

2020 Sample Report for: Joe & Carol Smith



KEY FIGURES

Total Income:	\$3,639,386	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$1,420
AGI:	\$3,639,386	Marginal Rate:	37.0%	Qualified/Ordinary Dividends:	
Deductions:	\$95,053	Average Rate:	35.1%		\$16,890 / \$26,578
Taxable Income:	\$3,544,281	2021 Safe Harbor:	\$1,403,459	ST/LT Capital Gains:	\$15,452 / \$11,979
Total Tax:	\$1,275,871	Tax Exempt Pct. of Total Interest:	76.6%	Carryforward Loss:	\$0
				Credits Claimed:	\$141

MARGINAL TAX BRACKET INFORMATION

The marginal tax rate for your *ordinary income* is as follows:

Marginal Rate	Ordinary Income Threshold	
10.0%	\$0 to \$19,750	
12.0%	\$19,750 to \$80,250	
22.0%	\$80,250 to \$171,050	
24.0%	\$171,050 to \$326,600	
32.0%	\$326,600 to \$414,700	
35.0%	\$414,700 to \$622,050	
37.0%	\$622,050 and above.	You: \$3,515,412

The marginal tax rate for your *capital gains and qualified dividends income* is as follows:

Marginal Rate	Taxable Income Threshold	Qualified Income (\$28,869 Total)
0.0%	\$0	\$0
15.0%	\$80,000	\$0
20.0%	\$496,600	You: \$3,544,281 \$28,869

The tax return also includes these extra Medicare taxes:

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Over
Coverdell ESA	\$190k - \$220k	Over
Roth IRA Contribution	\$196k - \$206k	Over
Lifetime Learning Credit	\$118k - \$138k	Over
Student Loan Interest Deduction	\$140k - \$170k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	Over
Qualified Adoption Expenses Credit	\$217k - \$257k	Over
Saver's Credit	\$39k - \$65k	Over
IRA Contribution Deductibility - Covered Spouse	\$104k - \$124k	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$196k - \$206k	Over

- \$30,318.00 additional Medicare tax on Form 8959.
- \$2,069.00 net investment income tax on Form 8960.

MEDICARE PART B/D PREMIUMS FOR 2022

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income* (MAGI). Amounts below are in addition to the base premiums. Amounts are monthly.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment	
\$0 to \$182,000	\$0	\$0	
\$182,000 to \$228,000	\$68	\$12	
\$228,000 to \$284,000	\$170	\$32	
\$284,000 to \$340,000	\$272	\$52	
\$340,000 to \$750,000	\$374	\$71	
\$750,000 and above.	\$408	\$78	You: \$3,640,806

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$95,053 vs. Standard Deduction of \$24,800

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$32,553
Charity	\$52,500
TOTAL	\$95,053

SCHEDULE D - CAPITAL GAINS/LOSSES

The tax return listed the following sources of capital gains/losses:

SHORT TERM

Description	Amount
Short Term Loss Carryover from 2019	\$0
Short Term Gain/Loss for 2020	\$15,452
Total Short Term Gain/Loss for 2020	\$15,452

LONG TERM

Description	Amount
Long Term Loss Carryover from 2019	\$0
Long Term Gain/Loss for 2020	\$11,979
Total Long Term Gain/Loss for 2020	\$11,979

TOTAL

Total Gains/Losses for 2020	\$27,431
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SCHEDULE B INCOME SOURCES

The tax return listed the following income sources on Schedule B:

INTEREST

Description	Amount
TD AMERITRADE	\$43
ALLY BANK	\$389
BANK OF AMERICA	\$1

DIVIDENDS

Description	Amount
TD AMERITRADE	\$1,939
TD AMERITRADE	\$39
TD AMERITRADE	\$36
TD AMERITRADE	\$30
TD AMERITRADE	\$36
TD AMERITRADE	\$41
TD AMERITRADE	\$24,457

SCHEDULE E INCOME SOURCES

The tax return listed the following income sources on Schedule E:

PARTNERSHIPS AND S CORPORATIONS

SEE STATEMENT 8

OBSERVATIONS

Income exceeds the threshold for the 3.8% Net Investment Interest Tax (NIIT). Consider strategies to reduce taxable income and be mindful of realized capital gains.

Your return indicates an overpayment of taxes through estimated payments and/or withholding, resulting in a refund. Tax refunds are essentially interest-free loans to the government. Consider discussing your withholding and estimated payments with a tax professional, as adjustments may allow you to retain more of your money.

The safe harbor for underpayment penalties is your total tax x 110%, or \$1,403,459. Note that the timing of your payments is also important with respect to avoiding penalties. Withholding from a paycheck or retirement account distributions are considered to have happened throughout the year, but estimated tax payments should be timed to correspond with the timing of the income earned. A tax professional should be able to help in cases where income is uneven throughout the year.

Your Modified Adjusted Gross Income (MAGI) suggests you are not eligible to contribute directly to a Roth IRA. You do have eligible compensation though, so you might discuss the feasibility of the "Backdoor Roth" strategy.

You deducted mortgage interest this year on your tax return. Given the high standard deduction, itemized deductions on mortgage interest are less valuable.

You had charitable contribution in excess of \$10,000 this year. If you plan to do donations of similar size in future years, you may consider grouping them into alternative tax years to maximize your deductions. A "Donor Advised Fund" can facilitate this strategy.

Joe Smith is age 50 in 2020, and thus is eligible to start making catch-up contributions to retirement accounts.

Your tax return lists HSA contributions totaling \$6,900. The 2020 limits for HSA contributions are \$7,100 for families and \$3,550 for individuals, with an extra \$1,000 catch up provision for taxpayers age 55 or older.

You were unable to deduct \$23,521 of state and local taxes due to the \$10,000 maximum cap created by the Tax Cuts and Jobs Act.

An HSA distribution was made to cover qualified medical expenses. It may be beneficial to cover medical expenses from other sources and keep funds inside the HSA. This would allow for tax-deferred growth, tax-free withdrawals for qualified medical expenses in the future, and penalty-free distributions for any reason after age 65.

A portion of your retirement or annuity distributions was not taxable. This suggests some after-tax basis in the account, a rollover, or a Qualified Charitable Distribution.

Review employer-provided benefits to ensure you are taking full advantage of any pre-tax options.

Keep track of your home improvement expenses for determining your adjusted cost basis in the event of a home sale.

Congress introduced legislation in mid-September 2021 that, if passed, could have significant impact on tax planning for the remainder of the 2021 tax year and beyond, including some of the observations listed on this report. Depending on your tax bracket and the outcome of that legislation, you may wish to recognize income this year and defer deductions to next year.

Your return shows a tax refund. If you find yourself in the same position in a future year, you have the option to apply up to \$5,000 of that refund to purchase Series I Savings Bonds.

- $NIIT = AGI + \text{Excluded Foreign Earned Income}$
- $\text{Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI, Adoption Credit, Saver's Credit} = AGI + \text{Excluded Foreign Earned Income} + \text{Housing}$
- $\text{Roth MAGI} = AGI - \text{Roth Conversions} + \text{IRA Deduction} + \text{Student Loan Interest Deduction} + \text{Tuition Deduction} + \text{Excluded Foreign Earned Income} + \text{Housing}$
- $\text{Student Loan Deduction MAGI} = AGI \text{ not including student loan interest}$
- $\text{IRA Deduction MAGI} = AGI + \text{Student Loan Interest Deduction} + \text{Tuition and Fees Deduction} + \text{Excluded Foreign Earned Income} + \text{Housing}$