The Capital Gains + Structured Sale Worksheet

What on your return makes spreading pay: where a structured sale is genius, and where it is a double-edged sword. 2026 rules, checked October 7, 2026.

A structured installment sale lets you choose how much gain lands in each year, so it times the gain and everything the gain touches. The skill is not "spread everything." It is **sizing the cash at closing and the scheduled payments to what is on your return.** Work through page 2 with your CPA and write your own numbers in the blanks. Tags: A recurring coupon · B front-load · C threshold · D plan around · non-tax

1. Where a structured sale is genius

Ranked by how often it matters for a $1 million to $10 million seller, times how much. Joint 2026 figures.

1. **Lower brackets, every year.** Gain is taxed at 0% while taxable income stays under $98,900 and at 15% under $613,700 (Rev. Proc. 2025-32). Each payment year refills both bands. C
2. **The 3.8% tax.** Years with modified AGI under $250,000 ($200,000 single) avoid it (§1411, not indexed). $1 million of gain: $32,110 in one year, $0 on ten $100,000 slices (model run). C
3. **Income you can plan on, and no landlord job.** Fixed payments; no tenants, roof or buyer to chase. You rely on the payer instead (item 8). N
4. **The deal closes.** A seller who nets more after tax can often say yes at the buyer's price. N
5. **Losses that cancel the gain.** Passive losses on rentals you keep meet each year's gain; the sold building's own suspended losses are absorbed by its gain first. A B
6. **Graduated state brackets.** In states like California, New York, New Jersey, Oregon and Minnesota, smaller years stay in lower brackets and under surtax lines: California's 1% over $1 million is $10,600 on a $2 million cash year, $0 on ten $200,000 slices (R&TC §17043; model run). Little change in flat-rate states, none in no-tax states (page 2). C
7. **Medicare, Social Security, QBI, Marketplace credit.** Each has an income line a schedule can stay under (page 2). C
8. **Out of one asset.** The money leaves one building or business; it now depends on the assignment company and the insurer behind it, so the payer's strength matters. N
9. **Sequence of returns.** Payments that cover core spending mean less selling in a down market. N

The first question to ask: what if $200,000 of gain landed this year, or $50,000 a year for four years? Retired couple, both on Medicare, $60,000 of other taxable income: **about $31,600** (federal tax, 3.8%, Medicare surcharges) versus **about $6,700** (model run, 2026 rules, October 2026). **Estate tax:** above $15,000,000 a person ($30,000,000 a couple) the payments can also fund a life insurance policy in an irrevocable trust that pays the 40% estate tax; a 1031 alone does not touch it.

Bring these to your CPA

Last year's Forms 8582, 8582-CR, 4952, 8801 and 461; Schedule D (lines 6 and 14, capital loss carryforward); your NOL worksheet; five years of Form 4797; any charitable carryforward schedule; the depreciation schedule and any cost segregation study; the loan payoff letter with prepayment terms; your Medicare premium notice; Form 8962 if you buy Marketplace coverage; your state's NOL and passive loss forms (in California, FTB 3801 and 3805V). Ask for three runs: all cash, an even schedule, and cash at closing sized to your attributes with scheduled payments for the rest.

The waterfall, in four groups

- A **Recurring coupons: spread.** Losses from rentals and K-1s you keep (and cost seg on new buys), losses harvested each year, annual gifts sized to each year's room, investment interest, business losses under the §461(l) cap ($512,000 joint, 2026).
- B **One-time coupons: front-load.** NOL and excess business loss carryforward, capital loss carryforward, the sold building's own suspended losses, an expiring charitable carryforward, suspended passive credits.
- C **Thresholds: fill to just under the line.** 0% and 15% bands, the 3.8% tax, Medicare, Social Security, QBI, the Marketplace credit, AMT, state brackets and surtaxes, a state NOL limit, a planned move.
- D **Plan around: fund or avoid.** Year-one recapture, notes over $5 million, the §1231 lookback, payments left at death, §1202 and §1374.

2. What to plan around D

- **Year-one recapture (§453(i)).** §1245 and cost-seg recapture is taxed in the sale year, cash or not: $300,000 of it is about $64,900 of federal tax in year one (model run, 2026 rules). Size the cash at closing to cover it.
- **Notes over $5 million (§453A)** and **AMT:** see page 2. Borrowing against the payments counts as a payment, for any sale over $150,000 (§453A(d)).
- **Payments left at death (§691).** Income to the heirs as paid, with no step-up. Same as a cash sale on this point; holding until death erases the gain, which matters most for an owner with a short life expectancy who could keep the asset.
- **The §1231 lookback.** Net §1231 losses from the last five years turn the same amount of gain ordinary, from the 25% layer first (Reg. §1.453-12(d), Ex. 3).
- **Corporate sellers.** §1202 excluded gain needs no timing (California does not follow §1202); an S corporation selling within five years of converting still owes built-in gains tax on later payments (§1374).

What equity costs (cash-out refinance): effective cost of the new cash = (new loan x new rate minus old loan x old rate) ÷ cash taken out. A $1 million loan at 4% refinanced to $1.5 million at 7% costs $65,000 a year more for $500,000 of cash: **13% a year**. For reference: 7.33% average HELOC and 8.56% average home equity loan (Bankrate, October 7, 2026); fixed-rate apartment and commercial loans 6.64% to 9.99% (commercialrealestate.loans, September 28, 2026). A Delaware statutory trust interest offers no equity access: the trust can't take new loans (Rev. Rul. 2004-86).

Get your number

Bring this worksheet and the list above. Book a free scope call with Hans Goldstein to see whether running the three versions on your sale is worth it; the full written analysis is $5,000 per household per transaction.

Hans Goldstein, a licensed insurance agent (CA Insurance License #4273294), will contact you and may discuss insurance products, including annuities.

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3. Where it is a double-edged sword: helps under X, costs over Y

Joint 2026 figures unless noted. Model numbers are runs on example couples: 2026 federal rules held flat, note interest left out, undiscounted. Illustrations, not forecasts.

The edge	Tag	Spreading helps when it is under X	It costs when it is over Y	Model numbers (2026 rules, October 2026)	Your number
0% and 15% bands	C	Each year's taxable income, gain included, is under **$98,900** (0%) or **$613,700** (15%) joint	A year goes over **$613,700** (20%), or a loss is forced to absorb gain that sat under **$98,900**	$200,000 in one year $31,645; four $50,000 years $6,660 (Rev. Proc. 2025-32)	
3.8% tax (NIIT)	C	Modified AGI is under **$250,000** joint, **$200,000** single, every year	Every slice sits over the line (note interest adds to it each year too)	$1M gain: cash $32,110; five $200,000 slices $8,550; ten $100,000 slices $0 (§1411, not indexed)	
NOL carryforward	B	It meets gain taxed at **15% or more** (taxable income over $98,900): size cash at closing to it	An even schedule spends it on **0%** gain; use is mandatory, up to 80% of taxable income	$400,000 NOL, $1M gain: worth $103,066 in a cash year, $51,927 on ten even slices, $90,624 sized (§172)	
Capital loss carryforward	B	It meets gain taxed at **15% or 20%**	It cancels **0%** gain; any left at death is lost	$100,000 saves $23,800 against a cash year, $9,165 against ten $100,000 slices (§§1211, 1212)	
Charitable carryforward	B	30% of AGI (60% for cash gifts) is **over** what is left before its 5-year limit	Small slices keep 30% of AGI **under** the carryforward while the clock runs	$150,000, two years left: all used in a cash year; about $33,000 expires on $100,000 slices (§170(d))	
Medicare surcharges (IRMAA)	C	Modified AGI each year is at or under **$218,000** joint, $109,000 single	Slices sit over a tier line (**$218,000, $274,000, $342,000, $410,000, $750,000**) for years	$1M gain, $150,000 other income: cash $13,872; ten $100,000 slices $22,968; five $200,000 $46,200; fifteen smaller $0 (CMS 2026; 2-year lookback)	
Social Security taxation	C	Provisional income is already well over **$44,000** joint (benefits already 85% taxable)	Without the sale it is near **$32,000 / $44,000** joint: each payment year makes up to 85% taxable	$50,000 of benefits, $30,000 pension: about $15,350 taxable without the sale, $42,500 each $100,000 slice year (§86, not indexed)	
QBI deduction	C	Taxable income stays under **$403,500** joint, $201,750 single	A year passes **$553,500** joint: a service business loses it; others hit wage limits	$300,000 practice: $60,000 deduction worth about $14,400 a year; $0 in a $1M cash year (Rev. Proc. 2025-32)	
Marketplace credit (before 65)	C	Modified AGI stays under 400% of poverty: **$84,600** couple, **$62,600** single (2026 coverage)	A year over the line loses the **whole** credit; excess advance credit repaid in full from 2026	A cliff, not a phase-down (§36B; P.L. 119-21 §71305)	
AMT and minimum tax credit	C	AMT income stays under **$1,000,000** joint: the $140,200 exemption is intact and a prior-year credit can be used	One large year passes **$1,000,000**: the exemption shrinks 50 cents per dollar, gone at $1,280,400	AMT income $1.1M: exemption $90,200; $1,280,400: $0. Retirees with regular tax well above it: no change (Rev. Proc. 2025-32)	
Notes over $5 million (§453A)	D	Installment notes from sales in the year, still owed at year end, total **$5,000,000** or less	Over **$5,000,000**: interest charge on the tax deferred on the excess share	$8M note: about $42,000 in year one at an assumed 7% rate (illustration) (§453A(b), (c))	
State brackets and surtaxes	C	A graduated state, and each year stays under its top bracket or surtax line (box below)	A flat-rate or no-tax state: little or nothing to gain; a state NOL limit can make one big year cost more	California 1% over $1M: $10,600 on a $2M cash year, $0 on ten $200,000 slices (R&TC §17043)	
Inflation	N	Payments cover near-term, fixed costs	The schedule runs long with nothing indexed	At 3% a year, $100,000 in year 10 buys about $74,400 today; year 20, about $55,400 (model run)	
Payer strength, liquidity	N	Money leaves one building or business	You may need to speed up, sell or borrow against the payments (barred, §453A(d)); payments rest on the assignment company and insurer	Read the ratings disclosed in writing; keep the cash you may need at closing	

Your state's layer

Group	States (2026)	Does spreading change the state bill?
No income tax	TX, FL, NV, SD, WY, AK, TN; NH ended its interest and dividends tax after 2024 (Tax Foundation, Feb 17, 2026; NH DRA)	No: there is no state bill to spread
WA	No income tax, but 7% on long-term gain over a $278,000 deduction (2025) and 9.9% on gain over $1 million (from 2025). Real estate is exempt. (WA DOR, Jun 30, 2025)	Real estate: no. Stock or a business interest: it may keep years under the lines
Flat rate	AZ, CO, GA, ID, IL, IN, IA, KY, LA, MI, MS, NC, OH, PA, UT (Tax Foundation, Feb 17, 2026)	Little: same rate each year; only timing and deductions move
Graduated, high top rates	CA to 12.3% plus 1% over $1 million (13.3%), no lower rate for gains; NY to 10.9%, NYC adds up to 3.876%; NJ 10.75% over $1 million; OR 9.9%; MN 9.85% plus 1% on investment income over $1 million; HI gains capped at 7.25%; MA 5% plus a 4% surtax over $1,107,750 (FTB; NY DTF; MN DOR; Mass. DOR, Jun 1, 2026; Tax Foundation)	Yes: smaller years stay in lower brackets and under the surtax lines
Gain exclusions	MO 100% (from 2025); AR 50%, over $10 million exempt; MT 3% / 4.1% gain rates; ND 40%; SC 44%; WI 30% (farm 60%); NM 40% of up to $1 million of business-sale gain; VT 40%, cap $350,000; AZ 25%; CO up to $100,000 on CO property held 5+ years (state statutes, see Big Sale sheet)	Partly: ask whether a dollar cap applies per year; if so, spreading may use it more than once

California example, the NOL test. California suspends NOL deductions for 2024 through 2026 only if **both** net business income and modified AGI (before the NOL) are $1,000,000 or more; a rental's §1231 gain counts as business income, and suspended losses get a longer carryover (R&TC §17276.24, as amended Sept. 2026). A 2026 slice that keeps either number under $1 million keeps the NOL usable. **A planned move** to TX, FL or NV helps only for gain not sourced to your old state. California keeps taxing gain on California real estate after you move, and gain in later payments on stock or a business sold while a resident; interest after the move is not taxed by California (FTB Pub. 1100, rev. Oct. 2024, Ex. 7, 8). Full state and 2025 federal law tables: see the Big Sale Tax Cheat Sheet.

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