



Business Owners Tax & Strategy Guide **2026**

Welcome!

Thank you for downloading our 2026 Business Owners Tax & Strategy Guide.

As a successful business owner, you've likely faced the challenge of balancing day-to-day operations with long-term planning. This guide is designed to help you step back and think strategically about how taxes may affect the next chapter—whether that's growing, selling, or transitioning your business.

Taxes can take a significant bite out of both income and the eventual value of your business. But with the right planning, you can reduce that burden—keeping more of your wealth available to enjoy life, support your family, and invest in the causes and legacy that matter most to you.

If you have any questions as you review this guide, we're here to help. Our team specializes in building integrated wealth strategies for business owners, including tax reduction, succession planning, and retirement income design.

Let us know how we can support your goals.

Telephone: 425.749.3300

Email: hello@alterraadvisors.com

Here's to your success!

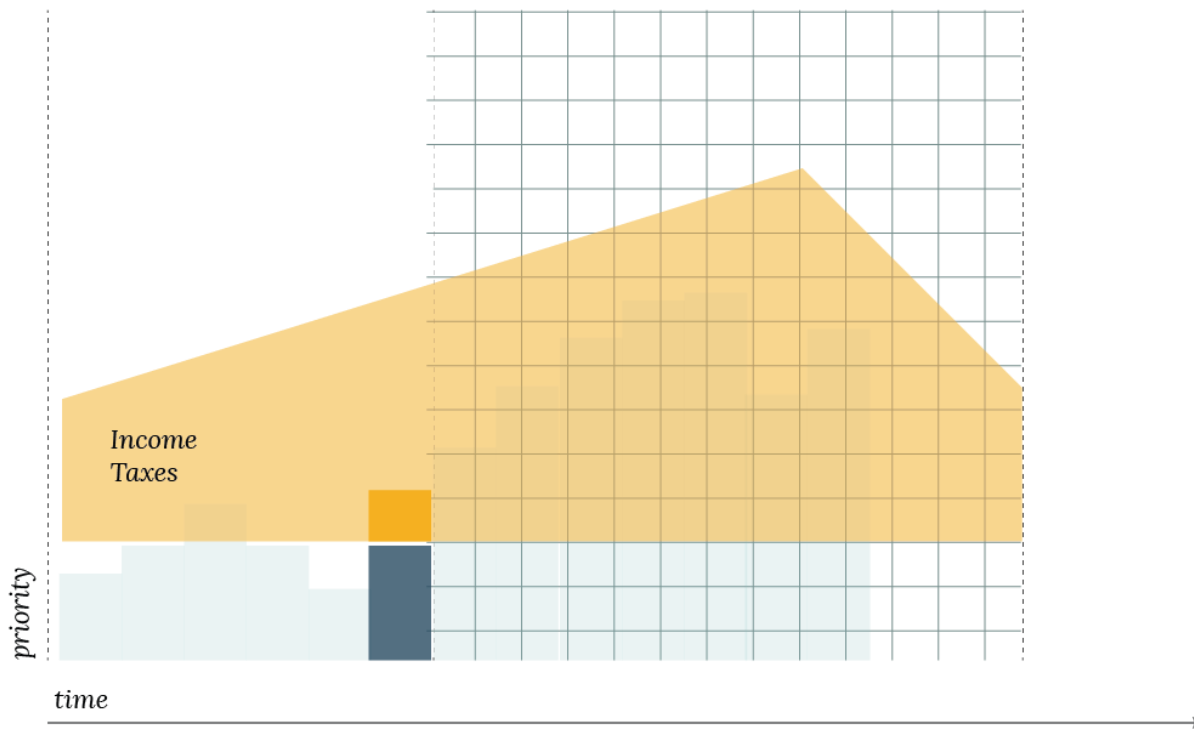
The Alterra Team



Table of Contents

Income Taxes	4
Income Taxes Rates	
Payroll Tax Rates	
Capital Gains Tax Rates	
Retirement Plan Strategies	8
Retirement Plan Limits	
Income Tax Strategy	
Estate Taxes	13
Federal Tax Brackets	
Estate Tax Brackets	
Estate Tax Strategies	17
Pass More to Family	
Pass More to Charity	





Chapter 1

Income Taxes

Understanding income taxes is essential to building a smart financial plan—especially for business owners. From salary and business income to dividends and future sale proceeds, taxes can erode your wealth if left unchecked.

This section outlines 2026 tax rates to help you estimate your exposure and identify opportunities to reduce what you owe and keep more of what you've built.



Income Tax Rates

As a business owner, your income may include salary, profits, and investments—each taxed differently. Understanding how your income fits into these brackets helps you plan compensation, reduce tax exposure, and prepare for future transitions like a sale or retirement.

These are your 2026 federal income tax rates.

Single

\$0–\$12,400	10%
\$12,400–\$50,400	12%
\$50,400–\$105,700	22%
\$105,700–\$201,775	24%
\$201,775–\$256,225	32%
\$256,225–\$640,600	35%
\$640,600 and Over	37%

Married, Filing Jointly

\$0–\$24,800	10%
\$24,800–\$100,800	12%
\$100,800–\$211,400	22%
\$211,400–\$403,550	24%
\$403,550–\$512,450	32%
\$512,450–\$768,700	35%
\$768,700 and Over	37%

Estates & Trusts

\$0–\$3,150	10%
\$3,150–\$11,450	24%
\$11,450–\$15,650	35%
\$15,650 and Over	37%



Payroll Tax Rates

Business owners who pay themselves through wages are responsible for both the employer and employee sides of payroll tax. Understanding these rates helps you structure compensation wisely and uncover potential tax savings, especially if you're balancing salary, distributions, and retirement contributions.

These are your payroll tax rates. Payroll tax is charged on wages and consists of:

- Social Security tax, charged on income up to an annually specified wage threshold.
- Medicare tax, charged on all wage income.
- Employers and employees each pay half of the payroll tax. Self-employed individuals pay both employer and employee portions.

Payroll Tax Rates and Limits

	Employee Pays	Employer Pays
Social Security Tax (aka OASDI)	6.2% (only the first \$184,500)	6.2% (only the first \$184,500)
Medicare Tax	1.45%	1.45%
Total	7.65%	7.65%
<i>Additional Medicare Tax</i>	<i>0.9% (on earnings over \$200,000 for single filers, \$250,000 for joint filers)</i>	



Capital Gain Tax Rates

Capital gain taxes are paid when you sell an asset for a gain. The rate you pay depends on how long you owned the investment before selling.

- **Short-term**—if held less than 12 months, your rate equals your highest income tax rate.
- **Long-term**—if held 12 months or more, your rate depends on your total income, as outlined below.

Long-term Capital Gains Tax Rates

Filing Status	0% Rate	15% Rate	20% Rate
Single	Up to \$49,450	\$49,450–\$545,500	Over \$545,500
Married Filing Jointly	Up to \$98,900	\$98,900–\$613,700	Over \$613,700

Note: High earners may also owe a 3.8% Net Investment Income Tax (NIIT) on capital gains if income exceeds \$250,000 (married filing jointly) or \$200,000 (single).

For example:

If you sell your business for \$10 million with an \$8 million gain, a large portion of that gain may be subject to federal capital gains tax. Without proper planning, nearly one-quarter of your profit could go to the IRS.

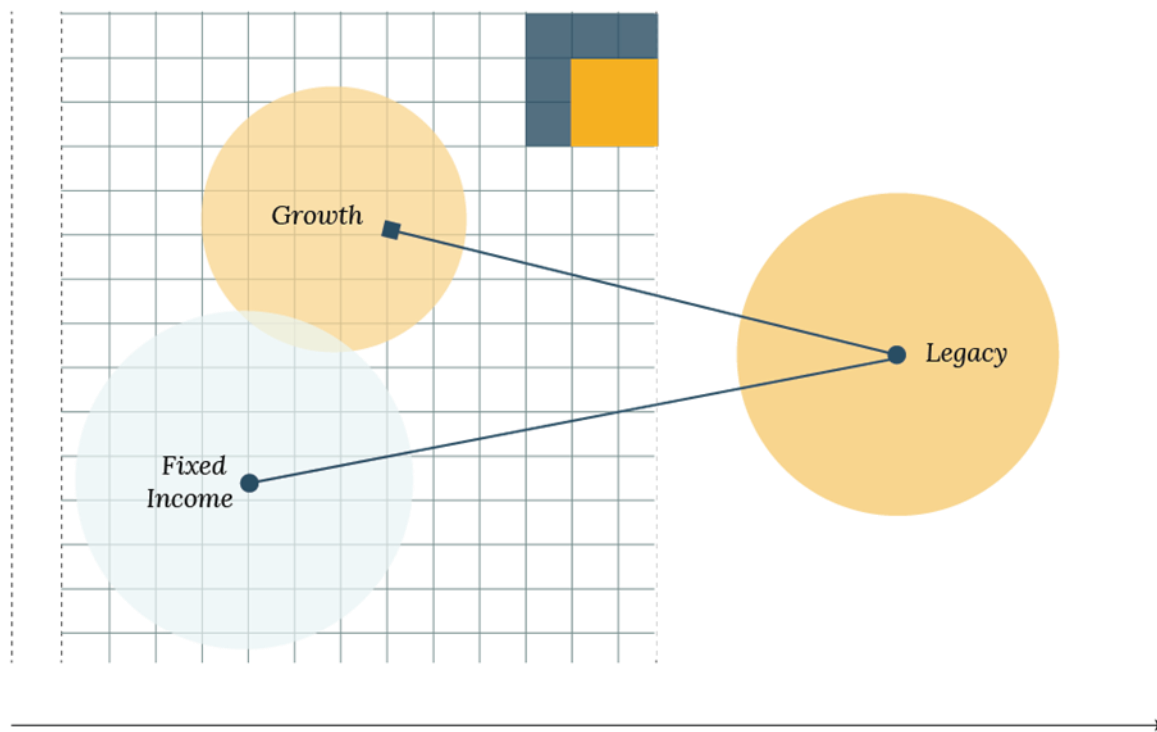
Here's how that breaks down:

- **Sale price:** \$10,000,000
- **Capital gain:** \$8,000,000
- **Federal capital gains tax (23.8%):** \$1,904,000 owed

That means nearly **1 in every 5 dollars** from your sale could go to taxes—but with smart planning, much of this can be reduced.

For more read [Reducing Taxes When Selling Your Business!](#)





Chapter 2

Retirement Plan Strategies

Retirement plan contributions can significantly reduce your tax bill and build long-term wealth. As a business owner, you have access to strategies beyond traditional 401(k)s and IRAs—like Profit-Sharing Plans, Cash Balance Plans and more.

Choosing the right plan for you and your company is key. Here are 2026 contribution limits and strategies to consider.



Retirement Plans for Your Business

As a business owner, you're responsible for choosing the right retirement plan—for yourself and your team. The right strategy can reduce taxes, retain key employees, and accelerate long-term goals. Here are the 2026 contribution limits for the most common plans, along with guidance to help you evaluate your options.

Qualified Retirement Plan Limits

	2025	2026
401(k), 403(b), 457 Plan Employee Deferrals	\$23,500	\$24,500
401(k), 403(b), 457 Plan Catch-up (Age 50+)	\$7,500	\$8,000
401(k), 403(b), 457 Plan Additional Catch-up (Age 60-63)	\$3,750	\$3,250
Defined Contribution Plan Maximum Total Contribution	\$70,000	\$72,000
SIMPLE IRA Employee Deferrals	\$16,500	\$17,000
SIMPLE IRA Catch-up Contribution (Age 50+)	\$3,500	\$4,000
SIMPLE IRA Additional Catch-up (Age 60-63)	\$5,250	\$5,250
SEP IRA Maximum Contribution	\$70,000	\$72,000
Defined Benefit Plan Maximum Benefit	\$280,000	\$290,000
Maximum Covered Compensation	\$350,000	\$360,000
Highly Compensated Employee Threshold	\$160,000	\$160,000



Retirement Plans (cont'd)

In addition to your plan through your business, Individual Retirement Accounts (IRA) can be added to your savings strategy. These are your 2026 IRA contribution and deductibility limits:

Traditional & Roth IRA Limits

	2025	2026
Contribution	\$7,000	\$7,500
Catch-Up (Age 50+)	\$1,000	\$1,100
Deductible IRA Income limit, single and also active participant in workplace retirement plan	\$79,000– \$89,000	\$81,000– \$91,000
Deductible IRA Income limit, married filing jointly and active participant in workplace retirement plan	\$126,000– \$146,000	\$129,000– \$149,000
Deductible IRA Income limit, married filing jointly with a spouse that is an active participant in workplace retirement plan	\$236,000– \$246,000	\$242,000– \$252,000
Roth IRA Income limit, single	\$150,000– \$165,000	\$153,000– \$168,000
Roth IRA income limit, married filing jointly	\$236,000– \$246,000	\$242,000– \$252,000

Health Savings Account (HSA) can be a powerful tool to lower taxes and prepare for future healthcare costs—especially in retirement. HSA contributions are tax-deductible, grow tax-free, and can be withdrawn tax-free for qualified medical expenses. Here are your 2026 HSA contribution limits.

Health Savings Account (HSA) Limits

Family	\$8,750
Individual	\$4,400
HSA Catch-Up (Age 55+)	\$1,000
Minimum individual / Family HDHP deductible	\$1,700 / \$3,400

Tax Strategies for Business Owners

Now that you're aware of the tax burden coming your way, how can your business help you reduce that bill? Here are 3 ideas.



Tax Deductible Retirement Plans

Start a tax-deductible retirement plan. A common first step for a growing small business is a Safe Harbor 401(k) profit-sharing plan.

- **Tax-deductible contributions.** All eligible participants—including you—can save up to \$24,500 (plus catch-up contributions if age 50+) and deduct from that year's taxable income. You can also elect to save into an after-tax Roth, though these contributions would not be tax-deductible.
- **Company Match.** Your company matches employee contributions up to 4% of salary or gives 3% of salary to all eligible participants whether or not they save for themselves. These are tax-deductible for your company, further reducing tax.
- **Profit-sharing.** This is an optional added contribution you can, but aren't required to, make from company profits to all eligible participants. Profit-sharing is also a tax-deductible expense for the company.



Cash Balance Plans

Add a Cash Balance Plan. If you're maxed on your 401(k) contributions, add a cash balance plan for added tax and retirement savings.

- **Higher tax-deductible contributions.** Unlike a 401(k), which defines how much can go into the plan, a cash balance plan defines how much must come out of the plan. For example, your plan might target a \$5,000 monthly benefit at age 65 for all participants and would contribute the amount needed to meet that need. If you're a 60-year-old owner, this contribution will be substantially higher than your 40-year-old employee.
- **Required contributions.** Unlike optional profit-sharing, cash balance contributions are mandatory once you start the plan. While there's no formal standard for how long you must keep the plan, 3–5 years is a generally accepted time frame, so plan accordingly.



Income Tax Strategy (cont'd)

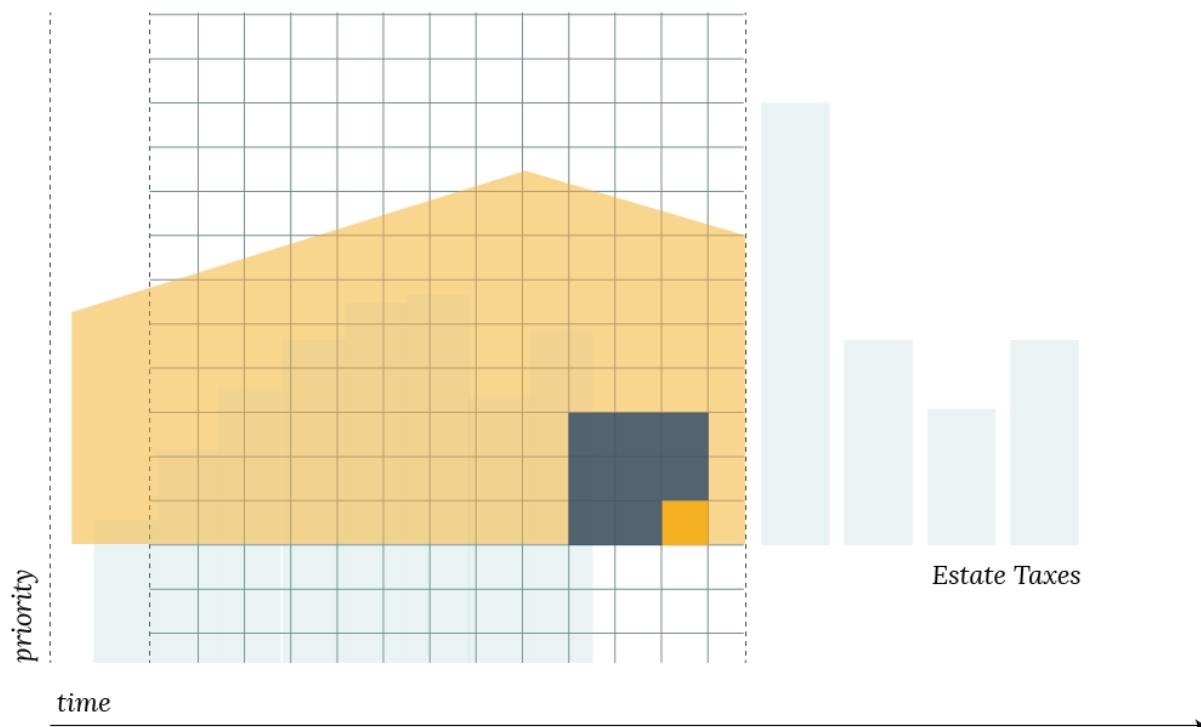


Executive Benefits

Consider Executive Bonus or Nonqualified Deferred Compensation Plans. These plans are designed for owners looking to build long-term, tax-efficient savings beyond traditional retirement plan limits and reward and retain key employees in the process.

- **Flexible, company-funded contributions.** The business can make bonus payments or deferred compensation contributions on behalf of selected individuals. Executive bonus plans are taxable to the recipient but deductible for the company, while NQDC plans defer taxation until future payout.
- **Custom contribution design.** Unlike traditional retirement plans, there are no IRS-set limits—business owners can contribute custom amounts to reward and retain top talent (or themselves) while managing current-year tax exposure.





Chapter 4

Estate Taxes

Without proper planning, estate taxes can significantly reduce what your family keeps—or even force the sale of your business to cover the bill. If your business is a major part of your estate, understanding your exposure is essential.

This section outlines 2025 federal and Washington State estate tax rates and how to assess the risk to your legacy.



Federal Estate Tax Brackets

Federal estate tax applies to the value of your estate above the exemption limit. For business owners, this can mean a significant tax bill—sometimes requiring a sale to cover it. Transfers to a spouse are exempt. Below are the 2026 federal estate tax rates and exemption thresholds.

Federal Estate & Gift Tax Rates

Taxable Amount	Tax Rate	What You Pay
\$0–\$10,000	18%	\$0 base tax + 18% on taxable amount
\$10,000–\$20,000	20%	\$1,800 base tax + 20% on taxable amount
\$20,000–\$40,000	22%	\$3,800 base tax + 22% on taxable amount
\$40,000–\$60,000	24%	\$8,200 base tax + 24% on taxable amount
\$60,000–\$80,000	26%	\$13,000 base tax + 26% on taxable amount
\$80,000–\$100,000	28%	\$18,200 base tax + 28% on taxable amount
\$100,000–\$150,000	30%	\$23,800 base tax + 30% on taxable amount
\$150,000–\$250,000	32%	\$38,800 base tax + 32% on taxable amount
\$250,000–\$500,000	34%	\$70,800 base tax + 34% on taxable amount
\$500,000–\$750,000	37%	\$155,800 base tax + 37% on taxable amount
\$750,000–\$1 million	39%	\$248,300 base tax + 39% on taxable amount
\$1 million +	40%	\$345,800 base tax + 40% on taxable amount

2026 Federal Estate Exclusion Amount: \$15 million per spouse

For example:

A married couple has a \$50 million estate. When the first spouse dies, all assets pass tax free to the surviving spouse. When the second spouse dies, the federal estate tax is calculated this way:

- \$50 million total estate.
- \$30 million passes tax-free (\$15 million per spouse)—if the first spouse doesn't use the exemption at death, the surviving spouse can use both exemptions, called "portability."
- Remaining \$20 million is taxed up to 40% resulting in a **federal estate tax due of nearly \$8 million.**



WA State Estate Tax Brackets

Washington State applies its own estate tax on assets above the exemption amount, in addition to federal taxes. For business owners, this can significantly increase your family's tax burden. Spouse transfers are exempt.

Below are the 2026 Washington State estate tax rates and thresholds to help assess your exposure.

Washington State Estate Tax Rates

Taxable Amount	Tax Rate	What You Pay
\$0–\$1,000,000	10%	\$0 base tax + 10% on taxable amount
\$1,000,000–\$2,000,000	15%	\$100,000 base tax + 15% on taxable amount
\$2,000,000–\$3,000,000	17%	\$250,000 base tax + 17% on taxable amount
\$3,000,000–\$4,000,000	19%	\$420,000 base tax + 19% on taxable amount
\$4,000,000–\$6,000,000	23%	\$610,000 base tax + 23% on taxable amount
\$6,000,000–\$7,000,000	26%	\$1.07 million base tax + 26% on taxable amount
\$7,000,000–\$9,000,000	30%	\$1.33 million base tax + 30% on taxable amount
\$9,000,000 +	35%	\$1.93 million base tax + 35% on taxable amount

WA State Applicable Exclusion Amount: \$3.076 million (adjusts annually for inflation)

For example:

The same married couple with a \$50 million estate lives in WA. When the first spouse dies, all assets pass tax free to the surviving spouse. When the second spouse dies, the state estate tax is calculated this way:

- \$50 million total estate
- Just over \$3 million passes tax-free – unlike the federal tax, WA State exemptions are not portable, so if the first spouse doesn't use the exemption at death, the surviving spouse can use only one exemption.
- State estate tax paid reduces your estate value for federal estate taxes.
- Remaining \$47 million is taxed progressively from 10–35% resulting in a **state estate tax due of more than \$15 million.**



What's at Stake Without a Plan?

If your estate is valued at \$50 million and you haven't designed an estate plan, a large portion could go to estate taxes—leaving significantly less for your family. Here's what the impact looks like:

If you're married:

- Estate value: \$50,000,000
- WA State estate tax: \$15,230,000
- Federal estate tax: \$2,716,000
- **Total estate tax: \$17,946,000 (approximately 36% of estate)**

If you're single:

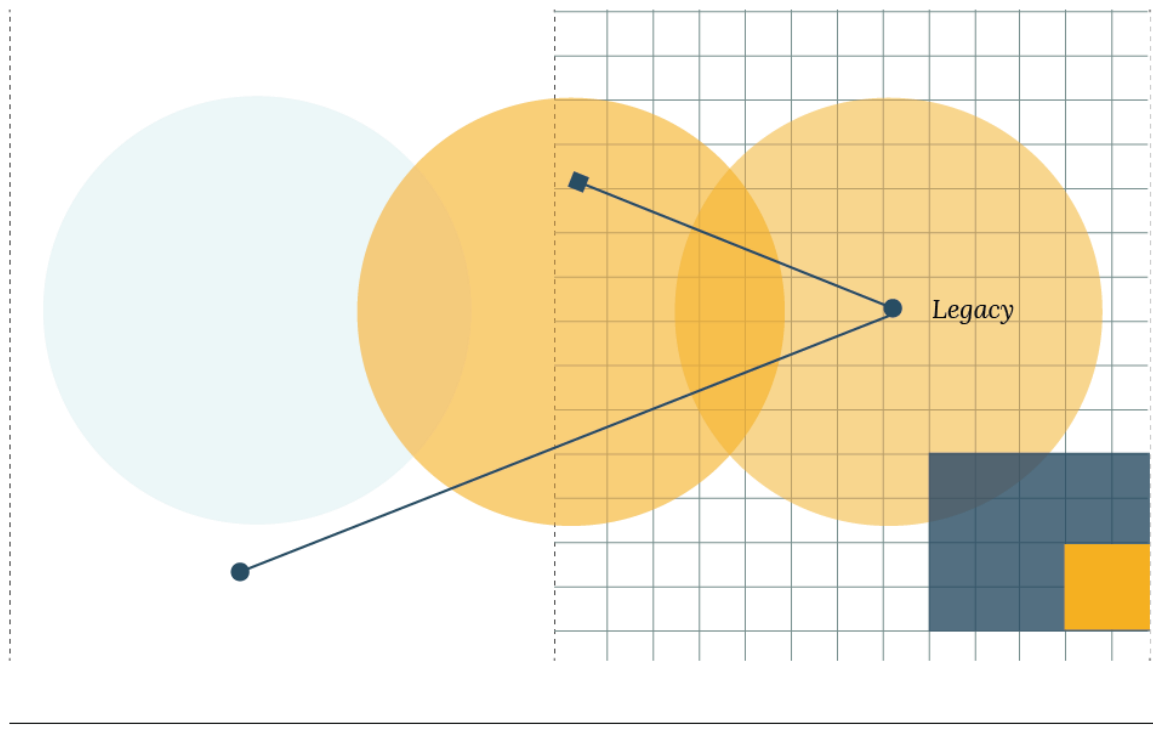
- Estate value: \$50,000,000
- WA State estate tax: \$15,230,000
- Federal estate tax: \$8,312,000
- **Total estate tax: \$23,542,000 (approximately 47% of estate)**

In addition to this 36% to 47% estate tax burden, **any future growth beyond \$50 million could be taxed at a combined 61% rate** between state and federal estate taxes. And this doesn't include **potential income taxes** your heirs may face on inherited retirement accounts, business income, or investment assets.

Without planning, your family may be forced to sell assets—possibly even the business—to cover the bill. The right strategy can help reduce that burden and preserve your legacy for future generations.

Let's talk about how to protect what you've built—and pass more to the people and causes that matter most.





Chapter 5

Estate Tax Strategies

Now you know that a significant portion of your business and personal wealth could be lost to estate taxes without a plan. The right strategy starts with your goals—do you want to pass more to family, support causes you care about, or both?

This section outlines strategies to help reduce your estate tax exposure and ensure your legacy reaches the people and purposes that matter most.



Pass More to Family

If you want to reduce estate taxes and pass more to family, friends, and loved ones, these ideas can help!



Preserve Your Exemption

A Credit Shelter Trust is created by your will to receive assets when the first spouse dies. In states like Washington State with an estate tax, this is used to preserve the \$3 million exemption that would otherwise be lost by passing everything directly to a surviving spouse.



Give it Away Along the Way

Rather than hanging on to assets you plan to pass on at death, give them while you're alive. You eliminate estate taxes that would otherwise be levied on gain accrued during the rest of your life. And, in WA State, there is no gift limit, so you can substantially reduce your state estate tax. You also gain the added benefit of seeing your family enjoy your gift!



Reduce Taxes Without Giving Up Access

Trust strategies like Intentionally Defective Irrevocable Trusts (IDIT) and Grantor Retained Annuity Trusts (GRAT) can move assets out of your estate and pay you income during your life. This can eliminate taxes on future growth without giving up income you might need to meet your other lifetime goals.



Reduce Taxes and Create Tax-Free Family Wealth

An Irrevocable Life Insurance Trust (ILIT) moves life insurance proceeds outside your taxable estate—creating income and estate tax-free wealth for your heirs. It provides the liquidity your family may need to pay estate taxes, avoid forced business sales, and preserve what you've built for generations to come.



Pass More to Charity

If your focus has shifted to reducing taxes and making big impact for charities you care about, here are 4 ideas to consider.



Donor Advised Fund (DAF)

Reduce taxes now and give flexibly over time with a Donor Advised Fund (DAF). A DAF is a flexible giving account you can set up and fund with a wide range of assets including stocks, real estate, even your business. You get an income tax deduction today, can sell the asset with no capital gain tax due, and give from the account to any qualified charity now or in the future. Because this is an irrevocable gift, the assets are no longer included in your taxable estate even though you retain control over the investment in the account and timing of gifts.



Charitable Lead Trust (CLT)

Impact both family and charity with a Charitable Lead Trust (CLT). Often thought of as the inverse of a Charitable Remainder Trust, you can use a Charitable Lead Trust to transfer an asset out of your estate, give income to charity for a term of years, then pass remaining assets to your chosen family or other beneficiaries.



Pass More to Charity (cont'd)



Charitable Remainder Trust (CRT)

A Charitable Remainder Trust (CRT) allows you to reduce taxes, receive income today, and support a cause you care about in the future. You'll receive an immediate income tax deduction for your gift, then draw income from the trust for a set number of years or for life. At your death, the remaining assets pass to charity—free from estate and income taxes, including any gains earned over time. For business owners anticipating a liquidity event or seeking to offset high income years, a CRT offers both financial benefits and a meaningful legacy strategy.



Wealth Replacement Trust (WRT)

Don't need income today? Use your Charitable Remainder Trust (CRT) income to fund a Wealth Replacement Trust (WRT) for your family. A WRT is an irrevocable trust designed to pass wealth to heirs, often using life insurance purchased with annual CRT payments. This creates an income and estate tax-free inheritance outside your estate.

For business owners, this strategy can help equalize your estate—especially if only one child is involved in the business. It ensures all heirs are treated fairly, while preserving the family company and supporting the causes you care about.



Conclusion

We hope you've found this tax strategy guide valuable as you think about the future of your business and your family.

Our clients have built more than companies—they've built legacies. For them, wealth is a tool to enjoy life today, provide lasting security for their families, and give generously to the causes they care about.

Without proactive income and estate tax planning, much of that hard-earned value can be lost. With the right strategy, more stays with the people and purposes that matter most.

When you're ready to take the next step, our team is here to help you create a plan that protects what you've built—and empowers your next chapter.



Josh Whelan, CFP®

Partner | Financial Advisor

425.749.3300 | josh@alterraadvisors.com

Alterra Advisors | alterraadvisors.com





Contact Us

T: 426.749.3300

E: hello@alterraadvisors.com

W: alterraadvisors.com/contact

Address

500 108th Ave NE, Suite 1700

Bellevue, WA 98004

Securities and advisory services offered through Integrity Alliance, LLC, Member SIPC. Integrity Wealth is a marketing name for Integrity Alliance, LLC. Alterra Advisors, LLC is not affiliated with Integrity Wealth. Integrity Wealth does not provide tax or legal advice. Representatives may transact business, which includes offering products and services and/or responding to inquiries, only in state(s) in which they are properly registered and/or licensed. Integrity Wealth is not affiliated with Alterra Advisors.

Alterra Advisors does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.

Business Owners Tax & Strategy Guide 2026

Confidential | All rights reserved. ©2026