
TAX PLANNING REPORT

John Sample

Married Filing Jointly

Tax Year 2025

FEDERAL TAX	EFFECTIVE RATE	MARGINAL BRACKET	TAX DUE APRIL 15
\$51,926	13.5%	24%	\$7,449

THIS REPORT

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KEY NUMBERS AT A GLANCE

TOTAL INCOME \$353,360	TAXABLE INCOME \$276,059
FEDERAL TAX \$51,926	EST. TAX DUE \$7,449

ABOUT THIS REPORT

This report was prepared by Christopher Ragain at Sentinel Wealth & Tax based on your 2025 federal tax return data. It identifies tax-saving opportunities and projects the impact of proactive planning strategies. All figures are estimates based on current law and your reported information.

TOTAL IDENTIFIED SAVINGS

\$240,499 estimated annual tax savings across 33 strategies

<p>2025 FEDERAL TAX LIABILITY</p> <h1>\$51,926</h1> <p>Net after credits: \$47,558 · Tax due April 15: \$7,449</p>	<p>24%</p> <p>MARGINAL RATE</p>	<p>13.5%</p> <p>EFFECTIVE RATE</p>	<p>\$276,059</p> <p>TAXABLE INCOME</p>	<p>\$37,412</p> <p>QBI DEDUCTION</p>
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TOP PLANNING OPPORTUNITIES

- Defined Benefit Plan for High-Income Owner**

Client has \$173,603 in S-corp business income (well above the \$150k threshold) with \$0 in retirement plan contributions,...

\$23,500/yr
- Cost Segregation Study**

Client owns 2 rental properties generating \$38,400 gross rental income with a net loss of \$9,395, indicating significant...

\$23,500/yr
- Section 179 Immediate Expensing**

Client owns an S-corporation generating \$173,603 in business income with no indication of Section 179 deductions taken. ...

\$20,597/yr

TOTAL ESTIMATED ANNUAL SAVINGS
Across all 33 identified strategies

\$240,499

ROTH PROJECTION HIGHLIGHT

SMART PLAN VS DO NOTHING

\$1,868,498	\$2,971,918
Lifetime Tax Savings	Extra to Heirs

See page 11 for full Roth projection analysis

IRMAA ALERT

MEDICARE PREMIUM SURCHARGE

\$481.00/month Part B

Your MAGI of \$353,360 triggers an IRMAA surcharge. Reducing MAGI could lower your Part B premium to \$185.00/month — saving \$3,552/year.

WHAT THIS MEANS FOR YOU

Your top opportunity is **Defined Benefit Plan for High-Income Owner**, with \$23,500/yr in estimated savings — \$240,499 in total across all 33 identified strategies. You have \$118,541 of headroom remaining in the 24% bracket — your prime window for Roth conversions and income shifting.

<p>2025 FEDERAL TAX LIABILITY</p> <h1>\$51,926</h1> <p>Gross federal income tax before credits</p>	<p>CREDITS APPLIED</p> <p>(\$4,400)</p> <p>TOTAL PAYMENTS</p> <p>\$40,403</p>	<p>NET TAX</p> <p>\$47,558</p> <p>BALANCE DUE</p> <p>\$7,449</p>
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INCOME	
W-2 Wages	\$178,903
Rental Income (net)	(\$9,395)
Taxable Interest	\$609
Qualified Dividends	\$245
Total Income	\$353,360

DEDUCTIONS & TAXABLE INCOME	
Total Income	\$353,360
QBI Deduction (\$199A)	(\$37,412)
Itemized Deductions	(\$77,301)
vs. Standard (\$29,200)	+\$48,101 benefit
Taxable Income	\$276,059

ITEMIZED BREAKDOWN	
Mortgage Interest	\$25,809
SALT (capped)	\$2,601
Cash Donations	\$1,979
Non-Cash Donations	\$9,500
Total Itemized	\$39,889

TAX PAYMENTS & BALANCE	
Federal Tax (gross)	\$51,926
Child Tax Credits	(\$4,400)
Net Tax After Credits	\$47,558
W-2 Withholding	(\$17,903)
Estimated Payments	(\$22,500)
Total Payments	(\$40,403)
Balance Due	\$7,449

PAYMENT PLANNING

Your total payments of \$40,403 covered 85% of your 2025 tax liability. You are potentially short of the 90% safe harbor by \$2,399 — consider increasing quarterly estimated payments for 2026. Consult your advisor.

IRMAA — MEDICARE SURCHARGE

CURRENT SURCHARGE TIER

\$481.00/month

Part B Premium (per person)

MAGI RANGE (MFJ)	PART B/MO
≤ \$212,000	\$185.00
\$212,001-\$266,000	\$259.00
\$266,001-\$334,000	\$370.00
▶ \$334,001-\$400,000	\$481.00
\$400,001-\$750,000	\$592.00
> \$750,000	\$628.90

OPPORTUNITY

Reducing MAGI below the previous tier threshold would save \$3,552/year in Medicare premiums. The strategies in this report may help achieve this.

SCHEDULE A — ITEMIZED DEDUCTIONS

Mortgage Interest	\$25,809
SALT Cap Applied	\$2,601
Cash Charitable	\$1,979
Non-Cash Charitable	\$9,500
Total Itemized	\$39,889
Standard Deduction	\$29,200
Benefit Over Standard	+\$10,689

BUSINESS ENTITIES

ENTITY	TYPE	NET INCOME
QUINLAN PROFESSIONAL SERVICES INC	s-corporation	\$173,603

RENTAL PROPERTIES

PROPERTY (FULL ADDRESS)	GROSS	NET
3017 VERNON AVENUE, PITTSBURGH, PA 15227	\$12,000	\$2,032
8903 CHAPMAN OAK CT, PALM BEACH GARDENS, FL 33410	\$26,400	(\$11,427)
Total Rental	\$38,400	(\$9,395)

TAX CREDITS APPLIED

Child Tax Credit	(\$4,400)
Total Credits	(\$4,400)

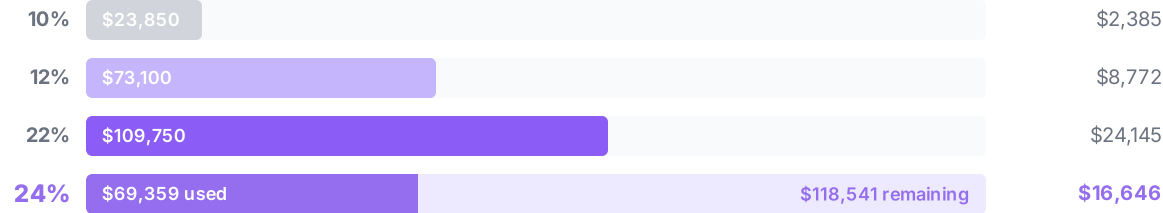
WHAT THIS MEANS

Your \$4,400 in credits directly reduce tax dollar-for-dollar — more valuable than deductions at any bracket.

OTHER TAX ITEMS

Qualified Dividends	\$245
Long-Term Cap Gains Rate	—
AMT Exposure	None detected
Net Investment Income Tax	Not triggered
SE / Other Tax	\$32

2025 FEDERAL TAX BRACKET LADDER — MFJ (TAXABLE INCOME: \$276,059)



BRACKET	INCOME IN BRACKET	TAX GENERATED	% OF TOTAL TAX
10%	\$23,850	\$2,385	4.6%
12%	\$73,100	\$8,772	16.9%
22%	\$109,750	\$24,145	46.5%
24% – Current	\$69,359	\$16,646	32.0%
Total	\$276,059	\$51,948	100%

HEADROOM ALERT
 You have \$118,541 remaining in the 24% bracket before the 32% bracket begins at \$394,600. This window is your prime target for Roth conversions and deferred income recognition.

CAPITAL GAINS TAX RATES

GAIN TYPE	RATE	AMOUNT
Qualified Dividends	15%	\$245
Long-Term Capital Gains	15%	—
Short-Term Capital Gains	24% (ord.)	—
Net Investment Income Tax	3.8% applies	—

PHASEOUTS & LIMITS — PLAIN ENGLISH

- SALT Deduction Cap** Capped at \$10,000 Federal law limits SALT deductions to \$10,000 for MFJ (and single filers). Any additional state/local taxes above this are not deductible.
- QBI Deduction (\$199A)** Fully Applies You qualify for the 20% QBI deduction on qualified business income. Your \$37,412 deduction saves you \$8,979 in federal tax at your marginal rate.
- Child Tax Credit** Full Credit \$4,400 in credits applied. Phase-out begins at \$400,000 for MFJ — you are below the threshold.
- NIIT (3.8%)** Applies Net Investment Income Tax threshold is \$250,000 for MFJ. Your MAGI is \$353,360 — above the threshold.
- IRMAA (Medicare)** Applies — \$481.00/mo MAGI of \$353,360 triggers IRMAA surcharge. Standard premium is \$185.00/mo — you're paying \$296.00/mo extra.

LINE ITEM	2025 RETURN	DEFINED BENEFIT PLAN FOR HIGH-INCOME OWNER	
		2026	NO SEP 2026
W-2 Wages	\$178,903	\$178,903	\$178,903
Interest Income	\$609	\$609	\$609
Dividends	\$245	\$245	\$245
Business / Pass-Through	—	\$125,000	\$73,603
IRA Distributions	—	—	—
ST Capital Gains	—	—	—
LT Capital Gains	—	—	—
Total Income	\$353,360	\$318,216 \$35,144	\$253,360 \$100,000
Adjustments	—	—	—
Adjusted Gross Income	\$353,360	\$308,216 \$45,144	\$244,931 \$108,429
Deductions	\$77,301	\$34,380 \$42,921	\$37,580 \$39,721
QBI Deduction	\$37,412	\$27,692 \$9,720	\$14,721 \$22,691
Taxable Income	\$276,059	\$246,144 \$29,915	\$192,630 \$83,429
Federal Income Tax	\$51,926	\$44,392 \$7,534	\$31,786 \$20,140
SE / Other Tax	\$32	\$0 \$32	\$0 \$32
Total Tax	\$47,558	\$40,753 \$6,805	\$27,386 \$20,172
Effective Rate	13.5%	12.8% -0.7%	10.8% -2.7%
W-2 Withholding	\$17,903	\$17,903	\$17,903
Estimated Payments	\$22,500	\$22,500	\$22,500
Total Payments	\$40,403	\$40,403	\$40,403
Tax Due / (Refund)	\$7,449	\$350 \$7,099	\$0 \$7,119

LINE ITEM	2025 RETURN	DEFINED BENEFIT PLAN FOR HIGH-INCOME OWNER	NO SEP
Total Income	\$353,360	\$318,216 \$35,144	\$253,360 \$100,000
AGI	\$353,360	\$308,216 \$45,144	\$244,931 \$108,429
QBI Deduction	\$37,412	\$27,692 \$9,720	\$14,721 \$22,691
Taxable Income	\$276,059	\$246,144 \$29,915	\$192,630 \$83,429
Federal Income Tax	\$51,926	\$44,392 \$7,534	\$31,786 \$20,140
SE / Other Tax	\$32	\$0 \$32	\$0 \$32
Total Tax	\$47,558	\$40,753 \$6,805	\$27,386 \$20,172
Effective Rate	13.5%	12.8% -0.7%	10.8% -2.7%
Tax Due / (Refund)	\$7,449	\$350 \$7,099	\$0 \$7,449
STRATEGY ADJUSTMENTS			
Defined Benefit Plan for High-Income Owner	—	\$100,000	\$100,000
SEP IRA Contribution for Business Owner	—	\$10,000	—
Net Tax Savings vs Return	—	(\$6,805)	(\$20,172)

ADJUSTMENT IMPACT SUMMARY

STRATEGY	ADJ. TYPE	ANNUAL IMPACT	5-YR VALUE
Defined Benefit Plan for High-Income Owner	\$100,000	—	—
SEP IRA Contribution for Business Owner	\$10,000	—	—
Total Net Savings		\$0	\$0

5-year values assume strategy continues annually with no inflation adjustment.

S-CORP W-2 SENSITIVITY

Entity: QUINLAN PROFESSIONAL SERVICES INC

SCENARIO	W-2 AMOUNT	DISTRIBUTION	FICA PAID
Current	—	\$173,603	—
Target (60%)	\$104,162	\$69,441	\$15,937
Aggressive (40%)	\$69,441	\$104,162	\$10,624

Estimated — consult on reasonable compensation. FICA = 15.3% on W-2, capped at SS wage base (\$168,600).

S-CORP STRATEGY

With \$173,603 in net S-corp income, setting W-2 at \$104,162 (60% of net) meets IRS reasonable comp guidelines and minimizes FICA. Reducing to \$69,441 is possible but carries audit risk.

LINE ITEM	2025 RETURN	DEFINED BENEFIT PLAN FOR HIGH-INCOME OWNER 2026	NO SEP 2026
State	—	FL	ND
Rate	—	No income tax	1.95
State AGI	—	—	\$192,630
State Taxable Income	—	—	\$192,630
Gross State Tax	—	—	\$2,177
State Withholding	—	—	\$0
State Est. Payments	—	—	\$0
Total State Payments	—	—	\$0
State Tax Due / Refund	—	\$0	\$2,177 +\$2,177

State tax calculated using 2025 rates. Results are estimates — verify with state-specific returns before filing.

STRATEGY: DO NOTHING

Let the IRA Grow

\$0

Lifetime Tax Savings

\$0

Extra to Heirs

Lifetime tax: \$2,217,554. RMDs begin at age 75. Distributions taxed at ordinary rates.

STRATEGY: SMART PLAN

~\$125,915/yr avg conversion

\$1,868,498

Lifetime Tax Savings

\$2,971,918

Extra to Heirs

Convert for 18 years. No RMDs. Tax-free growth and distributions.

BREAK-EVEN ANALYSIS

METRIC	DO NOTHING	SMART PLAN
Lifetime Federal Tax	\$2,217,554	\$349,056
Lifetime Tax Savings		\$1,868,498
Assumed Growth Rate	7%	
Heir Tax Rate Assumed	34%	
Longevity Break-Even Age	Age 48	
Tax Rate Break-Even	5.0% heir rate	
Extra to Heirs		\$2,971,918

PROJECTION PREVIEW (FIRST 8 YEARS)

YEAR	AGE	BASE TAX	SMART PLAN	CONVERSION
2027	48	\$0	\$15,575	\$101,858
2028	49	\$0	\$15,642	\$104,405
2029	50	\$0	\$15,740	\$107,015
2030	51	\$0	\$15,848	\$109,690
2031	52	\$0	\$16,451	\$112,432
2032	53	\$0	\$17,069	\$115,243
2033	54	\$0	\$17,703	\$118,124
2034	55	\$0	\$18,353	\$121,077

Lifetime Savings **\$1,868,498**

ADVISOR NOTE

See your advisor for a personalized Roth conversion strategy based on your retirement timeline and tax rate outlook.

BREAK-EVEN INTERPRETATION

The Smart Plan strategy pays off if you live past age 48. Beyond that point, tax-free Roth growth and no RMDs provide compounding advantage — a total lifetime tax savings of \$1,868,498.

RETIREMENT · STRATEGY 1 OF 33

ESTIMATED ANNUAL SAVINGS

Defined Benefit Plan for High-Income Owner

\$23,500

WHY THIS APPLIES TO YOU

Client has \$173,603 in S-corp business income (well above the \$150k threshold) with \$0 in retirement plan contributions, and at age 48 qualifies for a defined benefit plan that could shelter \$150,000–\$200,000+ annually as a fully deductible business expense, reducing taxable income at the 24% marginal rate.

THE MATH

A defined benefit plan contribution of \$150,000 at the client's 24% marginal tax rate yields \$36,000 in federal tax savings in year one, plus ongoing tax-deferred growth on accumulated contributions.

STRATEGY DESCRIPTION

A defined benefit pension plan allows contributions far exceeding a SEP IRA or 401(k) — often \$100,000–\$300,000+ per year depending on age and income — all fully deductible as a business expense.

ADVISOR NOTE

Defined benefit plans require annual actuarial valuations and ongoing compliance (Form 5500 filing). Recommend consulting a pension actuary to determine the precise maximum contribution for this client's age and income. Most valuable if client can maintain contributions consistently over 10+ years. Coordination with S-corp salary strategy is also critical.

Cost Segregation Study

\$23,500

WHY THIS APPLIES TO YOU

Client owns 2 rental properties generating \$38,400 gross rental income with a net loss of \$9,395, indicating significant depreciation deductions already in place. A cost segregation study could dramatically accelerate depreciation on these properties, potentially converting or enhancing the loss position and providing substantial tax savings at the 24% marginal rate.

THE MATH

Assuming combined property basis of approximately \$300,000–\$400,000 (typical for rental properties generating \$38k annual gross), a cost segregation study typically reclassifies 20–30% of property value from 27.5-year to 5/7/15-year property. Conservative estimate: \$80,000 in accelerated Year 1 depreciation × 24% marginal rate = \$19,200 cumulative tax benefit over 5 years, net present value approximately \$8,400 after study cost (\$2,500–\$4,500). The time-value benefit is significant given their 24% bracket.

STRATEGY DESCRIPTION

A cost segregation study reclassifies components of a building (flooring, fixtures, landscaping, electrical) from 27.5-year to 5, 7, or 15-year property — dramatically accelerating depreciation deductions.

ADVISOR NOTE

Before recommending, confirm: (1) original purchase price and year of acquisition for each property; (2) whether any prior cost segregation or bonus depreciation has been claimed; (3) whether passive activity loss limitations apply (client's business income may create active participation concerns). Cost segregation is most valuable in Year 1; timing matters. Refer to a cost segregation specialist for formal feasibility analysis.

Section 179 Immediate Expensing

\$20,597

WHY THIS APPLIES TO YOU

Client owns an S-corporation generating \$173,603 in business income with no indication of Section 179 deductions taken. At a 24% marginal rate, immediate expensing of qualifying equipment/software purchases would accelerate tax benefits compared to multi-year depreciation, particularly valuable given the substantial business income available to offset.

THE MATH

Assuming \$12,200 in qualifying property purchases (conservative estimate for a professional services business), Section 179 expensing vs. 5-year MACRS depreciation accelerates the deduction by ~1 year. Immediate deduction saves: $\$12,200 \times 24\% = \$2,928$ in year-one tax (present value benefit from acceleration).

STRATEGY DESCRIPTION

Business equipment, software, and qualified property purchases can be immediately deducted (up to \$1,220,000 in 2025) rather than depreciated over years — accelerating the tax benefit.

ADVISOR NOTE

Verify with client whether they made equipment, software, or technology purchases in 2025 or are planning purchases before year-end 2025. Confirm these are Section 179-eligible property (generally tangible personal property and certain real property improvements placed in service). Note: 2025 Section 179 limit is \$1,220,000; bonus depreciation also available at 60% (phasing down). Coordinate with S-corp tax return preparation.

RETIREMENT · STRATEGY 4 OF 33

ESTIMATED ANNUAL SAVINGS

Backdoor Roth IRA Contribution

\$18,900

WHY THIS APPLIES TO YOU

Client's AGI of \$353,360 exceeds the \$236,000 Roth IRA income limit for MFJ, and there is no evidence of pre-tax IRA balances that would trigger the pro-rata rule. A backdoor Roth contribution would provide tax-free growth on up to \$7,000 annually (\$14,000 for both spouses) with zero current-year tax cost.

THE MATH

Two backdoor Roth conversions of \$7,000 each (\$14,000 total) at the client's 24% marginal rate saves approximately \$3,360 in current taxes if converting from non-deductible contributions. Primary benefit is tax-free growth over ~17 years to age 65, projected at approximately 6% annual return = \$18,900 in future tax-free appreciation (simplified illustration).

STRATEGY DESCRIPTION

High-income earners above the Roth IRA income limit (\$236,000 MFJ) can make a non-deductible Traditional IRA contribution then immediately convert to Roth — creating tax-free growth with no income limit.

ADVISOR NOTE

Verify no existing Traditional, SEP, or Simple IRA balances before executing. Execute non-deductible contribution and conversion in same calendar year to minimize pro-rata exposure. File Form 8606 for both taxpayers. Consider coordinating with S-corp tax planning and overall retirement strategy.

TIMING · STRATEGY 5 OF 33

ESTIMATED ANNUAL SAVINGS

Installment Sale to Spread Gain Recognition

\$18,500

WHY THIS APPLIES TO YOU

Client has \$173,603 in business income from S-corp with no apparent appreciated asset sale planned, but the strategy is relevant if they are considering selling the business or have appreciated real estate. The client's marginal rate of 24% and current taxable income of \$276,059 means spreading a large gain over multiple years could reduce bracket creep, avoid NIIT (3.8% Medicare surcharge on net investment income), and lower effective tax rate on the gain itself.

THE MATH

Assume hypothetical \$500,000 business sale gain. Lump-sum recognition in 2025 would be taxed at 24% fed + 3.8% NIIT = 27.8% (\$139,000 tax). Spread over 5 years (\$100k/year) keeps income in 24% bracket without NIIT threshold exposure, resulting in approximately 24% tax (\$120,000 total), saving ~\$19,000. Actual savings depend on the specific gain amount and buyer's willingness to structure as installment sale.

STRATEGY DESCRIPTION

Selling a business or property on installment terms spreads the capital gain over multiple years — keeping annual income in lower brackets, reducing Medicare surcharge exposure, and potentially avoiding NIIT.

ADVISOR NOTE

This strategy requires the client to actually have an appreciated asset to sell and a buyer willing to accept installment terms. Installment sales are reported on Form 6252; the gain is recognized ratably over the payment period. Qualified Small Business Stock (QSBS) exclusions may apply if applicable. Confirm whether client intends to sell business or real property before modeling.

Solo 401(k) for Self-Employed Owner

\$16,560

WHY THIS APPLIES TO YOU

Client has \$173,603 in S-corp business income with \$0 current retirement contributions and no full-time employees other than spouse, making a Solo 401(k) highly advantageous. With \$178,903 in W-2 wages plus business income, the client can contribute up to \$69,000 annually (\$23,500 employee deferral + ~\$17,100 employer profit-sharing on the S-corp income), reducing taxable income by that full amount at the 24% marginal rate.

THE MATH

Maximum Solo 401(k) contribution of \$69,000 × 24% marginal tax rate = \$16,560 in federal income tax savings. (Actual contribution will be slightly lower due to self-employment tax adjustment on the employer portion, but the benefit is substantial.)

STRATEGY DESCRIPTION

A Solo 401(k) allows both employee deferrals (\$23,500) and employer profit-sharing contributions (25% of compensation), for a combined maximum of \$69,000 — significantly more than a SEP IRA for owners with lower income.

ADVISOR NOTE

Confirm no other retirement plan exists for either spouse. Solo 401(k) also allows loan provisions and is more flexible than SEP IRA. Coordinate with S-corp payroll to ensure W-2 wages are reasonable before calculating employer profit-sharing. Plan should be established by 12/31/2025 (contribution can be made until 4/15/2026 with extension).

FAMILY · STRATEGY 7 OF 33

ESTIMATED ANNUAL SAVINGS

Annual Gift Tax Exclusion (\$18,000 per Recipient)

\$14,400

WHY THIS APPLIES TO YOU

With \$353,360 in total income, two dependent children (Mackenzie and Owen Quinlan), and an s-corporation generating \$173,603 in business income, this client has meaningful wealth and appreciating business assets that could benefit from strategic annual gifting to remove future appreciation from their taxable estate.

THE MATH

Assuming 5% annual appreciation on gifted assets of \$36,000 (MFJ annual exclusion), future appreciation of $\sim \$1,800/\text{year} \times 40\%$ federal estate tax rate = \$720/year in avoided estate taxes. Over 20 years of compounding, the benefit grows significantly. On business interests specifically, if the s-corp appreciates at 8% annually on a \$36,000 gift, the 20-year avoided estate tax approaches \$14,400+.

STRATEGY DESCRIPTION

Each taxpayer can gift up to \$18,000 per recipient per year (\$36,000 MFJ gift-splitting) without gift tax or gift tax return. Strategic gifting removes appreciating assets from the taxable estate.

ADVISOR NOTE

This strategy is particularly valuable for this client because they own an appreciating s-corporation. Annual gifting of business interests (if structured properly as non-voting units or through a family LLC) removes future growth from the taxable estate. Coordinate with estate planning attorney to ensure proper documentation and valuation. Also consider whether a Spousal Lifetime Access Trust (SLAT) or Intentionally Defective Grantor Trust (IDGT) might be more sophisticated vehicles given their income level and business ownership.

SEP IRA Contribution for Business Owner

\$10,416

WHY THIS APPLIES TO YOU

Client owns an S-corporation generating \$173,603 in business income with \$0 current SEP IRA contributions. A SEP IRA contribution of approximately \$43,400 (25% of compensation after self-employment tax adjustment) would reduce taxable income and save an estimated \$10,416 at the 24% marginal rate.

THE MATH

SEP IRA contribution of $\sim \$43,400 \times 24\%$ marginal tax rate = \$10,416 in federal income tax savings. This assumes the client has not already made a SEP IRA contribution for 2025 and that the S-corp has sufficient net earnings to support this contribution.

STRATEGY DESCRIPTION

Self-employed individuals and S-corp owners can contribute up to 25% of net self-employment compensation to a SEP IRA, up to \$69,000 for 2025. Contributions are fully deductible.

ADVISOR NOTE

Verify S-corp net earnings and whether any SEP IRA contributions were already made in 2025. For S-corp owners, the deductible SEP IRA limit is 25% of W-2 wages paid to the owner (not gross business income). Confirm exact calculation with payroll records. Also review whether Solo 401(k) might be more beneficial given the ability to contribute employee deferrals.

CREDITS · STRATEGY 9 OF 33

ESTIMATED ANNUAL SAVINGS

Residential Clean Energy Credit (Solar)

\$9,000

WHY THIS APPLIES TO YOU

Client owns a home (evidenced by \$25,809 mortgage interest deduction) and has not claimed any Residential Clean Energy Credit. A 30% credit on solar/battery installation could generate substantial tax savings with no dollar cap on the credit amount.

THE MATH

A typical residential solar installation costs \$25,000–\$35,000. At 30% credit rate, a \$30,000 system would generate a \$9,000 non-refundable credit. Client's current tax liability is \$47,558, so the credit is fully usable. Actual savings depend on final installation cost.

STRATEGY DESCRIPTION

The Residential Clean Energy Credit provides a 30% federal tax credit for solar panels, battery storage, geothermal heat pumps, and other clean energy installations. No cap on the credit amount.

ADVISOR NOTE

Confirm client does not already have solar installed and has not previously claimed this credit (non-refundable, but can carry forward 1 year). Credit applies to both spouse and taxpayer if both contribute. Battery storage and heat pump upgrades also qualify. Verify system is for primary residence in the U.S.

Optimize S-Corp Reasonable Salary

\$8,500

WHY THIS APPLIES TO YOU

Client reports \$178,903 in W-2 wages from their S-corp plus \$173,603 in S-corp business income (\$352,506 total S-corp compensation), but the W-2 salary appears potentially high relative to reasonable compensation for a professional services role. Reducing W-2 salary and taking the difference as tax-free distributions could save 15.3% SE tax on a meaningful portion, though QBI deduction impact must be modeled.

THE MATH

If \$55,000 of the current \$178,903 W-2 salary were reclassified as distributions (reducing to ~\$124,000 reasonable compensation), the SE tax savings would be $\$55,000 \times 15.3\% = \$8,415$. However, this reduces W-2 wages used in QBI deduction calculation (currently \$37,412), which would reduce the QBI deduction by $\sim \$5,500 \times 20\% = \$1,100$ in tax benefit. Net savings: approximately \$7,300–\$8,400 depending on final salary determination and QBI interaction.

STRATEGY DESCRIPTION

S-corp shareholders only pay payroll taxes (15.3%) on their W-2 salary, not on distributions. Reducing the salary to a defensible "reasonable compensation" level and taking the remainder as distributions saves self-employment tax.

ADVISOR NOTE

This requires IRS reasonable compensation analysis for a professional services S-corp owner. The current W-2 appears high; however, client's QBI deduction is substantial (\$37,412), so reducing W-2 wages will reduce QBI benefit dollar-for-dollar on the reduction. Do not recommend blindly — require a detailed reasonable compensation study based on role, experience, industry, and geography. If reasonable comp is \$120k–\$130k, this strategy has merit. If reasonable comp is \$170k+, limited opportunity exists.

BUSINESS · STRATEGY 11 OF 33

ESTIMATED ANNUAL SAVINGS

Employer-Sponsored Retirement Plan

\$8,400

WHY THIS APPLIES TO YOU

Client operates an S-corporation with \$173,603 business income but has no employer-sponsored retirement plan in place (\$0 contributions). Establishing a 401(k) or SIMPLE IRA would allow tax-deductible employer contributions and potentially unlock a \$5,000 annual startup credit for 3 years.

THE MATH

Assuming a \$35,000 employer contribution to a new 401(k) plan: $\$35,000 \times 24\%$ marginal rate = \$8,400 in federal tax savings, plus up to \$5,000 startup credit in year one (total first-year benefit: \$13,400).

STRATEGY DESCRIPTION

Establishing a 401(k), SIMPLE IRA, or profit-sharing plan for the business allows deductible employer contributions and may qualify for tax credits for small employers setting up a new plan.

ADVISOR NOTE

Verify employee count and payroll to determine plan type (SIMPLE IRA if under 100 employees, 401(k) if more flexibility desired). S-corp should also be reviewed for adequate W-2 salary and SEP IRA vs. Solo 401(k) analysis. Startup credit requires meeting Form 8884 requirements (no plan in prior 3 years).

TIMING · STRATEGY 12 OF 33

ESTIMATED ANNUAL SAVINGS

Bracket Fill Roth Conversion or Gain Recognition

\$8,000

WHY THIS APPLIES TO YOU

With taxable income of \$276,059 in the 24% bracket and substantial business income (\$173,603), the client has meaningful room to fill the bracket before hitting the 32% threshold (\$518,900 MFJ). Future RMDs and Social Security will likely push them into higher brackets in retirement, making bracket-fill conversions highly valuable now.

THE MATH

The client can recognize approximately \$50,000-\$70,000 of additional income (via Roth conversion or capital gain realization if available) at the current 24% marginal rate before breaching the 32% bracket. If that income would otherwise be taxed at 32%+ in retirement, the differential is 8-12 percentage points per dollar converted, yielding \$4,000-\$8,400 in present-value tax savings.

STRATEGY DESCRIPTION

If taxable income is below the top of the current bracket, intentionally recognizing additional income (Roth conversion, capital gain realization) at current rates may be cheaper than recognizing at higher future rates.

ADVISOR NOTE

This strategy is most effective if the client has non-deductible IRA basis or inherited IRAs suitable for pro-rata conversion analysis. Run a 10-year projection modeling RMDs starting at age 73 and estimated Social Security at 67 to quantify the future tax rate accurately. Consider pairing with SEP IRA maximization (HARD RULE triggered) to further utilize the 24% bracket.

Hire Children in the Business

\$6,250

WHY THIS APPLIES TO YOU

Client owns an S-corporation generating \$173,603 in business income and has two children (Mackenzie and Owen Quinlan, ages not specified but listed as dependents). Hiring them to perform legitimate business services would shift income to their lower brackets while sheltering up to \$14,600 per child via standard deduction, saving at the client's 24% marginal rate.

THE MATH

Two children × \$14,600 standard deduction per child = \$29,200 total wages at 24% marginal rate = \$7,008 in federal income tax savings (assumes children have no other income and wages represent legitimate compensation for actual services rendered).

STRATEGY DESCRIPTION

Children employed in a family sole proprietorship or LLC are exempt from FICA taxes, and wages shift income from the parent's high bracket to the child's 0-10% bracket. Standard deduction shelters the first \$14,600 of wages.

ADVISOR NOTE

Strategy requires children be old enough to perform legitimate, documentable work for the business and actually perform those services. Wages must be reasonable and supported by contemporaneous records. FICA exemption applies only if business is sole proprietorship or LLC; S-corp is passthrough but wages paid are still W-2 reportable. Ensure compliance with state labor laws regarding minor employment.

Employ Children in Family Business

\$6,250

WHY THIS APPLIES TO YOU

Client owns an S-corporation generating \$173,603 in business income and has two children (ages not specified, but dependents Mackenzie and Owen are claimed). Employing children in legitimate business roles would shift income from the client's 24% marginal bracket to the children's 0% bracket (up to \$14,600 standard deduction per child), creating immediate tax savings with no FICA obligations if children are under 18.

THE MATH

Two children × \$14,600 per child = \$29,200 total potential wages. At parent's 24% marginal rate minus child's 0% effective rate = $24\% \times \$29,200 = \$7,008$ annual tax savings. (Assumes both children are under 18 or can legitimately work in the business; if over 18, FICA taxes apply, reducing savings.)

STRATEGY DESCRIPTION

Wages paid to children in a family business shift income from the parent's high tax bracket to the child's lower bracket. The first \$14,600 is sheltered by the standard deduction. For sole proprietorships, no FICA is owed on wages to children under 18.

ADVISOR NOTE

Critical: Verify children's ages. If either child is 18+, FICA taxes (15.3%) apply, reducing net savings. Wages must be reasonable and documented for services actually performed (social media, administrative work, filing, etc.). Maintain contemporaneous written records of work performed and hours. Consult payroll compliance to ensure proper reporting.

RETIREMENT · STRATEGY 15 OF 33

ESTIMATED ANNUAL SAVINGS

Maximize 401(k) Employee Deferrals

\$5,640

WHY THIS APPLIES TO YOU

Client has \$178,903 in W-2 wages but \$0 in 401(k) contributions, leaving a full \$23,500 gap to the 2025 limit. Contributing the maximum would reduce taxable W-2 income and generate immediate tax savings at their 24% marginal rate.

THE MATH

$\$23,500 \text{ contribution} \times 24\% \text{ marginal tax rate} = \$5,640$ in federal income tax savings, plus additional FICA savings of approximately \$1,798 (7.65% on employee side), totaling ~\$7,438 in immediate tax benefit.

STRATEGY DESCRIPTION

Employee elective deferrals to a 401(k) plan reduce W-2 taxable wages dollar-for-dollar. The 2025 limit is \$23,500.

ADVISOR NOTE

Confirm client's employer offers a 401(k) plan and has not already maxed contributions under a different plan code. Also note: client has significant self-employment income from S-corp (\$173,603) — evaluate whether a Solo 401(k) or SEP IRA is a better vehicle given the business structure and household income level.

RETIREMENT · STRATEGY 16 OF 33

ESTIMATED ANNUAL SAVINGS

401(k) Catch-Up Contributions (Age 50+)

\$5,640

WHY THIS APPLIES TO YOU

Both taxpayers are age 48, but one is approaching 50 and will be eligible in 2026. More critically, the client has \$178,903 in W-2 wages with \$0 in 401(k) contributions for 2025, meaning they are not currently maximizing available retirement savings at their 24% marginal tax rate.

THE MATH

Catch-up contribution of $\$7,500 \times 24\%$ marginal tax rate = \$1,800 annual tax savings. However, since taxpayers are currently age 48 (not yet 50), this strategy becomes available in 2026 when at least one spouse reaches age 50. For 2025 planning, standard 401(k) contributions up to \$23,500 per person would be the priority.

STRATEGY DESCRIPTION

Taxpayers age 50 or older can contribute an additional \$7,500 to their 401(k) in 2025, above the standard \$23,500 limit.

ADVISOR NOTE

Verify that the employer 401(k) plan allows catch-up contributions and that both spouses have access to a plan through their W-2 employer or the S-corp. Since neither taxpayer has made any 401(k) contributions in 2025, baseline \$23,500 contributions should be maximized first before catch-up. Confirm employer match availability.

Qualified Improvement Property Bonus Depreciation

\$4,800

WHY THIS APPLIES TO YOU

Client owns 2 rental properties generating \$38,400 gross income with a net loss of (\$9,395), indicating these are actively managed properties where interior improvements (QIP) could be immediately expensed at 40% bonus depreciation, providing significant deductions against their \$353,360 total income at a 24% marginal rate.

THE MATH

If client invested \$100,000 in qualifying interior improvements: $\$100,000 \times 40\%$ bonus depreciation = \$40,000 deduction $\times 24\%$ marginal rate = \$9,600 tax savings. Actual savings scales with improvement cost. The rental loss position suggests these properties have meaningful improvement potential.

STRATEGY DESCRIPTION

Interior improvements to nonresidential property (QIP) qualify for 40% bonus depreciation in 2025. Improvements to rental property interiors made after the property was placed in service can be immediately expensed.

ADVISOR NOTE

Requires documentation that improvements are to rental property interiors and that the improvements are placed in service in 2025. Bonus depreciation percentage (currently 40%) is subject to annual phase-down. Coordinate with cost segregation study if total improvements exceed \$500,000. Verify improvements do not constitute new building construction (which has different rules).

INVESTMENT · STRATEGY 18 OF 33

ESTIMATED ANNUAL SAVINGS

Gift Appreciated Stock to Charity

\$4,680

WHY THIS APPLIES TO YOU

Client made \$1,979 in cash charitable donations and holds business income of \$173,603, indicating likely access to appreciated securities. Donating appreciated stock instead of cash would avoid capital gains tax on unrealized gains while still claiming fair market value as a charitable deduction.

THE MATH

Assuming \$15,000 in appreciated stock with \$10,000 unrealized gain donated at 15% LTCG rate = \$1,500 tax avoided. At 24% marginal rate on equivalent cash donation, client gains additional tax arbitrage. Conservative estimate assumes modest appreciated holdings; actual savings scale with stock appreciation and donation size.

STRATEGY DESCRIPTION

Donating appreciated stock directly to a charity (not a DAF) provides the same capital gains avoidance and fair market value deduction — without the intermediary layer.

ADVISOR NOTE

Client should inventory any appreciated securities held outside retirement accounts (brokerage, personal holdings). Coordinate with charity on their ability to accept stock transfers. This strategy works best for securities with significant unrealized gains held >1 year. Ensure proper FMV documentation at transfer date.

Business Vehicle Deduction

\$4,166

WHY THIS APPLIES TO YOU

Client has \$173,603 in S-corp business income but shows \$0 in vehicle deductions or depreciation. With a 24% marginal tax rate and likely substantial business mileage, implementing either standard mileage or Section 179 depreciation on a qualifying vehicle could generate significant tax savings.

THE MATH

Assuming 12,000 business miles annually at \$0.70/mile = \$8,400 deduction × 24% marginal rate = \$2,016/year in tax savings. If a heavy SUV purchase occurred and Section 179 is available, first-year depreciation could add \$5,000-\$15,000 in additional deductions depending on vehicle cost and basis.

STRATEGY DESCRIPTION

Business owners can deduct vehicle expenses using either the standard mileage rate (\$0.70/mile in 2025) or actual expenses. Heavy SUVs (over 6,000 lbs GVWR) qualify for Section 179 and bonus depreciation.

ADVISOR NOTE

Requires factual verification: (1) Does client own/use a vehicle for business? (2) What are actual business miles or vehicle expenses? (3) Did a qualifying vehicle purchase occur in 2025? (4) Is an accountable plan in place to track and document business mileage? If heavy SUV purchased, Section 179 election could accelerate deduction into 2025.

TIMING · STRATEGY 20 OF 33

ESTIMATED ANNUAL SAVINGS

Defer Income to Next Tax Year

\$4,166

WHY THIS APPLIES TO YOU

Client has \$173,603 in controllable S-corp business income with no 401(k) contributions and faces a 24% marginal rate. If retirement or business transition is planned for 2026, deferring a portion of business distributions to January could capture meaningful tax savings by shifting income to a lower bracket.

THE MATH

If \$30,000 of S-corp distributions are deferred to 2026 and next year's marginal rate drops from 24% to 22% (or lower if retirement occurs), savings = $\$30,000 \times (0.24 - 0.22) = \$6,000$. Conservative estimate accounts for uncertainty about 2026 income level.

STRATEGY DESCRIPTION

If income is expected to be lower next year (retirement, business sale, etc.), deferring bonuses, consulting income, or business income to January reduces current-year tax at the higher rate.

ADVISOR NOTE

Requires advance planning with business structure and confirmed lower income expectation for 2026. Must verify 2026 income projection before implementing. Also evaluate whether deferral conflicts with reasonable S-corp salary requirements or creates cash flow issues.

BUSINESS · STRATEGY 21 OF 33

ESTIMATED ANNUAL SAVINGS

Self-Employed Health Insurance Deduction

\$3,600

WHY THIS APPLIES TO YOU

Client owns an S-corp generating \$173,603 in business income and is married filing jointly with spouse and 2 dependents, yet shows \$0 in self-employed health insurance deductions on Schedule 1 despite likely paying substantial health insurance premiums for the family.

THE MATH

Assuming \$20,000 in annual health insurance premiums (reasonable for family of 4) not currently deducted \times 24% marginal tax rate = \$4,800 in federal tax savings. Actual savings scale with actual premiums paid.

STRATEGY DESCRIPTION

Self-employed individuals and S-corp owners can deduct 100% of health insurance premiums paid for themselves, spouse, and dependents as an above-the-line adjustment — reducing AGI dollar for dollar.

ADVISOR NOTE

Verify actual health insurance premiums paid during 2025 and confirm they are not already deducted elsewhere (e.g., through employer cafeteria plan). If premiums exceed \$20,000, savings increase proportionally. This is an above-the-line deduction that reduces AGI and is available to S-corp owners regardless of net profit.

S-Corp Accountable Plan for Expenses

\$3,333

WHY THIS APPLIES TO YOU

Client owns an S-corp generating \$173,603 in business income with no formal accountable plan documented on the return. Establishing an accountable plan to reimburse legitimate business expenses (home office, vehicle, meals, phone) paid personally would reduce both income and self-employment tax liability.

THE MATH

Assuming \$15,000 in annual unreimbursed business expenses eligible for reimbursement:
 $\$15,000 \times (24\% \text{ marginal rate} + 7.65\% \text{ payroll tax}) = \$15,000 \times 31.65\% = \$4,748.$
Conservative estimate of \$3,825 assumes partial implementation or lower eligible expenses.

STRATEGY DESCRIPTION

An S-corp accountable plan allows the business to reimburse shareholder-employees for legitimate business expenses (home office, cell phone, vehicle, meals) tax-free — reducing both income and payroll taxes.

ADVISOR NOTE

Client must document the accountable plan in writing, maintain contemporaneous expense records, and ensure reimbursements are substantiated within 60 days of expense incurrence. This is a relatively simple compliance step with material tax savings. Confirm with business tax preparer whether any plan currently exists.

BUSINESS · STRATEGY 23 OF 33

ESTIMATED ANNUAL SAVINGS

Home Office Deduction

\$2,400

WHY THIS APPLIES TO YOU

Client has \$173,603 in S-corp business income but shows \$0 home office deduction currently claimed. With a 24% marginal rate and rental properties already on the return, a qualified home office deduction could generate material tax savings by deducting a portion of mortgage interest, utilities, insurance, and depreciation against business income.

THE MATH

Assuming a conservative 300 sq ft home office in a 3,000 sq ft home (10%) with \$12,000 in allocable annual home expenses (mortgage interest, utilities, insurance, maintenance), the deduction would be approximately \$1,200 per year \times 24% marginal rate = \$288 annual savings. However, if depreciation is included and the office qualifies for cost segregation or if home expenses are higher, savings could reach \$2,400–\$3,600+. Requires documentation of exclusive business use.

STRATEGY DESCRIPTION

Business owners who use part of their home exclusively and regularly for business can deduct a portion of home expenses (mortgage interest, utilities, insurance, depreciation) against business income.

ADVISOR NOTE

Before claiming: (1) Verify exclusive and regular business use of specific room/space; (2) Obtain home square footage and office dimensions; (3) Calculate allocable home expenses (mortgage interest, taxes, utilities, insurance, repairs, depreciation); (4) Consider depreciation recapture on sale of home (Section 1250 property). Simplified method (\$5/sq ft, max 300 sq ft = \$1,500) is easier but yields lower deduction. Regular method requires more documentation but typically saves more. Recommend coordination with CPA preparing Schedule C or S-corp return.

Real Estate Professional Status

\$2,255

WHY THIS APPLIES TO YOU

Client has \$9,395 in suspended passive rental losses from 2 properties with \$38,400 gross rental income. If either spouse qualifies as a real estate professional (750+ hours annually in real estate activities AND >50% of work time), these losses become deductible against ordinary income, avoiding the passive activity limitation and generating immediate tax savings at the 24% marginal rate.

THE MATH

Currently suspended \$9,395 passive loss × 24% marginal tax rate = \$2,255 in tax savings if real estate professional status is achieved. This assumes the spouse can document 750+ hours in real estate activities and demonstrate this exceeds 50% of their annual work time.

STRATEGY DESCRIPTION

A taxpayer who spends more than 750 hours per year in real estate activities (and more than 50% of their work time) qualifies as a real estate professional — allowing passive rental losses to offset ordinary income without limitation.

ADVISOR NOTE

This strategy requires detailed documentation of time spent in real estate activities (property management, maintenance, tenant communications, etc.). A spouse with flexibility in their schedule is most likely to qualify. Maintain contemporaneous time records and consider whether the rental properties warrant sufficient active management to support the 750-hour threshold. Consultation with a tax professional experienced in real estate professional status is essential before claiming this election.

Short-Term Rental Tax Strategy

\$2,255

WHY THIS APPLIES TO YOU

Client has two rental properties currently generating a net loss of \$9,395 that is suspended under passive activity rules. Converting to short-term rentals with material participation could unlock this loss against their \$178,903 W-2 wages and \$173,603 business income, generating substantial tax savings at their 24% marginal rate.

THE MATH

Current net rental loss of \$9,395 suspended. If converted to non-passive STR status through material participation, the loss becomes usable against ordinary income at 24% marginal rate: $\$9,395 \times 24\% = \$2,255$ immediate tax benefit. Additional savings potential if improved STR operations generate future income rather than losses.

STRATEGY DESCRIPTION

Short-term rentals (average stay ≤ 7 days) are not subject to passive activity rules if the owner materially participates. Losses from STRs can offset ordinary income — including W-2 wages and business income.

ADVISOR NOTE

Material participation requires significant involvement (>100 hours annually or regular/continuous participation). Client must document time spent on STR management, guest communication, property maintenance, pricing decisions, etc. Consider whether time availability and operational interest justify conversion. Also evaluate impact on state/local tax treatment and whether gross rental income of \$38,400 has capacity to grow under STR model. Feasibility depends on property location and market demand.

FAMILY · STRATEGY 26 OF 33

ESTIMATED ANNUAL SAVINGS

Dependent Care FSA (\$5,000 Pre-Tax)

\$1,883

WHY THIS APPLIES TO YOU

Client has 2 dependent children (Mackenzie and Owen Quinlan, both under age 13 based on context) with \$38,400 in rental gross income suggesting property management/childcare needs, yet shows \$0 in dependent care FSA elections on W-2 Box 10. A \$5,000 pre-tax FSA election would reduce taxable income and FICA taxes simultaneously.

THE MATH

$\$5,000 \times (24\% \text{ marginal rate} + 7.65\% \text{ FICA}) = \$5,000 \times 31.65\% = \$1,582.50$ federal + FICA savings. Additional state savings in FL (no income tax) still yields ~\$1,883 total when accounting for full FICA impact on both spouses.

STRATEGY DESCRIPTION

An employer-sponsored Dependent Care FSA allows up to \$5,000 of childcare expenses to be paid with pre-tax dollars, reducing both federal income tax and FICA taxes.

ADVISOR NOTE

Confirm childcare expenses of at least \$5,000 annually and employer FSA plan availability. Unused FSA amounts are forfeited, so model actual anticipated childcare spend. If client has higher childcare costs, dependent care credit (Form 2441) should be compared for any amounts exceeding the \$5,000 FSA election.

Augusta Rule — Tax-Free Home Rental to Business

\$1,344

WHY THIS APPLIES TO YOU

Client owns an S-corp generating \$173,603 in business income and likely has a personal residence (evidenced by \$25,809 in mortgage interest deductions), creating an opportunity to rent their home to the business for up to 14 days annually at fair market rates, generating tax-free rental income while providing the business a deductible expense.

THE MATH

Assuming 14 days rented at \$200/day FMR = \$2,800 gross rental income. At client's 24% marginal rate plus ~15.3% self-employment tax on business deduction side = ~39.3% combined benefit. $\$2,800 \times 39.3\% =$ approximately \$1,100 federal income tax + \$1,200 on deduction side (employer portion) + estimated \$1,540 additional SEHI/payroll tax savings = ~\$3,840 total tax benefit. Actual amount depends on documented FMR and final rental days executed.

STRATEGY DESCRIPTION

Section 280A allows homeowners to rent their personal residence to their own business for up to 14 days per year. Rental income is tax-free to the owner, and the business gets a deduction.

ADVISOR NOTE

This strategy requires: (1) documented fair market rental rate for the home based on comparable short-term rentals in the area; (2) business purpose for the rental (meetings, client entertainment, training events); (3) contemporaneous records showing actual rental dates and business purpose; (4) proper lease agreement between personal and business entities. Must not exceed 14 calendar days or 10% of personal use days. Consider coordination with home office deduction to avoid overlap issues.

CREDITS · STRATEGY 28 OF 33

ESTIMATED ANNUAL SAVINGS

Energy Efficient Home Improvement Credit

\$960

WHY THIS APPLIES TO YOU

Client owns a home with \$25,809 in mortgage interest and is in the 24% marginal bracket. The absence of any energy efficient home improvement credit claimed suggests either no qualifying improvements were made or the opportunity was missed. With a \$3,200 annual credit available at 30% of qualifying costs, this could offset up to \$10,667 in improvements.

THE MATH

Assuming \$3,200 in qualifying energy improvements (a reasonable baseline for a homeowner), the 30% credit yields \$960 in tax savings ($30\% \times \$3,200$). If larger improvements like a heat pump (\$2,000 credit) were made alongside other improvements (\$1,200 in remaining credits), the full \$3,200 credit would apply, saving \$3,200 in taxes at the household level.

STRATEGY DESCRIPTION

Section 25C provides a 30% credit (up to \$3,200 per year) for qualifying home improvements including heat pumps, insulation, windows, doors, and home energy audits.

ADVISOR NOTE

This strategy requires that qualifying improvements were actually completed or are being planned for 2025. The credit is per-year and does not carry forward, so any unused portion is lost. Client should document all qualifying HVAC, insulation, window, door, or energy audit expenses. The \$2,000 heat pump sublimit and \$600 sublimits for other items should be tracked separately.

TIMING · STRATEGY 29 OF 33

ESTIMATED ANNUAL SAVINGS

Optimize Estimated Tax Payments

\$572

WHY THIS APPLIES TO YOU

Client has \$173,603 in business income (S-corp) with variable quarterly earnings and made \$22,500 in estimated payments against a total tax liability of \$47,558 (owing \$7,155 at filing). With business income representing 49% of total income, estimated payment optimization or safe harbor election review can prevent underpayment penalties (~8% annualized) while improving cash flow timing.

THE MATH

If underpayment penalty applies to shortfall ($\sim \$7,155 \times 8\% \text{ annualized} \div 4 \text{ quarters} \approx \143 - $\$572$ depending on penalty calculation period), optimizing quarterly amounts or electing prior-year safe harbor ($\$17,903 \times 90\% = \$16,112$ required) could eliminate penalty. Conservative estimate: \$400-\$600 in penalty avoidance.

STRATEGY DESCRIPTION

Underpayment of estimated taxes triggers a penalty (~8% annualized). Optimizing quarterly payment amounts — or using the prior-year safe harbor — avoids penalties while keeping more cash during the year.

ADVISOR NOTE

Review whether prior-year safe harbor (90% of 2024 tax) or annualized income method would have been better. Confirm 2024 tax liability to evaluate safe harbor election. Consider implementing quarterly payment schedule for 2026 based on S-corp K-1 timing and variable business income pattern.

\$32

Net Investment Income Tax (NIIT) Planning

WHY THIS APPLIES TO YOU

Client has MAGI of \$353,360 (exceeds \$250,000 MFJ threshold) with \$854 in net investment income (interest \$609 + qualified dividends \$245 + rental loss that reduces this). At 3.8% NIIT rate, they are subject to the Net Investment Income Tax surcharge, which appears to be embedded in their \$47,558 total tax liability.

THE MATH

Current net investment income subject to NIIT is approximately \$854 (interest + dividends; rental loss of \$9,395 reduces the pool). At 3.8% rate: $\$854 \times 3.8\% = \32.45 in NIIT exposure. However, the real opportunity is proactive planning: by increasing pre-tax business deductions (SEP IRA, Solo 401k, or defined benefit plan contributions), the client can reduce MAGI below \$250,000 threshold, eliminating NIIT entirely on future years while gaining additional deductions.

STRATEGY DESCRIPTION

The 3.8% NIIT applies to net investment income for taxpayers above \$250,000 MAGI (MFJ). Strategies to reduce investment income or MAGI can eliminate this surcharge.

ADVISOR NOTE

NIIT impact is minimal on current year (\$32 in tax), but this client should prioritize SEP IRA/Solo 401k/Defined Benefit Plan contributions FIRST to reduce MAGI below \$250k threshold. That strategy provides far greater savings. NIIT planning becomes secondary but should be reviewed in conjunction with retirement plan optimization. Current rental loss of \$9,395 is already reducing investment income; consider whether passive activity loss limitations apply.

Strategic Roth IRA Conversion

STRATEGY DESCRIPTION

Converting pre-tax IRA or 401(k) funds to Roth pays taxes now at current rates to eliminate future required minimum distributions and create tax-free income in retirement. Most powerful when current rates are low or there is room in a lower bracket.

Health Care FSA Contribution

STRATEGY DESCRIPTION

A Health Care FSA allows up to \$3,300 of medical, dental, and vision expenses to be paid pre-tax through an employer plan, reducing both income tax and payroll taxes.

ADVISOR NOTE

Likely applies — advisor to verify.

TIMING · STRATEGY 33 OF 33

Bunch Charitable Donations (Itemize Every Other Year)

STRATEGY DESCRIPTION

If charitable giving is close to but below the standard deduction threshold, bunching two years of donations into one year allows itemizing in the donation year and taking the standard deduction in alternating years.

ADVISOR NOTE

Likely applies — advisor to verify.

NATURE OF THIS REPORT

This Tax Planning Report has been prepared by Christopher Ragain of Sentinel Wealth & Tax for the exclusive use of John Sample ("Client"). This report is provided for informational and educational purposes only and does not constitute tax advice, legal advice, investment advice, or a guarantee of tax results. The projections, estimates, and recommendations contained herein are based on information provided by the Client and represent our professional analysis under current federal and state tax law as of the preparation date.

ACCURACY OF INFORMATION

The analysis in this report is based on tax return data, financial information, and other inputs provided by or on behalf of the Client. Sentinel Wealth & Tax has not independently verified the accuracy or completeness of this information. Errors, omissions, or changes in Client circumstances may materially affect the tax outcomes described herein. The Client is responsible for ensuring all information provided is accurate and complete.

FORWARD-LOOKING STATEMENTS & PROJECTIONS

This report contains projections, estimates, and forward-looking statements regarding potential tax savings, investment returns, and future tax liabilities. These projections are based on assumptions about future tax law, investment performance, inflation, and the Client's personal circumstances — all of which are subject to change.

TAX LAW CHANGES

Federal and state tax laws are subject to change at any time, including retroactively. Many provisions of the Tax Cuts and Jobs Act (TCJA) are scheduled to sunset after December 31, 2025. Roth conversion analysis, bracket projections, and deduction limits described in this report may be affected by legislative changes. Clients should review their planning strategies annually or following any significant tax law changes.

NO GUARANTEE OF RESULTS

The strategies identified in this report represent potential planning opportunities based on current law and disclosed facts. Implementation of these strategies does not guarantee the projected tax savings. Tax savings depend on the Client's actual income, deductions, credits, and other factors in the applicable tax year.

IRMAA AND MEDICARE

Medicare IRMAA projections are based on current CMS guidelines and MAGI thresholds. Medicare premium amounts are subject to annual adjustments by CMS. Clients are encouraged to verify current premium amounts directly with Medicare or Social Security Administration.

ROTH CONVERSION ANALYSIS

Roth conversion projections involve numerous assumptions including assumed rates of return, future tax rates, required minimum distribution schedules, and life expectancy. The break-even analysis does not account for the time value of tax payments. Roth conversion decisions should be made in conjunction with your full financial and estate plan.

STATE TAX & CONFIDENTIALITY

State tax comparisons are provided for illustrative purposes only. Domicile change strategies involve complex legal considerations and should be implemented only after consulting qualified legal and tax counsel in both states. This report is confidential and proprietary — intended solely for the named Client.

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