

Tax & Business letter

SUMMER
2026

From payroll to property – the many taxes every small business must manage

While most of the headlines focus on the April 15th tax return deadline, business owners face a steady stream of other tax obligations that show up all year long. Here's a closer look at these various business taxes, along with practical strategies for reducing each one.

► **Self-employment taxes.** Self-employed workers must pay both the employer and employee portions of Social Security and Medicare taxes on net earnings.

***Cut your tax bill:** Consider an S corporation election if appropriate, which may allow part of your income to be treated as distributions rather than wages.*

► **Payroll taxes.** Employers must withhold and remit federal income tax, Social Security, and Medicare taxes from employee wages, along with matching the employer portion of Social Security and Medicare.

***Cut your tax bill:** Review eligibility for payroll-related tax credits. Proper workforce planning and compensation structuring, such as properly working with independent contractors, can also help manage payroll tax exposure.*

► **Federal unemployment taxes.** Your business must pay a federal tax that funds unemployment benefits.

***Cut your tax bill:** Timely payment of state unemployment taxes generally qualifies you for a substantial federal credit that lowers the effective unemployment tax rate. Maintaining stable employment levels can also help minimize related costs over time.*

► **State unemployment taxes.** States impose their own unemployment insurance taxes on employers, with rates often based on the employer's claims history.

***Cut your tax bill:** Managing turnover and responding appropriately to unemployment claims can help you maintain a lower tax rate. A regular review of your state rate notices for accuracy can also prevent overpayment.*

► **Sales taxes.** Businesses that sell taxable goods or services must collect and remit sales tax to the appropriate state or local jurisdiction.

***Cut your tax bill:** Ensure you're properly applying exemptions for resale or non-taxable transactions so you aren't over collecting or over-remitting. Careful nexus analysis can also prevent unnecessary registration in states where you do not meet filing thresholds.*

► **Property taxes.** Local governments assess taxes on real estate and, in some areas, business personal property such as equipment and furniture.

***Cut your tax bill:** Review assessment notices for accuracy and appeal inflated valuations when justified. Strategic asset management and proper classification of property can also reduce long-term property tax exposure. ♦*

NOTE: This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us. 03-211 ©2026



Tips to keep your business's financials tax-ready

Great accounting throughout the year can make a noticeable difference whenever it's time to file a tax return. Accurate, well-maintained records make it easier to identify deductions, stay organized, and move through the filing process with confidence.

Just as importantly, they give you a clearer, more consistent view of how your business is performing. Here are several practical tips to help keep your books tax-ready year-round.

TIP #1: Separate your accounts cleanly. Blurring business and personal spending in one account can create errors in your tax bill, bury legitimate deductions, and raise red flags if your records are ever reviewed by the IRS. Mixing owner pay with regular business expenses can also create confusion and distort your financials, making it harder to track true profitability and apply the correct tax treatment to your income.

***Tip:** Clean separation makes every expense easier to justify and capture while also giving you a clearer picture of your business's true performance. By keeping accounts and owner pay – whether salary, draws, or distributions – properly separated, you not only preserve*

more deductions and provide cleaner data to your accountant, but also help ensure income is taxed correctly and avoid costly misclassification errors.

TIP #2: Capture routine and incidental expenses in a consistent way. It's rarely the large, obvious expenses that create gaps, but rather the accumulation of smaller, routine transactions. Meals, subscriptions, travel incidentals, and digital purchases that happen outside of formal processes, can lead to incomplete records over time.

***Tip:** A consistent system for capturing and categorizing these transactions, ideally with timely expense reporting, ensures your records reflect the full scope of business activity. This supports more accurate deductions while also improving visibility into spending patterns that are often overlooked in aggregate.*

TIP #3: Keep all accounts reconciled on an ongoing basis. Reconciliation is much more effective when done monthly or even daily. Taking that approach across all balance sheet accounts, not just bank accounts, provides a more complete and accurate picture of your financial posi-

tion. So consider reconciling assets, liabilities, loans, and equity accounts alongside your bank accounts.

***Tip:** A consistent and timely reconciliation process helps ensure discrepancies are identified and resolved while they are still small and easy to trace. This keeps your financials reliable throughout the year and reduces the likelihood of surprises when it's time to file your tax return.*

TIP #4: Close your books every month. Keeping your books current and periodically finalized throughout the year helps ensure your numbers remain stable, adjustments are timely, and your financials reflect a clear, reliable picture of the business.

***Tip:** Set aside time each month to look over your financial statements so you can spot anything that looks off while it's still easy to fix. It also keeps you up-to-date on where the business stands, so your numbers are ready to support both your tax returns and everyday decisions. ♦*



IRSTAX NOTES

No Tax on Tips rules finalized by IRS

The IRS has finalized which occupations qualify for the *No Tax on Tips* deduction, along with the required reporting approach. Beginning in 2026, businesses must include a Treasury Tipped Occupation Code (TTOC) on Form W-2 for employees in eligible tipped positions. These codes apply to roles where tips are a consistent and customary part of compensation.

Employers must keep precise, up-to-date records of the tips their employees report each day. Failing to do so could lead to compliance audits. To meet the new requirements, employers need to update their payroll systems so qualified tips are properly classified and reported.

Begin by evaluating your current tip reporting processes and confirming they reflect the latest federal definitions. Make sure these updates are clearly communicated to tipped employees. Offering training or informational sessions can improve understanding, boost morale, and help prevent the confusion that often contributes to turnover in service-based roles.

Interest rates decrease for second quarter of 2026

Interest rates for the second quarter in 2026 decreased compared to last quarter. These rates include: 6% for overpayments (5% for corporations); 3.5% for the portion of a corporate overpayment over \$10,000; 6% for underpayments and 8% for large corporation underpayments. ♦

Tax CALENDAR



June 15th, 2026

- Second installment of 2026 individual estimated tax is due.

September 15th, 2026

- Third installment of 2026 individual estimated tax is due.

Rewarding employees WITH budget-friendly benefits

Keeping employees motivated doesn't require a massive budget. Thoughtful, well-chosen benefits can boost morale, strengthen loyalty, and improve performance. The key lies in understanding what people value and delivering rewards that feel meaningful, not just monetary. Here are a few practical ways to offer meaningful benefits without stretching your budget.

• **Shining a spotlight on great work.** Highlight achievements in team meetings, newsletters, or internal channels to make employees feel seen. Consistent acknowledgment builds morale and reinforces positive contributions across the organization.

• **Recognition that comes from every direction.** Encourage employees to recognize each other's efforts through simple shoutouts or nomination systems. This fosters a supportive culture where appreciation isn't limited to management.

• **The power of a thoughtful thank you.** A handwritten or carefully written message from leadership can carry surprising weight. It shows genuine appreciation and makes recognition feel more personal and sincere.

• **Flexibility that fits real life.** Offering flexibility helps employees better manage their personal and professional lives. This kind of autonomy often ranks as highly valuable, even without added cost.

• **The gift of extra time.** Small additions like early release days or bonus PTO can significantly boost morale. Time is one of the most appreciated rewards employees can receive.

• **Celebrating life's milestones.** Recognizing birthdays or personal milestones adds a thoughtful touch. It shows the company values employees as individuals, not just workers.

• **Opportunities to keep growing.** Provide access to free or low-cost courses, webinars, or internal training sessions. Supporting growth helps employees feel invested in and more engaged long term.

• **Guidance that builds careers.** Pairing employees with mentors creates development opportunities without major expense. It also strengthens relationships and knowledge-sharing across teams.

• **Everyday perks that lift the mood.** Relaxed dress codes or occasional themed days can make the work environment more enjoyable. These small shifts contribute to a more comfortable and positive atmosphere.

• **Little treats that go a long way.** Offering coffee, snacks, or occasional lunches adds a sense of care and appreciation. Even modest gestures can brighten the workday and boost morale.

• **Wellness that actually matters.** Encourage participation in fitness challenges or provide access to wellness apps. Supporting well-being helps employees stay energized and reduces burnout.

• **Unexpected moments of appreciation.** Small surprise gifts or gift cards can create genuine excitement. These spontaneous gestures often feel more meaningful because they're not routine. ♦

Use your off-season to accelerate your business



If summer is your business's slower season, now is a great time to shift gears and surge ahead. Here's a look at how you can use this summer or your off-season to gain ground on your competition.

▶ Double down on strategy

While competitors are distracted or away, now might be a window to think bigger. Are we hitting the right KPIs? What's working in our marketing funnel? What isn't? This is the perfect moment to reset and refocus. With fewer distractions, you can gather your team, set clear goals for the rest of the year, and sharpen the overall direction.

▶ Tighten operations

Without the relentless pace you may face during other times throughout the year, this non-seasonal period is ideal for improvements to operations. That customer relationship management program cleanup you've been putting off? Now's the time. Updating policies and procedures, automating repetitive tasks, improving onboarding flows – these foundation-level improvements rarely get priority when things are hectic. Use this opportunity to build systems that save time and reduce friction year-round.

▶ Launch your message when the noise dies down

When fewer messages are competing for attention, your outreach goes further. With less noise, there's more space to get noticed. Whether you're launching something new, sharing fresh content, or updating your image, speaking up while others are quiet helps your message stand out from the crowd.

▶ Invest in people

Off-season is a great time to focus on team development. Consider hosting workshops, encouraging skill-building, or planning meaningful 1-on-1 meetings. This is also a great time to recruit. When your competitors have paused their hiring, you have a chance to snap up talent. Many candidates often use this time to explore new opportunities – especially if they're frustrated by an employer who is not performing well.

▶ Get ahead of fall

Fall is go-time in many industries. But if you wait until then to prepare, then you're already behind. Consider gearing up earlier with your marketing plans, product roadmaps, sales forecasts, and partnerships. Then you're not left scrambling – you're executing. A multi-week head start can mean more closed deals.

Your off-season doesn't need to be a grind – but it shouldn't be written off, either. It's a time of year where small actions can lead to big gains. So while other businesses stick to accepting the slowdown, you'll be doing the work that will set you apart for the rest of the year. ♦

CASHFLOW CORNER

Beware of these hidden cash flow culprits

Cash flow leaks may be hiding in processes that seem fine at first glance. Here are several hidden culprits that may be draining more money than you think.

• **Culprit #1: Slow-paying customers.** Your best customers rarely start out as a problem. Over time, though, trust and familiarity can slowly turn into longer payment expectations and a steady slow-down of key cash flow.

Cash flow tip: Review the details behind your accounts receivable aging report to see who is consistently lagging on payments and by how much. Then group customers by average days to pay, consistency of on-time payments, and frequency of invoice disputes to identify where to focus your efforts.

• **Culprit #2: Fixed costs outpacing cash flow.**

Steady revenue can tempt you to build fixed costs around it. If retainers feel predictable, for example, you may add new hires, tools, or lease additional space, making your business more sensitive to even small fluctuations in revenue.

Cash flow tip: Map the timing of your inflows against your planned fixed expenditures. If the rhythm doesn't line up, consider adjusting billing cycles, introducing upfront payments, or delaying expenses to better match when cash actually hits your account.

• **Culprit #3: Delivery speed outpaced by billing.**

Efficiency can pull costs forward without bringing cash along. You finish work faster, onboard clients quicker, or speed up projects, but this often adds costs like new software, contractors, or upgraded systems. If the cash flow doesn't match, you have a timing issue.

Cash flow tip: Each time you change process, adjust billing to match. Move from end-of-project invoicing to upfront deposits, milestone payments, or shorter cycles so revenue keeps pace with delivery.

• **Culprit #4: Slow inventory turns.** Stocking up on inventory, expanding capacity, or hiring in anticipation of what's coming next can feel like smart, proactive growth. If demand starts lagging, though, cash gets tied up before revenue actually arrives.

Cash flow tip: Anchor these decisions to real cash signals, not just forecasts, and keep a close eye on how quickly inventory actually moves. Prioritize faster inventory turns by tightening purchasing, discounting slow-moving items, or aligning production more closely with confirmed demand. ♦

