Monteith Wealth, LLC

Heads or Tails

Two Sides of the Same Coin

We hope our thoughts on investing and the related fields of taxes will help you achieve and enjoy financial independence. We believe only when you combine knowledge of both can you be a successful investor.

Quarter 1, 2026
Volume 2, Issue 5

Capital Gains

Capital gains occur when you sell an investment for more than you originally paid for it. These gains are classified as either short-term or long-term. Short-term capital gains come from assets held for one year or less and are taxed at ordinary income rates. Long-term capital gains come from assets held for more than one year. Depending on your income level, long-term gains are taxed at 0%, 15%, or 20%. Because long-term gains are generally taxed more favorably, it’s best to hold your investments until they reach this threshold.

At the federal level, the IRS has released the new long-term capital gains thresholds for 2026. These brackets are adjusted annually for inflation, which helps prevent bracket creep — a situation in which inflation pushes a taxpayer’s income into a higher tax bracket even though their real purchasing power has not increased. For 2026, the long-term capital gains thresholds have increased by approximately 2.27%, allowing more income to be taxed at lower rates. For 2026, the long-term capital gains rates are as follows: for

Inside This Issue

Quarter Quote

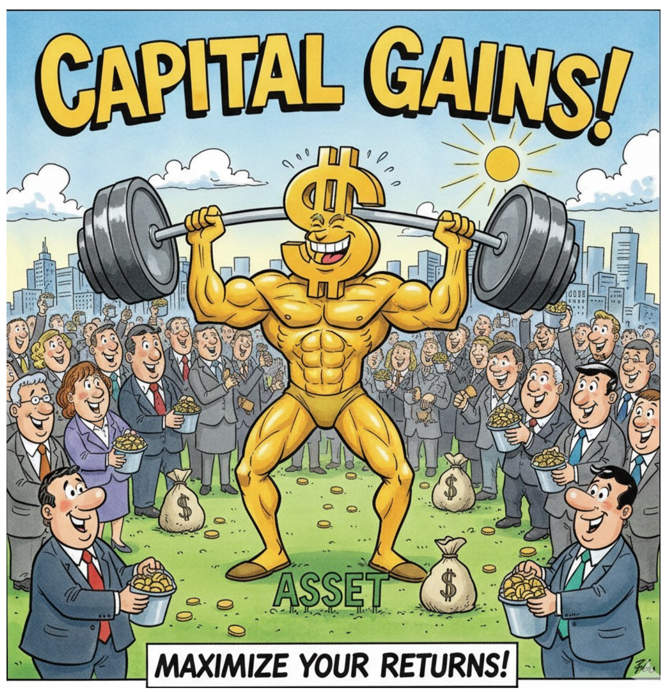
“I’m proud to be paying taxes in the United States. The only thing is – I could be just as proud for half the money.”

– Arthur Godfrey

single filers, 0% up to $49,450, 15% up to $545,500, and 20% above that; for married filing jointly, 0% up to $98,900, 15% up to $613,700, and 20% above that.

State treatment of capital gains varies widely. In most states with an income tax, capital gains are taxed as ordinary income, while states without an income tax generally do not tax capital gains. For example, Oregon taxes all capital gains as ordinary income up to 9.9% (excluding additional local taxes). Washington has no income tax, but does have a long-term capital gains tax that can be as high as 9.9%. Montana has an income tax, but long-term capital gains are taxed between 3-4.1%.

Recently, Missouri became the first state with an income tax to fully eliminate state taxes on capital gains for individuals, effective in 2025. This is a significant development because it sets a precedent: it shows that a state can maintain an income tax while exempting capital gains entirely. Lawmakers framed the change as a way to encourage investment and reduce the incentive for taxpayers to move to no-income-tax states. At the same time, some states have moved in the opposite direction — increasing or adding capital gains taxes to fund specific programs, such as education or infrastructure. Washington is a recent example, having enacted a targeted capital gains tax on higher-income investors.



At Monteith Wealth, we manage capital gains strategically. We analyze your current tax bracket, anticipated changes in your income, and your future financial needs to determine the best timing for realizing gains. The goal is to realize gains when they can be taxed at the lowest possible rate. For example, if you're starting a new job next year and expect a higher income, we may harvest more gains this year while you're in a lower tax bracket. Similarly, if you're retiring, your income is often lower in retirement, which may allow us to sell more investments at a more favorable tax rate. For those with charitable inclinations, there is a whole new list of strategies available.

Tax loss harvesting — one of our favorite strategies — involves capturing investment losses to offset capital gains, without really selling your investment position. For instance, if you realize $50,000 in gains and $30,000 in losses, you will only pay taxes on the net gain of $20,000. Tax loss harvesting is an interesting and often misunderstood strategy, but when used correctly, it is a rare case of “free money.”

Tax Court: Patel v. Commissioner

Patel v. Commissioner is a 2025 U.S. Tax Court case involving taxpayers who used micro-captive insurance arrangements to generate large tax deductions. The IRS audited the taxpayers’ returns for the 2013–2016 tax years and challenged these transactions. The court determined that the arrangements did not qualify as true insurance for tax purposes and further concluded that they lacked economic substance under IRC § 7701(o). The economic substance doctrine is designed to disallow tax benefits from transactions that do not exist for a legitimate purpose other than generating tax savings. To have economic substance, a transaction must meet two requirements: it must meaningfully affect the taxpayer’s economic position apart from tax benefits, and the taxpayer must have a substantial non-tax purpose for entering it.

As a result, the deductions were disallowed, and a 40% penalty was applied. This case provides a clear example of how economic substance is evaluated and reinforces the fact that aggressive tax strategies lacking a legitimate business purpose are likely to be audited by the IRS and may result in penalties. “My CPA lets me do it” is not an acceptable defense. There are many CPAs out there that can help you “find” tax deductions in a grey area. With the IRS, there is no grey area. Taxes are black, white, and audit.

Venezuela...

Well, did anyone have abducted a dictator on their 2026 bingo card? We didn't see that one coming, which is the beauty of our diversified investment approach — you don't need to see things like this coming if you're prepared for anything. We aren't going to debate whether this action in Venezuela was right or wrong, or legal or illegal — what matters is that it happened.

President Trump says that the U.S. will be taking control of oil in Venezuela. For the sake of this discussion, we are going to assume that he can and will, and explore what impact that will have on our economy.

Markets have already reacted. Recent trading shows Brent crude oil prices around $63 per barrel, while U.S. West Texas Intermediate (the main benchmark for U.S. oil) has been trading near $60 per barrel amid the geopolitical developments. For context, oil prices in the low $60s are relatively subdued by historical standards and generally translate into more stable — and often lower — fuel and energy costs for consumers and businesses. This reflects volatility as traders weigh how Venezuelan oil might re-enter global markets and potentially increase overall supply.

Venezuela currently produces less than 1 million barrels per day, which is still a small percentage of global supply — well under 1% of total world production. Where this becomes important is in how markets expect future oil supply to grow. If the U.S. can maintain meaningful access to Venezuelan oil and production rises by hundreds of thousands of barrels per day, expect more oil to enter the market over time, which tends to push oil prices down.

Cheaper oil doesn't just mean lower gas prices; energy is used to make, ship, and power almost everything. When energy costs drop, it lowers the cost of goods and services across the economy — what economists refer to as deflationary pressure. Simply put: more energy and cheaper energy tends to put downward pressure on prices. Even relatively small increases in oil supply can help keep gasoline, heating, and electricity bills lower, and can partially offset our 2.8% inflation.

Given all of this, the next logical step isn't to invest directly in oil itself. It's volatile and heavily affected by politics and global supply constraints. A smarter approach is to focus on the U.S. economy, which benefits from lower energy costs through stronger businesses, consumer spending, and overall growth. Investing in U.S. companies and markets is a more reliable way to benefit from these changes.

Potential Tax Bills

Two new tax administration bills have been introduced and passed by the U.S. House of Representatives and are now awaiting action in the Senate. These proposals do not change tax rates or tax law; instead, they aim to make the IRS process clearer and fairer for taxpayers.

The first bill, the Fair and Accountable IRS Reviews Act (H.R. 5346), strengthens oversight of IRS penalties. Under this bill, a supervisor must formally approve certain penalties before the IRS sends written notice to a taxpayer. In the past, the IRS sometimes notified taxpayers about penalties that were not yet finalized, creating confusion about whether the penalty was proposed or already approved. This change ensures penalties are properly reviewed before notice is sent, reducing uncertainty and preventing the IRS from approving penalties after the fact.
Previously, some taxpayers successfully challenged penalties because supervisory approval came too late, leading to reductions or dismissals.

The second bill, the Tax Court Improvement Act (H.R. 5349), updates U.S. Tax Court procedures to make resolving disputes faster and easier. One major change allows judges to extend strict filing deadlines in special circumstances, so taxpayers are not automatically denied a hearing due to events outside their control. The bill also helps reduce the court's backlog by allowing

Special Trial Judges to handle more routine cases with the parties' consent and by expanding subpoena powers earlier in the process so evidence can be gathered more efficiently. In addition, it improves transparency by standardizing court notices and requiring judges to follow the same ethical recusal rules as other federal judges.

These changes are important because they can reduce confusion when you receive IRS notices and make it easier to understand where you stand in the process. Clearer penalty approvals and more flexible court procedures mean fewer surprises, fairer treatment, and less stress if the IRS raises an issue.

A Familiar Story

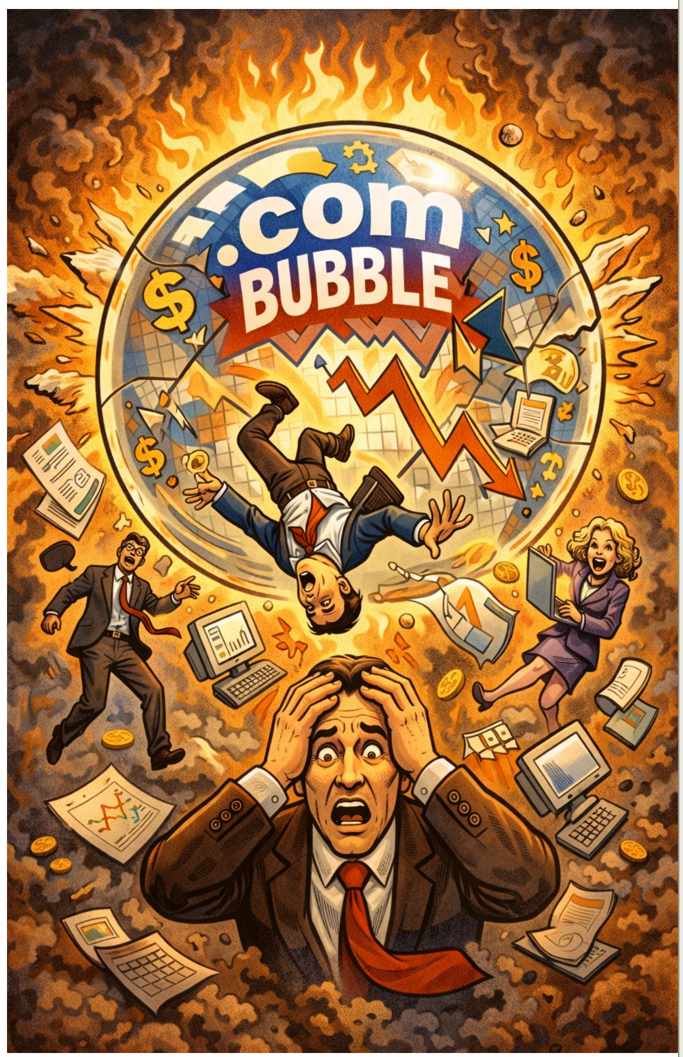
A new technology emerges, and almost overnight it becomes impossible to ignore. Executives talk about it on every earnings call. Consultants build entire practices around it. Investors feel pressure to "get exposure" before it's too late. If a company can plausibly link itself to this technology — even loosely — the market rewards it. Product demos are impressive. The long-term potential feels obvious. The short-term path to profits, however, is far less clear.

Companies rush to build tools and platforms, often without fully understanding how customers will pay for them, how much they will pay, or whether they will pay at all. Yet, venture capital flows freely and growth is prioritized over earnings. The assumption is simple: scale first, figure out monetization later.

There is a growing sense that this technology will rewrite entire industries. Jobs will change and productivity will surge. Some businesses will be left behind, but others will dominate for decades. The only real debate is how fast it all happens — and who captures the economic value.

But beneath the optimism, beneath the excitement, a quieter reality exists. Outside of a very small group of early successes, most companies are struggling to convert attention into durable profits. Usage is growing, but margins are thin. Costs remain high. Sustainable business models are still being tested.

Artificial intelligence (AI) has what seems like limitless potential. It will change many industries, either by destroying them or improving them. But this story isn't about AI. It's about the internet in the late 1990s. Back then, nearly everyone agreed the internet would change the world. What few could agree on was how to make money from it. Early monetization was limited. A handful of subscription-based publishers — most notably The Wall Street Journal — proved people would pay for digital content. Adult entertainment found reliable demand. Beyond that, profits were elusive.



Thousands of internet-only companies chased traffic and brand recognition, confident revenue would eventually follow. Many never made it that far. When the dot-com bubble burst, it wasn't because the internet failed. It was because expectations far exceeded what the underlying businesses could realistically deliver at the time.

Over the years that followed, a smaller group of technology companies figured out how to monetize and scale. Just as importantly, many of the biggest beneficiaries of the internet were not tech startups at all. They were traditional, brick-and-mortar businesses that adopted the internet as a tool — retailers selling online, banks offering digital access, and service companies streamlining operations.

The internet didn't immediately make everyone rich. It made a few companies enormously successful, improved productivity across the economy, and took far longer to do so than investors originally expected. We know it's 2026, which means the dot-com bubble seems like ancient history. But after that crash, it took the S&P 500 12-13 years to recover (real returns after inflation). That history is worth keeping in mind today.

Artificial intelligence may very well follow a similar path. The impact could be transformative. The profits may be substantial. But the timeline — and the winners — are unlikely to be as obvious or as immediate as current enthusiasm suggests.

MONTEITH WEALTH, LLC.

About Us

Monteith Wealth, LLC is a unique blend of a registered investment advisor and a CPA firm. Nestled in the town of Bozeman, Montana, we serve clients from all over the United States. At Monteith Wealth, we take pride in our collaborative approach. Unlike traditional firms, we believe in harnessing the collective expertise of our entire team of professionals. This team-focused approach allows us to provide our clients with comprehensive and well-rounded advice that encompasses various financial perspectives. At Monteith Wealth, your financial success is our top priority!

Monteith Wealth, LLC.
517 S 22nd Ave.
Suite 4
Bozeman, MT 59718

Phone: 406-613-7575
Email: contact@monteithwealth.com
Website: www.MonteithWealth.com

Disclaimer