UPLEVEL BY DESIGN

The 2026 Three-League Tax Reduction Checklist

Legitimate strategies, sorted by how much structure each takes to do right … and the Prison League schemes you need to avoid.

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17	15	12
MINOR LEAGUE	MAJOR LEAGUE	PRISON LEAGUE

Reflects federal law as of October 1, 2026.

EDUCATIONAL INFORMATION ONLY … NOT INDIVIDUALIZED TAX ADVICE. FULL DISCLOSURE AT THE END.

A NOTE FROM EDWARD

Here's what I promised.

If you told me about your tax bill, this is the Checklist I said I'd send. If you found it on your own, it's yours too. Use it to see what's already working for you, what's missing, and what you should never touch.

Start with Step Zero. Then go through the Minor League and ask of every row: yes, not sure, or no? Every not sure is a question for your tax professional before December 31.

Then the Major League. That's where structure changes the result … and where the math gets personal, which is exactly what I walk through in the Workshop On Tax Reduction.

Then read the Prison League twice. Bad tax advice sounds smart until someone has to defend it.

I go deeper on this Checklist inside The Uplevel Community … the way in is at the end.

Edward

STEP ZERO

Build the Fortress.

Tax Reduction is the second Pillar of the Real Wealth Matrix™, not the first. If your Goal is the Creation of Generational Wealth … Build the fortress (Pillar One), keep more of every dollar that comes into it (Pillar Two), give those dollars a job (Pillar Three), and make sure they end up with the people and the causes you care about (Pillar Four).

The Real Wealth Matrix™ is the framework from which The Uplevel Wealth Blueprint™ is derived. The Blueprint is the ideal hierarchy of ownership across all spectrums of assets and income. A Holding Company / Operating Company structure separates where you can get sued from where value lives. The Operating Company does business with the public. The Holding Company owns what's worth protecting.

It isn't a tax strategy, and it won't lower your bill by itself. But several Major League tax reduction strategies sit on it … family LLC gifting, grantor trust planning, real estate held apart from the business … and it decides whether a strategy holds up when someone asks.

Any fee between your own companies has to pay for real services, priced at arm's length and booked the same way on both sides.[1]

HOLDING COMPANY
Owns what's worth protecting.

OPERATING COMPANY
Does business with the public … and is where you can get sued.

Strategy without structure is friction.

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THE LEAGUE MAP

Three Tax Reduction Leagues, one order.

01	**Minor League** 17	02	**Major League** 15	03	**Prison League** 12
	Table stakes. Most need only your CPA.		Structure required. Where the result changes.		Schemes, not strategies. Nothing here gets a yes.

Inside the first two leagues, rows run from what your CPA can do alone to what takes a team.

THE KEY

How to read a row

STRUCTURE

- Your CPA can put it in place.
- Adds one outside specialist.
- Several specialists and a multi-year commitment.

IN PLACE?

Mark each row Yes, Not sure or No. Nothing in the Prison League gets a box.

RESULT

PERMANENT The tax never applies.

DEFERRAL The tax is postponed, and usually comes back later.

INCOME SHIFT Income moves to a lower bracket.

CREDIT A dollar-for-dollar reduction.

ESTATE Growth moves out of your taxable estate.

TAX-FREE GROWTH You pay now so qualified withdrawals later are tax-free.

TIMING When income lands changes what it costs.

No savings estimates here … by design. What a strategy is worth depends entirely on your facts.

FLAGS

DRAWS EXAM ATTENTION My judgment of how likely a row is to be questioned, not an IRS score.

DISCLOSURE FORM LIKELY A Form 8886 may be required.

WHEN

The date or habit that matters for the row.

FIND YOUR HOUSEHOLD

Start with the rows written for you.

BUSINESS OWNER

- 1.01 Accountable plan
- 1.04 Augusta Rule
- 1.05 Hiring your children
- 1.09 Section 179 and bonus depreciation
- 1.15 Section 199A deduction
- 1.16 S-corp election
- 1.17 401(k) with profit sharing
- 2.07 Cash balance plan

W-2 HOUSEHOLD WITH A SIDE BUSINESS OR RENTALS

- 1.02 HSA
- 1.07 Backdoor Roth
- 1.08 Roth conversion
- 1.10 Donor-advised fund bunching
- 2.01 Section 1031 exchange
- 2.02 Short-term rental losses

REAL ESTATE INVESTOR

- 2.01 Section 1031 exchange
- 2.02 Short-term rental losses
- 2.04 Installment sale
- 2.08 Cost segregation

PLANNING A SALE OR A LEGACY

- 2.04 Installment sale
- 2.10 QSBS
- 2.12 Family LLC gifting
- 2.13 Grantor trust planning
- 2.14 Charitable remainder trust

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01 · 17 STRATEGIES

Minor League

Table stakes.

Foundational, defensible and widely applicable. Rarely dramatic on their own … but missing them means the household isn't architected yet.

Much of this league has to be in place by December 31.

YOUR CPA CAN PUT THESE IN PLACE — IN PLACE?

1.01 · PERMANENT

Accountable plan

Repaid business costs are deductible to the company and tax-free to you.

Owners who work for their own S-corp or C-corp and pay business costs personally … home office, phone, internet, mileage.

WHAT IT TAKES A plan in place first, best kept in writing. Then reimbursements backed by receipts and logs, turned in within a reasonable time, with any excess returned. [2]

WHEN Plan in place before the first reimbursement

☐ Yes ☐ Not sure ☐ No

1.02 · PERMANENT

HSA with a qualifying high-deductible plan

Deductible going in, tax-free growth, tax-free out for qualified medical costs.

Households covered by a qualifying high-deductible health plan. 2026 limits: $4,400 self-only, $8,750 family.

WHAT IT TAKES Qualifying coverage for the months you contribute. More-than-2% S-corp owners: employer contributions are included in your income, then deducted on your own return. [3,4]

WHEN By the filing deadline

☐ Yes ☐ Not sure ☐ No

1.03 · PERMANENT

Self-employed health insurance, Section 162(l)

Deducts your premiums without itemizing.

Self-employed owners, and more-than-2% S-corp owners whose company pays or reimburses their premiums.

WHAT IT TAKES S-corp owners: the company pays or reimburses the premiums and reports them on your W-2. Limited to your earned income from the business. Not available for any month you could join a subsidized employer plan, including a spouse's. [5,6]

WHEN Each year

☐ Yes ☐ Not sure ☐ No

1.04 · PERMANENT · DRAWS EXAM ATTENTION

Augusta Rule, Section 280A(g)

Your company deducts the rent it pays you, and you receive it tax-free.

Owners whose S-corp, C-corp or partnership holds real business meetings in their home.

WHAT IT TAKES Fewer than 15 days a year, rented by your company at what local meeting space would charge. Agendas, minutes and attendees on file. In one Tax Court case a company deducted $290,900 of rent paid to its owners and was allowed $16,500, for lack of records and rent far above local rates. [1,7]

WHEN Per meeting, documented at the time

☐ Yes ☐ Not sure ☐ No

1.05 · INCOME SHIFT

Hiring your children

Shifts income from your bracket to your child's, which is usually much lower.

Children who do real work in the business.

WHAT IT TAKES Real work, timesheets, market pay and payroll records. In 2026 a child's own standard deduction can shelter up to $16,100 of wages. Which entity employs them decides whether payroll tax applies. [8,9]

WHEN On payroll during the year

☐ Yes ☐ Not sure ☐ No

1.06 · PERMANENT

Dependent care assistance program

The business pays dependent care costs as a tax-free benefit.

Businesses where rank-and-file employees use the benefit. Up to $7,500 for 2026.

WHAT IT TAKES A written plan. No more than 25% of benefits may go to more-than-5% owners and their families, so owner-only plans fail. [10,11]

WHEN Open enrollment

☐ Yes ☐ Not sure ☐ No

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1.07 · TAX-FREE GROWTH

Backdoor and mega-backdoor Roth

Roth savings above the income limits, with tax-free qualified withdrawals.

Households above the direct Roth IRA income limits. 2026 IRA limit: $7,500.

WHAT IT TAKES Watch the IRA pro-rata rule. The mega-backdoor needs a plan that allows after-tax contributions and in-plan conversions or in-service withdrawals, and nondiscrimination testing can limit it when you have employees. [12]

WHEN IRA by the April filing date · mega-backdoor through payroll during the year

☐ Yes ☐ Not sure ☐ No

1.08 · TAX-FREE GROWTH

Roth conversion in a lower-income year

Pays the tax in a low year, so future qualified growth comes out tax-free.

A year when income dips … a sale year, a gap year, a big-deduction year.

WHAT IT TAKES You pay ordinary tax now, in a year and an amount you choose, so qualified withdrawals of future growth are tax-free. Modeled against this year's and expected future brackets. A conversion can't be undone. [13]

WHEN By December 31

☐ Yes ☐ Not sure ☐ No

1.09 · DEFERRAL

Routine Section 179 and bonus depreciation

Deducts qualifying purchases in the year they're placed in service.

Businesses buying equipment, vehicles or other qualifying property.

WHAT IT TAKES Property acquired and placed in service in the year. 100% bonus depreciation for property acquired after January 19, 2025. Business-use logs for vehicles. The deduction can come back as ordinary income when you sell. [9,14]

WHEN Placed in service by December 31

☐ Yes ☐ Not sure ☐ No

1.10 · PERMANENT

Donor-advised fund bunching with appreciated stock

Deducts long-held appreciated stock at its value, and the gain is never taxed.

Households that give to charity every year.

WHAT IT TAKES Stock held more than a year, with a written acknowledgment from the fund. Deduction for stock limited to 30% of AGI. Bunching several years of giving into one helps you clear the standard deduction and pay the 0.5% floor once instead of every year. Gifts to a donor-advised fund don't count toward the $1,000 / $2,000 deduction for non-itemizers. [15,16]

WHEN By December 31

☐ Yes ☐ Not sure ☐ No

1.11 · PERMANENT · ESTATE

529 front-loading and annual exclusion gifts

Gifts move value out of your estate, and 529 growth can be tax-free.

Families saving for education or moving value to the next generation.

WHAT IT TAKES $19,000 per recipient in 2026. Five years of 529 gifts can be front-loaded with an election on Form 709. [9,17]

WHEN By December 31

☐ Yes ☐ Not sure ☐ No

1.12 · DEFERRAL

Tax-loss harvesting

Takes losses to offset gains you've realized elsewhere.

Households with taxable investment accounts.

WHAT IT TAKES Track wash sales across every account, including a spouse's and IRAs. The lower basis means the gain is postponed, not erased … and a repurchase inside an IRA loses the deduction for good. [18]

WHEN By December 31

☐ Yes ☐ Not sure ☐ No

1.13 · PERMANENT

Pass-through entity tax election

Moves state income tax to the business, outside the SALT cap.

Owners of pass-through businesses in states with an income tax and an elective pass-through entity tax.

WHAT IT TAKES No benefit where your state has no income tax or no election. Eligibility, deadlines and owner credits vary by state. Where it applies, it can also lower AGI under the SALT phase-out. [19]

WHEN Your state's election deadline

☐ Yes ☐ Not sure ☐ No

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1.14 · TIMING

SALT phase-out management

Times income so less of it lands in the band where the SALT cap shrinks.

Itemizers whose state and local taxes exceed the reduced cap, with MAGI between $505,000 and $606,333.

WHAT IT TAKES Inside that band the $40,400 cap shrinks by 30 cents for every dollar of income. Once it falls below what you pay, each added dollar of income costs roughly ten extra points of tax. [19,20]

WHEN Each year

☐ Yes ☐ Not sure ☐ No

1.15 · PERMANENT

Section 199A deduction, modeled with salary

Deducts part of the qualified income your pass-through business earns.

Owners of pass-through businesses. Limits start at $403,500 of taxable income, married filing jointly, and apply in full at $553,500.

WHAT IT TAKES Specified service businesses above the phase-in get no deduction. Salary, retirement contributions and other deductions all move it. [9,21]

WHEN Each year

☐ Yes ☐ Not sure ☐ No

ADDS ONE OUTSIDE SPECIALIST

IN PLACE?

1.16 · PERMANENT

S-corp election with defensible reasonable compensation

Payroll tax applies to a reasonable salary, not to distributions.

Some owners, not all. Below certain profit levels, or when it shrinks the 199A deduction, it can raise the bill.

WHAT IT TAKES Reasonable compensation you can prove … a written study on file is the usual proof. Form 2553 by March 15 for an existing calendar-year company … a new company has 2 months and 15 days from its start (late-election relief exists). [22,23]

WHEN Election early in the year · payroll all year

☐ Yes ☐ Not sure ☐ No

> IN THE WORKSHOP
>
> Table stakes doesn't mean automatic. The S-corp election is one of the most repeated tax tips online … and for some owners it raises the bill. In the Workshop I walk through a composite household where that's exactly what it would do.

1.17 · DEFERRAL

401(k) with employer profit sharing

Pre-tax dollars from you and the business, taxed only when withdrawn.

Owners with steady profits. 2026: $24,500 deferral, plus $8,000 at 50 or older, or $11,250 at ages 60 to 63; $72,000 total.

WHAT IT TAKES A plan document, an administrator and timely deposits. Catch-up contributions must be Roth if prior-year FICA wages from the employer exceeded $150,000. [12,24]

WHEN Deferrals by December 31 · employer contributions by the filing date, with extensions

☐ Yes ☐ Not sure ☐ No

New deductions that mostly won't apply at this income [25,26,27,28]

- Tips and overtime: these cover wages most owners don't receive, and they phase out completely by $550,000 of MAGI for joint filers.
- Car-loan interest and the senior deduction: gone by $250,000 of MAGI for joint filers.
- All four end after 2028.

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02 · 15 STRATEGIES

Major League

Structure required.

Legitimate when the facts support them and the structure is real. More difficult to execute, and they pack a significant punch when done correctly. A few draw more exam attention, and they're flagged.

Eleven of these fifteen rows rely on deferral. Deferral becomes wealth only when the dollars it frees up are put to work.

Core Wealth Building Lesson To Learn: Tax savings never goes to a consumption account. It goes to an acquisition account.

ADDS ONE OUTSIDE SPECIALIST | **IN PLACE?**

2.01 · DEFERRAL

Section 1031 like-kind exchange

Rolls the gain on one property into the next, instead of paying the tax now.

Real estate investors selling one property to buy another.

WHAT IT TAKES Real property only, usually through a qualified intermediary. Identify replacement property within 45 days and close within 180 … or by your return's due date if that comes first, so extend the return when the window crosses it. Components a cost segregation study reclassified as personal property can still trigger recapture. [29,30]

WHEN 45 / 180 days from the sale, or the return due date if earlier

☐ Yes ☐ Not sure ☐ No

2.02 · DEFERRAL

Short-term rental losses against active income

Rental losses, often from depreciation, can offset wages and business income.

W-2 households and owners with a rental where the average guest stay is 7 days or less.

WHAT IT TAKES Average stay of 7 days or less, plus material participation, documented in hour logs kept during the year. Without it, rental losses stay passive … and long-term rental losses can't offset wages once AGI passes $150,000; they carry forward. [31]

WHEN Logs kept all year

☐ Yes ☐ Not sure ☐ No

2.03 · CREDIT · DRAWS EXAM ATTENTION

Section 41 research credit

A credit worth a share of qualified research spending, taken dollar for dollar off the tax.

Businesses developing or improving products, processes or software.

WHAT IT TAKES A four-part test and project-level records kept during the year. Domestic research costs are now deducted in the year paid; foreign research is still amortized. [32,33]

WHEN Records kept during the year

☐ Yes ☐ Not sure ☐ No

2.04 · DEFERRAL

Installment sale, Section 453

Spreads the gain over the years the buyer pays you.

Sellers willing to carry a note from the buyer.

WHAT IT TAKES A note from the actual buyer, not secured by cash or a cash escrow. Depreciation recapture is taxed in the year of sale either way. Counsel drafts the note and the security. [34,35]

WHEN Before closing

☐ Yes ☐ Not sure ☐ No

2.05 · DEFERRAL · PERMANENT

Qualified Opportunity Fund

Defers reinvested capital gains, and growth held 10 years can be tax-free.

Investors with capital gains to reinvest.

WHAT IT TAKES Gains deferred under the original rules come into income on your 2026 return and can't be deferred again. For investments from 2027: five-year deferral, a 10% basis step-up (30% in rural areas) and tax-free growth after 10 years. Timing depends on when your gain was realized. [36]

WHEN Depends on the gain date

☐ Yes ☐ Not sure ☐ No

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2.06 · DEFERRAL

Oil and gas working interest (intangible drilling costs)

Deducts intangible drilling costs up front, instead of over time.

High-income investors who accept unlimited personal liability on that interest.

WHAT IT TAKES The deduction offsets active income only when the working interest is held without liability protection … the opposite of building the fortress, so it's a deliberate trade-off. A real investment with real risk: judge the well's economics before the deduction. Loss limits apply. [31,37,38]

WHEN Costs paid by December 31 · prepaid drilling generally must start within 90 days after year-end

☐ Yes ☐ Not sure ☐ No

SEVERAL SPECIALISTS, MULTI-YEAR

IN PLACE?

2.07 · DEFERRAL

Cash balance plan stacked on a 401(k)

A pension-style plan allowing deductible contributions far above a 401(k).

Owners with steady profits who want deductions well beyond a 401(k), and enough W-2 pay to support them.

WHAT IT TAKES An actuary sets contributions, which rise with age. The 2026 defined-benefit limit, $290,000, caps the yearly benefit at retirement … not the contribution. A multi-year commitment, with staff contributions priced in. [12,39,40]

WHEN Adopt by the business's return due date, with extensions · fund by then, and no later than 8½ months after the plan year ends

☐ Yes ☐ Not sure ☐ No

2.08 · DEFERRAL · DRAWS EXAM ATTENTION

Cost segregation with bonus depreciation

Depreciates parts of a building faster, pulling deductions forward.

Real estate owners where one spouse qualifies as a real estate professional, or short-term rentals with material participation.

WHAT IT TAKES Real estate professional: more than 750 hours and more than half of personal services, plus material participation, in contemporaneous logs. An engineering-based study. Excess business losses above $512,000 joint carry forward. [9,31,41]

WHEN Placed in service by December 31

☐ Yes ☐ Not sure ☐ No

2.09 · DEFERRAL

Section 168(n) qualified production property

A full first-year deduction for qualifying production buildings.

Manufacturers, producers and refiners building facilities they use themselves.

WHAT IT TAKES Construction begun after January 19, 2025 and before 2029, in service before 2031. Office, administrative, lodging, parking, sales, research and software space excluded. Elective, with a 10-year recapture if use changes. [14]

WHEN Construction start dates apply

☐ Yes ☐ Not sure ☐ No

2.10 · PERMANENT · DRAWS EXAM ATTENTION

QSBS, Section 1202 C-corporation design

Excludes the gain on qualifying stock from tax when you sell.

Founders building a C-corporation to sell.

WHAT IT TAKES C-corp only; S-corp stock never qualifies. $75 million gross-asset test. Many service fields excluded, including health, law, accounting, consulting, engineering and financial services. Stock issued after July 4, 2025: 50%, 75% or 100% excluded at 3, 4 or 5 years, up to the greater of $15 million or 10 times basis. Selling before year five? A Section 1045 rollover can defer. [42,43]

WHEN At formation or conversion

☐ Yes ☐ Not sure ☐ No

2.11 · DEFERRAL

ESOP sale, Section 1042

Defers the gain when the sale proceeds go into qualified replacement property.

C-corporation owners selling to their employees.

WHAT IT TAKES ESOP ownership rules, a holding period and a replacement-property window around the sale. [44]

WHEN Around the sale

☐ Yes ☐ Not sure ☐ No

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2.12 · ESTATE · DRAWS EXAM ATTENTION

Family LLC gifting with valuation discounts

Gifts business interests at a discount, stretching your exemption.

Families on track to pass the $15 million per-person exemption, or living in a state with its own estate tax.

WHAT IT TAKES A qualified appraisal, respected formalities, and a Form 709 with adequate disclosure. Section 2036 risk if the family treats the entity as a personal account. [45,46]

WHEN Ahead of growth

☐ Yes ☐ Not sure ☐ No

2.13 · ESTATE

Grantor trust planning: GRATs, SLATs and sales to an IDGT

Moves future growth out of your estate while you pay the trust's income tax.

The same families, freezing the value of fast-growing assets.

WHAT IT TAKES A qualified appraisal where interests are discounted, a trust that can actually service any note, and Form 709 reporting. Income tax stays with you by design. [45]

WHEN Ahead of growth

☐ Yes ☐ Not sure ☐ No

2.14 · DEFERRAL · PERMANENT

Charitable remainder trust

The trust sells without immediate tax, pays you income, leaves the rest to charity.

Charitably inclined owners of a large, appreciated asset ahead of a sale.

WHAT IT TAKES In place before any binding agreement to sell. A 10% remainder test. Distributions taxed under four-tier rules. Never the annuity-purchase variant, now a listed transaction. [47,48]

WHEN Before any binding agreement

☐ Yes ☐ Not sure ☐ No

2.15 · DEFERRAL · DRAWS EXAM ATTENTION · DISCLOSURE FORM LIKELY

Risk-based captive insurance, Section 831(b)

Deducts arm's-length premiums your business pays its own insurer.

Operating companies with real, hard-to-place commercial risk.

WHAT IT TAKES Real risks, arm's-length premiums and real claims. Form 8886 when transaction-of-interest factors are met. The IRS reported in 2023 that it had won every micro-captive case decided on the merits in the Tax Court and the appeals courts since 2017. Transaction-of-interest reporting is in force; the separate listed-transaction rule was vacated by one federal court and upheld by another, and both rulings are on appeal. [49,50,51]

WHEN Annually

☐ Yes ☐ Not sure ☐ No

IN THE WORKSHOP

The math lives in the Workshop.

Read these rows one at a time and you'll miss where the result changes. It changes in the pairings … the right strategies, on the right structure, in the right order. A few of the strongest moves aren't on this list at all, because they only make sense once you see the household they fit. In the Workshop I walk through three composite households, line by line … a business owner, a W-2 household with a business and rentals on the side, and a seven-figure household with real estate.

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03 · 12 SCHEMES

Prison League

Schemes, not strategies.

Tax evasion in a costume, usually sold on social media as a legal way to pay nothing. There is no such thing.

Tax avoidance and tax evasion are two very different things.

THE LEGITIMACY TEST

Two questions.

The second question is the economic substance test. Where it applies, the law requires both halves of it. The Prison League fails both questions … and usually fails on simpler grounds too: the owner never gave up control, the expense was personal, or the numbers were invented. [52,53]

1. Did Congress write this benefit into the Code … and are you using it the way Congress intended?
2. Apart from the tax result, does it meaningfully change your economic position … and do you have a substantial business or investment reason to do it?

FOR EVERY ROW IN THIS LEAGUE

When the IRS finds one of these, the benefit is disallowed, with back tax, interest and penalties that commonly run from 20% to 75% of the underpayment … and some rows carry more.

Anyone who uses one of these willfully to evade tax commits a federal felony. [54,55,56]

SOME ROWS ALSO CARRY A DOCUMENTED STATUS

LISTED	Named by Treasury regulation now in force. Form 8886 required.
REPORTABLE	A transaction of interest. Form 8886 required.
PROSECUTED	IRS or Justice Department materials on this type of arrangement cite a criminal conviction of a user or promoter.

PENALTY KEY

Accuracy penalty 20%, rising to 40% for gross valuation misstatements and undisclosed transactions lacking economic substance · fraud penalty 75% · 20% on excessive refund claims · failure to disclose a listed transaction: 75% of the tax benefit, up to $100,000 for an individual and $200,000 for any other taxpayer · separate penalties for promoters and anyone who aids them. [55,56,57,58,59]

SCHEMES TO AVOID

3.01 · PROSECUTED

Abusive trust arrangements: business, equipment or family residence trust

"Move the business, its equipment or the home into trusts so income and self-employment tax disappear. Rent it all back and deduct it."

WHY IT FAILS The owner still controls everything, so courts tax it to the owner as a sham, assigned income or a grantor trust. Personal living costs aren't deductible. The IRS says these arrangements "will not produce the tax benefits advertised by their promoters." [60,61,62]

Legitimate version: An LLC or S-corp that reports its income properly; a fair-market lease between real, separate entities.

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3.02 · PROSECUTED

Layered trust package

"Stack trusts so income flows layer to layer, ending in a 'charitable' or foreign trust where almost nothing is taxed."

WHY IT FAILS Substance over form taxes it all to the owner. Unreported transfers to a foreign trust carry a penalty of the greater of $10,000 or 35%. [60,62,63]

Legitimate version: A properly drafted non-grantor trust with an independent trustee.

3.03 · PROSECUTED

Your own "charity" paying family costs

"Run household, education and recreation costs through a charitable trust or family foundation you control, and deduct them."

WHY IT FAILS Often no exemption letter, and no deduction when the donor benefits. A real private foundation that leases to, lends to or pays the family triggers excise taxes on the self-dealer, rising sharply if not corrected, and on the managers who approved it. [61,62,64]

Legitimate version: A donor-advised fund, a charitable remainder trust, or a properly governed private foundation.

3.04

"Non-grantor, irrevocable, complex, discretionary, spendthrift" trust under Section 643

"A trust can exclude capital gains from income by reading Section 643 out of context."

WHY IT FAILS The IRS says it misapplies the distributable-net-income rules. Gains are taxed to the trust, or to the beneficiaries when distributed. There is no exclusion. [61]

Legitimate version: A properly drafted non-grantor trust that pays tax at trust rates.

3.05 · LISTED

Monetized charitable remainder annuity trust

"Fund the trust, sell the asset, buy an annuity, and treat the payouts as mostly tax-free."

WHY IT FAILS The payouts are taxed under the trust's four-tier rules, so the gain comes out as ordinary income and capital gain. A listed transaction since July 9, 2026. [65,66]

Legitimate version: A charitable remainder trust taxed under the four-tier rules.

3.06 · LISTED · PROSECUTED

Syndicated conservation easements

"Invest a dollar, deduct several."

WHY IT FAILS Inflated appraisals. Congress now denies the entire deduction when a partnership easement exceeds 2.5 times the partners' basis. The IRS reports that the Tax Court has allowed about 6% of claimed deductions on average and imposed 40% penalties, and promoters have been convicted. [15,67,68]

Legitimate version: A single-owner easement with a qualified appraisal.

3.07 · REPORTABLE

Abusive micro-captive insurance

"Deduct premiums paid to your own insurance company for risks that will never happen."

WHY IT FAILS The "insurance" isn't insurance: implausible risks, premiums far above arm's-length prices. Transaction-of-interest reporting is in force; the separate listed-transaction rule was vacated by one federal court and upheld by another, and both rulings are on appeal. [49,50,51]

Legitimate version: A risk-based captive with real claims and priced premiums (Major League).

3.08

Monetized installment sales

"Get the cash now and defer the gain for decades."

WHY IT FAILS An escrow-backed or unsecured "loan" is treated as payment, so the gain is taxed in the year of sale. Proposed for listed-transaction status in 2023. [34,69]

Legitimate version: A properly structured Section 453 installment sale.

3.09

Zero or token S-corp salary

"Pay yourself little or nothing in salary and take everything as distributions."

WHY IT FAILS The IRS can treat distributions as wages, with payroll tax, interest and penalties. [22]

Legitimate version: An S-corp with defensible reasonable compensation.

3.10

Personal costs run through the business

"Family travel, a home 'rented' to your company with no meeting, children paid for no work, fees between your own companies with nothing behind them."

WHY IT FAILS Personal expenses aren't deductible. The records either show a business purpose or they don't. [1,70]

Legitimate version: An accountable plan, the Augusta Rule with records, hiring your children for real work.

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3.11 **Offshore and treaty schemes** "Foreign pensions, nominee entities and foreign trusts put assets beyond the IRS's reach."	WHY IT FAILS The IRS says these claims are not true. Foreign trust reporting failures carry large penalties. [49,63] Legitimate version: Fully reported foreign accounts and entities.
3.12 **Fabricated credits, withholding and deductions** "Refundable credits or withholding you never earned … a Form 2439 credit, a 'self-employment tax credit,' overstated withholding, inflated non-cash gifts."	WHY IT FAILS Fabricated claims. The IRS warns of significant civil and criminal penalties, plus a 20% penalty on excessive refund claims. [57,71] No legitimate counterpart. Don't do it.

> IN THE WORKSHOP
>
> Every scheme in this league is sold as a strategy, and the pitch always sounds smart. In the Workshop I take one of them apart the way it sounds to a high-income household … and put the IRS memo that answers it on the screen.

BEFORE YOU FILE

Five habits of an audit-ready file

Algorithms flag anomalies. Disclosure rules and promoter cases flag strategies. Your return has to survive both.

GAO reported that as of June 2025 the IRS had 126 active uses of AI, up from 10 in August 2022 … most of them aimed at operational efficiency or at tax compliance and fraud detection. [72]

01
Tie out to third-party data
Every W-2, 1099 and K-1 matches exactly.

02
Match across entities
Fees, rents and management charges between your own companies appear identically on both sides.

03
Keep records during the year
Real estate hours, mileage, meeting minutes, children's timesheets, research project notes.

04
Keep the studies on file
Reasonable compensation, cost segregation, appraisals and actuarial reports.

05
One plan
Your CPA, attorney, actuary and wealth architect work from the same plan.

> IN THE WORKSHOP
>
> The IRS has published, in its own documents, how it is using AI. In the Workshop I put those documents on the screen … and show you why a strategy you can't defend is no longer a strategy.

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Keep this.

Save it where you'll find it in December. Take every not sure to your tax professional before December 31 … most Minor League rows need only your CPA.

This Checklist shows you the moves. The Workshop shows you how they fit together. In the Workshop On Tax Reduction I walk through three composite households, line by line … the pairings, the order and the math a checklist can't hold.

GO DEEPER

There's more on this Checklist inside The Uplevel Community.

Holding a Workshop seat?
Your seat includes The Uplevel Community. Sign in and open the Workshop On Tax Reduction course, where I go deeper on this Checklist.

Open The Uplevel Community `skool.com/the-uplevel-community`

Qualified at the Fit Check, but no seat yet?
Your seat at the Workshop On Tax Reduction includes The Uplevel Community. Answer the four Fit Check questions again and reserve it from your result. If I texted you this Checklist, the second link in that text takes you straight back.

Reserve My Seat `uplevelbydesign.com/events/wotr-fit-check`

Here for The Uplevel Community?
You can join The Uplevel Community on its own.

Join The Uplevel Community
`uplevelbydesign.com/programs/uplevel-community`

Bye for now,

Edward

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APPENDIX

The 2026 reference figures.

The federal amounts published for tax year 2026.

FIGURE	2026 AMOUNT
BRACKETS [9]	
24% / 32% bracket begins, married filing jointly	$211,400 / $403,550
35% / 37% bracket begins, married filing jointly	$512,450 / $768,700
35% / 37% bracket begins, single	$256,225 / $640,600
Standard deduction, single / married filing jointly	$16,100 / $32,200
RETIREMENT [12,73]	
401(k) deferral / catch-up at 50+ / ages 60 to 63	$24,500 / $8,000 / $11,250
Total defined-contribution limit / defined-benefit limit	$72,000 / $290,000
Compensation cap	$360,000
Roth catch-up required above (prior-year FICA wages)	$150,000
Social Security wage base	$184,500
BUSINESS [9,14,20]	
Section 199A limits begin / apply in full, married filing jointly	$403,500 / $553,500
Excess business loss limit, joint / other	$512,000 / $256,000
Section 179 limit / phase-out begins	$2,560,000 / $4,090,000
Bonus depreciation	100%, property acquired after January 19, 2025
SALT cap, 2026 (temporary, 2025 to 2029)	$40,400, reduced 30% of MAGI over $505,000, floor $10,000
HEALTH, FAMILY AND ESTATE [3,9,15,45,74,75]	
HSA, self-only / family	$4,400 / $8,750
Annual gift exclusion	$19,000 per recipient
Estate and gift exemption	$15,000,000 per person, indexed after 2026
Charitable floor / itemized limit in the 37% bracket	0.5% of AGI / deductions reduced by 2/37
Net investment income tax	3.8% above $250,000 MAGI joint, not indexed

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Work from the current edition. This is the 2026 edition. Figures and rules change every year, so a later tax year needs a later edition.

Not a recommendation. Rows that mention an investment or insurance arrangement describe its tax treatment only. Nothing here is an offer or a recommendation to buy any security, insurance product or investment.

Before you act. Have your own licensed tax professional … and, where an entity, a trust or a transfer is involved, your own attorney … review your circumstances and confirm the right steps. If a matter is already contested … an IRS examination, a notice, a pending dispute … take it directly to licensed counsel. We can promise process, not outcomes.

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