Tax Planning for Individuals & High-Income Earners

Six Figures and Still Overpaying: Where High Earners Quietly Leave Money on the Table

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There is a quiet assumption that tends to settle in once someone is earning well: that their taxes are about as optimized as they're going to get, that a large income simply produces a large bill, and that little can be done about it. It is an understandable belief, and it is frequently wrong. In practice, higher earners are often the ones overpaying the most — not because they are careless, but because their financial lives have more moving parts, and more moving parts mean more places for money to slip through unnoticed.

Overpaying at this level rarely looks like a mistake. There is seldom a single missed deduction dramatic enough to jump off the page. Instead, it is an accumulation of small things — each defensible on its own, each the product of a reasonable decision made in isolation — that together add up to a materially larger bill than necessary. And it persists because the two kinds of thinking that would catch it are precisely the two most tax relationships never provide.

The engineer and the chess player

Reducing a large tax bill well takes two different minds working together. The first is the **engineer**: rigorous and rule-bound, fluent in the mechanics of the code, exacting about how each provision operates and where the numbers must be run rather than guessed. The second is the **chess player**: the mind that thinks several moves ahead, asking what a decision made now makes possible — or forecloses — two and three years down the line.

The chess player is the one most high earners have never had. It works on a *multi-year* board, and this is the heart of the matter: the goal is rarely to minimize a single year's bill in isolation, but to arrange the current year and the next two or three so the whole sequence comes out ahead. A gain deferred into a lighter year on the horizon, an option exercise spread deliberately across three years, income shifted from a heavy year into a lighter one — these are moves that only make sense when someone is looking several years forward, not filling in this year's forms after the fact. Overpayment is what happens when income is simply reported as it lands, rather than positioned across years by someone holding both mindsets at once.

> *The goal is rarely to minimize this single year's bill. It is to arrange the current year and the next two or three so the whole sequence comes out ahead — a game played several moves deep.*

With that lens in place, the specific leaks are easier to see. The ones below are not the obvious, everyone-knows-them items; they are the places where the absence of a forward-looking, multi-year view quietly costs high earners the most.

Equity compensation and bonuses treated as “just income”

For those whose pay arrives partly as a bonus, restricted stock, or options, a specific and common overpayment hides in the withholding. Supplemental wages are frequently withheld at a flat rate that sits well below a high earner's actual marginal bracket. The money looks handled — something was withheld, after all — but the amount is often short, and the gap surfaces only at filing, sometimes as a penalty on top of the balance.

Beyond withholding, equity carries consequences that dwarf it — and they map directly onto the three levers planning actually pulls: the *timing* of when options are exercised or shares are sold, the *structure* of how the transaction is arranged, and the *character* of the resulting income, since the very same gain can be taxed as ordinary income or as a long-term capital gain depending on how a holding period is managed. How an exercise interacts with the alternative minimum tax adds yet another dimension, and most of these choices play out across more than one year. Treated as an afterthought, equity compensation becomes an expensive surprise. Positioned deliberately — often over a two- or three-year arc — the very same grants become one of the richest sources of planning opportunity a high earner has. The difference is entirely in whether the decisions were made on purpose or discovered later.

State and multi-state exposure that goes unnoticed

Where you live and where you work introduce a layer of nuance that generic software handles poorly and that many taxpayers never examine. Living in a high-tax state, earning income across state lines, holding property in one state while residing in another, or moving partway through a year all create questions with real dollar consequences. California in particular follows its own rules that do not mirror federal treatment in a number of important areas, and getting the details wrong — in either direction — costs money. Overpaying a state you didn't truly owe is as real a loss as underpaying one you did.

This exposure is easy to miss precisely because it feels like a settled fact rather than a decision. You live where you live; you work where you work. But the tax treatment of income tied to those facts is often more flexible, and more contestable, than it appears — and the nuances rarely reveal themselves to anyone filling in forms after the year has closed. It is also a domain where the multi-year view matters: a planned change of residency, timed against a coming liquidity event, can be one of the most consequential moves on the board.

The thread connecting all of it

Step back from the individual categories and the same pattern runs through every one of them. In each case, a decision was made in isolation, by someone who could see only part of the picture and only the year in front of them. The employer's payroll system applied a standard withholding rate without knowing the rest of your income. The equity was exercised on instinct rather than sequenced across years. The move between states was treated as a life event rather than a tax decision. Each actor did something reasonable within their own frame — and the seams between those frames, stretched across several years, are exactly where money escaped.

> *The fix is almost never a clever deduction. It is having one person who sees all of it at once, thinking several moves ahead, positioned to act before the year closes rather than to report after it.*

This is why the remedy for high-earner overpayment is so rarely a single dramatic maneuver. There is usually no hidden loophole waiting to be discovered. What is missing is coordination — a single vantage point from which income, investments, equity, entity structure, and state exposure are all visible together, held by someone applying the engineer's rigor and the chess player's foresight at the same time. From that vantage point, the leaks become visible one by one, and — just as important — they can be addressed across a multi-year horizon rather than patched one year at a time. A gain deferred into a lighter year ahead, an option exercise spread across three years, a change of residency timed against a coming liquidity event: these are moves on a board that spans several years, not a single April. Assemble that view and the small leaks close. Leave it unassembled and they simply continue, year after year, each too modest on its own to ever announce itself.

What to take from this

If you earn well and have never had your full financial picture examined as a single, connected system, the odds are reasonable that some version of the leaks above is present in your return right now — not through any error, but through the simple absence of anyone looking across the whole thing. The overpayment is quiet by nature. It will not flag itself. Finding it requires deliberately looking, from the one vantage point where all the pieces are in view at once.

Discuss your situation with Natalie C. Papagni, CPA

If you'd like your full picture reviewed as a connected system — income, equity, entity, and multi-state exposure across the years ahead — a complimentary initial consultation is the natural first step.

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