

2018 TAX REPORT FOR JANE DOE AND JOHN DOE

KEY FIGURES

- Total Income: \$905,742
- AGI: \$846,394
- Deductions: \$60,128
- Taxable Income: \$786,266
- Total Tax: \$230,965
- Marginal Rate: 37.0%
- Effective Rate: 25.5%
- 2019 Safe Harbor: \$254,062
- Tax Exempt Interest: \$0
- Qualified/Ordinary Dividends: \$1,349 / \$1,351
- ST/LT Capital Gains: \$0 / (\$102,276)
- Carryforward Loss: \$99,276
- Credits Claimed: \$13,936

MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold
10.0%	\$0 to \$19,050
12.0%	\$19,050 to \$77,400
22.0%	\$77,400 to \$165,000
24.0%	\$165,000 to \$315,000
32.0%	\$315,000 to \$400,000
35.0%	\$400,000 to \$600,000
37.0%	\$600,000 and above. You: \$784,917

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$1,349 Total)
0.0%	\$0	\$0
15.0%	\$77,200	\$0
20.0%	\$479,000	You: \$786,266 \$1,349

The tax return also includes these extra Medicare taxes:

- \$6,049.00 additional Medicare tax on Form 8959.
- \$88.00 net investment income tax on Form 8960.

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Additional Medicare Tax	\$250,000	Over
Coverdell ESA	\$190,000 - \$220,000	Over
Roth IRA Contribution	\$193,000 - \$203,000	Over
Lifetime Learning Credit	\$116,000 - \$136,000	Over
Student Loan Interest Deduction	\$140,000 - \$170,000	Over
American Opportunity Credit	\$160,000 - \$180,000	Over
Child Tax Credit	\$400,000	Over
Qualified Adoption Expenses Credit	\$207,140 - \$247,140	Over
Saver's Credit	\$63,000	Over
IRA Contribution Deductibility - Covered Spouse	\$103,000 - \$123,000	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$193,000 - \$203,000	Over

* NIIT, Saver's Credit MAGI = AGI

** Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI = AGI (Form 2555 foreign income not included.)

*** Roth MAGI = AGI + IRA Deduction + Student Loan Interest Deduction (Form 2555 foreign income not included.)

† Student Loan Deduction and Adoption Credit MAGI = AGI + Student Loan Interest Deduction

†† IRA Deduction MAGI = AGI + IRA Deduction + Student Loan Interest Deductions + Deductible Self-Employment Tax + EE Bond Interest (Form 2555 foreign income not included.)

MEDICARE PART B/D PREMIUMS FOR 2020

Medicare Parts B and D premiums are impacted by Modified Adjusted Gross Income* (MAGI)

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$174,000	\$0	\$0
\$174,000 to \$218,000	\$58	\$12
\$218,000 to \$272,000	\$145	\$32
\$272,000 to \$326,000	\$231	\$51
\$326,000 to \$750,000	\$318	\$70
\$750,000 and above.	\$347	\$76

You:
\$846,394

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$60,128 vs. Standard Deduction of \$26,600

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$0
Charity	\$50,128
TOTAL	\$60,128

SCHEDULE B INCOME SOURCES

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

Interest

Description	Amount
BANK OF AMERICA	\$12
CAPITAL ONE NATIONAL ASSOCIATION	\$403
FIRST NATIONAL BANK OF OMAHA	\$3,897

Dividends

Description	Amount
VANGUARD MARKETING COPORATION	\$1,351

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 2017	\$0
Short Term Gain/Loss for 2018	\$0
Total Short Term Gain/Loss for 2018	\$0

LONG TERM

Description	Amount
Long Term Loss Carryover from 2017	(\$102,276)
Long Term Gain/Loss for 2018	\$0
Total Long Term Gain/Loss for 2018	(\$102,276)

TOTAL

Total Gains/Losses for 2018	(\$3,000)
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Loss Carryforward

Loss Carryforward to 2019	(\$99,276)
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OBSERVATIONS

MAGI income (AGI plus tax exempt interest) is high enough to trigger an increase in Medicare Part B and D premiums. Consider strategies (e.g. QCDs, managing capital gains), to lower income to bring medicare down. Alternatively, if income will definitely go down due to a change in status, a petition can be sent to ask for a reduction.

MAGI income exceeds the threshold for the Medicare tax on investment income. Consider strategies to reduce taxable income and to avoid realizing capital gains.

The Qualifying Business Income deduction phases out between \$315,000 and \$415,000 for certain professions named by the IRS. Your taxable income was higher than that phaseout range. If your business falls within one of those named professions, your QBI eligibility might be impacted.

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.

The safe harbor for underpayment penalties is your total tax x 110%, or \$254,062.00. Note that the timing of your payments is also important with respect to avoiding penalties. Withholding from a paycheck or retirement account distributions is 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 tax return does not list any HSA contributions. If you are eligible to contribute to an HSA, you will get a tax deduction, regardless of whether you itemize or take the standard deduction.

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.

This is a SAMPLE Report for illustrative purposes only.