



## 2023 TAX REPORT FOR XXXXX XXXXX

Advisor: Ben Birken

### KEY FIGURES

Total Income:	\$234,650	Filing Status:	Married Filing Jointly	Qualified/Ordinary Dividends:	\$17,000 / \$20,000
AGI:	\$230,912	Marginal Rate:	22.0%	ST/LT Capital Gains:	\$2,500 / \$19,500
Deductions:	\$42,000	Average Rate:	10.8%	Carryforward Loss:	\$0
Taxable Income:	\$179,080	Effective Rate:	14.1%	Credits Claimed:	\$9,700
Total Tax:	\$25,233	2024 Safe Harbor:	\$27,757		

### MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold	
10.0%	\$0 to \$22,000	
12.0%	\$22,000 to \$89,450	
22.0%	\$89,450 to \$190,750	<b>You: \$142,581</b>
24.0%	\$190,750 to \$364,200	
32.0%	\$364,200 to \$462,500	
35.0%	\$462,500 to \$693,750	
37.0%	\$693,750 and above.	

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$36,500 Total)	
0.0%	\$0	\$0	
15.0%	\$89,250	\$36,500	<b>You: \$179,080</b>
20.0%	\$553,850	\$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	\$218k - \$228k	In Phaseout
Lifetime Learning Credit	\$160k - \$180k	Over
Student Loan Interest Deduction	\$155k - \$185k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$239k - \$279k	Under
Saver's Credit	\$44k - \$73k	Over
IRA Contribution Deductibility - Covered Spouse	\$116k - \$136k	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$218k - \$228k	Over
Clean Vehicle Credit (New)	\$300k	Under
Clean Vehicle Credit (Used)	\$150k	Over

### MEDICARE PART B/D PREMIUMS FOR 2025

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	<b>You: \$230,913</b>
\$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	

### ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$42,000 vs. Standard Deduction of \$27,700

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$22,000
Charity	\$10,000
<b>TOTAL</b>	<b>\$42,000</b>

## SCHEDULE B INCOME SOURCES

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

### INTEREST

Description	Amount
BANK OF AMERICA	\$1,500
ALLY BANK	\$2,000
SCHWAB	\$2,500

### DIVIDENDS

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

## 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 2023	\$2,500
Short Term Loss Carryover from 2022	\$0
Total Short Term Gain/Loss for 2023	\$2,500

### LONG TERM

Description	Amount
Long Term Gain/Loss for 2023	\$7,000
Capital Gain Distributions for 2023	\$12,500
Long Term Loss Carryover from 2022	\$0
Total Long Term Gain/Loss for 2023	\$19,500

### TOTAL

Total Gains/Losses for 2023	\$22,000
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## SCHEDULE C INCOME SOURCES

The tax return listed the following businesses on Schedule C:

Business Name	Net Profit
PAULA'S PALATE	\$52,900

## 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 2024 safe harbor for underpayment penalties is your total tax x 110%, or \$27,757. 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.

You deducted mortgage interest on your tax return. Given the high standard deduction, itemized deductions on mortgage interest are less valuable than they once were.

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.

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

You converted \$25,000 from a Traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA. Of this conversion, \$9,750 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, assuming you purchase such a vehicle and it meets the other eligibility criteria. Note that you may still be eligible for the used vehicle credit based on 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.

## NORTH CAROLINA STATE TAX HINTS

Social Security benefits are not taxed.

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

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

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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.

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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.

## TAX LETTER CHECKS

Charitable Distributions from IRAs

See lines 4a and 4b of Form 1040.

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Contributions to Traditional/Roth IRAs

Verify Schedule 1 line 21 if deductible or Form 8606 line 1.

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Report Sale of Primary Residence

Check Form 8949

## 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.

- 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