

2022 TAX REPORT FOR AMANDA SAMPLE

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KEY FIGURES

Total Income:	\$229,670	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$0
AGI:	\$226,706	Marginal Rate:	22.0%	Qualified/Ordinary Dividends:	\$11,500 / \$15,000
Deductions:	\$25,900	Average Rate:	15.0%	ST/LT Capital Gains:	\$9,000 / \$22,500
Taxable Income:	\$193,009	2023 Safe Harbor:	\$37,778	Carryforward Loss:	\$0
Total Tax:	\$34,343			Credits Claimed:	\$2,900

MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold	
10.0%	\$0 to \$20,550	
12.0%	\$20,550 to \$83,550	
22.0%	\$83,550 to \$178,150	You: \$159,009
24.0%	\$178,150 to \$340,100	
32.0%	\$340,100 to \$431,900	
35.0%	\$431,900 to \$647,850	
37.0%	\$647,850 and above.	

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$34,000 Total)
0.0%	\$0	\$0
15.0%	\$83,350	You: \$193,009 \$34,000
20.0%	\$517,200	\$0

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Under
Coverdell ESA	\$190k - \$220k	Over
Roth IRA Contribution	\$204k - \$214k	In Phaseout
Lifetime Learning Credit	\$160k - \$180k	Over
Student Loan Interest Deduction	\$145k - \$175k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$223k - \$263k	In Phaseout
Saver's Credit	\$41k - \$68k	Over
IRA Contribution Deductibility - Covered Spouse	\$109k - \$129k	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$204k - \$214k	Over
Clean Vehicle Credit (New)	\$300k	Under
Clean Vehicle Credit (Used)	\$150k	Over

MEDICARE PART B/D PREMIUMS FOR 2024

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 per person.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$206,000	\$0	\$0
\$206,000 to \$258,000	\$70	\$13
\$258,000 to \$322,000	\$175	\$33
\$322,000 to \$386,000	\$280	\$54
\$386,000 to \$750,000	\$384	\$74
\$750,000 and above.	\$419	\$81

You:
\$226,706

SCHEDULE D - CAPITAL GAINS/LOSSES

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

SHORT TERM

Description	Amount
Short Term Gain/Loss for 2022	\$9,000
Short Term Loss Carryover from 2021	\$0
Total Short Term Gain/Loss for 2022	\$9,000

LONG TERM

Description	Amount
Long Term Gain/Loss for 2022	\$7,500
Capital Gain Distributions for 2022	\$15,000
Long Term Loss Carryover from 2021	\$0
Total Long Term Gain/Loss for 2022	\$22,500

TOTAL

Total Gains/Losses for 2022	\$31,500
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SCHEDULE B INCOME SOURCES

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

INTEREST

Description	Amount
BANK OF AMERICA	\$250
ALLY BANK	\$500
SCHWAB	\$500

DIVIDENDS

Description	Amount
VANGUARD	\$5,000
SCWHAB	\$10,000

SCHEDULE C INCOME SOURCES

The tax return listed the following businesses on Schedule C:

Business Name	Net Profit
PAULA'S PALATE	\$41,950

OBSERVATIONS

Given that you reported income on Schedule C, E, and/or F, your risk of costly errors is elevated. You may consider working with a tax professional next year.

Income is within 10% of the threshold for the 3.8% Net Investment Income Tax (NIIT). Consider strategies to reduce taxable income and be mindful of realized capital gains.

You are in the 22.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.

The 2023 safe harbor for underpayment penalties is your total tax x 110%, or \$37,778. 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 eligible to contribute to a Roth IRA. Note that Roth contributions must come from what the IRS calls "compensation income". The tax return does include some compensation income.

Your tax return suggests you may have business income. Depending on your circumstances, you may be able to implement a retirement plan for the business to defer taxes.

Form 8606 reports after-tax basis in at least one retirement account. This basis reduces the amount of taxable income generated from a Roth conversion or normal distribution.

You owed additional taxes beyond any withholding or estimated tax payments. If this was due to a one-time event, you may not need to take any action. If not, consider adjusting your withholding to avoid any surprise lump sum payments due at tax time.

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

Schedule C does not include any expenses on line 9, car and truck expenses. Do you use a vehicle for any business-related activities?

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

You converted \$25,000 from a Traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA. Of this conversion, \$15,750 was taxable as ordinary income, as reported on Form 8606.

Your modified adjusted gross income (MAGI) appears to be low enough to qualify for the new but not the used clean vehicle credit in 2023, assuming you purchase such a vehicle that year and it meets the other eligibility criteria. Note that you could still be eligible for the used vehicle credit based on your 2023 MAGI, as you can use your MAGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in one of the two years, you can claim the credit.

VIRGINIA STATE TAX HINTS

Virginia taxpayers who contribute to Virginia's 529 plan may deduct contributions up to \$4,000 per account per year with an unlimited carry forward to future tax years, subject to certain restrictions. Those age 70 and above may deduct the entire amount contributed to a Virginia 529 account in one year.

Social Security benefits are not taxed.

Taxpayers must claim the same type of deductions (standard or itemized) on their Virginia return as they claimed on their federal return. In some circumstances it is advantageous to itemize on both, even if it means taking a lower Federal deduction.

LTC insurance premiums are deductible even if the standard deduction is taken.

The 2017 Tax Cut Jobs Act imposed a \$10,000 limitation on individuals' deduction of state and local taxes (SALT) for tax years 2018 through 2025. In response, many states have now enacted laws allowing pass-through entities (PTE) to elect to pay SALT at the entity level as a PTE tax in order to exceed the TCJA SALT deduction limitation. Please consult with a tax professional as it relates to your state's PTE tax ruling.

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

- IRA Deduction MAGI = AGI + Student Loan Interest Deduction + Tuition and Fees Deduction + Excluded Foreign Earned Income + Housing