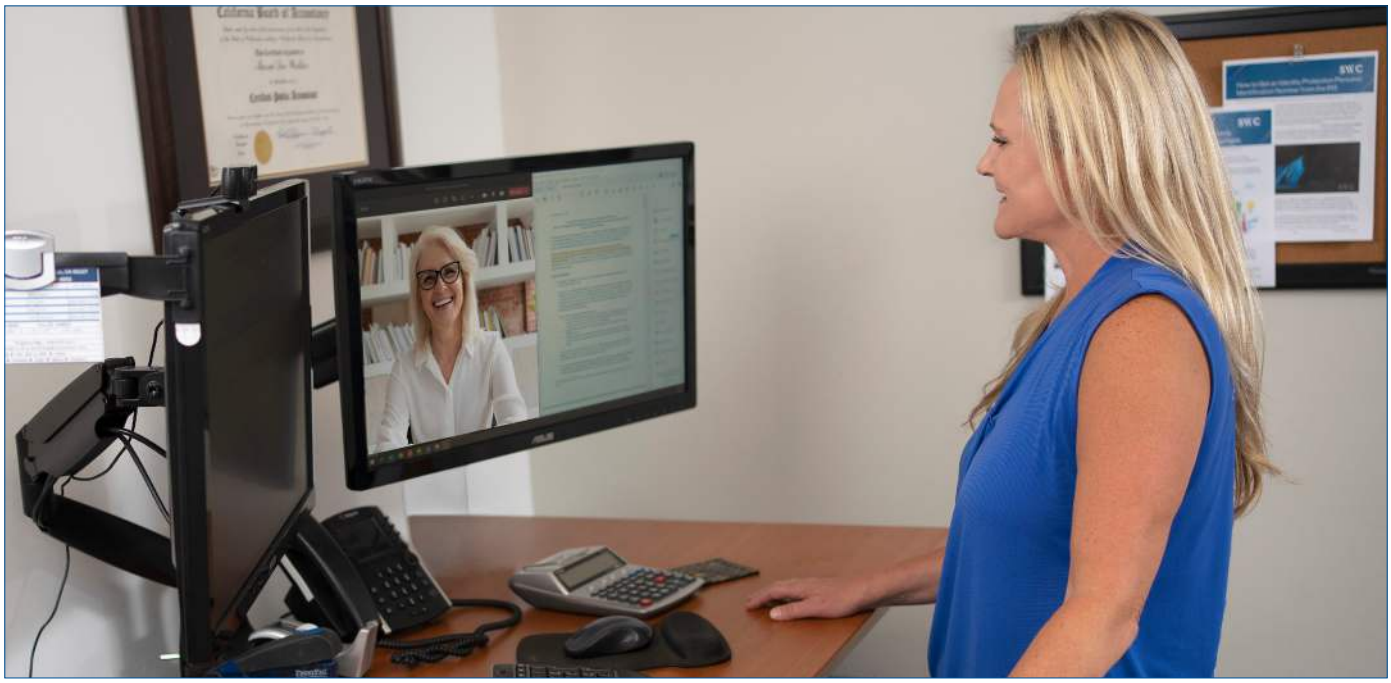
Summer 2026 Tax Updates Business Owners, Investors, and California Taxpayers Should Know

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Summer may feel like a quiet time for tax planning, especially after the spring filing rush. In reality, some of the most important tax planning windows open midyear, when business owners, real estate investors, individuals, and families still have time to make informed decisions before the end of the year.



This summer, several federal tax updates deserve attention. Some involve deadlines. Others are focused on Internal Revenue Service (IRS) account access, digital assets, qualified small business stock (QSBS), Health Savings Accounts (HSAs), disaster relief, and *Employee Retention Credit* claims (refundable tax credits for businesses and non-profits that kept employees on their payroll during pandemic-related government shutdowns or significant revenue declines). And for California taxpayers, the state's Franchise Tax Board (FTB) identity verification notices deserve a closer look.

In this SWC singlette, we explain what has changed, who may be affected, and what steps you may need to take before the next tax season catches you by surprise. First up, summer deadlines.

Watch These Summer Tax Deadlines

Two July deadlines stand out for taxpayers and business owners.

First, July 6, 2026, marks the deadline for certain Section 174 elections tied to research and

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experimental expenditures. These rules may matter for businesses with software development, product development, engineering, scientific research, or other innovation-related costs.

Second, July 10, 2026, marks an extended deadline tied to possible COVID-era refund claims for penalties and interest. This deadline stems from litigation involving whether certain filing and payment deadlines received automatic disaster-related postponement during the COVID-19 disaster period (Jan. 20, 2021 – July 10, 2023).

Here's what that means in plain English: Some taxpayers who paid penalties or interest connected to COVID-era filing or payment timing may have a potential refund claim. The rules remain technical, and the IRS may challenge claims depending on the facts, so it's best to ask about this during your Summer 2026 Mid-Year Tax Appointment with us here at SWC.

Business Owners Should Check IRS Business Tax Account Access

The IRS has continued to expand online access for business taxpayers. For S corporations and C corporations, certain individuals, known as Designated Officials, can use the IRS Business Tax Account to view information such as balances due, payment history, transcripts, notices, and letters.

This summer, Designated Officials for S corporations and C corporations have a limited renewal window, running from June 15 through July 29, 2026. If the renewal is missed, the person handling the company's tax account access may have trouble retrieving records or responding quickly to IRS activity.

> **Pro Tip:** If you own or operate a business, you should confirm who has access to your company's IRS account and whether that person still has authority to act on the company's behalf.
>
> This can matter for:
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> - Business owners who manage their own IRS account access
> - Controllers, CFOs, and internal accounting staff
> - Companies that recently changed officers or ownership
> - Businesses with open notices, payment plans, or transcript needs

Digital Assets Still Create Real Tax Reporting Issues

If you own, sell, trade, stake, mine, lend, or receive cryptocurrency or other digital assets, tax reporting may require more work than you expect.

The IRS generally treats digital assets as property for federal tax purposes. That treatment affects almost everything. Selling cryptocurrency, trading one token for another, using crypto to pay for goods or services, and swapping into a stablecoin can all create taxable events.

Buying and holding crypto usually does not trigger tax. Once you dispose of it, spend it, exchange it, or receive it as income, you may need to report the transaction.

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Here's what affected taxpayers need to know:

- Selling cryptocurrency for dollars can create capital gain or loss.
- Trading one digital asset for another can trigger tax.
- Using cryptocurrency to buy goods or services can count as a taxable disposition.
- Receiving crypto as payment for services generally counts as ordinary income.
- Staking rewards generally count as income when received or when you gain control over them.
- Mining income may count as ordinary income and may trigger self-employment tax if the activity rises to the level of a trade or business.
- *Airdrops* (marketing distributions) and *hard forks* (coins created from an existing blockchain split) may create ordinary income when you receive and control the new assets.
- Nonfungible token (NFT) sales, creator royalties, and NFT swaps may require separate reporting.
- *DeFi activity* (liquidity pools, lending, and yield farming) can create income or gain even when no traditional broker sends a tax form.

Digital asset tax reporting can get complicated quickly because platforms may provide incomplete records. Some taxpayers also have activity spread across multiple wallets, exchanges, and protocols.

> **Business Warning:** For business owners, the issue goes beyond investment activity. If your business accepts digital assets as payment, the fair market value on the date received generally counts as gross income. If you pay contractors or employees in digital assets, payroll and information reporting rules may apply.

Given the complexities associated with digital assets, it's recommended that you consult with a Certified Public Accountant (CPA) such the those working at SWC.

Qualified Small Business Stock Planning After OBBBA

Qualified small business stock, often called QSBS, remains one of the more powerful financial and tax planning tools for founders, entrepreneurs, early employees, and investors. Recent law changes under Public Law 119-21 (the One, Big Beautiful Bill Act) expanded the rules for certain stock acquired after July 4, 2025.

Under the updated rules, qualifying stock may receive tiered gain exclusion treatment based on how long the taxpayer holds the shares:

- 50 percent exclusion after a three-year holding period
- 75 percent exclusion after a four-year holding period
- 100 percent exclusion after a five-year holding period

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The gain exclusion cap also increased for qualifying stock acquired after July 4, 2025. The cap moved from $10 million to $15 million, subject to inflation adjustments in future years. The gross asset test also increased from $50 million to $75 million for stock issued after that date.

This may matter for:

- Founders forming or funding C corporations
- Investors considering early-stage company investments
- Business owners reviewing entity structure
- Employees receiving equity compensation
- Families exploring long-term wealth transfer strategies

QSBS planning requires careful attention to timing, entity type, original issuance, business activity, holding period, and documentation. A missed requirement can change the tax outcome in a major way.

If you own founder shares, early investor shares, or equity in a growing C corporation, this summer may provide a good time to review whether your stock may qualify and whether any future transactions could affect your exclusion.

HSA Limits Can Help With Midyear Benefits Planning

Health Savings Accounts can provide a tax-favored way to pay medical expenses, especially for taxpayers with high-deductible health plans.

For 2026, the HSA contribution limit is $4,400 for self-only coverage and $8,750 for family coverage. For 2027, the limits increase to $4,500 for self-only coverage and $9,000 for family coverage. Taxpayers age 55 or older can also make a $1,000 catch-up contribution.

HSA contributions may offer a current tax deduction, tax-deferred growth, and tax-free withdrawals when used for qualified medical expenses.

Business owners who sponsor health plans should review these limits when making benefit decisions. Individuals and families should also revisit contributions during the year, especially after changes in coverage, employment, marriage, divorce, or family size.

Employee Retention Credit Refund Claims Still Require Careful Review

The Employee Retention Credit (ERC) has created confusion for businesses, the IRS, the courts, and even some tax planning professionals.

Recent cases have shown that courts may apply different standards when deciding whether a business experienced a qualifying partial suspension due to a government order.

- Some courts have taken a broader view of what may qualify.
- Others have required a more direct connection between the government order and the business disruption.

If your business has a pending ERC claim, a denied ERC claim, or possible refund litigation, the facts matter. The industry, location, orders in effect, financial impact, operational changes, and supporting records need review, all of which we can assist with here at SWC.

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> **Warning:** Business owners should be cautious about any broad promise that an ERC claim will qualify. The IRS continues to scrutinize claims, and many businesses may need professional guidance before responding to IRS letters or considering refund litigation.

Disaster Relief Postponements May Apply in Special Situations

Taxpayers affected by federally declared disasters may receive extra time for certain tax filings, payments, refund claims, or court-related tax actions.

For qualifying disasters declared after July 24, 2025, the mandatory postponement period increased from 60 days to 120 days. This can provide meaningful relief for individuals and businesses dealing with fires, storms, floods, or other federally declared disasters.

> It's important to note that disaster relief rules can vary by declaration, location, taxpayer type, and tax act involved. You should review IRS disaster announcements and confirm which deadlines received relief before relying on postponement treatment.

For California taxpayers, this can matter during wildfire season and other disaster events. If you receive an IRS or FTB notice after a disaster, do not assume the agency automatically applied every available extension.

California Taxpayers: Do Not Ignore FTB Identity Verification Notices

Speaking of notices, many SWC clients live or do business in California where Franchise Tax Board (FTB) notices deserve special attention.

When the FTB suspects potential fraud or cannot validate certain information on a return, it may place the return on hold and contact you by mail. The objective is to confirm your identity and make sure the correct refund goes to the correct person.

Several FTB notices, including the ones below, may request your identity information or supporting documents:

- **FTB Form 4734D – Tax Information and Document Request:** The FTB sends this notice when it has questions about your identity. The notice may request copies of documents such as a driver's license, W-2s, 1099-R forms, or pay stubs. If you do not respond within 30 days, the FTB may disallow a refund claim. After documents are submitted, the FTB may take up to eight (8) weeks to review and respond.
- **FTB Notice 3904 – Tax Return Filed Confirmation Required:** The FTB sends this notice when it highly suspects identity theft. The notice goes to the last good address that the State of California has on file for you, which may differ from the address shown on the return. The notice asks questions designed to confirm whether you filed the return and to prevent a fraudster from taking over your account.

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- **FTB Form 4502 – Additional Documentation Required Refund Pending:** This notice may arrive when the FTB needs more information before approving the California Earned Income Tax Credit or Young Child Tax Credit and releasing the refund.
- **FTB 4579 – Demand to Furnish Information:** The FTB sends this notice to employers when it cannot validate wages or withholding based on historical information or third-party data.
- **FTB Letter 4737 – Unable to Process Tax Return:** The FTB may send this notice when you fail to respond to FTB Form 4734D or FTB Form 3904.

Keep in mind that identity verification notices from the Franchise Tax Board generally arrive by mail. If someone calls, texts, or emails claiming to represent the FTB and asks for personal information, take a step back before responding. When in doubt, contact us here at SWC.

A Quick Word About Tax Scams

Whenever new tax programs, refund claims, or identity verification procedures appear, scammers and bad actors tend to emerge. This summer, stay alert for messages involving refunds, account activation, digital assets, or identity verification.

> **Warning:** Legitimate tax agencies generally provide written instructions, official notice numbers, and secure response methods. Do not click links or provide personal information through an unexpected message.

When in doubt, contact us here at SWC or use the taxing agency's official website or phone number.

What To Do Now

Summer tax planning does not need to feel overwhelming. Start with the items most likely to affect you. For instance:

- **Business owners** should review Section 174, IRS Business Tax Account access, ERC status, payroll records, and any open IRS or FTB notices.
- **Investors and entrepreneurs** should review digital asset records, QSBS eligibility, investment holding periods, and basis documentation.
- **Individuals and families** should review HSA contributions, state notices, refund delays, and any tax-related mail that requests identity verification.
- **High-net-worth individuals** should pay close attention to transactions involving equity, digital assets, business sales, charitable giving, and long-term planning before year-end.

Here at SWC, we help clients stay current with tax changes and use planning opportunities to reduce tax exposure where current law allows, while increasing our clients' net worth. If you received an IRS or FTB notice, have digital asset activity, own qualified small business stock, or want to review your 2026 tax outlook before year-end, contact us to schedule your mid-year tax appointment.

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To schedule your mid-year meeting as a phone or online meeting:

1. **Visit** the SWC Contact Page online
2. **Click** "Schedule an Appointment"
3. In the new window, **select** "Mid-Year Appointment (June – August)"
4. Next, **scroll to choose your preferred SWC team member** under "Select Staff"
5. **Select** a convenient date and time
6. **Enter** your contact information
7. **Click** "Book"

If you would like your mid-year meeting to be in person at our San Diego office, please contact us directly so we can help coordinate your appointment.

Once your appointment is booked, our team will send a confirmation email with your meeting details and any additional information you may need. We'll also send reminder emails as your appointment date approaches.

Disclaimer: *TThe information in this SWC singlette about IRS account access, digital assets, qualified small business stock, health savings accounts, disaster relief, FTB identity verification, and employee retention credits is provided for general informational purposes only and may not reflect current financial thinking or practices.. No information contained in this singlette should be construed as tax or financial management advice from the staff at SWC (Stees, Walker & Company, LLP), nor is the information contained in this singlette intended to be a substitute for tax planning and financial counsel on any subject matter, or is it intended to take the place of hiring a Certified Public Accountant in your jurisdiction. No reader of this singlette should act or refrain from acting on the basis of any information included in, or accessible through, this singlette without seeking the appropriate tax and financial planning advice on the particular facts and circumstances at issue from a licensed professional in the recipient's state, country or other appropriate licensing jurisdiction.*

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