

fp alpha α

- **Tax Projector**
Strategy Guides
User Guide

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One Big Beautiful Bill

The OBBBA introduced a series of tax law updates that affect how income, deductions, and credits are calculated and reported. These changes modify the structure of several commonly used forms, add new reporting requirements, and expand or adjust deduction availability depending on a client's circumstances. As a result, tax outcomes may differ from prior years even when a client's financial picture appears unchanged. These updates have been incorporated into the Tax Projector to allow advisors to assess how filing choices, deduction strategies, and timing decisions interact under the new rules and to identify planning opportunities for the client.

New 1040 features built into the Tax Projector

Non-itemizer Charitable Deduction

Starting in 2026, clients who do not itemize their deductions, have the opportunity to receive a charitable deduction up to \$1,000 for Single filers or \$2,000 for Married Filing Jointly. Contributions must be made in the form of cash and must be gifted directly to charity (no donor-advised fund contributions allowed for the non-itemizer charitable deduction)

To model the new non-itemizer charitable deduction:

Enter the client's charitable contribution on the **1040 under:**

Section: Additional Deductions, Line: Total Charitable Contributions.

As an alternative, you can also enter the non-itemizer charitable contribution on **Schedule A, Line: Gifts by Cash or Check.**

As long as the scenario you are modeling is set to take the standard deduction, the non-itemizer charitable deduction **entered** on the **1040, Line:**

Total Charitable Contributions or Schedule A, Line: Gifts by Cash or Check, will flow to the **1040, Line: Non-itemizer Charitable Deduction.**

Informational Check Boxes

As part of the OBBBA updates, the IRS expanded the use of checkboxes directly on Form 1040. These checkboxes appear next to specific income, deduction, and filing-status lines and, when checked, indicate that a particular condition applies. If a box is left unchecked, the condition does not apply. These additions are intended to clarify:

- How certain amounts reported on the return are classified (*for example, rollovers, QCDs, or other special treatment*)
- Whether particular taxpayer characteristics or circumstances apply (**such as dependency status, blindness, or dual-status residency**)

- Whether a taxpayer is making or declining specific elections **tied to credits or schedules**
 - These checkboxes **do not** create income, deductions, or credits on their own. Instead, they document how reported amounts are treated or disclosed on the return and whether additional forms, limitations, or elections are relevant.
- Check boxes have been built into the Tax Projector to mirror the new check boxes included on the Form 1040. However, **please note that while the check boxes can help keep track of specific client details, checking them may not impact the numerical results of the Tax Projector.**

New Schedule 1-A features built into the Tax Projector

As part of the OBBBA updates, the IRS introduced Schedule 1-A, which consolidates several new above-the-line deductions into a single schedule that flows directly to Form 1040. These deductions are available regardless of whether a client itemizes and are subject to income thresholds, phaseouts, and eligibility requirements specific to each section. These deductions reduce income before the standard or itemized deductions are applied.

To model any section of Schedule 1-A:

Click > “Go to Calculators”, Click > “Schedule 1-A”

The projector mirrors the structure of IRS Form Schedule 1-A and automatically performs the required calculations once the relevant inputs are entered.

Part I: Modified Adjusted Gross Income (MAGI)

This section establishes the client’s MAGI, which is used to determine eligibility and phaseouts for the deductions available on Schedule 1-A.

To model this section in the Tax Projector:

The Tax Projector will automatically populate **Line 1 with AGI from the 1040.**

Additional entries are only required if the client has income excluded under specific rules such as foreign earned income or Puerto Rico income.

- This section calculates MAGI used to assess eligibility and limitations for **subsequent Schedule 1-A deductions.**

Part II: No Tax on Tips

This section applies only to clients who received qualified tips while working in an IRS-eligible tipped occupation. Qualified tips may be received as an employee, through self-employment, or both. If the client did not receive qualified tips, no entries are required in this section, and the deduction will remain zero.

To model this section in the Tax Projector:

Enter tips reported by the employer on the client's W2, using **Line: "Qualified tips included on Form W2, box 7"**.

Enter client's tips not reported to the employer, using **Line: "Qualified tips included on Form 4137, line 1, row A, column C"**.

Enter client's qualified tips through self-employment or independent contractor work, typically reported on Forms 1099-NEC, 1099-MISC, or 1099-K, using **Line: "Qualified tips received in the course of trade or business"**

- The qualified tips deduction is limited to a maximum of **\$25,000**. The deduction begins to phase out when **MAGI exceeds \$150,000 (\$300,000 if Married Filing Jointly)** and is reduced by **\$100** for every **\$1,000** of income above the threshold.
- The Tax Projector automatically applies these limits and reductions and calculates the final allowable deduction based on the entered tip amounts and income.

Part III: No Tax on Overtime

This section applies only to clients who received **qualified overtime compensation** and meet IRS eligibility requirements. Qualified overtime may be received as an employee or through certain independent contractor arrangements. If the client did not receive qualified overtime compensation, no entries are required in this section and the deduction will remain zero.

To model this section in the Tax Projector:

Enter qualified overtime compensation reported by the employer on the client's W-2, using **Line: "Qualified overtime compensation included in Form W-2, box 1"**.

Enter client's qualified overtime compensation through self-employment or independent contractor work, typically reported on Forms 1099-NEC, 1099-MISC, or 1099-K, using **Line: "Qualified overtime compensation included in Form 1099 NEC, box 1 or Form 1099"**.

The system will automatically provide a sum of these two lines.

- The qualified overtime compensation deduction is capped at **\$12,500 (\$25,000 if Married Filing Jointly)**. The deduction begins to phase out when **MAGI exceeds \$150,000 (\$300,000 if Married Filing Jointly)** and is reduced by **\$100** for every **\$1,000** of income above the threshold.
- The Tax Projector automatically applies these limits and reductions and calculates the final allowable deduction based on the entered overtime compensation and income.

Part IV: No Tax on Car Loan Interest

This section applies only to clients who paid qualified passenger vehicle loan interest during the tax year and meet IRS eligibility requirements. The deduction is available only for interest attributable to qualified passenger vehicles and may be claimed only for interest not already deducted elsewhere **(such as on Schedule C, E, or F)**. If the client did not pay eligible vehicle loan interest, no entries are required in this section, and the deduction will remain zero.

To model this section:

Enter qualified passenger vehicle loan interest already deducted on Schedule C, E, or F for each applicable vehicle (if any), using **“Line: Interest deducted on Sch C, E or F for VIN 1 or VIN 2”**

Enter qualified passenger vehicle loan interest eligible for Schedule 1-A, using **Line: “Interest deducted on Schedule 1-A for VIN 1 or VIN 2”**

- The qualified passenger vehicle loan interest deduction is capped at **\$10,000**. The deduction begins to phase out when **MAGI exceeds \$100,000 (\$200,000 if Married Filing Jointly)** and is reduced by **\$200** for every **\$1,000** (or portion thereof) of income above the threshold.
- The Tax Projector automatically nets out any interest already deducted elsewhere, combines eligible interest across applicable vehicles, applies per-vehicle and total interest limitations, and calculates the final allowable deduction after income-based phase-outs.

Part V: Enhanced Deduction for Seniors

This section applies only to clients who are 65 or older and meet eligibility requirements for the Enhanced Deduction for Seniors. Eligible clients (and spouses, if applicable) must have a valid Social Security number and be **born before January 2, 1961**. If the client does not meet these requirements, no entries are required in this section and the deduction will remain zero.

To model this section:

Confirm the client's (and spouse's, if applicable) date of birth are entered correctly in FP Alpha.

No direct income or deduction entries are required within this section, beyond those already captured on the main return.

The Tax Projector uses MAGI from Schedule 1-A and the client's age information to determine eligibility and calculate the deduction.

- The enhanced deduction begins at **\$6,000** per eligible individual and is subject to an income-based reduction. The deduction begins to phase out when **modified adjusted gross income exceeds \$75,000 (\$150,000 if Married Filing Jointly)** and is reduced by **6%** of the excess income above the threshold. If income is sufficiently high, the deduction may be reduced to zero.
- The Tax Projector automatically nets out any interest already deducted elsewhere, combines eligible interest across applicable vehicles, applies per-vehicle and total interest limitations, and calculates the final allowable deduction after income-based phase-outs.

Part VI: Total Additional Deductions

The Tax Projector automatically aggregates all applicable Schedule 1-A deductions and flows the total to Form 1040, **Line: Additional deductions from Schedule 1-A**.

No manual entry is required in this section.

New Schedule A features built into the Tax Projector:

Increased State and Local Tax (SALT) Deduction

As part of the OBBBA updates effective beginning in 2025 and applying through the 2029 tax year, the SALT deduction cap has been increased for certain taxpayers. Schedule A, within the Tax Projector, now incorporates an adjusted calculation that reflects the new dollar limit and income-based thresholds. These changes can affect clients who itemize deductions and claim state and local taxes paid.

To model the SALT deduction:

[Click](#) > “Go to Calculators”, [Click](#) > “Schedule A”

Enter state and local tax amounts paid on **Line: “State and Local Taxes”**

- Under the new rules, the SALT deduction is capped at **\$40,400 (\$20,200 if Married Filing Separately)** for 2026, adjusted for inflation. The SALT deduction is subject to an income-based reduction and begins to phase out **when MAGI exceeds \$505,000 (\$252,500 if Married Filing Separately)** for 2026, adjusted for inflation. After full phase out, the deduction drops to **\$10,000**.
- The Tax Projector automatically applies the inflation-adjusted SALT cap, MAGI thresholds, and any income-based reductions to determine the allowable deduction.

Itemized Deduction Limitations:

Under OBBBA, charitable deductions are subject to a 0.5% AGI threshold, and for taxpayers in the 37% tax bracket, the tax benefit of deductions is capped at 35%. These permanent limits can reduce the effective value of Schedule A deductions.

• 0.5% of AGI Charitable Deduction Limitation:

Starting in 2026, itemized charitable contributions are deductible only to the extent they exceed 0.5% of adjusted gross income (AGI).

- This limitation applies only to clients who itemize deductions and claim charitable contributions on Schedule A.
- Contributions below the 0.5% AGI threshold do not generate an itemized charitable deduction.

To model the 0.5% AGI Charitable Deduction:

Enter charitable contributions in the **Schedule A** section as usual.

The Tax Projector automatically applies the 0.5% AGI limitation and determines the deductible portion based on the client’s AGI and will display the allowable deduction on Line: “Charitable Gifts Deduction Allowed”

No manual adjustments are required.

- **35% Cap for Taxpayers in the 37% Marginal Tax Bracket:**

Starting in 2026, for clients in the 37% marginal federal income tax bracket, the tax benefit of itemized deductions is capped at a maximum effective rate of 35%.

To model the 35% Cap for Taxpayers in the 37% Bracket:

Enter all relevant itemized deductions, using **Schedule A** as usual.

For clients subject to the 37% marginal tax bracket, the Tax Projector automatically limits the tax benefit of itemized deductions to a maximum effective rate of 35% and reflects this limitation on **Line: “Total Itemized Deductions Allowed”**

No manual adjustments are required.

Qualified Charitable Distributions (QCDs)

QCDs are tax-free withdrawals from a Traditional IRA. QCDs can only be taken for clients above the RMD age and can only be donated to eligible charities. Some clients may prefer to distribute RMDs, donate normally, and then itemize the deduction, but generally QCDs are more likely to provide favorable tax outcomes.

STEP 1 — Create a Base Scenario, add RMDs

Create a scenario that shows the client's normal charitable strategy without QCDs. Do this by entering all Taxable IRA distributions (such as RMDs that must be taken) in the Gross Income section.

[[Gross Income section](#) > Line for **Taxable IRA Distributions**]

STEP 2 — Create a Base Scenario, add normal charitable giving

Then enter all charitable donations on Schedule A, line Gifts by Cash or Check (or by using the charitable contributions popout tab).

[[Schedule A Pop-out](#), Line for **Gifts by Cash or Check**]

STEP 3 — Create the new QCD Strategy Scenario, establish QCD Amount

Copy the base scenario to a new column. Then determine how much the client will be donating via the QCD. Remember, there is a \$111,000 limit on QCDs per taxpayer in 2026.

[[Use the quick fill option](#) "duplicate in new scenario"]

STEP 4 — Create the new QCD Strategy Scenario, reduce Taxable IRA Distributions

Subtract the QCD amount from the Taxable IRA Distributions line, located within the Gross Income section (because QCDs are not taxable)

[[Gross income section](#) Line for **Taxable IRA Distributions**]

STEP 5 — Create the new QCD Strategy Scenario, reduce Schedule A charitable donations

Remove the QCD amount from the Gifts by Cash or Check line on Schedule A. QCDs are not eligible for itemized deduction treatment

[[Schedule a Pop-out](#) Line for **Gifts by Cash or Check**]

Qualified Charitable Distributions (QCDs) [cont.]

STEP 6 — Perform Calculations, Compare Results

Create a scenario that shows the client's normal charitable strategy without QCDs.

Now you can compare the total tax for the QCD strategy versus normal charitable giving. Note that if the client itemizes then the total tax may not be affected directly by the QCD strategy. However, other important items may be affected such as taxable social security or credits the client qualifies for based on AGI.

[\[Click Perform and save calculations \]](#)

Donor Advised Funds (DAFs)

DAFs are a type of charitable investment account that allow a client to bundle multiple years of charitable contributions into one taxable year. This allows a client to take an immediate tax deduction for their contribution and issue out the actual gifts to eligible charities across multiple years. Utilizing a DAF allows a client to obtain or maximize an itemized deduction strategy, which can be particularly useful in a high earning tax year. Currently there are no annual contribution limits on DAFs. Depending on a client's circumstance, it may also make sense to contribute highly appreciated investments to the DAF rather than cash.

Keep in mind, when modeling DAF contributions, you will need 4 separate scenarios.

1. **Base Scenario** – Current Charitable Giving Strategy
2. **Upcoming Year** – Current Charitable Giving Strategy
3. **Current Year** – DAF Strategy
4. **Upcoming Year** – No Charitable Giving (bunched into prior year)

STEP 1 — Create a Base Scenario, add normal charitable giving for current year

Create a scenario that shows the client's normal charitable giving strategy, without a DAF, for the current year. Do this by entering all current year charitable donations on Schedule A, line Gifts by Cash or Check (or by using the charitable contributions popout tab).

[\[Schedule A Pop-out, Line for Gifts by Cash or Check \]](#)

STEP 2 — Create the Upcoming Year – Current Charitable Giving Scenario, adjust to upcoming year

Copy the base scenario to a new column. Then in the Summary Information section, adjust the year to the upcoming tax year.

[\[Use the quick fill option, "duplicate in new scenario" \]](#)

Donor Advised Funds (DAFs) [cont.]

STEP 3 — Create the Upcoming Year – Current Charitable Giving Scenario, add normal charitable giving for upcoming year

Create a scenario that shows the client's normal charitable giving strategy, without a DAF, for the upcoming year. Do this by entering all upcoming year charitable donations on Schedule A, line Gifts by Cash or Check (or by using the charitable contributions popout tab).

[[Schedule A Pop-out](#), Line for **Gifts by Cash or Check**]

STEP 4 — Create Current Year – DAF Strategy Scenario, establish DAF contribution total for current year

Copy the base scenario to a new column. Then determine how much the client will be donating to the DAF for the current year.

[[Use the quick fill option](#), "duplicate in new scenario"]

STEP 5 — Create Current Year – DAF Strategy Scenario, enter DAF contribution total for current year

Do this by entering all current year contributions to the DAF on Schedule A, line Gifts by Cash or Check (or by using the charitable contributions popout tab).

[[Schedule A Pop-out](#), Line for **Gifts by Cash or Check**]

STEP 6 — Create Upcoming Year – DAF Strategy Scenario, adjust to upcoming year

Copy the base scenario to a new column. Then determine how much the client will be donating to the DAF for the current year.

[[Use the quick fill option](#), "duplicate in new scenario"]

STEP 7 — Create Upcoming Year – DAF Strategy Scenario, reduce Schedule A charitable donations

Do this by removing all upcoming year charitable donations on Schedule A, line Gifts by Cash or Check (or by using the charitable contributions popout tab). In many client circumstances, the upcoming year's charitable contribution will be zero as normal annual charitable giving was bunched into the current year.

[[Schedule A Pop-out](#), Line for **Gifts by Cash or Check**]

STEP 8 — Perform Calculations, Compare Results

Now you can compare the total tax for bunching 2 years of charitable contributions into one tax year using the client's DAF versus the total tax over 2 years for the client's normal charitable giving strategy. To run this comparison use the following calculation:

+ Taxes owed on 1) Base Scenario - Current Charitable Giving
+ Taxes owed on 2) Upcoming Year - Current Charitable Giving Strategy

Versus

+ Taxes owed on 3) Current Year - DAF Strategy
+ Taxes owed on 4) Upcoming Year - No Charitable Giving (bunched into prior year)

Often the DAF strategy allows a client to itemize their deductions in the year that the DAF contribution was made and potentially return to the standardized deduction in the subsequent year. However, other important items may be affected such as taxable social security or credits the client qualifies for based on AGI.

[[Click, Perform and save calculations](#)]

Health Savings Account Contributions (HSAs)

An HSA is an investment account earmarked for healthcare related expenses, available to clients who participate in high deductible insurance plans. HSAs offer three primary tax benefits to clients.

Keep in mind, when modeling DAF contributions, you will need **4 separate scenarios**.

1. Client's contributions to an HSA are tax deductible from gross income.
2. Funds inside of a client's HSA grow tax-free.
3. Distributions from the HSA are not taxed as income as long as they are used for qualified medical expenses.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year without the use of an HSA.

STEP 2 — Create the new HSA Strategy Scenario, establish HSA contribution amount

Copy the base scenario to a new column. Then determine how much the client will be contributing to the HSA. For 2026, there is a \$4,400 HSA contribution limit if you have an individual plan or a \$8,750 HSA contribution limit if you have a family plan. Once a client reaches age 55, they can contribute an additional \$1,000 to their HSA.

[Use the quick fill option, "duplicate in new scenario"]

STEP 3 — Create the new HSA Strategy Scenario, add in HSA contribution to receive deduction

Do this by entering the annual HSA contribution total on Schedule 1, Part 2: Adjustments to Income, line HSA Deduction. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[Schedule 1, Part 2: Adjustments to Income, Line for HSA Deduction]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the HSA strategy versus the non-HSA strategy. Note that contributions paid through a client's employer are already excluded from their income on their W-2. In this circumstance, the client is not able to take an additional deduction on those contributions.

[Click, Perform and save calculations]

401k/403b Contributions

401k or 403b contributions are a way for clients to reduce earned income by participating in their company's retirement plan savings. 401k or 403b contributions are one of the easiest ways for a client to reduce earned income while simultaneously saving for retirement. For **2026**, the 401k and 403b annual contribution limit is \$24,500 (an additional \$8,000 for age 50 or older & additional \$11,250 those age 60-63). 401k and 403b contributions grow tax-deferred until funds are distributed in retirement. If a client is on the fence about contributing to their 401k or 403b, it may make sense to model the annual taxes saved by contributing or maxing out their 401k/403b.

Beginning in 2026, if a participant is age 50 or older and had more than \$150,000 of FICA-taxable wages in the prior year from the employer sponsoring the plan, any employer plan catch-up contributions must be made as Roth (after-tax) contributions. This rule applies to 401(k), 403(b), and governmental 457(b) plans. The rule applies to both the standard catch-up and the enhanced SECURE 2.0 catch-up for ages 60–63, and eligibility is based on the prior-year FICA-taxable wages, not current-year income. If the client's plan does not offer a Roth 401(k) option, the client will not be able to make catch-up contributions.

Keep in mind that 401k and 403b contributions are typically made on a pre-tax basis. This means that they are not included in taxable income and therefore not reported on the tax return outside of reducing taxable income.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year without the use of a 401k or 403b contribution.

STEP 2 — Create the new 401k/403b Contribution Scenario, establish contribution amount

Copy the base scenario to a new column. Then determine how much the client will be contributing to the 401k/403b.

[Use the quick fill option, "duplicate in new scenario"]

STEP 3 — Create the new 401k/403b Contribution Scenario, reduce taxable income by contribution amount

Do this by scrolling to the Gross Income Section, line W-2 Wages, Salary, tips. Reduce this number by the recommended 401k or 403b contribution amount. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[Gross Income section, W-2 Wages is reported on the line for Salary/tips]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the 401k/403b Contribution strategy versus the baseline strategy.

[\[Click, Perform and save calculations \]](#)

SEP or SIMPLE IRA Contributions

A SEP IRA is a type of retirement plan that an employer can use to set aside money for retirement for both themselves and their eligible employees. For 2026 an employer's contribution to a SEP IRA is limited to the lesser of 1) 25% of compensation, or, 2) \$72,000 for 2026. SEP IRAs can only be funded by an employer and can be used as a tax deduction for the employer. SEP IRAs allow a client's contributions to grow tax-deferred until funds are distributed in retirement.

A SIMPLE IRA is a type of retirement plan that an employer can use to set aside money for retirement for both themselves and their eligible employees, however SIMPLE IRAs allow for employee contributions as well. Employers are required to provide matching contributions up to 3% of compensation or 2% nonelective contribution for each eligible employee. For 2026, employees can also contribute up to \$17,000 (additional \$4,000 allowed if over age 50 & additional \$5,250 for those age 60-63). SIMPLE IRAs allow a client's contributions to grow tax-deferred until funds are distributed in retirement.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year without the use of a SEP or SIMPLE IRA.

STEP 2 — Create the new SEP/SIMPLE IRA Contribution Scenario, establish contribution amount

Copy the base scenario to a new column. Then determine how much the client will be contributing to the SEP or SIMPLE IRA.

[[Use the quick fill option, "duplicate in new scenario"](#)]

STEP 3 — Create the new SEP/SIMPLE IRA Contribution Scenario, add in contribution to receive deduction

Do this by entering the SEP or SIMPLE IRA contribution total on Schedule 1, Part 2: Adjustments to Income, line SE SEP. SIMPLE and Qual. Plans. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[[Schedule 1, Part 2: Adjustments to Income](#), Line for **SE SEP. SIMPLE and Qual Plans**]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the SEP or SIMPLE IRA Contribution strategy versus the non-SEP or SIMPLE IRA Contribution strategy.

[[Click, Perform and save calculations](#)]

Traditional IRA Contributions

A Traditional IRA is a type of individual retirement account that allows a client's contributions to grow tax-deferred until funds are distributed in retirement. A client's contribution to a Traditional IRA is deductible if the client is not covered by an employer retirement plan. Currently there are no income cap limitations on making Traditional IRA contributions. If a client is on the fence about contributing to their Traditional IRA, it may make sense to model the annual tax savings accomplished by contributing or maxing out their Traditional IRA.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year without the use of a SEP or SIMPLE IRA.

STEP 2 — Create the new Traditional IRA Contribution Scenario, establish Traditional contribution Amount

Copy the base scenario to a new column. Then determine how much the client will be contributing to the Traditional IRA. In 2026, there is a \$7,500 Traditional IRA contribution limit. Once a client reaches age 50, they can contribute an additional \$1,100 to their Traditional IRA.

[[Use the quick fill option, "duplicate in new scenario"](#)]

STEP 3 — Create the new Traditional IRA Strategy Scenario, add in IRA contribution to receive deduction

Do this by entering the annual Traditional IRA contribution total on Schedule 1, Part 2: Adjustments to Income, line IRA Deduction. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[[Schedule 1, Part 2: Adjustments to Income](#), Line for **IRA Deduction**]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the Traditional IRA Contribution strategy versus the non-Traditional IRA Contribution strategy.

[[Click, Perform and save calculations](#)]

Realizing Capital Losses

A capital loss can be captured by tax loss harvesting or selling an investment in a taxable account while it is at a loss. When a client realizes a capital loss, it can be carried forward indefinitely and utilized against future capital gains. If a client does not have a capital gain to offset, they can deduct \$3,000 (as of 2026) per year to offset ordinary income.

Realizing capital losses can be a useful strategy in years of market turbulence.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year without the use of realizing capital losses.

STEP 2 — Create the new Realizing Capital Losses Scenario, establish the recommended or anticipated amount of realized losses

Copy the base scenario to a new column. Then determine how much the client will be realizing in capital losses for the year.

[Use the quick fill option, "duplicate in new scenario"]

STEP 3 — Create the new Realizing Capital Losses Scenario, enter the recommended or anticipated amount of realized losses by entering estimates short-term and long-term gains/losses.

Do this by scrolling to the Gross Income Section, lines for Long-term Capital Gain/Loss and Short-term Capital Gain/Loss. Enter the recommended or anticipated amount of gains/ losses. The tool will automatically calculate the net gain/loss for you. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[Gross income section, Long-Term Capital Gains or Loss line and Short term Capital gain or loss]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the Realizing Capital Losses Scenario versus the baseline scenario.

[Click, Perform and save calculations]

Realizing Capital Gains

A capital gain can be captured by selling an investment in a taxable account while it is at a gain. Realizing capital gains on appreciated assets, can be a useful strategy in years when earnings are low. It may also make sense to capture a capital gain on an appreciated asset in a year where there are capital losses to help offset the gain.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year without the use of realizing capital gains.

STEP 2 — Create the new Realizing Capital Gains Scenario, establish the recommended or anticipated amount of realized gains.

Copy the base scenario to a new column. Then determine how much the client will be realizing in capital gains for the year. Remember to adjust any expected changes in income in the new scenario.

[Use the quick fill option, "duplicate in new scenario"]

STEP 3 — Create the new Realizing Capital Gains Scenario, enter the recommended or anticipated amount of realized losses by entering estimates short-term and long-term gains/losses.

Do this by scrolling to the Gross Income Section, lines for Long-term Capital Gain/Loss and Short-term Capital Gain/Loss. Enter the recommended or anticipated amount of gains/ losses. The tool will automatically calculate the net gain/loss for you. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[Gross income section, Long-Term Capital Gains or Loss line and Short term Capital gain or loss]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the Realizing Capital Gains Scenario versus the baseline scenario.

[Click, Perform and save calculations]

Tax Aware Investing

Tax aware investing strategies can be particularly helpful for clients in higher tax brackets. Adding a layer of tax efficiency to a client's taxable account portfolio can help to reduce the taxable distributions from their investment holdings. In some cases it may make sense to show a client how much could be saved in taxes by investing in a tax-aware portfolio.

When proposing a client replace funds in their portfolio that are inefficient from a tax perspective, keep in mind any capital gains that may be incurred by selling the fund in a taxable account. Although replacing the fund with a more tax aware fund may save the client in taxable interest, it may not be worth replacing if it means incurring a large capital gain to eliminate the fund from the portfolio.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's tax year with their historic capital gains, dividends and interest incurred.

STEP 2 — Create the new Tax Aware Investment Scenario, establish average capital gain, dividend and interest payout on the tax aware portfolio you are recommending.

Copy the base scenario to a new column. Then establish the average capital gain, dividend and interest payout on the tax aware portfolio you are recommending.

[Use the quick fill option, "duplicate in new scenario"]

STEP 3 — Create the new Tax Aware Investment Scenario, adjust the capital gain, dividend and interest payout on the tax aware portfolio you are recommending in the new scenario.

Add the total capital gain, dividend and interest payout on the portfolio you are recommending in the new scenario. Do this by entering the total capital gains on the Long/Short-Term Capital Gain or Loss line, entering total dividends and interest on the Taxable Interest and Qualified / Ordinary Dividend Lines.

Keep in mind that if the client had gains or losses listed on their uploaded return, you may need to clear out the total displayed on the Capital Gain or Loss line. Once this dollar amount is cleared from the Capital Gain or Loss line, click the refresh button next to the entry. You will then have the ability to designate an amount in the Long-Term Capital Gain or Loss line or the Short-Term Capital Gain or Loss line if you would like to break it out by short and long term gains/losses.

[Gross Income Section, Line for Long-Term Capital Gain or Loss]

STEP 4 — Perform Calculations, Compare Results

Now you can review the total tax for the Tax Aware Investing strategy versus the client's current tax strategy. Keep in mind, if a client's taxable investment portfolio has large embedded capital gains, it may not make sense to incur the gains in order to move to a more tax efficient strategy.

[[Click](#), Perform and save calculations]

Roth Conversion

To complete a Roth conversion, a client transfers assets from a Traditional IRA into a Roth IRA, expediting the taxes that would eventually be owed on the Traditional IRA distributions.

Roth conversions can help lower the future required minimum distribution that would be required to be taken from the Traditional IRA at RMD age.

Roth conversions can be a useful strategy when a client believes they will be in a lower tax bracket now than they will be in retirement. Roth conversions may also make sense when a client has a low earning tax year or if the client would like to pass Roth assets on to their heirs.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year without the use of a Roth Conversion.

STEP 2 — Create the new Roth Conversion Strategy Scenario, establish Roth Conversion Amount

Copy the base scenario to a new column. Then determine how much the client will be converting from their Traditional IRA to their Roth IRA.

[Use the quick fill option, "duplicate in new scenario"]

STEP 3 — Create the new Roth Conversion Strategy Scenario, establish Roth Conversion Amount.

Add the total amount of the Roth Conversion into the new scenario. Do this by entering the total amount of the Roth Conversion in the Gross Income section, line IRA Distributions. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[Gross Income Section, Line for IRA Distributions]

STEP 4 — Perform Calculations, Compare Results

Now you can review the total tax for the Roth Conversion strategy versus No Roth Conversion strategy. Note that while we expect the taxes owed on the Roth Conversion strategy to be higher, there are important thresholds to consider to help determine the appropriate amount for the Roth Conversion. Keep in mind income tax brackets, taxable social security or credits the client qualifies for based on AGI. If a client decides to move forward with a Roth Conversion strategy, it may make sense for them to make quarterly estimated tax payments in the tax year impacted by the conversion.

Navigate to the Roth Conversion Simulator to determine the recommended amount of a Roth Conversion or to see the longer term impact of a Roth Conversion for a client.

[\[Click, Perform and save calculations \]](#)

Installment Sale of a Business

In the event that a client is selling their business, it may make sense to utilize an installment sale. An installment sale allows a client to receive a portion of the payment for the business sale in a subsequent year after the tax year that the sale occurred.

Spreading the gain on a business sale across more than one year, can allow a client to pay less overall in capital gain taxes. Note that an installment sale may not be elected in cases where the sale of the business resulted in a loss.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's tax year without the use of an Installment Sale and the full business gain recognized.

STEP 2 — Create the new Installment Sale Strategy Scenario, establish initial year's installment sale capital gain amount.

Copy the base scenario to a new column. Then determine how much the client will be recognizing in capital gains from their business sale in the first year.

[[Use the quick fill option](#), "duplicate in new scenario"]

STEP 3 — Create the new Installment Sale Strategy Scenario, adjust the initial year's installment sale capital gain amount.

Add the total amount of capital gain recognized from the business sale in the first year into the new scenario. Do this by entering the total amount of capital gain in the Gross Income section, line Capital Gain or Loss.

Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

Keep in mind that if the client had gains or losses listed on their uploaded return, you may need to clear out the total displayed on the Capital Gain or Loss line. Once this dollar amount is cleared from the Capital Gain or Loss line, click the refresh button next to the entry. You will then have the ability to designate an amount in the Long-Term Capital Gain or Loss line or the Short-Term Capital Gain or Loss line if you would like to break it out by short and long term gains/losses.

[[Gross Income Section](#), Line for **Long-Term Capital Gain or Loss**]

Installment Sale of a Business [cont.]

STEP 4 — Create the second year of the Installment Sale Strategy Scenario, adjust the second year's installment sale capital gain amount.

Add the total amount of capital gain recognized from the business sale in the second year into the new scenario. Do this by entering the total amount of capital gain in the Gross Income section, line Capital Gain or Loss. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[[Gross Income Section](#), Line for **Long-Term Capital Gain or Loss**]

STEP 5 — Perform Calculations, Compare Results.

Now you can review the total tax for the Installment Sale strategy versus No Installment Sale strategy. When helping a client navigate an installment sale, keep in mind income tax brackets, taxable social security or credits the client qualifies for based on AGI. If a client decides to move forward with an Installment Sale strategy, it may make sense for them to make quarterly estimated tax payments in the years impacted by the business sale.

[[Click, Perform and save calculations](#)]

Changing Filing Status

It may be useful to model a change in a client's filing status when a client is undergoing major life changes such as getting divorced, adjusting a custody agreement or getting married. At times, clients may qualify for more than one filing status and it may be useful to model which scenario will be most beneficial to the client.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year using their historic filing status.

STEP 2 — Create the new Filing Status Scenario, Determine the client's filing status moving forward.

Copy the base scenario to a new column. Then determine how the client will be filing moving forward.

[[Use the quick fill option, "duplicate in new scenario"](#)]

STEP 3 — Create the new Filing Status Scenario, Adjust the client's filing status

Do this by navigating to the Summary of Information, Filing Status line. Select the appropriate filing status using the dropdown: Single, Married Filing Jointly, Married Filing Separately, Head of Household, Qualifying Widower. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[[Summary of Information section, Filing Status](#) line]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the baseline scenario versus the New Filing Status scenario.

[[Click, Perform and save calculations](#)]

Moving States

If a client is considering moving states or has the option to file in more than one state, it may be useful to model the tax differences between states. Adjusting a client's filing state could impact deductions and credits available, as well as the state income tax rate.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year using their historic filing state.

STEP 2 — Create the new Filing State Scenario, Determine which state should be used in the scenario.

Copy the base scenario to a new column. Then determine which state should be used in the scenario.

[Use the quick fill option, "duplicate in new scenario"]

STEP 3 — Create the New Filing State Scenario, Adjust the client's filing state

Do this by navigating to the Summary of Information, State line. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[Summary of Information section, State line]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the baseline scenario versus the New Filing State scenario. Navigate to the State Tax section. A few helpful lines to consider are State Standard Deduction, State Personal & Dependency Exemption, State Marginal Tax Bracket and Total State Tax Owed/Refunded.

[Click, Perform and save calculations]

Changing Number of Dependents

If a client is getting ready to have a child or adopt a child, it may be useful to model the tax implications of adding a new dependent to their return. A client may also take on the care of qualified relatives such as a brother, sister, or parent which would also allow them to adjust their number of dependents.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year using the client's historic number of dependents.

STEP 2 — Create the new Adjusted Number of Dependents Scenario, Determine how many dependents should be claimed moving forward

Copy the base scenario to a new column. Then determine how many dependents should be claimed moving forward.

[[Use the quick fill option, "duplicate in new scenario"](#)]

STEP 3 — Create the new Adjusted Number of Dependents Scenario, Adjust the client's number of dependents

Do this by navigating to the Summary of Information, # of Dependent Filers line. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[[Summary of Information section, Number of Dependent Filers line](#)]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the baseline scenario versus the New Adjusted Number of Dependents scenario.

[[Click, Perform and save calculations](#)]

Changing Number of Filers Age 65 or Older

If a client or their spouse is getting ready to turn 65, it may be useful to consider the tax implications of this milestone. When a person turns 65, their standard deduction can increase on both the state and federal level. At age 65, a person can also qualify for the Elderly or Disabled Tax Credit. Depending on the client's state, there may also be additional state tax credits available.

STEP 1 — Create a Base Scenario

Create a scenario that shows the client's normal tax year using the client's historic tax return.

STEP 2 — Create the new Adjusted Number of Filers 65 or Older Scenario, Determine how many filers will be over 65 moving forward

Copy the base scenario to a new column. Then determine how many filers will be over 65 moving forward.

[[Use the quick fill option, "duplicate in new scenario"](#)]

STEP 3 — Create the new Adjusted Number of Filers 65 or Older Scenario, Adjust the client's number of filers over 65

Do this by navigating to the Summary of Information, # of filers Age 65 or Older? line. Adjust the number of filers over 65 as needed. Remember to adjust the tax year in the new scenario if needed by navigating to the Summary of Information, Tax Year line.

[[Summary of Information section, Number of Filers Age 65 or Older line](#)]

STEP 4 — Perform Calculations, Compare Results

Now you can compare the total tax for the baseline scenario versus the new Adjusted Number of Filers 65 or Older Scenario.

[[Click, Perform and save calculations](#)]

