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MONTHLY NEWSLETTER

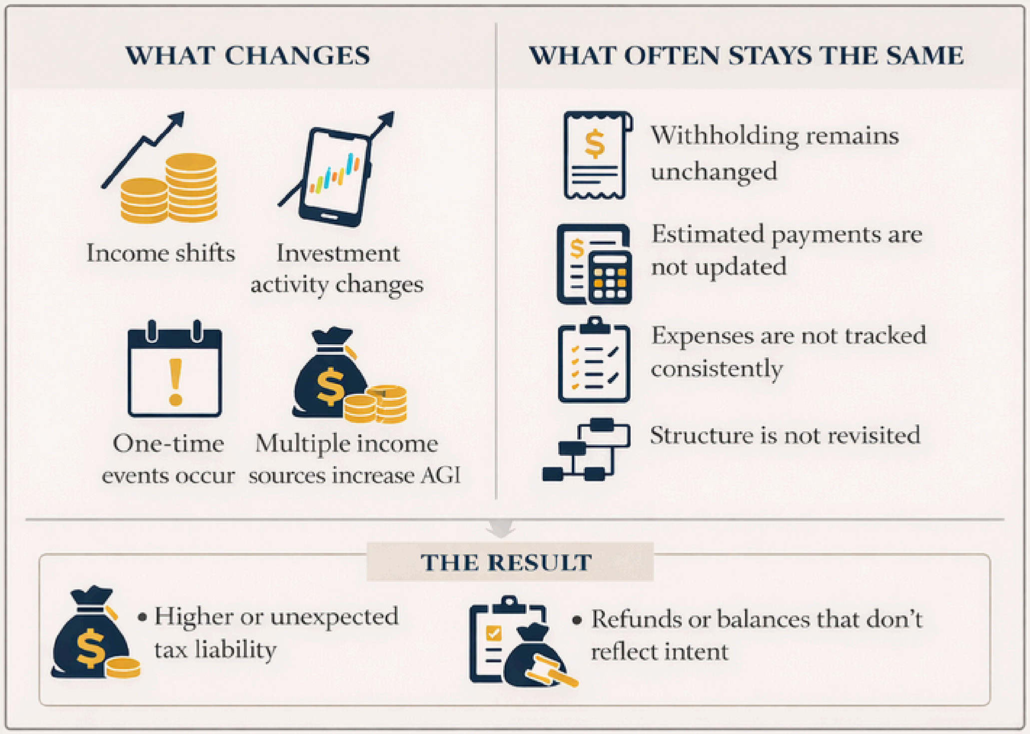
Tenaglia & Associates, SC

New This Month: Tax Planning

This month shifts the focus from filing to forward planning. Your last return is not the end of the process—it was a snapshot of your current strategy and result. With income changing year to year and tax rules potentially shifting after 2025, the decisions made now will shape your 2026 outcome.

Planning Ahead: Positioning for 2026

- The IRS continues to report missed credits, unclaimed refunds, and a broader tax gap, primarily due to timing and reporting issues.
- Most tax outcomes aren't driven by complex rules but by changes that aren't followed by necessary adjustments. As for planning for 2026, it's not about predicting what will happen.



Where Planning Starts to Matter

Personal	*Business*
• Income changes • salary, bonus, multiple income sources • Investment activity • Capital gains, dividends, interest • One-time events • Restricted Stock Units (RSUs), asset sales, large bonuses	• Income and estimated taxes • Expense tracking and timing • Profit growth and variability • Retirement contributions • Owner compensation • Entity structure (LLC vs S-Corp) • One-time business events

Income Changes

Income often increases through raises, bonuses, RSUs, or additional sources, but withholding is typically based on base salary only.

Example

Salary: $90,000

Bonus: $20,000

- Withholding unchanged
- Additional income not fully accounted for

Best Practices

- Adjust withholding after raises or bonuses
- Review total income, not just base pay
- Revisit Form W-4 mid-year

Investments & One time Events

Stock and bond sales, dividends, and interest income are generally not subject to withholding, and each type of income is taxed differently depending on whether it is long-term, short-term, qualified, or non-qualified.

Example

Stock sale gain: $25,000

- If held > 1 year ↣ Long-term capital gain
- If held ≤ 1 year ↣ Short-term capital gain

Bond interest: $3,000

- Typically ordinary income (non-qualified)
- Certain municipal bonds may be tax-exempt (varies by state and bond type)

Dividends (if applicable):

- Qualified dividends ↣ lower tax rate
- Non-qualified dividends ↣ taxed as ordinary income

One Time Events

Large, infrequent income events: RSU vesting, option exercises, or asset sales

- function much like investment gains amd can increase taxable income with no withholding.

Best Practices

- Estimate tax before selling investments
- Pair gains with losses where possible
- Set aside cash or make estimated payments

Business or Side-Business Income

Business, freelance, or consulting income has no automatic withholding, and it also triggers self-employment tax. Even modest side-income can meaningfully increase your tax liability.

Example

- Side-business profit: $12,000
- Freelance income: $4,000
- No withholding applied
- Self-employment tax applies (15.3%)

Best Practices

- Track income and expenses monthly
- Set aside ~20–25% for taxes
- Consider S-Corp Election based on revenue
- Make quarterly estimated payments
- Deduct legitimate business expenses
- Review entity structure annually

Tax Result Review

Refunds and balances are signals of how well income and taxes were aligned during the year.

Example

- $5,000 refund ↣ likely overwithholding
- $4,000 balance ↣ likely under-adjustment

Best Practices

- Treat results as feedback, not outcomes
- Adjust early in the next tax year
- **Contact a Tax Professional that can help!**

Supporting the Community

- We offer a complimentary financial and tax efficiency review designed to identify unnecessary fees, hidden costs, tax inefficiencies, and areas where a financial structure may not be fully optimized for long-term goals.
- This includes evaluating investment expenses, overall strategy alignment, tax awareness, and opportunities for continuous improvement so clients can make more informed financial decisions moving forward.

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Thank you for reading!