

The 2026 Tax Deadline is Approaching: Proactive Steps to Take Now

Meta Description: Don't wait until tax season. Learn proactive tax planning strategies to optimize your taxes before current tax rates expire on December 31, 2025.

Reading Time: 9 minutes

Introduction

Most people think about taxes once a year—when they're filing their tax return. By then, it's too late to make strategic decisions that could significantly reduce their tax liability. The time to plan for taxes is now, not when you're sitting down with your tax return in April.

And there's an added urgency right now. Current federal income tax rates are set to expire on December 31, 2025. After that date, tax rates are scheduled to revert to higher levels unless Congress acts to extend them. This creates a unique opportunity for strategic tax planning in 2025.

Whether tax rates increase or remain the same, the actions you take now can significantly impact your tax liability for years to come. Roth conversions, charitable giving, tax-loss harvesting, and other strategies can help you keep more of your money.

In this article, we'll explore the urgency of the 2026 tax deadline, explain key tax planning strategies, and show you how to take action now to optimize your taxes.

The 2026 Tax Deadline: What's Happening and Why It Matters

To understand the urgency of tax planning right now, you need to understand what's happening with tax rates.

The Tax Cuts and Jobs Act (TCJA)

In 2017, Congress passed the Tax Cuts and Jobs Act (TCJA), which reduced federal income tax rates and made other significant changes to the tax code. These changes were designed to be temporary, with most provisions set to expire on December 31, 2025.

What Happens After December 31, 2025?

Unless Congress extends the current tax rates, several things will happen on January 1, 2026:

Tax Brackets Will Increase: The current tax brackets will revert to higher rates. For example, the current top federal income tax rate of 37% could increase. The specific impact depends on your income level, but most taxpayers will see higher tax rates.

Standard Deduction Will Decrease: The current standard deduction (which has been increased under TCJA) will decrease. This means more of your income will be subject to taxation.

Child Tax Credit Will Decrease: The current child tax credit of \$2,000 per child will decrease to \$1,000 per child.

Other Deductions and Credits Will Change: Various other deductions and credits will be affected, with most becoming less favorable.

The Uncertainty

The challenge is that we don't know for certain what will happen. Congress could extend the current tax rates. Congress could modify them. Congress could let them expire as scheduled. This uncertainty makes planning challenging, but it also creates opportunities for those who act strategically.

Why This Matters

If you expect higher tax rates in 2026 and beyond, taking action now to reduce your taxable income or convert pre-tax assets to after-tax assets could save you significant money over your lifetime.

Consider this scenario: You have \$100,000 in a Traditional IRA. If you convert it to a Roth IRA now at a 32% tax rate, you pay \$32,000 in taxes. But if you wait until 2026 when rates might be 35%, you'd pay \$35,000 in taxes. By acting now, you save \$3,000. And that's just on this one conversion. Over multiple years and multiple strategies, the savings can be substantial.

Key Tax Planning Strategies to Consider Now

Here are the most important tax planning strategies to consider before the end of 2025.

Strategy 1: Roth Conversions

A Roth conversion involves converting money from a Traditional IRA or pre-tax retirement account to a Roth IRA. You pay taxes on the converted amount, but the money then grows tax-free in the Roth.

Why Convert Now?

If you believe tax rates will be higher in the future, converting now at current rates locks in those rates. The money grows tax-free in the Roth, and you never pay taxes on the growth or withdrawals in retirement.

How Much to Convert?

The optimal conversion amount depends on your situation. A common strategy is to convert enough to fill up lower tax brackets. For example, if you're in the 24% bracket and have room to reach the top of that bracket before entering the 32% bracket, you might convert enough to fill that gap.

Important Considerations:

- You pay taxes on the converted amount immediately
- The conversion is irrevocable (you can't undo it)
- Conversions may affect your Medicare premiums and Social Security taxation
- Consult with a tax professional to determine the optimal conversion amount

Example:

Sarah is single with \$80,000 in taxable income. The top of the 24% tax bracket for single filers is \$95,375. She has room to convert \$15,375 to a Roth at the 24% rate. By converting \$15,375, she pays \$3,690 in taxes now, but that \$15,375 grows tax-free forever. If it grows to \$50,000 by retirement, she saves taxes on the \$35,000 in growth.

Strategy 2: Tax-Loss Harvesting

Tax-loss harvesting involves selling investments that have declined in value to realize losses, which can offset gains and reduce taxable income.

How It Works:

If you have investments that have declined in value, you can sell them to realize a loss. This loss can offset capital gains from other investments, reducing your taxable income. If losses exceed gains, you can deduct up to \$3,000 of losses against ordinary income, with excess losses carried forward to future years.

Example:

You have a mutual fund that you purchased for \$10,000 that's now worth \$8,000. You sell it, realizing a \$2,000 loss. You also have another investment with a \$1,500 gain. The \$2,000 loss

offsets the \$1,500 gain, leaving a \$500 loss. You can deduct this \$500 loss against your ordinary income, reducing your taxable income by \$500.

Important Considerations:

- Wash-sale rules prevent you from immediately repurchasing the same or substantially identical security
- Tax-loss harvesting works best with taxable accounts (not retirement accounts)
- Consider the tax impact of selling appreciated securities

Strategy 3: Charitable Giving

Charitable donations can reduce your taxable income if you itemize deductions. With current tax rates potentially increasing, charitable giving can be an effective strategy.

Strategies:

Bunching: If you're close to itemizing, you might "bunch" charitable donations into one year to exceed the standard deduction. For example, instead of giving \$5,000 per year, you might give \$10,000 in one year and \$0 the next year, allowing you to itemize in the year you give.

Donor-Advised Funds: A donor-advised fund (DAF) allows you to make a charitable contribution, receive an immediate tax deduction, and then recommend grants to charities over time. This is particularly useful if you want to bunch charitable donations in one year but distribute them to charities over multiple years.

Appreciated Securities: Donating appreciated securities (stocks, mutual funds) instead of cash can be more tax-efficient. You avoid capital gains taxes on the appreciation and receive a deduction for the full fair market value.

Example:

You have appreciated stock worth \$20,000 that you purchased for \$5,000. If you sell it, you owe capital gains taxes on the \$15,000 gain. Instead, you donate it to charity. You receive a \$20,000 deduction and avoid the capital gains taxes on the \$15,000 gain.

Strategy 4: Maximize Retirement Contributions

Contributing to retirement accounts reduces your current taxable income and allows your money to grow tax-deferred.

2025 Contribution Limits:

- 401(k): \$23,500 (or \$31,000 if age 50+)

- IRA: \$7,000 (or \$8,000 if age 50+)
- SEP IRA (Self-Employed): 25% of net self-employment income, up to \$69,000
- Solo 401(k) (Self-Employed): Up to \$69,000

Strategy:

If you haven't maximized your retirement contributions for 2025, do so before year-end. This reduces your 2025 taxable income and allows your money to grow tax-deferred.

Catch-Up Contributions:

If you're age 50 or older, you can make catch-up contributions. These allow you to contribute additional amounts beyond the standard limits.

Strategy 5: Harvest Capital Losses Before Year-End

If you have investment losses, realize them before year-end to offset gains and reduce your taxable income for 2025.

How It Works:

Review your investment portfolio. If you have investments with unrealized losses, consider selling them before year-end. The losses can offset gains and reduce your taxable income.

Important Considerations:

- Wash-sale rules apply—you can't repurchase the same security within 30 days
- Consider the tax impact of selling appreciated securities
- Think about your long-term investment strategy before selling

Strategy 6: Qualified Charitable Distributions (QCDs)

If you're age 70½ or older and have a Traditional IRA, you can make Qualified Charitable Distributions directly from your IRA to charity. This counts toward your Required Minimum Distribution but doesn't increase your taxable income.

How It Works:

You direct your IRA custodian to transfer up to \$100,000 per year directly to a qualified charity. This distribution counts toward your RMD but isn't included in your taxable income. This is particularly valuable if you don't itemize deductions.

Example:

You're age 72 with a \$500,000 Traditional IRA and a Required Minimum Distribution of \$20,000. Instead of taking the distribution and donating it to charity yourself, you direct your IRA to transfer \$20,000 directly to charity. You avoid including the \$20,000 in your taxable income, and the charity receives the donation.

Strategy 7: Timing of Income and Deductions

Strategic timing of income and deductions can reduce your tax liability.

Accelerate Deductions:

If you expect higher tax rates next year, accelerate deductions into the current year. For example, you might prepay property taxes or make charitable donations before year-end.

Defer Income:

If possible, defer income into next year. For example, if you're self-employed, you might defer invoicing clients until January.

Important Considerations:

- Some strategies have limitations (e.g., prepaid expenses may not be deductible)
- Consider your overall tax situation and multi-year planning
- Consult with a tax professional

The Cost of Not Planning

Many people don't engage in proactive tax planning because they think it's complicated or not worth the effort. But the cost of not planning can be substantial.

Scenario: The Cost of Inaction

Consider two scenarios for a married couple with \$200,000 in taxable income:

Scenario 1: No Tax Planning

They don't do any tax planning. They pay their taxes as due. Over 10 years, assuming tax rates increase by 5% in 2026, they pay approximately \$15,000 more in taxes than they would have with strategic planning.

Scenario 2: Strategic Tax Planning

They work with a tax advisor to implement Roth conversions, tax-loss harvesting, and charitable giving strategies. Over 10 years, they reduce their tax liability by approximately \$15,000.

The difference: \$30,000 over 10 years. That's money that could be used for retirement, education, or other goals.

How to Get Started with Tax Planning

Tax planning doesn't have to be complicated. Here's how to get started.

Step 1: Review Your Current Tax Situation

Gather your tax documents from the past few years. Understand your current tax bracket, effective tax rate, and overall tax situation. This gives you a baseline for planning.

Step 2: Identify Your Goals

What are your financial goals? Are you planning for retirement? Do you want to leave money to heirs? Do you want to support charitable causes? Your goals affect your tax planning strategy.

Step 3: Assess Your Options

Based on your situation and goals, identify which tax planning strategies make sense for you. Not every strategy is appropriate for every person.

Step 4: Consult with a Tax Professional

A CPA or tax advisor can help you implement strategies appropriately and ensure you're compliant with tax laws. The cost of professional advice is often far less than the tax savings it generates.

Step 5: Implement Your Plan

Once you've developed a plan, implement it. Don't wait until next year. The time to act is now, before year-end.

Step 6: Monitor and Adjust

Tax laws change, and your situation changes. Review your tax plan annually and adjust as needed.

Common Tax Planning Mistakes to Avoid

As you engage in tax planning, avoid these common mistakes.

Mistake #1: Waiting Until Tax Season

Tax season is too late for strategic planning. By then, most opportunities have passed. Plan during the year.

Mistake #2: Focusing Only on Current Year Taxes

Tax planning should consider multiple years. A strategy that costs you \$5,000 in taxes this year might save you \$20,000 over the next five years.

Mistake #3: Ignoring State Taxes

Federal taxes are only part of the picture. State taxes can be significant. Consider both federal and state tax implications.

Mistake #4: Not Keeping Records

Keep detailed records of all tax-related transactions. This is essential for substantiating deductions and implementing strategies like tax-loss harvesting.

Mistake #5: DIY Tax Planning Without Professional Help

While some tax planning can be done yourself, complex situations often benefit from professional advice. The cost of advice is often far less than the tax savings it generates.

Mistake #6: Ignoring the Impact of Tax Planning on Other Areas

Some tax planning strategies have implications for Medicare premiums, Social Security taxation, or other areas. Consider the full impact before implementing a strategy.

Mistake #7: Not Taking Action

The biggest mistake is knowing about tax planning strategies but not implementing them. Take action now.

The Role of a Tax Professional

While you can do some tax planning yourself, a qualified tax professional can provide significant value.

What a Tax Professional Can Help With:

- Analyzing your current tax situation
- Identifying tax planning opportunities

- Implementing strategies appropriately
- Ensuring compliance with tax laws
- Coordinating with other financial professionals (financial advisors, estate attorneys, etc.)
- Answering tax questions throughout the year

Finding the Right Tax Professional:

Look for a CPA or enrolled agent with experience in your specific situation (retirement planning, small business, investments, etc.). Ask for referrals from trusted sources. Interview multiple professionals before deciding.

The Urgency: Why You Need to Act Now

The 2026 tax deadline creates urgency. Current tax rates expire on December 31, 2025. Whether they increase or remain the same, the actions you take now can significantly impact your tax liability for years to come.

Don't wait. Tax planning is not something to put off until next year. The time to act is now, before year-end. The tax savings you achieve can be substantial.

Getting Started with Advisor Giant

If you're ready to engage in proactive tax planning but aren't sure where to start, Advisor Giant can connect you with a tax professional who can help. Our network includes experienced CPAs and tax advisors who can:

- Analyze your current tax situation
- Identify tax planning opportunities specific to your circumstances
- Explain strategies in understandable terms
- Help you implement strategies appropriately
- Answer your tax questions

The process is simple:

1. Visit Advisor Giant and select "Tax Planning"
2. Describe your situation (approaching retirement, high income, business owner, etc.)

3. Get matched with a tax professional in your area
4. Connect and consult about your tax planning needs

Within 48 hours, you'll be connected with a qualified tax professional who can help you optimize your taxes before the 2026 deadline.

Conclusion

Tax planning is not something to put off until April when you're filing your tax return. The time to plan is now, before year-end, and especially before the 2026 tax deadline.

Whether you implement Roth conversions, tax-loss harvesting, charitable giving strategies, or other approaches, proactive tax planning can save you thousands of dollars over your lifetime. The key is to start now, understand your options, and take action.

Don't leave money on the table. Work with a qualified tax professional to develop a tax plan that works for your situation. The cost of professional advice is often far less than the tax savings it generates.

The 2026 tax deadline is approaching. The time to act is now.

Ready to optimize your taxes? Connect with a tax professional through Advisor Giant today.

Disclaimer

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About the Author

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