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2026 Year-End Tax Checklist: 12 Ways to Save Before December 31

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The end of 2026 is fast approaching, which means the window for taking advantage of certain tax-saving opportunities is getting smaller. The One Big Beautiful Bill Act (H.R. 1), signed into law in July 2025, extended several existing tax breaks and introduced new deductions that may help individual taxpayers reduce their 2026 federal income tax liability. With some planning, you may be able to take advantage of these provisions before the year ends.

Here at SWC, we hate to see anyone pay more in taxes than they're legally obligated to. That's why we offer year-end tax projection appointments for our clients from October through December. During these meetings, we review your finances and estimate your tax liability. We also look for opportunities to reduce the amount you may owe when you file your return.

To help you get started, we've put together a dozen tax-saving tips worth considering before Dec. 31, 2026. Some involve relatively simple adjustments, while others may require help from our CPAs. All are intended to help you make informed decisions about your taxes and put more of your money toward building long-term wealth.

Tip No. 1: Review Your Tax Withholdings and Estimated Payments

One of the easiest ways to avoid an unpleasant surprise at tax time is to review how much federal income tax you've already paid for 2026. If your employer withholds taxes from your paycheck, or you make quarterly estimated tax payments, you'll want to make sure you've paid enough to avoid an underpayment penalty.

You can avoid the federal underpayment penalty by paying at least one of the following amounts through withholding and timely estimated payments:

- 90 percent of your 2026 tax liability.
- 100 percent of your 2025 tax liability.
- 110 percent of your 2025 tax liability if your 2025 adjusted gross income (AGI) exceeded $150,000, or $75,000 if you're married filing separately.

These are general safe-harbor rules. Other requirements and exceptions may apply depending

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on your circumstances, which we can cover with you during your year-end tax projection appointment.

> **SWC Recommends:** If you received unexpected income, sold appreciated investments, or experienced a significant change in your financial situation, you may need to adjust your tax payments before year-end.
>
> One option is to increase the federal income tax withheld from your remaining paychecks. Unlike estimated tax payments, which count when paid, withholding is typically treated as though it occurred evenly throughout the year. That distinction may help reduce an underpayment penalty resulting from insufficient payments earlier in 2026.

We here at SWC can prepare a year-end tax projection to estimate what you owe and help you determine whether adjusting your withholding or estimated payments makes sense.

Tip No. 2: Consider Bunching Your Itemized Deductions

Every year, you have a choice between taking the standard deduction or itemizing eligible expenses such as mortgage interest, charitable contributions, medical expenses, and state and local taxes.

For 2026, the federal standard deduction is:

- $16,100 for single filers and married individuals filing separately
- $32,200 for married couples filing jointly
- $24,150 for heads of household

If your itemized deductions are close to your standard deduction, you may benefit from a strategy called *bunching*. This involves concentrating deductible expenses into one tax year instead of spreading them evenly over multiple years. When bunching, you itemize in the year with higher deductions and claim the standard deduction in another year.

For example, suppose you and your spouse file jointly and typically have about $30,000 in itemized deductions annually. If you can shift enough eligible expenses into 2026 to exceed the $32,200 standard deduction, you may be able to claim a larger deduction this year and take the standard deduction in 2027.

Here are a few ways to consider bunching:

- **Charitable contributions:** Make donations you originally planned for 2027 before the end of 2026.
- **Property taxes:** Pay eligible property taxes before Dec. 31, 2026, if they're assessed and your local taxing authority permits early payment.
- **State income taxes:** Consider making your fourth-quarter estimated state income tax payment before year-end.
- **Medical expenses:** Schedule eligible dental procedures, vision care, or other medical services before Dec. 31, 2026, if doing so helps your deductible medical expenses exceed 7.5 percent of your adjusted gross income.

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Warning: Bunching doesn't always deliver savings. The state and local tax deduction cap, Alternative Minimum Tax (AMT), and other limitations can affect the result.

A Bigger SALT Deduction for 2026

The One Big Beautiful Bill Act increased the federal deduction limit for state and local taxes, commonly called the SALT deduction. For 2026, the SALT deduction cap is $40,400, or $20,200 for married taxpayers filing separately. However, the deduction may be reduced when modified adjusted gross income (MAGI) exceeds $505,000, or $252,500 for married taxpayers filing separately.

The deduction cannot fall below $10,000, or $5,000 for married taxpayers filing separately, because of this income-based reduction. If you live in California or another state with substantial income and property taxes, this expanded deduction deserves a closer look. Depending on your circumstances, accelerating certain payments into 2026 may increase your itemized deductions and reduce your federal tax bill.

We can help you determine whether bunching deductions or taking the standard deduction will produce the better tax result. Bring this up at your year-end tax projection appointment, which can be scheduled online and held via video conference, phone, or in person in our San Diego office. (*To schedule your appointment by phone, please call us at (858) 487-4580.*)

Tip No. 3: Take Advantage of the New Deduction for Seniors

If you're age 65 or older, you may qualify for an additional federal income tax deduction introduced by the One Big Beautiful Bill Act. This temporary deduction is available for tax years 2025 through 2028 and can reduce taxable income for eligible older taxpayers.

The deduction is:

- Up to $6,000 if you're age 65 or older
- Up to $12,000 for married couples filing jointly when both spouses qualify

You can claim this deduction whether you itemize deductions or take the standard deduction. However, the amount begins to phase out when MAGI exceeds $75,000 for individual taxpayers or $150,000 for married couples filing jointly. (Note: The deduction is reduced by 6 percent of income exceeding the applicable threshold until the deduction reaches zero.)

If you're retired or approaching retirement, this provision may affect decisions involving IRA withdrawals, Roth conversions, and investment sales. For example, converting a traditional IRA to a Roth IRA increases your taxable income in the year of conversion. That additional income could reduce or eliminate your senior deduction.

A year-end tax projection appointment with one of our CPAs can help you weigh the immediate tax cost of a conversion against its potential long-term benefits.

Tip No. 4: Take Advantage of the New Tax Breaks for Tips and Overtime

If you receive tips or overtime compensation, you may qualify for additional federal income tax

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deductions for 2026. These provisions apply to tax years 2025 through 2028 and are available whether you itemize deductions or claim the standard deduction.

Deduction for Qualified Tips

Eligible workers in occupations that customarily and regularly received tips before 2025 may deduct up to $25,000 in qualified tips annually. The deduction begins to phase out when MAGI (modified adjusted gross income) exceeds $150,000, or $300,000 for married couples filing jointly. Qualified tips must be properly reported through employer wage statements, applicable information returns, or other required tax reporting.

Deduction for Qualified Overtime Compensation

Eligible workers may also deduct:

- Up to $12,500 in qualified overtime compensation
- Up to $25,000 for married couples filing jointly

The deduction begins to phase out at MAGI above $150,000 for individual filers or $300,000 for married couples filing jointly. The overtime deduction applies only to the premium portion of overtime compensation required under the federal Fair Labor Standards Act.

For example, if your regular hourly wage is $20 and you're paid $30 per hour for qualifying overtime, the additional $10 premium is the amount potentially eligible for the deduction. The full $30 hourly payment doesn't qualify.

> **SWC Recommends:** Keep your pay stubs, Forms W-2, Forms 1099, and other records documenting tips or overtime compensation. Accurate reporting will be important when claiming these deductions.

If you think you qualify for either deduction, we can review your income and help determine how much you may be eligible to claim.

Tip No. 5: See Whether Your New Vehicle Qualifies for an Interest Deduction

Financing a new vehicle may provide an opportunity to reduce your 2026 federal income tax liability. Under a temporary provision covering tax years 2025 through 2028, eligible taxpayers may deduct up to $10,000 annually in qualifying interest paid on loans used to purchase certain new passenger vehicles.

The deduction is available whether you itemize or take the standard deduction. However, several restrictions apply:

- The vehicle must be new. Used and previously owned vehicles don't qualify
- The loan must satisfy the applicable requirements
- The vehicle must be intended primarily for personal use
- Interest paid on vehicle leases doesn't qualify
- Certain financing arrangements, including amounts attributable to negative equity on a trade-in, are excluded

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The deduction begins to phase out when MAGI exceeds $100,000 for individual filers or $200,000 for married couples filing jointly. The reduction is $200 for each $1,000 — or portion thereof — of income above the applicable threshold.

Other vehicle eligibility requirements apply, including restrictions related to the vehicle's final assembly. If you purchased a qualifying new vehicle during 2026, keep your financing agreement and records showing the interest paid. If you're considering purchasing a vehicle before year-end, we can help you determine whether the vehicle and financing arrangement qualify.

> **SWC Recommends:** Remember that a tax deduction offsets only part of the cost of financing a vehicle. Consider the purchase price and ongoing ownership costs when deciding whether buying a vehicle makes financial sense.

Tip No. 6: Review Your Investments Before Dec. 31, 2026

Your investment portfolio may offer opportunities to reduce your 2026 tax liability. By reviewing your investments before the end of 2026, we can help you identify potential capital gains and losses and help you decide whether selling certain assets makes sense.

Here are several tax strategies to consider:

- **Hold appreciated investments for more than one year.** Investments held longer than 12 months qualify for preferential long-term capital gains rates when sold.
- **Sell investments that have declined in value.** Realized capital losses can offset capital gains from other investments.
- **Offset short-term gains.** Capital losses may be especially useful when applied against short-term gains that would otherwise be taxed at the ordinary income tax rates.
- **Use excess losses to reduce ordinary income.** If your capital losses exceed your capital gains, you may deduct up to $3,000 of the remaining net loss against ordinary income, or $1,500 if married filing separately.
- **Carry unused losses forward.** Capital losses exceeding the annual deduction limit carry forward to future tax years.

Watch Out for Wash Sales

A *wash sale* occurs when you sell an investment at a loss and acquire the same or a substantially identical security within 30 days before or after the sale. When the wash-sale rules apply, your loss isn't deductible immediately. Instead, the disallowed loss is typically added to the cost basis of the replacement investment. Even automatic dividend reinvestments can create wash-sale problems.

The capital gain and loss strategies referenced above tend to apply to investments held in taxable accounts. Transactions inside IRAs and 401(k) accounts don't produce currently

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deductible capital losses. When deciding whether to sell an investment, consider your long-term investment objectives and the potential for future growth. Selling an investment solely to generate a tax loss may work against your financial goals.

Here at SWC, we can help you evaluate the tax implications of investment decisions and consider how those decisions fit into your broader wealth-building strategy.

Tip No. 7: Make Your Charitable Contributions More Tax-Efficient

Supporting charitable organizations can be personally rewarding, and thoughtful planning may also reduce your tax liability. That said, several changes to federal tax law affect charitable deductions beginning in 2026. Here's what to know:

A New Deduction for Taxpayers Who Don't Itemize

Beginning in 2026, eligible taxpayers who claim the standard deduction may also deduct qualifying cash contributions of up to:

- $1,000 for individual filers
- $2,000 for married couples filing jointly

This creates an opportunity for people who previously received no federal income tax deduction for charitable contributions because they didn't itemize.

New Limitations for Taxpayers Who Itemize

Beginning in 2026, charitable contributions become deductible for itemizers only to the extent their contributions exceed 0.5 percent of adjusted gross income. For example, if your AGI is $200,000, the first $1,000 of otherwise qualifying charitable contributions won't produce an itemized charitable deduction. This makes planning the timing and amount of charitable contributions more important.

Here are several strategies worth considering:

- **Bunch charitable contributions.** Combine multiple years of planned donations into one year to increase the potential deduction.
- **Donate appreciated investments.** Giving qualifying investments that are held longer than one year directly to charity may allow you to deduct their fair market value, subject to applicable limits, while avoiding recognition of the appreciation.
- **Consider a donor-advised fund (DAF).** Contribute assets to a qualifying charitable organization that sponsors a DAF, potentially claim a deduction in the contribution year, and recommend grants to charities over time.

SWC Recommends: Review your documentation. Keep receipts, acknowledgment letters, and other required records supporting your donations.

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Consider Qualified Charitable Distributions

If you're age 70½ or older, you may be able to transfer money directly from your IRA to an eligible charity through a Qualified Charitable Distribution (QCD). For 2026, the annual QCD limit is $111,000 per IRA owner.

A qualifying QCD isn't included in taxable income and can count toward your Required Minimum Distribution (RMD), if you're required to take one. Because a QCD doesn't increase your AGI, it may offer other tax benefits involving Social Security taxation and income-based tax provisions. However, you cannot also claim a charitable deduction for the same distribution.

> **SWC Recommends:** If you're considering a QCD for 2026, contact your IRA custodian well before Dec. 31, 2026, to allow sufficient time to complete the transfer.

Tip No. 8: Consider Converting a Traditional IRA to a Roth IRA

A Roth IRA conversion can be a useful strategy for managing taxes over your lifetime. With a traditional IRA, deductible contributions and investment earnings aren't taxed until you withdraw the money. With a Roth IRA, qualified withdrawals are tax-free.

Converting funds from a traditional IRA to a Roth IRA tends to create taxable income in the year of conversion, but future qualified distributions from the Roth account can be tax-free.

A conversion may be worth considering if:

- You expect to be in the same or a higher tax bracket during retirement.
- Your taxable income is unusually low in 2026.
- You want to reduce future required distributions from traditional retirement accounts.
- You expect substantial long-term growth in your retirement investments.

Be Careful About Converting Too Much

Converting a large IRA balance in one year can push you into a higher tax bracket. It may also increase the taxable portion of your Social Security benefits, affect Medicare premiums in future years, or reduce eligibility for certain income-based deductions.

One approach is to convert smaller amounts over several years rather than converting an entire account at once. This allows you to spread the tax consequences over multiple years while gradually increasing the amount held in your Roth IRA.

At SWC, we can help you estimate the tax consequences of different conversion amounts and determine how a Roth conversion fits into your long-term financial strategy.

Tip No. 9: Use Your Flexible Spending Account Before You Lose the Money

If your employer offers a Flexible Spending Account (FSA), take time to review your remaining balance and your plan's deadlines. FSAs allow employees to set aside pretax income to pay eligible expenses, including certain healthcare or dependent care costs.

However, these accounts operate under a "use-it-or-lose-it" rule. Depending on your employer's

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plan, unused funds may be forfeited if you don't spend them within the permitted period.

For healthcare FSAs, employers may offer one of the following:

- **Carryover:** Your employer may allow you to carry over as much as $680 in unused 2026 healthcare FSA funds into 2027.
- **Grace period:** Your employer may provide up to 2½ additional months after the plan year ends to incur eligible expenses.

Keep in mind that a healthcare FSA cannot offer both options for the same plan year. Some plans also provide a separate run-out period, allowing you more time to submit claims for expenses incurred during the applicable coverage period.

> **SWC Recommends**: Before the end of 2026, check your account balance and ask your benefits administrator which rules apply. If you have money remaining, consider whether you have eligible medical or dental expenses that can be paid or incurred within the required period.

Dependent care FSAs have different rules, so review those separately if you participate in both types of accounts.

Tip No. 10: Take Advantage of the Annual Gift Tax Exclusion

If you're thinking about transferring wealth to children, grandchildren, or other loved ones, year-end gifting may provide an opportunity to reduce the size of your taxable estate. For 2026, the federal annual gift tax exclusion is $19,000 per recipient. This means you can give up to $19,000 to as many individuals as you like without using any of your lifetime estate and gift tax exclusion.

Married couples may be able to give up to $38,000 per recipient through qualifying gifts or gift-splitting arrangements. The federal estate and gift tax lifetime exclusion for 2026 is $15 million per individual, or potentially $30 million for married couples, subject to the applicable rules.

Here are several considerations when making gifts:

- **Make gifts before Dec. 31, 2026.** Annual gift tax exclusions do not carry forward if you don't use them.
- **Consider gifting income-producing assets.** Transferring investments to family members in lower tax brackets may reduce overall family income taxes, although special rules can limit the benefit.
- **Watch out for the Kiddie Tax.** Certain investment income received by children and young adults may be taxed using their parents' marginal tax rates.
- **Avoid gifting investments that have declined in value.** Selling an investment to recognize an eligible loss and then gifting the proceeds may produce a better tax result than gifting the investment itself.
- **Consider your overall estate plan.** Tax savings should support your intentions for distributing wealth.

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A Note About California Property

If you're considering gifting California real estate to a child or grandchild, additional planning is essential. California's Proposition 19 significantly changed the property tax rules governing transfers between generations.

A transfer that makes sense for federal estate and gift tax purposes may trigger a property tax reassessment under California law. Before transferring real estate, we recommend reviewing the potential federal income tax and estate tax consequences, along with the applicable California property tax rules.

Tip No. 11: Explore Trump Accounts for Eligible Children

The One Big Beautiful Bill Act introduced a new type of tax-advantaged investment account for children, commonly called a Trump Account. These accounts are designed to help families establish long-term investment savings for eligible children.

Beginning in 2026, parents and guardians can establish accounts for qualifying children and make contributions subject to the applicable rules.

Some of the main features of these accounts include:

- **Annual contributions:** Up to $5,000 per eligible child, subject to future inflation adjustments.
- **Federal government contribution:** Eligible children born between Jan. 1, 2025, and Dec. 31, 2028, may receive a one-time $1,000 federal contribution.
- **Employer contributions:** Employers may contribute up to $2,500 annually for an eligible employee's child, subject to the overall contribution limit.
- **Tax-deferred growth:** Investment earnings accumulate without current annual income taxation within the account.

The federal contribution doesn't count toward the annual $5,000 contribution limit. To qualify for the government contribution, an eligible child must have a Social Security number, and the required election must be made with the IRS.

Trump Accounts also have restrictions on permitted investments while the child is a minor. If you have a child or grandchild born in 2025 or 2026, now is a good time to review eligibility and consider whether opening an account makes sense.

We can help you evaluate how a Trump Account compares with other savings options, such as a 529 education savings plan.

Tip No. 12: Schedule Your Year-End Tax Projection Before Dec. 31, 2026

One of the most useful steps you can take before the end of the year is to review your entire financial picture with a tax-planning professional like these here at SWC. A tax planning strategy that produces substantial savings for one taxpayer may provide little benefit to someone with different income or financial circumstances.

For example, a Roth IRA conversion may be advantageous in a low-income year but expensive

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in a high-income year. Accelerating charitable contributions may increase your itemized deductions, although the amount you can deduct depends on several limitations. Selling investments at a loss may reduce capital gains taxes, but the sale could also affect your investment objectives.

These decisions become easier when you have a reasonably accurate estimate of your tax liability and understand how each planning move may affect your finances. At SWC, our year-end tax projection appointments give us an opportunity to review your income and deductions and examine your investment activity, as well as discuss important tax planning opportunities before the year closes.

We can then recommend strategies based on your circumstances and consider how decisions made in 2026 may affect your finances in future years.

Make Your 2026 Tax-Saving Moves Before It's Too Late

As you can see, the federal tax code provides numerous opportunities to reduce your tax burden. Taking advantage of those opportunities requires understanding the applicable rules and acting before certain deadlines pass.

Some strategies, such as reviewing withholding or using remaining FSA funds, are relatively simple to execute. Others, including Roth conversions and estate planning, require more careful analysis. Charitable giving strategies can also benefit from professional guidance, particularly when substantial amounts or appreciated assets are involved.

Here at SWC, we believe tax planning should help you accomplish more than reducing what you owe the government each April. Our objective is to help you use the money you save to increase your net worth and build lasting financial security for yourself and your loved ones.

If you're an SWC client and haven't scheduled your 2026 Year-End Tax Projection Appointment, please contact us to arrange an appointment. If you're considering becoming a client, we'd be happy to discuss how our personalized tax-planning services can help you make informed decisions about your taxes and your financial future.

The sooner you start planning, the more opportunities you may have to reduce your 2026 tax liability.

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