2026 FALL NEWSLETTER

YEAR-END BUSINESS & TAX CHECK-IN **FALL 2026**

Hello from Estabrook & Company!

As the year winds down, now is a good time to review your business results, prepare for upcoming Maryland requirements, and get your records organized. Here are a few things to take care of before year-end.

How Is Your Business Doing?

Has your business earned more this year than expected? Or have your expenses, payroll, or income changed?

An updated profit-and-loss statement can help us estimate your taxes and identify planning opportunities while there is still time to act. Contact our office to schedule a year-end tax review.

Making a Larger Profit?

Let's review how your business is taxed...

If you operate as a sole proprietor or an LLC taxed as a sole proprietorship, an S corporation election may help reduce self-employment taxes.

Whether it makes sense depends on your profit, the work you perform, and the additional payroll and tax-filing costs. Owners who work in an S corporation must receive reasonable wages subject to payroll taxes.

Before making an election, let us review the potential savings, requirements, and effective date with you.

Have a Retirement Plan?

You may qualify for a $300 Maryland fee waiver!

If your business offers employees a 401(k) or another qualifying retirement plan, you may qualify for a waiver of Maryland's $300 SDAT annual report filing fee.

To claim the waiver for your 2027 annual report, submit the MarylandSaves fee-waiver certification by **December 31, 2026**.

The current requirements include having employees and an active qualifying plan during 2026, with at least one payroll-deducted contribution to an employee's retirement account.

Businesses already participating in MarylandSaves and making employee payroll contributions qualify automatically.

You must still file your annual report—the waiver covers the filing fee.

Complete the MarylandSaves fee-waiver process.

Maryland Employers: Prepare for Paid Family and Medical Leave

Maryland's Family and Medical Leave Insurance program, called FAMLI, is moving forward. Employers with at least one employee working in Maryland must register.

Exception for owner-only businesses

A single-owner S corporation whose owner is also its only employee is exempt from FAMLI registration. This exemption does not apply if the business employs anyone else, including the owner's spouse.

Here are the key dates:

JANUARY 1, 2027	Payroll contributions begin.
APRIL 30, 2027	The first quarterly contribution payment and report are due.
JANUARY 2028	Paid-leave benefits begin.

For the state plan, employers with 15 or more total employees generally contribute 0.45% of covered wages and may withhold another 0.45% from employees. Employers with fewer than 15 total employees do not owe the employer share but must still remit the employee portion, which may be withheld from payroll. Contributions apply to covered wages up to the Social Security wage cap. Employees outside Maryland count toward the employer-size threshold.

An authorized owner or officer must complete the initial registration and identity verification. Have your EIN, business information, and NAICS code ready. Once registered, you can authorize your payroll provider or other agent to assist.

Action to take

If your business is required to participate, register at paidleave.maryland.gov and confirm that your payroll provider is preparing for January.

Helpful resources: FAMLI Registration Instructions • How to Sign Up for FAMLI Video (5 mins)

Important Information

Fourth Quarter Estimated Taxes: Due January 15, 2027

Your final 2026 federal and Maryland individual estimated tax payments are due January 15, 2027. If your income has changed, contact us to review your payment amount. Business entity estimated-tax deadlines may differ.

Use Maryland's New Tax Payment Website

Maryland individual taxpayers moved to Maryland Tax Connect on September 1, 2026.

Use the portal to make estimated payments, view account information, and manage your Maryland taxes. When paying, select the correct tax year and payment type, and save your confirmation.

Visit Maryland Tax Connect.

Payroll Update: New Overtime Reporting Requirements for 2026

Attention Business Owners and Employers Using ADP Payroll

Beginning with the 2026 tax year, employers are required to separately report qualified overtime compensation on employee W-2 forms under the new federal overtime tax deduction provisions.

What Does This Mean for Your Business?

- **New W-2 Reporting Requirement:** Qualified overtime compensation must be reported in Box 12 using Code TT on 2026 W-2 forms issued in January 2027.
- **Only the Overtime Premium Qualifies:** Generally, only the additional half-time portion of federally required time-and-a-half overtime qualifies, not the entire overtime payment.

- **ADP Payroll Users:** Employers should contact ADP to confirm that their payroll earnings codes, overtime tracking, and year-end W-2 reporting are properly configured.
- **Review Your Payroll Records:** Employers should verify that qualified overtime compensation has been accurately tracked throughout 2026, including any necessary adjustments before year-end.

What Does This Mean for Employees?

Eligible employees may qualify for a federal income tax deduction of up to $12,500 annually ($25,000 for married couples filing jointly), subject to income limitations. Overtime wages remain subject to applicable payroll taxes and withholding. The deduction is claimed when filing an individual federal income tax return.

> **Action Required Before Year-End**
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> We strongly encourage all business owners using ADP or another payroll provider to review their overtime reporting now rather than waiting until W-2 preparation begins.

Our team is available to assist with questions regarding these new reporting requirements and their potential impact on your 2026 tax filings.

1099 Reporting Update: New $2,000 Threshold for 2026

For payments made during 2026, the federal reporting threshold increases from $600 to $2,000 per recipient, per year for independent contractor payments reported on Form 1099-NEC and certain payments reported on Form 1099-MISC, such as rent. Exceptions apply, and some payment types have different reporting requirements.

> **Let Estabrook & Company handle your 1099s!**
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> We can help determine which forms are required and prepare and file them for you. Let us know you'd like assistance, and we'll send a 1099 organizer through TaxDome to help you gather the information we need.

Finally, Get Your Books in Order!

Before year-end:

- Reconcile bank and credit-card accounts.
- Review uncategorized transactions and separate personal expenses.
- Gather missing receipts and update loan balances.
- Collect W-9 forms from contractors.
- Let us know about major purchases, new employees, or business changes.

Please contact our office now to schedule your year-end review. Having current records gives us time to help you plan before the end of the year.

Your TaxDome Client Portal

Your TaxDome Client Portal is the quickest and most secure way to communicate and exchange information with our team. Log in anytime using your client portal.

You can use TaxDome to:

- Upload documents securely.
- Complete tax organizers.

- Electronically sign documents.
- Send secure messages.
- Access copies of completed tax returns.

Did You Know...

Many tax-saving opportunities are available throughout the year—not just during tax season. Planning ahead often produces better results than reacting at filing time.

Our team is here to help you. Contact our office to schedule a tax planning appointment or ask questions before important deadlines.

Thank You!

Thank you for trusting Estabrook & Company with your tax and financial needs. Our entire team appreciates the opportunity to work with you.

Our goal is to keep you informed throughout the year, help you stay ahead of important deadlines, and make the tax process as smooth as possible.

Recap of Upcoming Important Dates

DECEMBER 31, 2026	MarylandSaves fee-waiver certification deadline.
JANUARY 1, 2027	FAMLI payroll contributions begin.
JANUARY 15, 2027	2026 federal and Maryland individual estimated tax payments due.
APRIL 30, 2027	First FAMLI quarterly contribution payment and report due.
JANUARY 2028	FAMLI paid-leave benefits begin.

Have a wonderful fall season!

The Estabrook & Company Team

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