

CANNON & BROWN

ACCOUNTING & TAX STRATEGY

TAX STRATEGY REVIEW

Jordan and Casey Testcase

Your 2026 tax plan · October 2026

SAMPLE · ILLUSTRATIVE FIGURES

PREPARED EXCLUSIVELY FOR

Jordan and Casey Testcase

REDBUD EXAMPLE PLUMBING, INC. · PRIVATE & CONFIDENTIAL

PREPARED BY BROOKS BROWN, TAX STRATEGIST

I THE PLAN IN BRIEF

About \$3,600 a year in tax savings

Hello,

Thank you for sharing your 2025 returns. Redbud Example Plumbing had a strong year: \$1.85 million in sales and \$310,000 of profit on top of Jordan's \$240,000 salary. That is the kind of business where a clear tax plan can keep more profit with you and help you accomplish your goals, from financial security to your children's future.

We found one strategy we recommend now: the Oklahoma pass-through entity (PTE) election. Your business pays your Oklahoma income tax instead of you, and your federal tax drops by an estimated \$3,600 a year.

We also see three strategies worth exploring: a 401(k) plan, hiring your children, and reviewing your S corp salary. A retirement plan could be the largest opportunity, with estimated total tax savings of about \$8,900 to \$22,700 a year. Each one depends on a few answers from you, listed at the end of this report.

All estimates assume your 2026 income looks like 2025. On each strategy's page we show every tax it affects (federal, Oklahoma, your business's PTE tax and payroll tax) and then add them up, so you can see exactly where every dollar of savings comes from.

Brooks Brown, EA • Tax Strategist
CANNON & BROWN TAX ADVISORS

“Every strategy is built on your own numbers and explained in plain English.”

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THE CANNON & BROWN TAX STRATEGY REVIEW

ESTIMATED TAX SAVED, PER YEAR	STRATEGIES IN YOUR PLAN	WORTH EXPLORING	LARGEST OPPORTUNITY
\$3,600	1	3	\$8,900 – \$22,700
From the strategy in your plan	Oklahoma PTE election	Largest: Retirement plan	Retirement plan, once we confirm details

II YOUR STRATEGIES

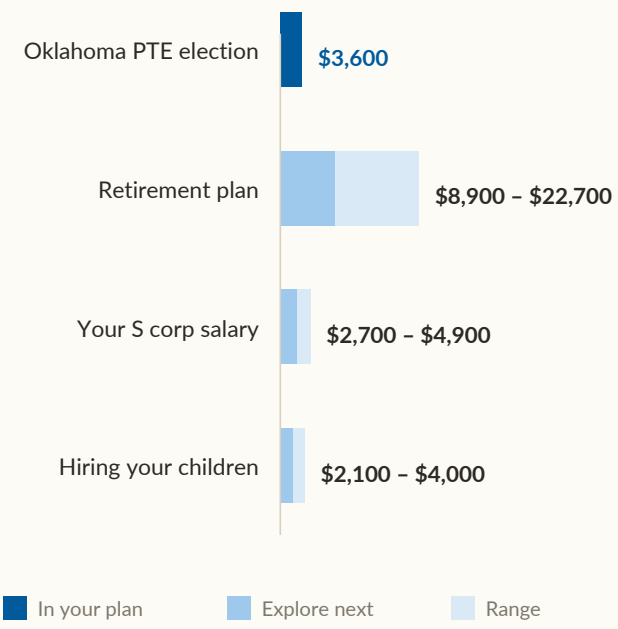
Where your savings come from

SCORECARD: ESTIMATED TAX SAVED PER YEAR

STRATEGY	STATUS	TAX SAVED
Oklahoma PTE election	IN YOUR PLAN	\$3,600
Retirement plan	EXPLORE NEXT	\$8,900 – \$22,700
Your S corp salary	EXPLORE NEXT	\$2,700 – \$4,900
Hiring your children	EXPLORE NEXT	\$2,100 – \$4,000
Your plan total		\$3,600

Each figure adds up every tax the strategy affects, so you see its real net effect. The breakdown by tax (federal, Oklahoma, your business's PTE tax and payroll tax) is on each strategy's page. Strategies are measured one at a time; your plan total is figured with them working together. Ranges reflect choices we will make with you. Rounded to the nearest \$100.

ESTIMATED TAX SAVED PER YEAR, BY STRATEGY



III IN YOUR PLAN • STRATEGY 1

Oklahoma pass-through entity (PTE) election

WHAT IT IS

Oklahoma lets your S corp pay your Oklahoma income tax at the business level instead of on your personal return. That turns a personal tax that gives you no federal benefit today into a business deduction on your federal return. The business makes the election each year.

WHY IT FITS YOU

Redbud Example Plumbing is an Oklahoma S corp that earned \$310,000 of ordinary business income in 2025, all of it in Oklahoma, and the election was not made for 2025. You took the standard deduction, so the Oklahoma tax you pay personally does not lower your federal tax at all right now. With the election, the business would pay about \$14,000 of Oklahoma tax, your personal Oklahoma tax drops by about the same amount, and your federal tax drops by an estimated \$3,600.

NEXT STEPS

- 01 We confirm the 2026 PTE rate and make the annual election for Redbud Example Plumbing.
- 02 We calculate the business's PTE estimated payments and plan your distributions around them.
- 03 We show the excluded income on your Oklahoma Form 511 so it is not taxed twice.

ESTIMATED TAX SAVED PER YEAR

\$3,600

In your plan, ready to start.

HOW IT ADDS UP

Federal income tax	+\$3,600
paid by you	
Oklahoma income tax	+\$14,000
paid by you	
Oklahoma PTE tax	-\$14,000
paid by your business	
Total tax saved	\$3,600

The business pays the Oklahoma tax in place of you, so the business tax column shows a cost and your personal Oklahoma column shows the matching saving. The gain comes from your lower federal tax.

IV WORTH EXPLORING • STRATEGY 2

401(k) retirement plan

WHAT IT IS

A 401(k) plan lets you put money away before tax in two ways: your own salary deferral through payroll, and an employer contribution from the business. It lowers your taxes now and the money grows for your future. It is a tax deferral: you pay tax when you take the money out in retirement.

WHY IT FITS YOU

Your 2025 returns show no retirement plan: no contributions on the business return and none on your W-2. With a \$240,000 salary, you have room for a \$24,500 deferral in 2026 and an employer contribution that brings the total up to \$72,000. Because your business has six employees, the plan design has to include them, so we need a few answers before we set the numbers.

NEXT STEPS

- 01 Tell us your ages and about your employees (how many work 1,000+ hours a year and how long they have been with you).
- 02 We compare plan designs, including what covering your team would cost.
- 03 Choose a provider and start deferrals through payroll; time the employer contribution around the business return.

ESTIMATED TAX SAVED PER YEAR

\$8,900 – \$22,700

Once we confirm a few details with you.

HOW IT ADDS UP

Federal income tax	+\$7,800 – +\$19,400
paid by you	
Oklahoma income tax	+\$1,100 – +\$3,200
paid by you	
Total tax saved	\$8,900 – \$22,700

The lower estimate is your own \$24,500 deferral only; the higher estimate adds a \$47,500 employer contribution. It does not include the cost of any contribution for your employees, which depends on the plan design.

IV WORTH EXPLORING • STRATEGY 3

Your S corp salary

WHAT IT IS

As an S corp owner, the salary you pay yourself is one of the biggest tax decisions you make each year. Salary carries payroll tax; profit you take above it does not. The salary must be reasonable for the work you do, and it should be documented.

WHY IT FITS YOU

Your 2025 return shows a \$240,000 salary on \$310,000 of business profit, a solid starting point. Because your salary is above the 2026 Social Security wage base of \$184,500, lowering it would save only the 2.9% Medicare tax on the amount above that level, plus some federal income tax through a larger qualified business income (QBI) deduction, the 20% deduction for business owners. We would only change the salary if a written review of your role supports a lower figure.

NEXT STEPS

- 01 Tell us what you do day to day and how many hours a week.
- 02 We document a reasonable salary for your role.
- 03 If the review supports a change, we adjust payroll and revisit it every year.

ESTIMATED TAX SAVED PER YEAR

\$2,700 – \$4,900

Once we confirm a few details with you.

HOW IT ADDS UP

Federal income tax	+\$1,800 – +\$3,300
paid by you	
Oklahoma income tax	–under \$100
paid by you	
Payroll tax	+\$900 – +\$1,600
paid by you and your business	
Total tax saved	\$2,700 – \$4,900

Estimates show a salary of \$210,000 (lower estimate) and \$184,500 (higher estimate). These are examples to show the effect, not a recommended salary; your salary must match what your work is worth.

IV WORTH EXPLORING • STRATEGY 4

Hiring your children

WHAT IT IS

When your children do real work for your business at a fair wage, their pay is a business deduction for you, and their own standard deduction shelters up to \$16,100 of those wages from federal income tax in 2026. Income that would be taxed at your rate is taxed at theirs, often zero.

WHY IT FITS YOU

Your 2025 return lists two children, Avery and Riley, both under 17. Your income is taxed at a 32% federal rate, so moving some of it to your children can save real money. Because your business is an S corp, their wages do carry payroll tax, and that cost is included in the estimate below.

NEXT STEPS

- 01 Pick real tasks each child can do (filing, cleaning, social media, appearing in ads) and set a fair hourly wage.
- 02 Run their pay through payroll with timesheets and a W-2.
- 03 Pay them into accounts in their names; consider a Roth IRA for each child.

ESTIMATED TAX SAVED PER YEAR

\$2,100 – \$4,000

Once we confirm a few details with you.

HOW IT ADDS UP

Federal income tax	+\$3,300 – +\$6,600
paid by you	
Oklahoma income tax	+\$600 – +\$1,200
paid by you	
Payroll tax	–\$1,800 to –\$3,700
paid by you and your business	
Your children's own tax	up to –\$100
paid by your children	
Total tax saved	\$2,100 – \$4,000

Estimates assume \$6,000 per child (lower) or \$12,000 per child (higher). The right wage depends on each child's age and the work they actually do.

V NEXT STEPS

Let's build your plan together

QUESTIONS WE NEED ANSWERED

Your answers confirm which strategies fit and tighten the estimates.

- 01 How old are Jordan and Casey?
- 02 How many of the six employees work 1,000+ hours a year, and how long has each been with the business?
- 03 Do Jordan or Casey contribute to any other retirement plan, and would you prefer pre-tax savings now or Roth (tax-free later)?
- 04 How old are Avery and Riley?
- 05 What work could each of them realistically do for the business, and how many hours?
- 06 Are either of them already on payroll?
- 07 What does Jordan do day to day in the business, and how many hours a week?
- 08 What would it cost to hire someone to do Jordan's job?
- 09 Is there a reasonable-compensation study or written rationale on file?
- 10 Has Redbud Example Plumbing made any Oklahoma PTE election or PTE estimated payments for 2026 so far?

YOUR TAX STRATEGIST

See how our
strategies can help
you accomplish your
goals.

Let's talk through these strategies and build your tax plan together. Brooks Brown, Tax Strategist, will walk you through each one and the answers we need.

Brooks Brown, EA · Tax Strategist

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VI IMPORTANT INFORMATION

About these estimates

Sample report. All names and figures in this sample are fictitious and do not represent any client.

For illustration purposes. Tax law may change, which may change these calculations slightly.

Illustrative estimates, not a promise. The figures in this report are estimates prepared for planning discussions. They are not a guarantee of results. Actual savings depend on your final income, the choices you make, and how the rules apply to your facts.

How we estimated. We used 2026 federal and Oklahoma tax rates and limits and assumed your 2026 income will be similar to the 2025 returns you provided, unless noted. Each strategy is measured on its own; the plan total is figured with the strategies in your plan working together. Figures are rounded to the nearest \$100.

How we show savings. Federal and Oklahoma income tax are paid by you, the Oklahoma PTE tax by your business, payroll tax by you and your business, and your children's own tax by your children. Each strategy page shows every one of these separately, and the total adds them so you can see the net effect.

Not tax advice until we confirm it. This report is based on the returns you provided and has not been audited or verified. Please do not act on any strategy until we have confirmed it with you in writing. Any tax advice in this report is not intended or written to be used, and cannot be used, to avoid penalties that may be imposed under the Internal Revenue Code (Circular 230).

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