Unlock Advanced Strategies

High W-2 Earners: Stop Paying 37% On Capital Gains

Are you aware that capital gains can push you into a higher tax bracket? You could pay as much as 37% Federal, and that doesn't have to be the case.



Glastonbury Tax Advisors

Mark Pappa • 20-Year Tax Professional

Member Of The Institute Of Untaxable Wealth

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Introduction: The High Earner's Tax Dilemma

If you're earning $400,000 or more annually, congratulations—you've achieved significant financial success. However, with that success comes a unique challenge: you're likely paying far more in taxes than necessary, especially on your investment gains.

The Perfect Storm of Tax Challenges

As a high W-2 earner, you face a perfect storm of tax challenges:

- ✓ **Your ordinary income already pushes you into the highest tax brackets**
- ✓ **Capital gains from your investments are taxed at the maximum rates**
- ✓ **The 3.8% Net Investment Income Tax adds another layer of burden**
- ✓ **State taxes can push your total capital gains tax rate above 23.8%**

This guide will show you proven, IRS-compliant strategies to legally reduce your capital gains tax burden while maintaining and growing your wealth. These aren't theoretical concepts—they're strategies successfully implemented for high-earning professionals just like you.

Who This Guide Is For

- ✓ High W-2 earners ($400K+ annually)
- ✓ Tech executives with concentrated stock positions
- ✓ Professionals with significant investment portfolios
- ✓ Anyone paying the maximum capital gains tax rates
- ✓ People selling a business

What You'll Learn

- ✓ How to legally defer capital gains taxes using IRC Section 351
- ✓ Why the traditional "sell and diversify" approach costs you thousands
- ✓ Advanced strategies available only to accredited investors
- ✓ How to minimize or eliminate the taxes on your roth conversions using the roth blueprint software
- ✓ Use the power of Tax Map software to identify tax-saving strategies

Understanding Your Capital Gains Tax Burden

The 2025 Capital Gains Tax Landscape

Capital gains taxes have become increasingly complex, especially for high earners. Here's what you need to know about the current tax structure:

Long-Term Capital Gains Tax Rates (2025)

Tax Rate	Single Filers	Married Filing Jointly	Head of Household
0%	Up to $48,350	Up to $96,700	Up to $64,750
15%	$48,351 - $533,400	$96,701 - $600,050	$64,751 - $566,700
20%	Above $533,400	Above $600,050	Above $566,700

Short-Term Capital Gains

Assets held for one year or less are taxed as ordinary income at rates from 10% to 37%

The Additional Burden for High Earners

As a high W-2 earner, you likely face the maximum 20% long-term capital gains rate. But that's just the beginning:

1. **Net Investment Income Tax (NIIT):** An additional 3.8% tax on investment income for high earners
2. **State Taxes:** Depending on your state, this can add another 0% to 13.3%
3. **Potential Bracket Bumping:** Large capital gains can push you into higher ordinary income tax brackets

Real-World Example

A California resident earning $500,000 annually faces:

- 20% federal capital gains tax
- 3.8% Net Investment Income Tax
- 13.3% California capital gains tax
- **Total: 37.1% on capital gains**

This means that for every $100,000 in capital gains, you could pay over $37,000 in taxes—money that could be working for your future instead.

The 23.8% Tax Trap: How High Earners Get Hit Hardest

Why High W-2 Earners Pay More

The tax code creates a particularly challenging situation for high-earning professionals. Unlike business owners who have numerous tax strategies available, W-2 employees face limited options for reducing their tax burden.

The Compounding Effect

Your high W-2 income already places you in the top tax brackets. When you add capital gains on top of this income, several negative effects compound:

1. **Automatic Maximum Rates:** Your income level guarantees you'll pay the highest capital gains rates
2. **NIIT Trigger:** The 3.8% Net Investment Income Tax kicks in at $200,000 for single filers ($250,000 married filing jointly)
3. **State Tax Impact:** High-tax states don't provide preferential rates for capital gains
4. **Deduction Limitations:** High income can limit your ability to claim certain deductions

The Traditional Advice That Costs You Money

Many financial advisors give high earners the same advice: "Sell your concentrated positions and diversify." While diversification is important for risk management, the traditional approach ignores the massive tax consequences.

The Standard Approach:

1. Sell concentrated stock positions
2. Pay capital gains taxes immediately
3. Reinvest the after-tax proceeds
4. Hope the diversified portfolio makes up for the tax loss
5. Lack of tax management for portfolios

Why This Approach Fails:

- Immediate tax liability reduces your investable capital
- You lose the compounding effect on the tax dollars paid
- No opportunity to recover the tax cost
- Timing is dictated by tax consequences, not market conditions
- You pay too much in taxes
- There is very little tax awareness
- It will cost you more money

A Better Way: Tax-Deferred Strategies

Instead of accepting the immediate tax hit, sophisticated tax planning allows you to:

✓ Defer capital gains taxes legally

✓ Maintain full investment capital working for you

✓ Achieve diversification without triggering taxes

✓ Control the timing of tax recognition

The key is understanding and implementing strategies like IRC Section 351, which most high earners have never heard of despite its powerful benefits.

IRC Section 351: The Legal Way to Defer Capital Gains

What Is IRC Section 351?

Internal Revenue Code Section 351 is a powerful but underutilized provision that allows investors to exchange appreciated assets for stock in a corporation without recognizing immediate capital gains. This isn't a loophole—it's a legitimate tax strategy written into the tax code.

How IRC 351 Works:

1. You contribute your appreciated assets to a specially structured corporation
2. In exchange, you receive stock in that corporation
3. The transaction qualifies as a tax-free exchange under IRC 351
4. Your capital gains are deferred until you eventually sell the corporate stock
5. The corporation can then diversify the holdings without triggering your personal tax liability

The Requirements for IRC 351

To qualify for this tax-deferred treatment, several requirements must be met:

Control Requirement:

- You must own at least 80% of the corporation immediately after the exchange
- This ensures you maintain control over your assets

Business Purpose:

- The transaction must have a legitimate business purpose beyond tax avoidance
- Diversification and risk management qualify as valid business purposes

Proper Structure:

- The exchange must be properly documented and structured
- Professional guidance is essential to ensure compliance

Benefits of IRC 351 for High Earners

Immediate Benefits	Long-Term Advantages
No immediate capital gains tax liability	Deferred taxes can be managed strategically
Full investment capital remains working for you	Potential for tax-free step-up in basis at death
Ability to diversify without tax consequences	Flexibility in timing tax recognition
Maintained control over investment decisions	Opportunity for additional tax planning strategies

Real-World Application

Consider a tech executive with $1 million in company stock purchased for $200,000:

Traditional Sale	IRC 351 Exchange
Capital gain: $800,000	No immediate tax liability
Tax at 23.8%: $190,400	Full $1 million available for investment
Net proceeds: $809,600	Additional $190,400 working for your future

The difference? An extra $190,400 in investment capital that can compound over time.

Think These Strategies Could Apply to Your Situation?

Contact us for a complimentary Tax Map analysis to explore how these proven strategies could reduce your tax burden.

Call us today: (860) 657-8380

Email: info@glastaxpro.com

The $119,000 Tax Mistake Most Tech Executives Make

The Tech Executive's Dilemma

Tech executives face a unique challenge: significant wealth concentrated in their company's stock. While this concentration has likely contributed to your wealth building, it also creates substantial risk—both from a diversification standpoint and a tax perspective.

Common Scenario:

- ✓ Annual W-2 income: $400,000+
- ✓ Company stock value: $500,000+
- ✓ Original cost basis: Much lower due to stock appreciation
- ✓ Desire to diversify for risk management
- ✓ Concern about immediate tax consequences

The $119,000 Mistake

Let's examine a real-world example that illustrates the cost of traditional thinking:

The Situation:

- Tech executive earning $400,000 annually
- $500,000 in appreciated company equity
- Original cost basis: $50,000
- Capital gain if sold: $450,000

Traditional Approach Tax Calculation:

Tax Component	Rate	Amount
Federal capital gains tax	20%	$90,000
Net Investment Income Tax	3.8%	$17,100
State taxes (varies by state)	0-13.3%	$0 - $59,850
Total tax liability		**$107,100 - $166,950**

Traditional Sale

- Immediate tax liability: **$119,000+**
- Reduced investment capital
- Lost compounding on tax dollars
- No flexibility in timing

Using IRC 351 Instead

- ✓ Immediate tax liability: **$0**
- ✓ Full $500,000 available for diversified investment
- ✓ Tax savings available for investment: **$119,000+**
- ✓ Future flexibility in tax management

The Compounding Effect of Tax Deferral

The real power of tax deferral becomes apparent when you consider the compounding effect over time. That $119,000 in tax savings, when invested, can grow significantly:

Time Period	Tax Savings Invested	Future Value (7% return)	Additional Wealth Created
10 Years	$119,000	$234,000	$115,000
20 Years	$119,000	$460,000	$341,000

This demonstrates why immediate tax payment is often the wrong strategy for long-term wealth building.

Ready to Stop Overpaying Taxes?

Schedule your complimentary Tax Map analysis today

Phone: (860) 657-8380

Email: info@glastaxpro.com

Website: www.glastaxpro.com

Your Tax-Optimized Future Starts Now

The strategies outlined in this guide represent proven methods for legally reducing your tax burden while building long-term wealth. The question isn't whether these strategies work—it's whether you'll implement them before paying unnecessary taxes.

Every day you delay implementation is another day of potential tax savings lost forever. The high earners who achieve the best results are those who take action quickly and implement comprehensive tax planning strategies.

Your financial future depends on the decisions you make today. Make the decision to stop overpaying taxes and start building the wealth you deserve.

> *"Mark's strategies saved our family over $2 million in taxes over a 10-year period. His IRC 351 approach allowed us to diversify our concentrated stock position without the massive tax hit we were expecting."*
>
> ***- Tech Executive, Silicon Valley***

Disclaimer: This guide is for educational purposes only and does not constitute tax or legal advice. Individual results may vary based on specific circumstances. All strategies should be implemented with proper professional guidance and documentation.