

Key Wealth Institute

Top 10 2026 Year-End Planning Ideas for Business Owners

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Business owners enter year-end 2026 with greater tax clarity than they have had in several years, but the broader operating environment remains complex. The One Big Beautiful Bill Act (OBBBA or H.R. 1) resolved many questions around expiring tax provisions and preserved several business-friendly rules, while owners continue to navigate inflation, labor costs, tariffs, supply chain pressures, rising federal debt concerns, rapid advances in artificial intelligence, and the potential tax policy implications of the November mid-term elections. Against that backdrop, year-end planning should balance immediate tax opportunities with longer-term decisions around cash flow, capital investment, succession, risk management, and business transition readiness.

For 2026, the tax environment for business owners can be viewed through three practical lenses:

Tax rates:

- Permanent 21% corporate tax rate.
- For 2026, individuals subject personal income to a top ordinary rate of 37% and a potential high-wage earner Medicare tax of 0.9%. The lower individual tax rates from the TCJA are permanent.
- For capital gain and qualified dividends from pass-through entities, there are no changes in the special tax rates for individuals (0%, 15%, or 20%). Corporate capital gains are generally taxed as ordinary income at 21%.
- There is still a 3.8% Medicare surtax for individuals on Net Investment Income. This does not apply to the ordinary income from trades or business conducted as a sole proprietor, partnership, or S corporation.



Business deductions:

- 100% bonus depreciation and enhanced business expensing opportunities under Section 179.
- Continued qualified business income deduction for non-corporate entities at 20%, with changes to the phase-in ranges for Specified Services Trades or Business (SSTBs) as well as a new minimum deduction.

Entity-specific planning:

- Expanded planning opportunities around the Qualified Small Business Stock (QSBS) exclusion.
- Continued Pass-Through Entity Tax (PTET) planning opportunities in many states.

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Here are 10 planning ideas to consider for the remainder of 2026:

Retirement readiness and personal wealth alignment

1. Coordinate your retirement readiness

Year-end is a practical time to review whether you are using the right retirement savings structure based on entity type, cash flow, employee participation, age, and expected future tax rate. The goal is to pair available deductions with a retirement strategy that does not leave too much of your long-term wealth concentrated in the business.

- **Solo 401(k)s and SEP IRAs:** These plans may allow meaningful deductible contributions for self-employed owners, with SEP IRAs offering funding flexibility through the extended tax return due date.
- **Safe harbor 401(k)s:** These plans can help owners and highly compensated employees maximize contributions while reducing nondiscrimination testing concerns when employee participation is low.
- **Cash balance plans:** Owners in their 50s and 60s may be able to layer a cash balance plan on top of a 401(k) to make larger deductible retirement contributions.
- **Roth 401(k) options:** Owners should evaluate whether some contributions should be made on a Roth basis, especially if they expect higher tax rates in retirement or want tax diversification.

Income tax, deductions, and cash flow planning

2. Consider whether capital purchases may qualify for immediate expensing or bonus depreciation

If you are planning to buy equipment, technology, software, or make certain improvements to your facilities before year-end, review whether those costs can be deducted more quickly under Section 179 or bonus depreciation. OBBBA expanded these opportunities for qualified property placed in service after December 31, 2024, which may help reduce taxable income while also supporting business growth.

The tax benefit should not drive the purchase by itself. Before accelerating spending, confirm that the asset fits your business plan and that the purchase will not create cash flow strain, unnecessary debt, or excess capacity heading into 2027.

For businesses investing in domestic production, OBBBA also created a new elective 100% bonus depreciation deduction for certain Qualified Production Property. If you are considering manufacturing, production, or refining facility investments, discuss eligibility and timing with your tax advisor as part of your broader capital spending plan.

Keep in mind: State tax rules may not match federal tax rules. Before relying on OBBBA depreciation benefits, ask your tax advisor how your state treats bonus depreciation, Section 179 expensing, and Qualified Production Property deductions.

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3. Take advantage of the pass-through tax deductions for state and local taxes and qualified business income

For pass-through entities, Pass-Through Entity Tax (PTET) elections remain an important year-end planning consideration in many states. Where available, the entity may pay state and local income tax at the entity level, creating a federal deduction that can reduce flow-through income to the owner without being limited by the individual SALT cap.

The qualified business income (QBI) deduction is now permanent after 2025 and may allow eligible non-corporate owners to deduct up to 20% of qualified business income. Owners should revisit taxable income, SSTB status, W-2 wages, and qualified property before year-end to determine whether income, deduction, compensation, or capital spending decisions could improve the available deduction.

4. Review liquidity, estimated taxes, and cash flow before year-end

Before implementing year-end strategies, you should confirm that projected cash flow supports planned tax payments, retirement contributions, charitable gifts, capital purchases, owner distributions, and any upcoming personal liquidity needs. A strategy that creates a deduction or accelerates an investment may still create pressure if it leaves the business underfunded or reduces flexibility going into 2027.

- Update year-end income projections and estimated tax payments after accounting for PTET elections, bonus depreciation, Section 179 deductions, retirement plan contributions, and any expected gains or losses.
- Coordinate business cash reserves with personal liquidity needs so you can fund taxes, living expenses, and charitable commitments.

Transition, wealth transfer, and philanthropy planning

5. Create and implement business transition planning strategies

Business transition planning is often delayed while owners focus on day-to-day operations, but year-end is an ideal time to revisit how, when, and to whom the business may eventually transition. A clear plan can help preserve value, reduce family conflict, and coordinate income tax, estate tax, and liquidity considerations before an unexpected event or unsolicited offer forces a decision.

You should identify the likely transfer channel — family, co-owners, employees, or a third-party buyer — and make sure the plan is supported by current valuation information, buy-sell agreement terms, insurance funding, governance documents, and estate planning strategies. If the business is a C corporation, you should also review whether QSBS planning may create meaningful tax savings.

6. Establish or revise wealth transfer strategies

As circumstances change throughout the year, you should revisit wealth transfer strategies that may reduce income, estate, gift, and generation-skipping transfer taxes. Year-end gifting, whether outright or in trust, can be used to transfer assets before December 31 while annual exclusion and lifetime exemption amounts remain available.

Transfer planning should be coordinated with succession goals, trust design, state residency considerations, and the potential future sale of the business. Estate and tax planning professionals can help determine whether lifetime trusts, charitable strategies, or other structures align with your and your family's objectives.

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7. Coordinate charitable deduction planning

Corporate charitable planning involves strategic giving to meet both business and philanthropic goals. Corporations can deduct charitable contributions up to 10% of their taxable income (as computed without the charitable contribution). Contributions in excess of that limit in any year can be carried forward and deducted over the next five years. OBBBA introduced a 1% floor on deductible donations starting in 2026. Companies should consider bunching donations to exceed this threshold.

Philanthropy should not be an afterthought following a business sale, but a consideration before an exit occurs. There are strategic opportunities available prior to a liquidity event. Some examples include 1) establishing a donor-advised fund to allow you to make charitable contributions during high-income years while taking additional time to decide which organizations will ultimately receive grants, 2) establishing a private foundation to create a multigenerational charitable legacy, or 3) using charitable remainder trusts.

8. Align business planning and personal financial planning

Year-end is a good time to reflect on how your business performance connects to your personal financial planning. Many owners focus on business profits and overlook their personal financial planning. A few good questions to consider:

- Do you have major upcoming personal expenses in the next 12 to 24 months that require cash flow from the business (e.g., college funding, wedding, major travel goal, major purchase, etc.)?
- How much of this year's business success actually made it into your personal wealth building?
- Are you adequately protected by insurance and risk management if a major life event creates a cash flow disruption (e.g. life insurance, disability coverage, umbrella liability coverage)?

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Risk management, continuity, and operational resilience

9. Review risk management and business continuity planning

You should use year-end to test whether the business is financially and operationally resilient. Review key-person risk, cyber risk, insurance coverage, disaster recovery plans, vendor concentration, employment practices, and whether the business can operate if you or another key employee is unavailable.

- Confirm whether buy-sell agreements, key-person insurance, and continuity documents reflect the current value and ownership structure of the business.
- Identify one or two operational vulnerabilities that should be addressed before year-end or built into the 2027 planning agenda.

10. Evaluate AI, technology, and operational efficiency investments

In an environment where business owners continue to face margin pressure from labor costs, inflation, tariffs, supply chain disruption, and uneven demand, evaluate whether technology, automation, cybersecurity, and AI-related tools can help improve productivity and operational resilience. These investments could be viewed through the same lens as other capital decisions: whether they can reduce costs, improve scalability, strengthen risk management, or position the business for growth in 2027.

- Prioritize investments that can reduce costs, improve scalability, strengthen cybersecurity, or support better decision-making.
- Coordinate technology spending with Section 179 or bonus depreciation planning when eligible assets may be placed in service before year-end.

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Year-end is a busy time of year for business owners for many reasons. Despite the hustle and bustle, it is important to consider the year-end tax planning strategies mentioned above to minimize taxes and protect and preserve your business and personal assets. With many key tax provisions now more predictable, business owners can shift their focus to evaluate whether business and personal planning strategies are aligned and position yourself for success in 2027 and beyond.

For more information, [please contact your advisor.](#)

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