

2018 TAX REPORT FOR BOB SMITH AND JANE SMITH

KEY FIGURES

Total Income:	\$214,753	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$0
AGI:	\$214,083	Marginal Rate:	24.0%	Qualified/Ordinary Dividends:	\$0 / \$0
Deductions:	\$24,000	Average Rate:	13.6%	ST/LT Capital Gains:	
Taxable Income:	\$180,217	2019 Safe Harbor:	\$32,088		(\$14,610) / (\$1,755)
Total Tax:	\$29,170			Carryforward Loss:	\$13,365
				Credits Claimed:	\$4,000

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	You: \$180,217
32.0%	\$315,000 to \$400,000	
35.0%	\$400,000 to \$600,000	
37.0%	\$600,000 and above.	

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$0 Total)
0.0%	\$0	\$0
15.0%	\$77,200	You: \$180,217
20.0%	\$479,000	\$0

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Under
Coverdell ESA	\$190k - \$220k	In Phaseout
Roth IRA Contribution	\$193k - \$203k	Over
Lifetime Learning Credit	\$114k - \$134k	Over
Student Loan Interest Deduction	\$140k - \$170k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$207k - \$247k	In Phaseout
Saver's Credit	\$38k - \$63k	Over
IRA Contribution Deductibility - Covered Spouse	\$103k - \$123k	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$193k - \$203k	Over

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$13,750 vs. Standard Deduction of \$24,000

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$0
Charity	\$3,750
TOTAL	\$13,750

MEDICARE PART B/D PREMIUMS FOR 2020

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 \$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:
\$214,083

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	(\$14,610)
Short Term Gain/Loss for 2018	\$0
Total Short Term Gain/Loss for 2018	(\$14,610)

LONG TERM

Description	Amount
Long Term Loss Carryover from 2017	(\$1,755)
Long Term Gain/Loss for 2018	\$0
Total Long Term Gain/Loss for 2018	(\$1,755)

TOTAL

Total Gains/Losses for 2018	(\$16,365)
Loss Carryforward	
Loss Carryforward to 2019	(\$13,365)

SCHEDULE B INCOME SOURCES

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

INTEREST

Description	Amount
US Senate Federal Credit Union	\$35
Citibank Bank NA	\$78
Citibank Bank NA	\$6

DIVIDENDS

Description	Amount
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OBSERVATIONS

You are in the 24.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.

You were charged an underpayment penalty. You can avoid this penalty by paying at least the "safe harbor" amount based on your previous year's tax return through withholding or estimated tax payments. Consider discussing penalty proofing with a tax professional.

The safe harbor for underpayment penalties is your total tax x 110%, or \$32,088. 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.

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.

Jane is age 49 in 2018, and thus is eligible to make catch-up contributions to retirement accounts starting next 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 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.

You were unable to deduct \$25,606 of state and local taxes due to the \$10,000 maximum cap created by the Tax Cuts and Jobs Act.

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.

SOUTH DAKOTA STATE TAX HINTS

No state income tax

4.5% use tax on out of state purchases (plus municipal tax) if sales tax was not paid at time of purchase or if sales tax was less than that of South Dakota

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