



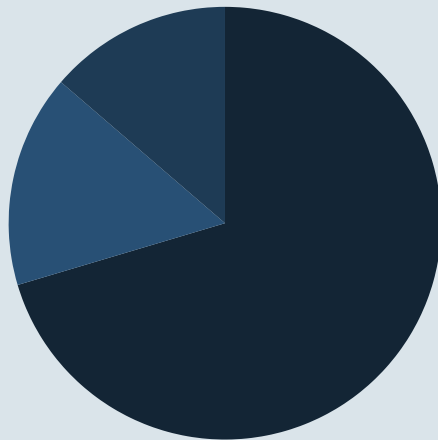
2022 Tax Report for Peter Professor and Paula Professor

Ben Birken | ben@holistiplan.com

KEY FIGURES

Total Income	\$229,670	Filing Status	Married Filing Jointly	Qualified/Ordinary Dividends	\$11,500 / \$15,000
AGI	\$226,706	Marginal Bracket	22.0%	ST/LT Capital Gains	\$9,000 / \$22,500
Deductions	\$25,900	Average Rate	15.0%	Carryforward Loss	\$0
Taxable Income	\$193,009	Effective Rate	17.8%	Credits Claimed	\$2,900
Total Tax	\$34,343	2023 Safe Harbor	\$37,778		

Let's take a look at your Tax Breakdown

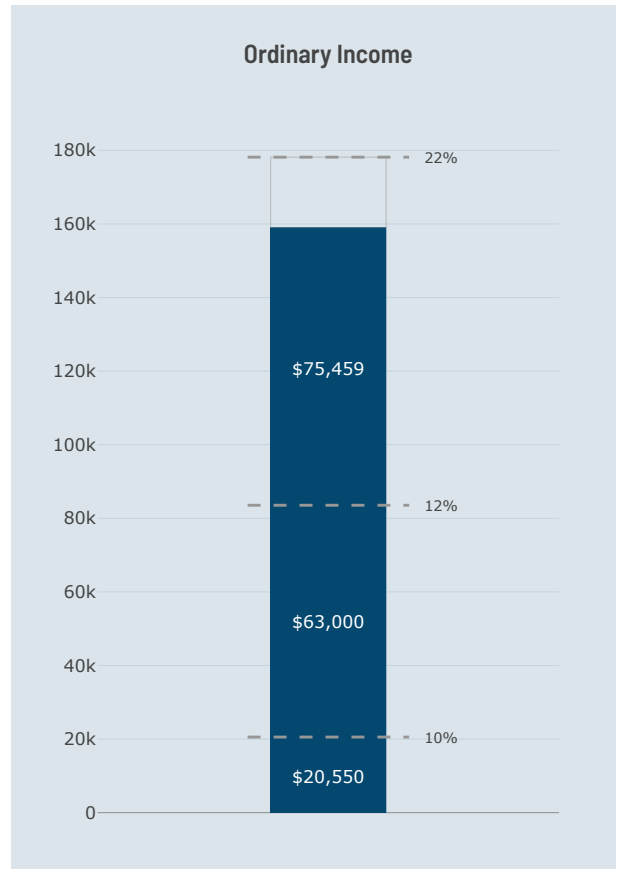


Tax on Ordinary Income	\$26,216 70.4%
Self-Employment Tax	\$5,927 15.9%
Tax on Long Term Gains & Qualified Dividends	\$5,100 13.7%
Additional Medicare Tax	\$0 0.0%
Net Investment Income Tax	\$0 0.0%
Other Taxes	\$0 0.0%

Marginal Tax Brackets: Ordinary Income

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

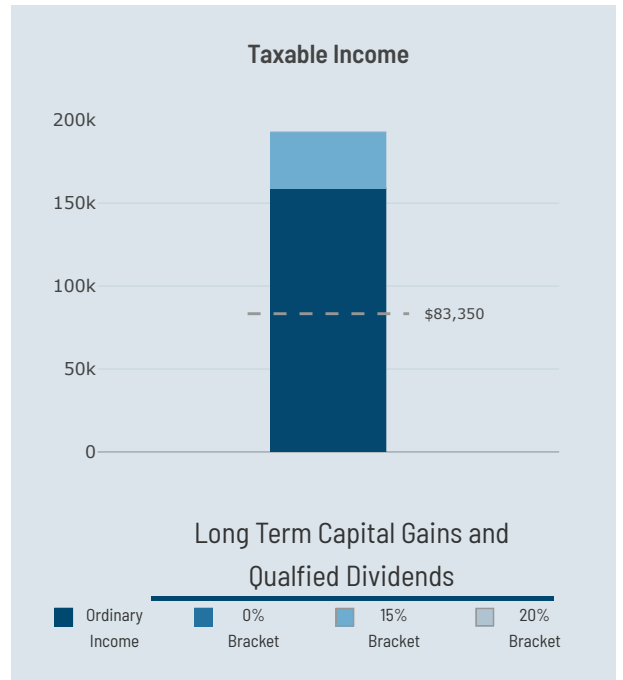
Marginal Rate	Ordinary Income Threshold	Ordinary Income	Tax
10%	\$0 to \$20,550	\$20,550	\$2,055
12%	\$20,550 to \$83,550	\$63,000	\$7,560
22%	\$83,550 to \$178,150	\$75,459	\$16,601
24%	\$178,150 to \$340,100	\$0	\$0
32%	\$340,100 to \$431,900	\$0	\$0
35%	\$431,900 to \$647,850	\$0	\$0
37%	\$647,850 and above	\$0	\$0
Total		\$159,009	\$26,216



Marginal Tax Brackets: Long Term Capital Gains & Qualified Dividends

Your taxable income of \$193,009 includes \$34,000 of long-term gains and qualified dividends which are taxed at lower rates compared to ordinary income. Long-term gains are added on top of your ordinary income to determine the tax rates that apply.

Marginal Rate	Taxable Income Threshold	Taxable Income	Qualified Income	Tax
0.0%	\$0 to \$83,350		\$0	\$0
15.0%	\$83,350 to \$517,200	\$193,009	\$34,000	\$5,100
20.0%	\$517,200 and above		\$0	\$0
Total			\$34,000	\$5,100



Medicare Part B/D Premiums for 2024

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income* (MAGI). Your MAGI is \$226,706. Amounts are monthly per person.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium	Part D Premium
\$0 to \$206,000	\$174.70	your plan premium
\$206,000 to \$258,000	\$174.70 + \$69.90 = \$244.60	Your Plan Premium + \$12.90
\$258,000 to \$322,000	\$174.70 + \$174.70 = \$349.40	Your Plan Premium + \$33.30
\$322,000 to \$386,000	\$174.70 + \$279.50 = \$454.20	Your Plan Premium + \$53.80
\$386,000 to \$750,000	\$174.70 + \$384.30 = \$559.00	Your Plan Premium + \$74.20
\$750,000 and above	\$174.70 + \$419.30 = \$594.00	Your Plan Premium + \$81.00

Schedule B - Income Sources

The tax return listed the following income sources on Schedule B

INTEREST

Description	Amount
BANK OF AMERICA	\$250.00
ALLY BANK	\$500.00
SCHWAB	\$500.00

DIVIDENDS

Description	Amount
VANGUARD	\$5,000.00
SCWHAB	\$10,000.00

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
Total Short Term Gain/Loss for 2022	\$9,000

LONG TERM

Description	Amount
Long Term Gain/Loss for 2022	\$22,500
Total Long Term Gain/Loss for 2022	\$22,500

TOTAL

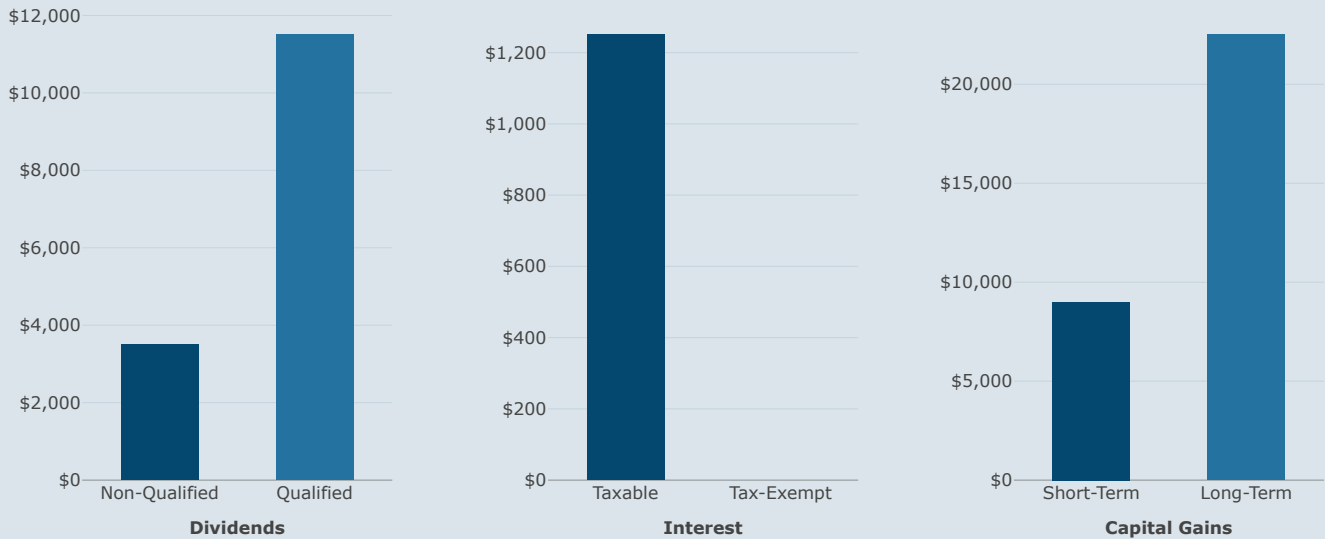
Total Gains/Losses for 2022 \$31,500

CARRY FORWARD LOSSES

Short Term Loss \$0
Long Term Loss \$0

Let's take a look at the tax efficiency of your investment income

Different types of investment income are taxed differently. For example, non-qualified dividends and short-term capital gains are taxed as ordinary income at higher rates, while qualified dividends and long-term capital gains are taxed at lower preferential rates. And depending on your marginal bracket, it may be more tax efficient to use tax-free income vehicles like municipal bonds/bond funds instead of taxable income options.



Schedule C/E - Income Sources

The tax return listed the following businesses and entities on schedules C or E

SCHEDULE C

Business Name	Net Profit
PAULA'S PALATE	\$41,950.00

Modified Adjusted Gross Income (MAGI): Planning Considerations

Certain deductions and tax incentives phase out as income reaches certain levels. The definition of "income" for these phase outs can be different. The term "Modified Adjusted Income" (MAGI) is generally used, but there are several definitions of MAGI that are slightly different from each other.

MAGI Definition 1	\$226,706	
Coverdell ESA	\$180,000 - \$220,000	Over
Lifetime Learning Credit	\$160,000 - \$180,000	Over
American Opportunity Credit	\$160,000 - \$180,000	Over
Child Tax Credit	\$400,000 - \$440,000	Under
Qualified Adoption Expenses Credit	\$223,410 - \$263,410	Phase Out
Savers Credit	\$41,000 - \$68,000	Over
Clean Vehicle Credit (New)	\$0 - \$300,000	Under
Clean Vehicle Credit (Used)	\$0 - \$150,000	Over

MAGI Definition 2	\$226,706	
Net Investment Income Tax	\$0 - \$250,000	Under

MAGI Definition 3	\$210,956	
Roth IRA Contribution	\$204,000 - \$214,000	Phase Out

MAGI Definition 4	\$226,706	
Student Loan Interest Deduction	\$145,000 - \$175,000	Over

MAGI Definition 5	\$226,706	
IRA Contribution Deductibility - Covered by Qualified Plan	\$109,000 - \$129,000	Over
IRA Contribution Deductibility - Not Covered/Spouse Covered	\$204,000 - \$214,000	Over

MAGI Definition 6	\$226,706	
ACA Premium Credit	85% of federal poverty limit (48 States and DC)	

Formulas

- MAGI Definition 1: AGI + Foreign Housing Exclusion + Foreign Earned Income Exclusion + Foreign Housing Deduction
 - MAGI Definition 2: AGI + Excluded Foreign Earned Income
 - MAGI Definition 3: AGI + IRA Deduction + Student Loan Interest Deduction + Tuition and Fees Deduction + Total Foreign Income Exclusions + Foreign Housing Deduction - Taxable Roth Conversions
 - MAGI Definition 4: Worksheet 4-1 from Publication 970, Total Income, Several Above the Line Deductions, + Total Foreign Income Exclusions + Foreign Housing Deduction
 - MAGI Definition 5: AGI + (unemployment comp. in 2020 only) + Student Loan Interest Deduction + Tuition and Fees Deduction + Total Foreign Income Exclusions + Foreign Housing Deduction
 - MAGI Definition 6: AGI + Excluded Foreign Income + Nontaxable Social Security Benefits (Including Tier 1 Railroad Retirement Benefits) + Tax Exempt Interest
-

Deductions & Credits

Deductions reduce the amount of income subject to tax while credits reduce taxes dollar for dollar.

DEDUCTIONS

Claimed	Deduction
Deductible Part of Self-Employment Tax	\$2,964
Standard Deduction	\$25,900
Qualified Business Income Deduction	\$7,797

CREDITS

Claimed	Credit Type
Non-Refundable Child Tax Credit + Credit for Other Dependents	\$2,500 Non-refundable
Dependent Care	\$400 Non-refundable

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.

Paula, you are age 50 in 2022 and thus are eligible to start making catch-up contributions to retirement accounts.

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.

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?

For the ACA Premium Tax Credit, taxpayers with MAGI of less than 100% of the Federal Poverty Limit (FPL) are not eligible to receive any credits. Generally, taxpayers with MAGI between 100% and 400% of the FPL are eligible to receive the credit on a sliding scale. Taxpayers with MAGI above 400% of the FPL may receive the credit, to the extent the credit will keep the cost of the benchmark plan to no more than 8.5% of household income.

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.

NC State Tax Hints

Social Security benefits are not taxed.

State and federal pensions are excluded if the retiree had 5 years of service before Aug 12, 1989.

Foreign tax credit is available, but must be calculated. Frequently missed on self-prepared returns.

The individual income tax rate will be reduced to 4.75% in 2023, 4.5% in 2024, 4.25% in 2025, and 3.99% in 2026.

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.

Disclaimer

This report is for illustration purposes and the information herein may not represent data or information that is complete and/or accurate. Please consult with your financial advisor and/or tax advisor prior to using the information included in this report to make any decisions related to your financial situation.