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Tax Strategies For Rising Income

A jump in income is usually good news. Maybe your business had a strong year. Maybe you got a bonus, took a higher-paying role, or sold an asset. Whatever the reason, more income is a sign that something is going right. But more income also brings more complexity and, often, more tax. Today we'll walk through what to do before you land in a higher bracket, while you still have time to act.

The bracket is only part of the story

Let's start with a common misunderstanding. When income rises, most people focus on their tax bracket. But the bracket is rarely the most important part. What really matters is how that extra income interacts with everything around it.

Here's what I mean. There's a 3.8% tax on investment income, called the Net Investment Income Tax. It kicks in once your modified income passes $200,000 as a single filer, or $250,000 if you're married filing jointly. So if you have a strong salary year and you also sell an investment at a gain, you can trigger two separate taxes on the same return.

There's also an extra 0.9% Medicare tax on wages above those same thresholds. If you and your spouse both work, your employers may not withhold the right amount from your pay. That mismatch often shows up as a surprise at the time of filing.

The point is simple. A projection that looks only at your bracket tells you very little. The real picture comes from running your numbers through all of these rules at once.

Timing matters more than you'd expect

Let's move on to timing. One of the most overlooked moves isn't a deduction at all. It's choosing when you recognize income.

This matters most when you have some control over the timing. Say you're a single consultant. You expect about $102,000 in taxable income this year, and you're about to send a client a final $12,000 invoice. For 2026, the 24% bracket begins at $105,700 for single filers. If that invoice is paid this year, part of the payment spills into the higher bracket. If you bill it in late December and collect in January, you may hold that income until next year. That assumes you report on a cash basis, in which income is recognized when you receive payment.

The reverse can also be true. If you know next year will be even bigger, because of a business sale or a large bonus, pulling income into this year might lower your total tax across both years. The right answer depends on your situation, so it's worth modeling before you act.

Accelerate the deductions you were already planning

Let's talk about deductions. The general advice to bunch deductions into a high-income year is sound. What makes it work is acting early enough.

Charitable giving is the cleanest example. Say you plan to give $50,000 to charity over the next five years. If you make that whole gift in one high-income year through a donor-advised fund, you capture the deduction at your highest rate. The fund then distributes the money to charities on your own timeline. The charity receives the same amount over time, but your tax result is much better.

The same logic applies to business purchases. If you're buying equipment that qualifies for first-year expensing, it's worth asking whether closing the deal in December rather than January would give you a larger deduction this year. This isn't spending money to save on taxes. It's lining up decisions you were already going to make with the year they help you most.

Revisit your retirement plan and your withholding

Let's cover one more area. If your income crossed certain thresholds this year, the retirement account you've been funding on autopilot may no longer be your best option.

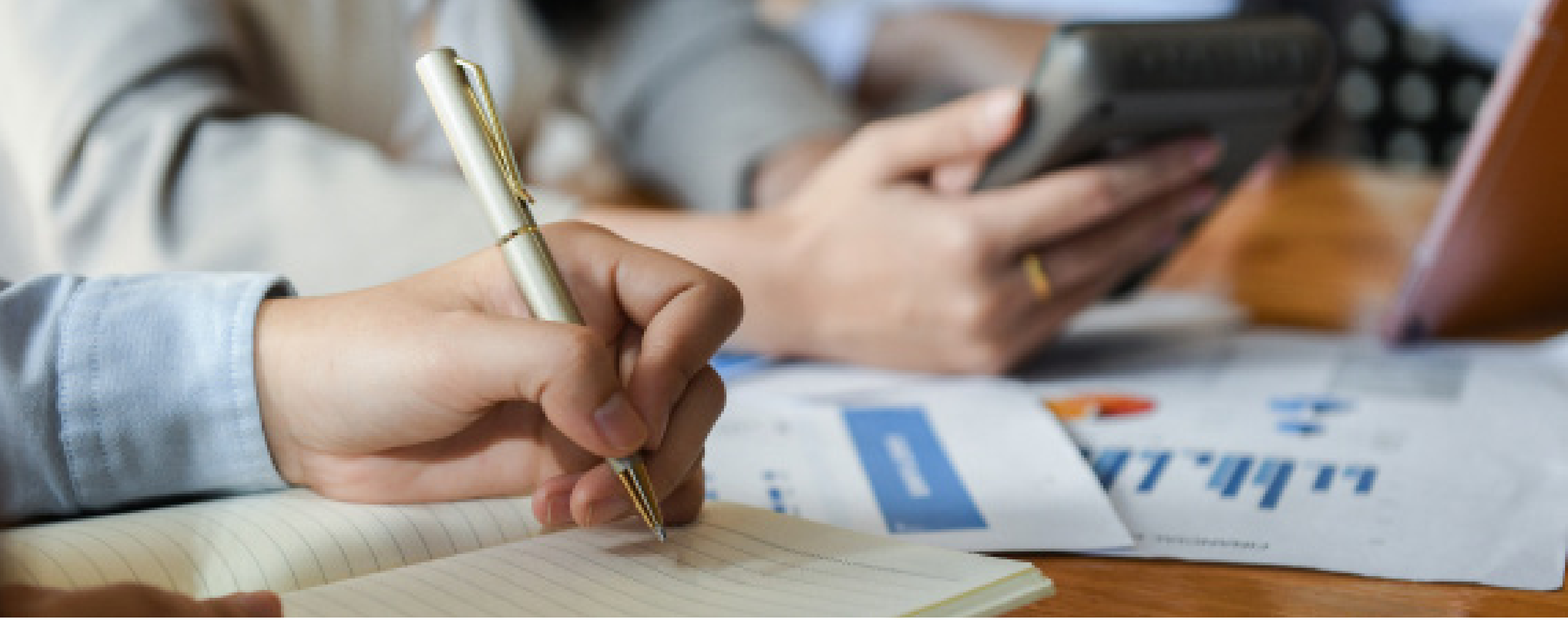
For 2026, you can put up to $24,500 into a 401(k), or $32,500 if you're 50 or older. The IRA limit is $7,500, or $8,600 if you're 50 or older. But if your income is now too high to deduct a traditional IRA contribution, a backdoor Roth may make more sense. And if you're self-employed, a solo 401(k) often allows a larger contribution than the SEP IRA you may be using. These come up regularly for people earning between $200,000 and $600,000.

While you're at it, check your withholding. A year-end bonus is often withheld at a flat 22%, which may be lower than your actual rate. Income from a partnership, an investment sale, or a side business usually has no withholding at all. A midyear projection can catch any shortfall early, before it becomes a balance due and a penalty.

Next Step

Here’s what to do. Don’t wait for your return to tell you what happened. If you can see a bigger year coming by September, you have real options: time your income, bunch your deductions, fix your retirement vehicle, and true up your withholding. By February, most of those options are gone.

If last year’s return caught you off guard, or you’re already expecting a stronger 2026, now is the time to plan. If you have questions or would like to discuss your unique situation, please contact our office to speak with one of our expert advisors.



About Weinlander Fitzhugh

Our Mission
To add value to those we are privileged to serve by providing proactive, timely and innovative financial and operational advisory services. Our client-focused team is committed to professional excellence and personal growth.

Our Vision
With a commitment to true professionalism, we will be a firm that is an aggressive, innovative competitor using diverse talent, services and state of the art technology. We will strive to function as a team concentrating on continuous improvement and developing specialties sensitive to our clients' needs. We will aspire to exceed our clients' expectations by delivering awesome service.

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