

ALG ♦ BLUEPRINT

CONSULT · PLAN · EXECUTE

FREE GUIDE

The 7 Tax Strategies Most High Earners Never Use

Planning conversations worth having before December 31.

The IRS isn't your enemy. Ignorance is.

INTRODUCTION

Why Many High Earners Overpay

Most high earners are not overpaying because someone made a mistake. They are overpaying because no one planned ahead.

Tax preparation is important work. It reports what already happened, accurately and on time. But by the time a return is prepared, most of the decisions that shape your tax bill have already been made, often by default.

Planning works differently. It looks at your income, structure, and goals while there is still time to act. The strategies in this guide are built into the tax code. None of them are loopholes or secrets. They simply require eligibility, documentation, and timing, which is why they rarely come up in a once-a-year filing appointment.

This guide is for you if

- You earn \$150,000 or more as an employee, consultant, or business owner
- You own a business, real estate, or a growing investment portfolio
- Your tax bill keeps rising and you are not sure why
- You have had tax preparation every year, but never a forward-looking planning conversation
- You want to understand your options before you make decisions, not after

HOW TO READ THIS GUIDE

Figures reflect 2026 limits and the tax law changes enacted in 2025, current as of October 2026. Examples are illustrative, not predictions. Every strategy has eligibility rules, and the right combination depends on your facts and circumstances.

THE 7 STRATEGIES —

Your Planning Blueprint

Each strategy below is a decision point, not a deduction to grab. Read them as conversations worth having, then bring the ones that fit to a planning session.

01 S-Corp Election

OWNER PAY

Electing S-Corp status can change how your business profit is taxed, by splitting it between a salary and distributions.

HOW IT WORKS

As a sole proprietor or single-member LLC, your entire net profit is generally subject to self-employment tax of 15.3% (the Social Security portion applies up to the 2026 wage base of \$184,500). As an S-Corp owner, you pay yourself a reasonable salary that carries payroll taxes, and remaining profit can be taken as distributions that do not. On \$200,000 of profit, the difference in employment taxes alone can exceed \$10,000 a year, before added costs.

WHO IT MAY FIT

Business owners with consistent profit, often evaluated somewhere around \$60,000 to \$100,000 or more, who are ready to run payroll.

WHAT TO KNOW BEFORE YOU ACT

The salary must be reasonable for the work you do. You will add payroll, a separate business return, and possibly state or city taxes. In New York City, for example, S-Corps are still subject to the city's corporate tax. An S-Corp also affects your QBI deduction and retirement contributions. It is not automatically the right move just because income increased.

02 Solo 401(k) Maximization

RETIREMENT

A Solo 401(k) lets a self-employed owner contribute as both the employee and the employer, which can shelter far more than an IRA.

HOW IT WORKS

For 2026, you can defer up to \$24,500 as the employee, plus an \$8,000 catch-up if you are 50 or older (or \$11,250 if you are 60 to 63). As the employer, the business can add a profit-sharing contribution of up to 25% of W-2 wages for S-Corp owners, or roughly 20% of net self-employment earnings for sole proprietors. Total contributions are capped at \$72,000 for 2026, not counting catch-ups.

WHO IT MAY FIT

Self-employed owners and S-Corp owners with no full-time employees other than a spouse.

WHAT TO KNOW BEFORE YOU ACT

Setup and contribution deadlines differ by entity type and by whether the plan is new, which is why this belongs in a year end conversation. If you plan to hire, the plan type may need to change. For S-Corp owners, contributions are based on salary, so pay and retirement decisions should be made together.

03 Cost Segregation Study

REAL ESTATE

A cost segregation study speeds up depreciation by identifying parts of a building that qualify for shorter recovery periods.

HOW IT WORKS

Residential rentals normally depreciate over 27.5 years and commercial property over 39 years. An engineering-based study reclassifies components such as fixtures, flooring, and land improvements into 5, 7, or 15-year categories. Under the 2025 tax law, 100% bonus depreciation was permanently restored for qualifying property acquired after January 19, 2025, so those reclassified amounts may be deductible in the first year.

WHO IT MAY FIT

Investors who bought, built, or renovated property recently, especially with a larger depreciable basis.

WHAT TO KNOW BEFORE YOU ACT

The study itself has a cost. Faster depreciation now can mean depreciation recapture when you sell. Most important, large paper losses only help if you can use them. For many investors, rental losses are passive and limited, which is why this strategy is often evaluated together with Strategy 04.

04 Real Estate Professional Status

REAL ESTATE

Qualifying as a real estate professional can allow rental losses to offset W-2 or business income instead of being trapped as passive losses.

HOW IT WORKS

Rental losses are usually passive and can only offset passive income. If you (or your spouse, on a joint return) spend more than 750 hours a year in real property businesses, and that is more than half of your total working time, and you materially participate in the rentals, those losses can become non-passive.

WHO IT MAY FIT

Households where one spouse works in real estate full time, and active investors with significant time in their properties.

WHAT TO KNOW BEFORE YOU ACT

This status is closely reviewed and requires detailed, contemporaneous time records. Someone with a full-time job outside real estate rarely qualifies. Losses are not unlimited: the excess business loss limit caps how much net business loss can offset other income (\$512,000 for joint filers and \$256,000 for others in 2026), with the excess carried forward.

05 Qualified Business Income (QBI) Deduction

BUSINESS STRUCTURE

Owners of pass-through businesses may deduct up to 20% of qualified business income, and the 2025 tax law made this deduction permanent.

HOW IT WORKS

If you own a sole proprietorship, LLC, partnership, or S-Corp, you may be able to deduct up to 20% of your qualified business income. For 2026, the full deduction is generally available below taxable income of \$201,750 (single) or \$403,500 (joint). Above those levels, limits based on W-2 wages and business property phase in over the next \$75,000 (single) or \$150,000 (joint).

WHO IT MAY FIT

Pass-through owners, especially those near or above the income thresholds, where planning can change the result.

WHAT TO KNOW BEFORE YOU ACT

Specified service businesses, including health, law, accounting, consulting, and financial services, lose the deduction entirely above the phase-in range. Your salary structure, retirement contributions, and entity choice all interact with QBI, so it is best reviewed alongside Strategies 01 and 02.

06 Defined Benefit or Cash Balance Plan

RETIREMENT

A defined benefit or cash balance plan can allow contributions well beyond 401(k) limits for established, high-income owners.

HOW IT WORKS

These are pension plans designed around a target retirement benefit, up to \$290,000 a year for 2026. An actuary calculates the contribution needed to fund that benefit, based mainly on your age and income. For owners in their late 40s or older, required contributions can reach six figures a year, and they are generally deductible to the business. These plans can often be paired with a 401(k).

WHO IT MAY FIT

Established owners with high, stable income who are behind on retirement savings and have few or no employees.

WHAT TO KNOW BEFORE YOU ACT

These plans are a multi-year commitment, with required annual funding and administration costs, including an actuary. Eligible employees generally must be included. They work best when income is predictable, so a single strong year is not a reason on its own.

07 Augusta Rule (Section 280A)

BUSINESS USE OF HOME

If you rent your home for 14 days or fewer in a year, the rental income is generally excluded from your taxable income.

HOW IT WORKS

When your business rents your home for legitimate business purposes, such as planning meetings, board meetings, or client events, the business may be able to deduct the rent, and you may be able to exclude that income because the home was rented for 14 days or fewer in the year.

WHO IT MAY FIT

Owners of an S-Corp, C-Corp, or partnership who hold real business meetings that could reasonably take place at their home.

WHAT TO KNOW BEFORE YOU ACT

The rent must match fair market rates, and each use needs a real business purpose and documentation, such as agendas, attendees, and payment from a business account. For sole proprietors and single-member LLCs taxed as sole proprietors, the business and the owner are the same taxpayer, so this strategy generally does not create a benefit.

QUICK SELF-CHECK

Which Conversations Fit You?

Check the strategies that match your situation. Each one you check is a topic worth bringing to a planning conversation.

Strategy	Worth discussing if...	Applies?
01 • S-Corp Election	You have consistent business profit and have not reviewed your entity recently.	☐
02 • Solo 401(k)	You are self-employed with no full-time employees and want to save more for retirement.	☐
03 • Cost Segregation	You bought, built, or renovated real estate in the last few years.	☐
04 • Real Estate Professional	You or your spouse spends most of your working time in real estate.	☐
05 • QBI Deduction	You own a pass-through business, especially near the income thresholds.	☐
06 • Defined Benefit Plan	Your income is high and stable, and you are behind on retirement savings.	☐
07 • Augusta Rule	Your S-Corp, C-Corp, or partnership holds real business meetings you could host at home.	☐

THE PATTERN TO NOTICE

These strategies rarely stand alone. Your entity choice affects your salary, your salary affects your retirement contributions, and all three affect your QBI deduction. That is why planning works best as a whole picture, reviewed before the year closes, rather than one deduction at a time.

NEXT STEPS —

Your Blueprint Starts Here

Reading this guide is the first step. The value comes from knowing which of these apply to you, and acting before December 31.

STEP 1 • \$47 • SELF-GUIDED

Get organized with the Year End Tax Readiness Kit

Turn your numbers, goals, and open questions into a one page Year End Planning Brief. Works on your phone, and you can bring it to any planning conversation.

[Get the Readiness Kit at algb Blueprint.com/resources](https://algb Blueprint.com/resources)

STEP 2 • 60-MINUTE SESSION

Get evaluated with a Tax Blueprint Analysis

A working session built around your actual numbers. You leave with a written action plan and an entity review. Bring your Planning Brief, and you will not answer the same questions twice.

[Learn about the Tax Blueprint Analysis](#)

STEP 3 • FREE

Keep learning in The Tax Strategy Room

A free 30 minute live masterclass on planning ahead, built for business owners and high earners.

[See the next masterclass](#)

About ALG Blueprint

ALG Blueprint is a tax strategy firm for high earners, business owners, and real estate investors, built on proactive planning instead of reactive filing. Our process starts with discovery, builds through a custom tax blueprint, and continues with year-round advisory support. Consult. Plan. Execute.

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