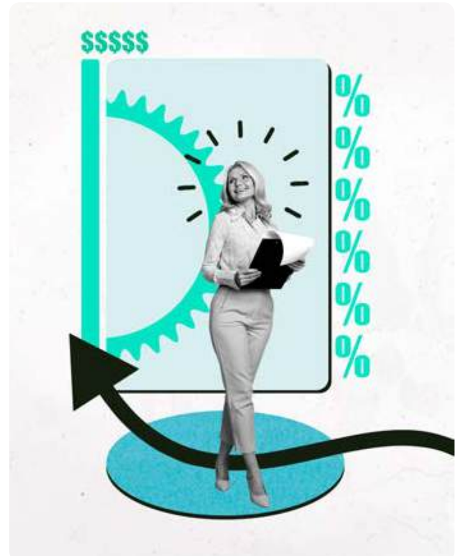
The shift from compliance to advisory happens in how you communicate risk.

Instead of waiting for a notice, build audit risk review into your planning conversations. When you tell a client, "Here are the areas where the IRS has been focusing attention, and here's what we should do now to strengthen your position," you are not creating fear. You are demonstrating stewardship.

That conversation reframes your role. You are not simply reporting what happened. You are managing exposure.

A short annual audit risk memo for key clients can be one of the highest-return advisory exercises you implement. It documents exposure areas, outlines recommended documentation, and flags positions that require monitoring. It also clearly demonstrates that your engagement extends beyond filing forms.

That is advisory work. It protects the client, and it justifies ongoing engagement fees.



When a notice does arrive

Even in well-managed practices, notices happen. The difference is in how they are handled.

Every notice should be addressed promptly and within deadline. Extensions are generally available when requested reasonably, and there is no benefit to ignoring correspondence.

Responses should be clear and direct. Address the specific issue raised. Overly complex or disorganized submissions tend to prolong resolution rather than accelerate it.

Know when escalation is appropriate. While many notices can be resolved at the preparer level, formal examinations may warrant representation by an Enrolled Agent, CPA, or tax attorney. Recognizing that boundary is part of professional judgment.

Finally, document everything. Dates, contact names, summaries of conversations. A well-documented file protects both client and practitioner.

The larger opportunity

Audit risk awareness is not about being alarmist. It is about being intentional.

Most clients assume that if there were a major issue, someone would tell them. When you proactively explain where scrutiny exists and what documentation protects them, you fill that expectation. That builds trust.

Compliance may get you in the door. Protection and foresight keep you in the room.

And in an environment where routine preparation is increasingly commoditized, the practitioner who demonstrates year-round vigilance will not be easily replaced.

April 2027

Key compliance dates

Monday, April 12
Tips reporting for March (Form 4070).

Wednesday, April 14
Regular-method excise taxes deposit for the last 16 days of March.

Thursday, April 15
Deadline to file individual income tax returns (Form 1040) or request automatic six-month extension (Form 4868). Deadline for C corporation income tax returns (Form 1120), Estates and Trusts (Form 1041), or extension (Form 7004).

First installment of 2027 estimated tax payments due (Form 1040-ES). Last day to make IRA and HSA contributions for 2026. Monthly payroll deposit for March.

Tuesday, April 27
Communications and air transportation taxes deposit for the last 16 days of March.

Thursday, April 29
Regular-method excise taxes deposit for the first 15 days of April.

Friday, April 30
File Form 941 for Q1 2027, Form 720 Q1, and Form 730.

April 2027

Sun	Mon	Tue	Wed	Thu	Fri	Sat
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1
2	3	4	5	6	7	8

To-do list:

File or extend all individual and corporate returns by April 15

The $15 million OB3 exemption changes the calculus for every existing estate plan. Clients who made large gifts in 2025 under the old rules need their plans reviewed. New clients have expanded planning opportunities.

Confirm 2026 IRA and HSA contributions by April 15

This is the last opportunity to make prior-year contributions. For clients with capacity, these contributions can still meaningfully reduce 2026 tax liability.

Begin estate planning reviews for high-net-worth clients

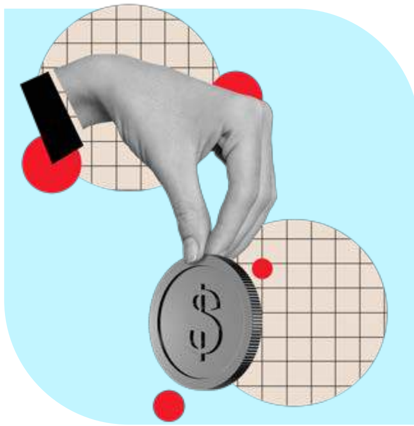
The $15 million OB3 exemption changes the calculus for every existing estate plan. Clients who made large gifts in 2025 under the old rules need their plans reviewed. New clients have expanded planning opportunities.

Confirm estimated tax system is updated for 2027 projections

With Q1 payments due and the new filing season beginning, update income projections for all clients with estimated tax obligations. OB3 deductions that were new in 2026 should now be incorporated into withholding and estimated payment calculations.

OB3 estate tax: advanced gifting, dynasty trusts, and the $15 million exemption

OB3 fundamentally changed the tone of estate planning conversations.



For nearly a decade, estate planning was driven by urgency. Clients were racing against a potential sunset of the higher exemption. Large gifts were made under time pressure. Planning felt reactive.

With a $15 million per-individual exemption, indexed beginning in 2027 and enacted as permanent law, the urgency has largely disappeared. That does not mean the opportunity has. It means the work shifts from defensive positioning to long-term optimization.

For tax professionals advising high-net-worth clients, this is a meaningful shift. We can now plan with stability.

The $15 million exemption: mechanics that matter

Beginning January 1, 2026, the unified estate, gift, and generation-skipping transfer tax exemption is $15 million per individual. Married couples can effectively shield $30 million through portability, assuming the deceased spouse's unused exemption is properly elected on a timely filed estate tax return.

The exemption remains unified. Lifetime taxable gifts reduce the amount available at death. The top estate and gift tax rate remains 40%. Inflation adjustments begin in 2027, so the $15 million figure will increase modestly over time.

The anti-clawback regulations from the TCJA era continue to protect prior large gifts made under higher exemption amounts. That protection remains relevant for clients who transferred significant assets before OB3.

The practical takeaway is straightforward: For many clients, federal estate tax exposure has been pushed further up the wealth spectrum. But for those above it, the stakes remain significant.

Dynasty trusts: now a long-term strategy, not a rush strategy

With the Generation-Skipping-Transfer (GST) tax exemption aligned at $15 million per individual, dynasty trusts become more powerful and more accessible.

A properly structured dynasty trust allows a client to transfer assets out of their estate and allocate GST exemption so that the trust assets remain outside the taxable estate of children, grandchildren, and potentially further generations. In favorable jurisdictions, these trusts can last for decades or even in perpetuity.

The planning advantage is not just estate tax savings. It is multigenerational asset protection and long-term compounding outside the estate tax system.

State selection matters. The state governing the trust affects income taxation, duration rules, and creditor protection. States like Delaware, Nevada, and South Dakota often appear in dynasty planning because of their favorable trust laws. Tax professionals should not select situs independently, but we should understand how that decision affects the income tax picture.

Funding decisions are equally important. Appreciating assets are often the ideal candidates. Transferring a closely held business interest or concentrated stock position removes both current value and all future appreciation from the estate. Under a $15 million exemption, that planning capacity is meaningfully larger than under prior law.

Annual exclusion gifting: discipline over drama

While advanced vehicles receive attention, the annual exclusion gift remains foundational.

At $19,000 per recipient for 2026, and effectively $38,000 per recipient for a married couple electing gift splitting, disciplined annual gifting can move meaningful wealth out of the estate over time without consuming lifetime exemption.

For a couple with multiple children and grandchildren, the cumulative effect over a decade can reach several million dollars. Clients who consistently overlook this strategy are often focused on large, dramatic transfers while ignoring the steady, tax-free baseline strategy.

529 superfunding builds on this. Contributing five years of annual exclusion gifts into a 529 plan in a single year accelerates wealth transfer while funding education. It is simple, efficient, and frequently underutilized.

Advisory Angle

The annual exclusion gift is often overlooked because clients tend to focus on larger estate planning strategies. When used consistently across children, grandchildren, and other beneficiaries, however, it can shift meaningful wealth outside the estate over time without using lifetime exemption. For clients with education planning goals, 529 superfunding adds another layer by allowing five years of annual exclusion gifts to be contributed at once.

Step-up in basis: the counterweight to gifting

The expanded exemption changes another critical calculation: whether to gift appreciated assets during life or retain them for a step-up in basis at death.

Assets held at death receive a basis adjustment to fair market value. For highly appreciated assets, that step-up can eliminate significant embedded capital gain. For clients comfortably below the $15 million exemption, retaining appreciated assets may be more tax-efficient than gifting them.

The analysis is no longer simply "gift everything possible." It requires modeling estate exposure, expected appreciation, and embedded capital gains together.

In some cases, the optimal strategy is to gift growth assets and retain highly appreciated, low-growth assets for step-up. In others, the opposite may be true. There is no default answer.

The changed client conversation

The most meaningful shift under OB3 is conversational.

In 2024 and beginning of 2025, clients were acting under perceived deadlines. Now, the tone shifts to intentional design. There is time to coordinate income tax, estate tax, and asset protection considerations without panic.

Clients who made large gifts under prior law should revisit those structures to ensure they are aligned with current objectives. Clients who delayed planning now have renewed opportunity. Clients newly entering the high-net-worth category through business growth or liquidity events should be introduced to estate planning discussions earlier rather than later.

The work is no longer about racing the clock. It is about building a durable structure.

The advisory expansion

Estate planning is a natural extension of a tax professional's role. You already understand income streams, asset composition, business valuation, and projected growth. That data forms the backbone of estate analysis.

Developing a strong working relationship with a skilled estate planning attorney is one of the most valuable professional partnerships you can build. When you bring tax modeling into the estate conversation and attorneys bring legal structure into your tax planning discussions, clients receive integrated advice.

Under OB3, estate tax planning is not disappearing. It is becoming more strategic.

The practitioners who lean into that shift will deepen their highest-value client relationships and expand their role well beyond compliance.

May 2027

Key compliance dates

Monday, May 10
Tips reporting for April (Form 4070).

Friday, May 14
Regular-method excise taxes deposit for the last 15 days of April.

Monday, May 17
Monthly payroll tax deposit for April. File Form 990 series for calendar-year exempt organizations.

Friday, May 28
Communications and air transportation taxes deposit for the last 15 days of April. Regular-method excise taxes deposit for the first 15 days of May.

Tuesday, June 1
File Form 2290 for vehicles first used in April (May 31 is a holiday; deadline moves to June 1).

May 2027

Sun	Mon	Tue	Wed	Thu	Fri	Sat
25	26	27	28	29	30	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

To-do list:

Conduct post-filing-season practice review

May is the time to assess this year honestly: capacity, workflow bottlenecks, underpriced engagements, client issues, and staff performance. What needs to change before next January?

Document three processes you did manually this season

Any task you performed more than ten times this filing season is a candidate for documentation or automation. Write the SOP now while it is fresh. Build the system before you need it.

Plan your first hire or next team expansion

If capacity was a constraint this season, May is when to start the hiring process. The best candidates are found before you are desperate. Define the role, write the job description, and start the search.

Schedule post-season client conversations

Use May and June for client review calls. Clients appreciate the check-in, and these calls surface planning opportunities for the current year that would otherwise wait until the next filing season.

Building the infrastructure for scale: SOPs, automation, and role design for growing firms

Filing season is over.

If you are like most practitioners, the last four months were controlled chaos. You pushed. Your team pushed. You solved whatever showed up in front of you.

Now it is May. This is the month to ask a question most firm owners avoid: If nothing changes, what will next filing season look like?

If the honest answer is "the same, just bigger" or "even more intense," then the constraint is not effort. It is infrastructure.

You cannot scale a practice on adrenaline. At some point, growth without systems becomes stress, and stress becomes stagnation.

This is the season to build the foundation.

The solo ceiling: why effort stops working

Every solo practitioner eventually hits a ceiling.

It is the point where your calendar is full, your nights are full, and every new client means either lower quality or longer hours. Many practitioners stay at this ceiling for years, thinking the solution is better time management.

It is not.

The ceiling exists because the practice depends on you for everything. Every review. Every decision. Every client escalation. Every workflow adjustment.

Growth without infrastructure just increases dependency on the owner.

The way through the ceiling is not "work harder" or even "hire someone."

It is building a practice that can operate without you touching every moving part. That requires three pieces working together:

- Clear, documented processes
- Technology that reduces repetition
- Roles designed intentionally rather than reactively

When those three align, scale becomes possible.

SOPs: the foundation most firms avoid

Standard operating procedures are not glamorous. They do not feel like revenue-generating work. But they are the difference between a practice that can grow and one that constantly bottlenecks at the owner.

An SOP is simply a documented way of doing something so that another competent person could reproduce it without reinventing it.

Start with your highest-friction processes:

- Client onboarding
- Document intake
- Return setup in your software
- Your review checklist
- Delivery and follow-up

If those are not written down, your growth is limited.
A useful structure for any SOP includes:

- What triggers the process
- What inputs are required
- Step-by-step actions
- What the finished product looks like
- Who owns the process

This does not need to be complicated. It needs to be clear.

And here is something most people miss: SOPs are living documents. The best time to revise them is immediately after filing season, when inefficiencies are still fresh in everyone's mind.

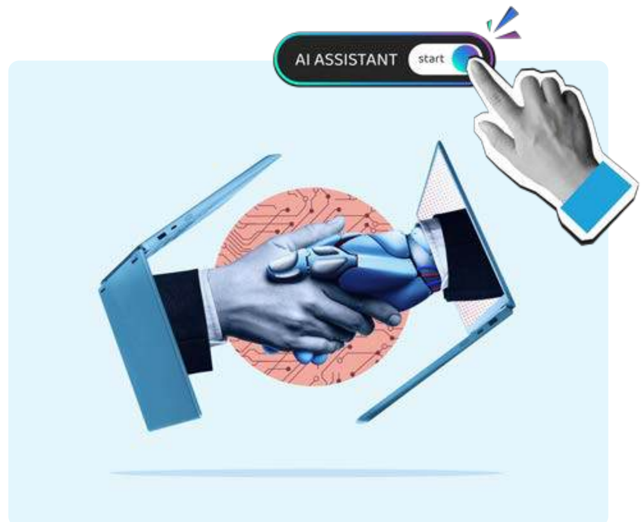
If you wait until January, you will repeat the same friction.

Automation: stop paying humans to do machine work

Technology has moved fast in the last five years. Many firms have purchased tools. Fewer have implemented them well.

Automation should do one thing: remove repetitive, low-value work from your team.

Document intake and extraction tools can now categorize and pull data from W-2s, 1099s, and brokerage statements with high accuracy. If your team is still manually keying everything, that is time you are paying for unnecessarily.



Workflow software can automatically:

- Create task lists when a return is opened
- Route work to the correct team member
- Trigger client reminders
- Track bottlenecks

If you are managing production through email threads and spreadsheets, the friction compounds every season.

Client portals eliminate the administrative drag of back-and-forth email and missing attachments. During peak season, reclaiming even five administrative hours per week per team member is meaningful.

AI review tools embedded in modern tax software can flag anomalies, year-over-year swings, and missing elections. They are not a substitute for judgment. They are a second set of eyes that never gets tired.

The key principle: Automation should replace repetition, not professional thinking.

Role design: the hidden profit lever

One of the most expensive habits in small firms is owner over-functioning.

If you bill at $300 per hour and spend hours on scheduling, portal setup, or workflow routing, you are using your highest-cost resource for the lowest-value tasks.

Before hiring, do something simple: map your week.

Break your tasks into three buckets:

1. Owner-only work requiring your judgment
2. Professional work that requires training but not necessarily you
3. Administrative work that requires organization, not licensure

Most firm owners discover they are spending 20% to 30% of their time in bucket three.

That is where scale begins.

The first hire

For many solo practitioners, the first hire should not be another preparer. It should be operational support.

A strong administrative or practice coordinator role can handle:

- Client communication flow
- Scheduling
- Document follow-up
- Workflow tracking
- Software setup

Freeing 10 to 15 hours per week of owner time changes everything.

The second hire

The second hire is often a junior preparer or bookkeeper. But here is the important part: Without SOPs in place, this hire increases chaos.

Training without documented processes drains your time. Training with documented processes multiplies capacity.

Infrastructure first. Hiring second.

Capacity planning: stop guessing

Scaling firms do not guess about workload. They model it.

Capacity check

In May, while last season's numbers are fresh, run a simple capacity exercise:

- How many clients by service type?
- How many actual hours did each category require?
- How many available hours exist per role, realistically?
- Where did demand exceed supply?

Once you identify the pressure points, the next step is to decide what is actually causing the gap and which solution makes the most sense. Then ask: Is that gap better solved by hiring, automation, pricing changes, or reducing low-value clients?

When you run this analysis annually, you stop operating in emergency mode.

The bigger picture

Infrastructure work feels slower than client work. It does not produce an immediate invoice. But it produces something more valuable: leverage.

A firm with documented processes, automated workflows, clearly defined roles, and predictable production is calmer to run, more profitable, and significantly more valuable.

And here is the long-term lens: This is also what creates transferable enterprise value. A buyer does not want a collection of clients dependent on one person's memory. They want systems.

Even if you are not thinking about exiting for ten years, building infrastructure now improves your quality of life immediately.

The firms that feel "easier" during filing season are not less busy. They are better built.

May is not for resting. It is for reinforcing the foundation so that next season runs differently than the last one.

PLEASE NOTE: Regulations change constantly, and while we encourage you to use this document to help inform you with decision making and planning, it's important for you to determine how the following information applies to you, your practice, and your clients.

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