

Tax Planning (OBBBA)

[00:00:00] Hello everyone. Welcome back to The Depends podcast. I'm your host, Derek Doyle. And this is Andrew. Today's episode is being recorded on April 16th, 2026. The information in this episode is current as of the date recorded and is not intended as financial, tax or legal advice. You should consult your tax, financial, and or legal advisors before implementing any transactions and or strategies concerning your finances.

In today's episode, we're gonna talk about tax planning. No better time to do it after tax day, which was yesterday, April 15th. We have a new bill that got passed last year and there are some new things to prepare for going forward and also some changes that we need to be aware of from last year to this year.

Let's first start with what are the things to be aware of? Andrew, could [00:01:00] you explain to our audience some of the key things that changed from last year to this year? And on top of that, some things to be kind of maybe aware of heading into 2026 as we start planning for this tax year? Well, the big change that I wanna point out that affects a lot of taxpayers is the thousand dollar.

Charitable contribution that people using the standard deduction can take advantage beginning in tax year 2026, even though the tax code did change last year, this did not go into effect until this year, 2026. So even with the higher standard deduction, or especially for seniors with the extra senior bonus deduction, ~~uh~~, a lot of people have been.

Unable to take advantage of itemized taxes. So for people that taking standardized deduction, this is an extra benefit to encourage charitable deductions. Yes. ~~Um, to, to mention this~~ itemized deduction, ~~um~~, last year, 2025 tax year and this [00:02:00] year, moving forward until 2029, we have the ability to take advantage of what is called a salt or state and local tax deduction.

Could you put that in plain English to the audience? Andrew? What is the salt itemized deduction and how that could be used? ~~Um~~, when preparing your taxes? So SALT is an acronym for state and local tax, and what that means is if you have state tax, or some municipalities, like New York City also administer a tax.

So it is state taxes including property taxes and income taxes. So you aggregate all of that and if you can itemize up to \$40,000 for a couple, you can take

advantage of that. So it's very beneficial for especially high tax states like New York. Yeah. And we mentioned the senior bonus deduction, and not to get confused with the already present 65 plus [00:03:00] deduction, this is an additional deduction on top of the one that you might have been used to already seeing and taking advantage of.

Is. Uh, available, uh, up to 6,000 per person. So a married filing joint couple could be eligible up to 12,000 and there are income phase out, so we can still take a partial deduction. But I think this also is a good thing to take a look at where someone who is 65 and older, it's going to be very difficult to become an itemized deduction person eligible with all these new.

Standard deductions that are on, on top of that, it, it has gotten increasingly difficult to do so well, it probably depends on, uh, what you have going on and what you're spending on. So itemized deductions are mostly things like said salt, so state and local property taxes, things like that, up to 40,000, uh, but also in, uh, the interest on mortgages.

Mm-hmm. If you [00:04:00] own your home, so you're older, that probably doesn't apply to you. But if you are younger, starting out, especially if you bought post COVID with the, you know, five, six, 7% mortgage rates, you are likely to die just from that. Yep. Um, on the other side would be if you do have a major health issue, which does tend to happen as we age, that is subject to certain, uh, a GI thresholds, which is adjusted gross income.

So. The government assumes you are going to absorb some of that cost for your healthcare, but if you have major, major medical, uh, you can itemize that as well. Yeah. And then the last two ones that are important to pay attention to going into this year and could have been taken advantage of last year is no tax on tips and then no tax on overtime.

So just a quick overview, no tax on tips. It is a \$25,000 deduction and that is. Not per person as you might assume it would be. It is per tax return. So that's something that you [00:05:00] might wanna be taking a look at throughout the year. If you are a couple and both have tips, you might wanna be tracking that because you don't have the ability to both use 25 for yourself and 25 for your spouse.

Um, and for overtime it is, uh, \$12,500 for a single and then 25,000 for married filing joint. And this is something that we wanna take a look at When it comes to your W2, there will be a new box where an employer is actually boxing out

and putting in the qualified over time. And it is just through your own mental, ~~you know~~, note as well.

It is only the overtime portion, meaning if you are getting paid time and a half. It's only the half that is going to be eligible for the qualified overtime. So those are just some things for you guys to be aware of as we're heading into the new tax year. ~~Um~~, one of the things that both you and I after making it through tax season dealt a lot with is investment performance and what that means in terms of [00:06:00] inside of your taxable brokerage account when it comes to tax time.

There's a saying out there where it says, don't let the tax tail wag the dog. Could you put that, ~~um~~, in a perspective, ~~uh~~, in terms of a tax planning perspective for the audience on what that means and why it's important to maybe take investment gains, even if it does incur a tax liability? Well, just in general, for all investments, it's important to have a strategy.

Whether you are short term, long term hedging, very speculative, income driven, whatever it is, you should have some sort of strategy and discipline with that. And one of that would be price targets for selling, and it's very easy to get caught up in the moment when times are good too. Let's just let this ride.

Let's just let this ride. Let's just ride. But I like to say that the stock market takes the stairs up and the elevator [00:07:00] down. And what that means is that yes, we can see steady inclines for a long, long time, and I think seven out of eight years historically. Up here. So that does give us confidence in general, the stock market is moving up, but as we saw, ~~you know~~, with recent, ~~you know~~, the war events and all of that, stock market can also rapidly decline.

So taking profits when times are good is a very key to being a successful investor. ~~Uh~~, I think a lot of people get caught up in the all or nothing mentality. Where, ~~uh~~, especially with their winners that, oh, even though it's up, I don't want to sell out in case it doubles again or something. Yeah. And that's really a flawed mentality in my opinion.

I think. Selling 10%, 25%, 50%, something, taking some gains off the table and repositioning them [00:08:00] ultimately makes you successful in a better position. No, and I think this is a good topic to bring up, especially with where we're at now in the markets. ~~You know~~, we, we had an all time high yesterday of April 15th with the s and p crossed 7,000.

~~You know~~, investment performance over the last five years has been incredibly strong. ~~Um~~, and I think inherently people hear the word capital gains tax and think it's a bad thing, but capital gains is a symptom of a strong performing market. And we shouldn't let a tax bill scare us from making a bad investment decision.

Mm-hmm. ~~You know~~, and that's where the saying comes from. Don't let the tax tail wipe the dog. We should not be making bad investment decisions because of a tax bill. ~~Um~~. There are some ways to avoid that tax bill. ~~Um~~, could you, ~~you know~~, give maybe the audience maybe one or two examples of a charitable gifting strategy that could maybe reduce or eliminate a tax, ~~you know~~, a capital gains tax.

Totally. ~~You know~~, the appreciation of some of these assets. [00:09:00] Well, so. If we're talking about charitable giving, ~~uh~~, donor advised funds have caught on a lot of attention recently. So that's a popular strategy where you're able to donate highly appreciated stock to something called donor advised fund, and then you can control the distributions in separate tax year.

So even though we may take a large contribution this year. We often hear it called grouping or clustered. Mm-hmm. ~~Uh~~, contributions where we get money into a donor advised fund and then we can contribute it evenly or as we see fit in future years. So that's a good way to take money, ~~uh~~, and get a benefit from it where you don't pay taxes on it.

Mm-hmm. ~~Uh~~, if you're not just trying to get money to charities, you can also consider gifting to the next generation. Typically we think of our kids as being a lower income bracket unless they're incredibly successful. ~~Uh~~, so [00:10:00] typically we assume that we accumulate more money as we get older. So if your younger children are in lower tax brackets, gifting them money, ~~uh~~, so they can pay taxes, can be a tax savings and efficiency as well.

Yeah, and kind of the tie that point back with the donor-advised funds and these different gifting strategies, now that ~~you know~~, like we mentioned with itemized deductions. Kind of opening a new possibility for some of these people that live in high tax states like California, New York, New Jersey. You really could itemize a lot of things now, given the fact that you can, ~~uh~~, itemize up to \$40,000 in state and local property taxes.

And if you have a big charitable expense, you really could push that itemized number to a pretty high amount, given the fact that there's a lot of new things in this bill that allow you to do so. So I think just bringing it all together shows

you that tax planning. There are a lot of moving parts, but you really can, if you line it up correctly, can really move the needle one way or the [00:11:00] other.

Although I wanna take this minute to, ~~um~~, let's clarify that we are talking about. Deductions not credits. Yes. ~~Uh~~, I think a lot of times people get hooked on getting a dollar for dollar benefit for gifting charity, and that just simply isn't true. Mm-hmm. You are just able to reduce your taxable income and Yeah.

If you're in a high tax bracket, 35, 37, it can be significant. If you're in a low tax bracket, 12, you're not gonna see the same benefit as someone in a higher income bracket. Yeah. So. All good points and things that we just need to be aware of when we're tax planning. ~~Um~~, that kind of rolls into, ~~um~~, how different income is taxed.

And I think this is something important to realize as some of our retired or entering retired, ~~you know~~, stages of life, are aware of everything has a different bucket in which it is taxed. You have your traditional IRAs. You have your Roth accounts and you have your taxable brokerage accounts, and then you also [00:12:00] have your ordinary income, which could be a wage pension, and then you have social security.

Mm-hmm. I think a lot of people sometimes focus too much on how much they saved and not enough on where they're saving it, because I think tax diversification could be just as important as investment diversification when it comes to later on stages in life. ~~Um~~. Kind of break down to the audience how you might, ~~you know~~, take advantage of these three different buckets and how that kind of works in a tax planning scheme.

Well, let's just zoom out a little bit and talk about how taxes work in general. Mm-hmm. So. I think lots of times people think that, oh, I earned this and my spouse earned this. So we each have our own tax liability, but that's not how taxes are calculated. They're taxed you, you are taxed and considered a household.

Mm-hmm. So we look at the aggregate with the total amount of income [00:13:00] into the household is, and that determines a bunch of other pieces. So, ~~uh~~, trying to look at each piece individually. Is a misconception of taxes just in general. So let's just start with that. But ~~uh~~, right. Wages is ordinary income and we consider that kind of the baseline where we're going to have a, like base of income.

Then we add in everything else, whether it's IRAs, which are also taxed at ordinary income because you got the tax referral for all those years. Mm-hmm. ~~Sim, uh,~~ similar to pensions, unless there's some kind of special exclusion. And then there's capital gains. Capital gains, if they're short term, are also tax ordinary income.

But if you've held it for longer than a year, you get the preferential long-term capital gains tax treatment. And even though in the industry we are very guilty of talking about the 15% bracket, 20% bracket per capital gains, similar [00:14:00] to ordinary incomes. 0% bracket and we fill each of those brackets. And once again, not all of your income is subject to any one of these.

It's subject to all of them in a blend, depending on the total makeup of your income. Yeah. Yeah. I think that's very distinct to point out that when it comes to taxes, especially if you are married, we are looking at things as a household and less on the individual side. Mm-hmm. ~~Um,~~ we have been talking a lot about capital games and there are some things as.

Advisors and, ~~you know,~~ planning their taxes throughout the year that a lot of, ~~you know,~~ normal, everyday people are not aware of, one of those are estimated payments and the difference between that and withholding. So a lot of people assume that. Taxes are dealt with in April, and that's the only time you have to worry about doing taxes, and that is not true.

The government wants money throughout the entire year. April is just your last day to pay them what the difference is between what you've been paying all year and what you're actually owed [00:15:00] meant. We mentioned capital gains a lot and. Even people who are still working and ~~you know,~~ collecting a wage where there is built in withholding, you still might need to make an estimated payment throughout the year, given the fact that you have a high capital gains year.

Explain to someone. In kind of layman's terms, why an estimated payment might be needed due to some rules like safe harbor or, ~~you know,~~ the, the different things regarding the tax liability piece on that side. So the government requires you to pay a percentage of your income consistently all year long, right?

As you were saying. We can do that two real ways. Estimate payments or withholding from. Typically wages or IRAs or something like that. Mm-hmm. Withholding because you never see the money. ~~Uh,~~ there's something in the tax

doctrine called constructive receipt, and since you never received it, you never had the ability as a taxpayer to ever spend this money.

The government is okay [00:16:00] with you not being able to spend it on something else. And. If they collect it at the end of the year, that satisfies your tax liability. So you'll see us oftentimes do withholding from IRAs at the end of the year. Mm-hmm. To satisfy safe harbor, which is a tax threshold that as long as you're within a certain percentage of last year, depending on income, that there's no additional penalties for the current tax year.

But great capital gains don't work like that. Or interest at a in a bank account doesn't work like that. And that is considered income for tax reasons. And if you have a significant interest in tax, in taxes or capital gains, the government wants you to pay on that. Yeah. So making as estimate payments can be a way to satisfy these additional income taxes that you owe.

Yeah. ~~Um~~. It's okay to owe at the end of the year. Once again, if you're within Safe Harbor, as long as you just make a mental [00:17:00] note. I have a large tax bill in April, ~~um~~, but a lot of people get caught off guard or it's just psychologically easier to break it up into four payment rather than one large one.

Yeah, and it's not like these underpayment penalties are steep, it's just they could be easily avoided. Where the Safe Harbor rules are essentially the IRS saying. If you pay us this amount for the current tax year, you are safe, even if you owe. So we just have those, ~~you know~~, safe harbor rules that we have to meet.

And even if we do have a liability at the end of the year, as long as we're in the safe harbor thresholds, we're okay. So those are some common misconceptions and some things that we wanna be paying attention to throughout the tax year, given the fact that we wanna be avoiding these a hundred payment penalties, even if they aren't steep, they are easily avoidable.

~~Um~~. Kind of our last conversation that kind of gets thrown into the tax piece and usually gets brought up a lot of times towards the end of the year is Roth conversions. ~~Um~~, they are very powerful tools, but once again, they [00:18:00] are subject to everyone's each individual case scenario. And what I mean by that is, is that it's usually not an all or nothing approach.

It usually has to do with certain people and like we were talking about before, tax diversification in terms of the buckets. ~~You know~~, traditionally most people

have a lot of their income tied up in tax deferred accounts. Your 401 Ks, your traditional IRAs, and typically, but I not always the case.

Typically, once we stop working. Our tax brackets tend to come down because this is supposed to be usually some of the times that we're making not as much money as we were maybe during our prime earning years. This is opportunities for us to go in and take a look to see if it makes sense to start moving pre-tax dollars into tax dollars and put it into a Roth account.

What are some, ~~you know~~, common, ~~you know~~, misconceptions [00:19:00] or maybe some things that the average person could be looking out for that might make sense for 'em to start looking into a Roth conversion as a possible strategy as they enter a near retirement? Well, we don't have a crystal ball, so it is impossible to really know what future tax rates look like.

I think Roth conversions. You get a lot of press in the news that lots of people should be doing them, but if we look at what the impact costs you upfront, ~~uh~~, versus what we could grow that money to. Mm-hmm. ~~Uh~~, it's significant for a lot of people. Even if you're in the 22, 20 4% bracket, ~~uh~~, if you're in a state like New York and there's additional state tax.

You could be looking at close to a 30% tax impact just to get the money into the other account. Mm-hmm. And as we know, it actually takes more than 30% just to get back to baseline. Mm-hmm. So if we were to have. [00:20:00] 30 plus performance, where would the other dollars be and how large would it have grown? And does that affect anything?

~~Um~~, yes, there is the tax drag when the money comes out and maybe you have successful children and a high tax brackets and you're considering that impact. But even with the 10 year rule, you're able to draw it out strategically as you see fit for yourself. You get the deferral throughout the 10 years where that can still make it more sense to keep it in that pre-tax account?

Yeah, so to answer your actual question, when does it make sense? I see it making sense. If you see volatility in your income and you have a one off, two off, three off, ~~you know~~, set of years where your income is significantly lower than other times where there is going to be savings for you likely in your own lifetime.

Where you're typically in the [00:21:00] 22% and you have a low income year of 12%. Mm-hmm. We're converting at a much lower rate, and in let's say 10, 15, 20 years, we'll be back in those 20% brackets. You have now cost savings

for yourself. Uh, a lot of people get hooked on trying to optimize for the next generation, which can be really impossible to predict.

Yeah, and I, I think Roth, you know, like you said, it's a very hard. It's never just a yes or no question to just answer, but general rule of thumb, we also very good for, you know, people younger who maybe are not in their highest tax bracket yet. Meaning you're still single, you're maybe only making you know, 30, 40, you know, \$50,000 a year.

You, this might make sense to start, you know, putting some money into some Roth accounts given the fact that you probably are at the lower end of your probably. Total tax bracket earning years. Um, it, and, and it makes sense where it's like you don't really need that tax deduction. It doesn't really [00:22:00] help you move the needle as much.

Whereas if you were in a high tax bracket, maybe you do wanna be taking advantage of more deductions and reducing your overall taxable income. Mm-hmm. Um, so I think the younger generation, it makes sense to be focusing on putting a lot of money into the Roth account. And then, like you said, for the people who are a little older, it really does come into where we.

Kind of look at it as the filling the bucket strategy where it's like it's not all or nothing. Most Roth conversions, you can tell if they were done right or wrong because it's never an even number. If you converted \$50,000 evenly, it's probably wrong because that's not how tax buckets work. Um, so it, it is a strategy that it is sometimes you're maybe only converting 8,000, 10,000, you know, small amounts each year and just filling up the bracket until you hit, whether it's the 32 and you don't wanna go over whatever the case is.

So these are all things that keep, you know, in the back of your pocket as we're walking through tax year 2026. And some [00:23:00] things to be aware of, uh, due to the fact that this is the true full calendar year of a lot of these new tax provisions that got passed last year. Um, anything else before we wrap up, uh, to the audience that you might wanna key have them keep in mind throughout the year when it comes to tax planning or just filing your taxes in general.

Uh, I, I think you already said it, but just to reiterate, it's that taxes is, I mean, tax planning is done all year long. Mm-hmm. It isn't just a, I filed my taxes in April and I don't have to worry about it for 12 months. Yeah. It's important to consider your tax liability, uh, to make your whole portfolio so you're doing things optimally.

Well, thank you guys for tuning in. Uh, this was the, well, it depends. Podcast, and I'm your host, Derek Doyle. And I'm Andrew Baron. And we'll see you next time.

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