



Anneken, Huey & Moser^{PLLC}

Certified Public Accountants

Engaged. Responsive. Future-focused.

Here's the Tax Beat broadcast for August 27

Subject Line: Labor Takes a Holiday. Capital Gets the Breaks.

Every September, Americans fire up their grills, crack open a cold one, and celebrate Labor Day. But it didn't start as an excuse to party, or buy mattresses at 30% off. It was born in the late 1800s, when workers sweated 12-hour days just to keep food on the table. Strikes turned bloody — most famously in Chicago at the Haymarket Riot — and demands for fair pay, safe conditions, and reasonable hours grew too loud to ignore. In 1894, after federal troops killed workers during the Pullman strike, Congress declared the first Monday in September a national holiday. It was part olive branch, part PR stunt, but it stuck. Today, it honors the dignity of work and the people who do it.

Here's where Uncle Sam shows up to the BBQ in flip-flops and cargo shorts. The tax code doesn't celebrate labor nearly as enthusiastically as the calendar. In fact, it treats paycheck income as the least tax-friendly flavor of money. Earn wages, and you won't just pay federal income tax. You'll also pay payroll tax: Social Security at 6.2%, Medicare at 1.45%, plus an employer match. If you're self-employed, congratulations: you get to pay both halves yourself.

But what happens if your income comes from something other than punching a clock? That's where the code starts serving up the good stuff. Own a business? You may benefit from the 20% qualified business income deduction. Trade stocks? Your dividends and long-term gains are taxed at preferential rates, and you skip payroll tax entirely. Own real estate? Your depreciation deductions might turn cash profits into paper losses. You can even swap one property for another in a tax-free exchange to defer your gain. If you ever wondered why so many Americans built fortunes with land, there's your answer.

This uneven playing field leads to one of the most frustrating realities of our system: the harder you sweat, the harder you're taxed. Income from labor is like the brisket at the backyard cookout—everyone wants a slice. But income from capital? That's the tax-favored bottle of Pappy Van Winkle sitting quietly on the top shelf, poured sparingly. (And taxed gently.)

Don't mistake this for moral judgment. The rationale is that capital fuels growth, creates jobs, and deserves lighter taxation to keep the economy humming. But it's cold comfort to the teacher paying full freight on her salary while the slumlord down the street deducts paper losses on his rental empire. Or to the nurse putting in double shifts while the day-trader next door pays lower capital gains rates.

What does it mean for you? It's a reminder that smart tax planning isn't just about filling in boxes on April 15. It's about thinking ahead, shifting the mix of your income, and letting us help you finding

ways to tiptoe from labor toward capital where it makes sense. That could mean starting a side hustle, buying rental property, or funding a brokerage account that grows over decades into a capital gains machine. It doesn't mean quitting your job and hoping your landlord lets you pay rent in reasons for taxing capital lighter. But it does mean recognizing the tax code has favorites, and labor isn't one of them.

This Labor Day, take a moment to honor the contributions of American workers. Then, after the burgers are gone and the fireworks fade, think about your own labor and how much goes to taxes. The history of the holiday shows us workers had to organize and fight for fair treatment. Today, tax planning is how we help you organize and fight to keep more of what you earn. Because while Congress may give you a day off every September, taxes never take a holiday.

Kevin

