

TAX STRATEGIES FOR SELF-EMPLOYED BUSINESS OWNERS

Just as larger corporations do, self-employed business owners, freelancers, and gig workers need to engage in strategic tax planning to minimize liability and maximize savings.

KEEP DETAILED RECORDS

Familiarize yourself with all available deductions, including home office expenses, vehicle mileage, and equipment costs. Maintain thorough records of your expenses throughout the year to substantiate your deductions when filing taxes.

REVIEW YOUR BUSINESS STRUCTURE

Your business—whether you're a sole proprietor, an LLC, or an S corporation—can significantly affect your tax liability. Each structure has unique tax implications. Talk with your tax professional before the new year to ensure you're taking advantage of the most beneficial structure.

CONTRIBUTE TO A RETIREMENT PLAN

Contributing to small-business retirement plans, such as Solo 401(k)s, SEP IRAs, or personal IRAs, helps you invest for the future and may offer immediate tax advantages.

PAY ESTIMATED TAXES

If you don't have taxes withheld from your income, you'll need to make estimated tax

payments to avoid penalties. Monitor your income and expenses throughout the year to determine how much to set aside for quarterly payments.

BE INFORMED

Recent enhancements to bonus depreciation and Section 179 expensing allow you

to write off costs in the first year to minimize taxes. Because expensing limits adjust annually for inflation, strategize whether to buy in 2026 or 2027.

If you receive or issue IRS Forms 1099-NEC or 1099-MISC for payments to non-employees, the reporting threshold rises from \$600

to \$2,000 in 2026. This amount will adjust for inflation in future years. Reporters will have less work, while form recipients should plan to track and report small fees received.

Connect with your trusted advisor now to create a focused, forward-looking tax strategy that positions you for savings in 2027 and beyond. Act today to ensure you're prepared for upcoming changes and to maximize every opportunity.



MORTGAGE INTEREST DEDUCTION

Married taxpayers filing jointly may deduct interest on a mortgage of up to \$750,000 in principal. The deduction is limited to half for married filing separate taxpayers. Interest on home equity loans, home equity lines of credit (HELOCs), and second mortgages may be deducted only when used to buy, build, or substantially improve the taxpayer's primary or secondary qualified residence that secures the loan, subject to limits.

In 2026, OBBBA may allow you to deduct qualified mortgage insurance premiums for home acquisition debt (for policies issued after 2006). This deduction is treated as part of your qualified residence interest deduction and phases out between \$100,000 and \$110,000 AGI or \$50,000 to \$55,000 married filing separately. Talk with your tax professional to see if this deduction applies to your situation.

CLIENT PROFILE

Emily, a high school senior, just landed a full-ride college scholarship covering every dollar of tuition, fees, books, and room and board. Her parents, Andrew and Leah, open the statement and see \$75,000 still sitting in the 529 plan you started for Emily when she was born.



Under the SECURE 2.0 rule, you can roll up to \$35,000 lifetime—tax- and penalty-free—straight into Emily's Roth IRA. Because the account is already 18 years old and meets the five-year holding rule, you transfer \$7,500 this year (the 2026 annual limit, assuming Emily has earned income), then repeat annually until the \$35,000 cap is reached. The money now works for her retirement instead of sitting idle.

For the remaining \$40,000, you withdraw an amount equal to the scholarship value, avoiding the 10% penalty (though earnings are taxable as ordinary income). You can use the funds for a gap year, study abroad, or graduate program later. Andrew and Leah turned "leftover" college savings into a powerful retirement head start for Emily.

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

CASH OUT OR KEEP ASSETS?

Retirement is a time to kick back and enjoy life. Years of hard work have likely left you with a diverse array of assets, including appreciated stocks, real estate, and luxury items such as RVs and sports cars. Before selling assets to fund your bucket-list dreams, consider both the financial and emotional implications.

TAX CONSIDERATIONS

Taxes can take a hefty chunk out of profits from selling investments and appreciated property. Gains may not be as great as they appear. Consult your advisors before making any major decisions. They can help you navigate the nuances of tax implications for your assets.

EMOTIONAL IMPLICATIONS

Selling a classic sports car or a beloved vacation home can be emotionally difficult. Don't dismiss these feelings. Instead, consider alternative uses for your assets. Could you rent out a vacation home for passive income? Or create memories instead of liquidating your prized possessions?

LONG-TERM IMPACT

Think about the lifestyle changes you may need to make if you sell. Downsizing your home or liquidating your investments could significantly alter your daily life and future planning. It's one thing to have money in the bank. It's another to ensure your lifestyle aligns with your financial decisions. Take a moment to consider the long-term implications for your retirement journey.

It's not just about numbers—it's about enjoying the lifestyle you've earned. Weigh your options carefully.



86% of adults age 50+ rank travel as one of the top three priorities for discretionary income, according to the AARP 2026 Travel Trends Report.



SIGNS YOU MAY NEED A POSTNUPTIAL

You're familiar with prenuptial agreements. But what if you don't have one and your circumstances change? A postnuptial agreement may be in order. Here are signs you might need one.

A SIGNIFICANT GAIN IN WEALTH

Financial changes after marriage can affect a relationship. A postnuptial agreement clarifies how to manage increased family wealth and ensures protection if you divorce.

ONE OF YOU OWNS A BUSINESS

Business ownership complicates the division of assets in divorce. A postnuptial agreement specifies what happens to the business, making each party's roles, contributions, and entitlements clear.

YOU'VE LEFT THE WORKFORCE

If you've stepped back from your career or taken on a supporting role for your spouse, your financial dependence on them may increase. Use a postnuptial agreement to

outline expectations and protections for both partners, so that if things don't work out, neither is left in a precarious financial situation.



A LARGE INHERITANCE

If you've recently received a sizable inheritance, you might want to protect those assets from being classified as marital

property. A postnuptial agreement can clarify that inherited assets remain yours alone, safeguarding your financial legacy.

A postnuptial agreement may not seem romantic, but it clarifies your financial future and offers peace of mind. Requirements vary by state, so always consult an experienced legal advisor.

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What is Section 179 Expensing?

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Section 179 allows you to take an immediate expense deduction for purchases of depreciable business equipment rather than capitalizing and depreciating the asset over time. OBBBA expanded expensing to allow \$2,560,000 in immediate deductions, with a phaseout threshold beginning at \$4,090,000 for property placed in service in 2026. These thresholds will be indexed for inflation starting after 2026. Section 179 applies to many of the same assets as bonus depreciation, but it also includes property that bonus depreciation doesn't cover, such as HVAC, fire protection, and alarm systems, off-the-shelf software, and furniture used in lodging facilities.

STEP UP IN BASIS

A new fair market value is established for assets received after a donor's death—a step-up in basis—but there is no step-up in basis for gifts received during a donor's life. The step-up in basis sets a new starting value for inherited assets, which can make a big difference if those assets have appreciated significantly.

USE CAUTION

Transferring assets to an irrevocable trust, a formerly popular strategy for transferring a family home, can take the trust assets out of the grantor's estate for all purposes. If the asset is no longer part of the grantor's taxable estate, it won't qualify for a step-up in basis. The assets in your irrevocable

trust keep the same basis as when they are transferred to the next generation—or maybe to multiple generations.

Be sure to review your trust arrangement with your estate professional.



RESEARCH AND DEVELOPMENT FOR BUSINESSES

Previously, the R&D credit allowed businesses to write off qualifying R&D expenditures, but those costs had to be amortized over five years. Under OBBBA, full expensing of domestic R&D expenses is made permanent. You have several options for claiming this deduction. Consult your tax advisors to determine which tax credits your business qualifies for and which would benefit the company most.

Another benefit for small business owners is how the R&D credit works with the new expensing rules. This special tax credit allows smaller companies that engage in research and development activities to offset their business's tax liability. It's meant to encourage them to innovate, create, and conduct research that is useful to society.

DEDUCTION OR CREDIT?

The law prevents you from receiving both a deduction and a credit for the same expenses. Instead, you must reduce the amount of domestic R&E expenditures you expense by the amount of the research credit you claim. For example, if you have \$100,000 in qualifying R&D expenses and claim a \$10,000 research credit,

you can deduct only \$90,000 of those expenses.



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