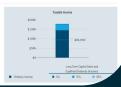




| four taxable incom | w of \$179,080 includes \$34,500 of for ordinary income. Long-term gains an | og-term gains and qualified | dividends that are taxe | datlow |
|--------------------|--|-----------------------------|-------------------------|--------|
| Marginal Rate | Taxable Income Threshold | Taxable income | Qualified Income | Ta |
| 0.0% | \$0 to \$84,050 | | 50 | 5 |
| 15.0% | \$94,050 to \$583,760 | \$179,000 | \$34,500 | \$5,17 |
| 20.0% | SS81,750 and above | | 90 | 9 |
| | | | ****** | |

Marginal Tay Prockets, Long Torm Conital Coins & Qualified Dividends





Using the Tax Report



Basics of Taxation

Reviewing the basics of taxation that make its way from the tax return to the Tax Report.



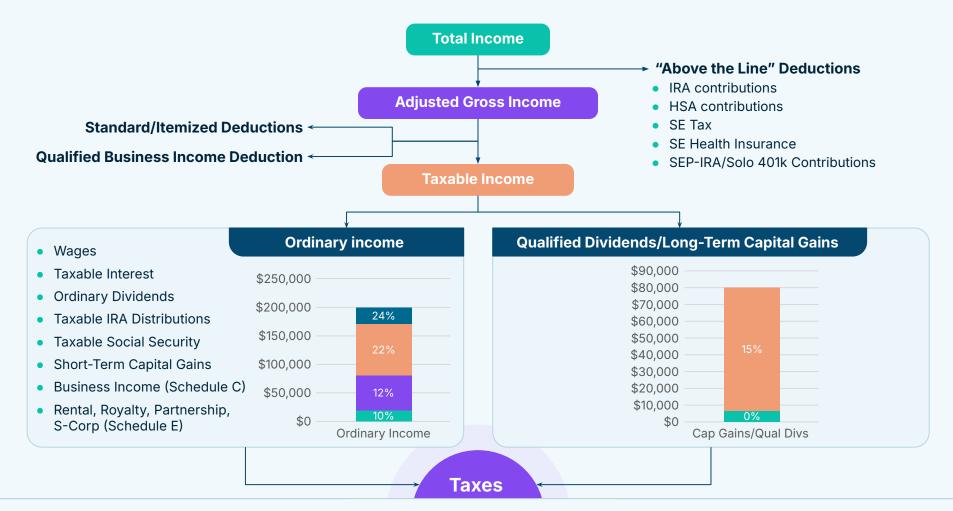
Tax Report Sections

A preview of the sections that may populate on the Tax Report, their uses, and planning opportunities.



Peter and Paula Professor

A live demonstration reviewing Peter and Paula's 2024 Tax Report. Basics of Taxation





Taxes and Credits

Taxes

- Income Taxes
- Other Taxes
 - Alternative Minimum Tax (AMT)
 - Self-Employment Tax
 - Additional Medicare Tax
 - Net Investment Income Tax

Credits

- Non-Refundable: reduce tax bill to zero
 - Foreign Tax Credit
 - Child Tax Credit (mostly)
 - Dependent Care Expenses
- Refundable: reduce tax bill below zero
 - Earned Income Tax Credit
 - ACA Premium Tax Credit
 - American Opportunity Credit (partial)



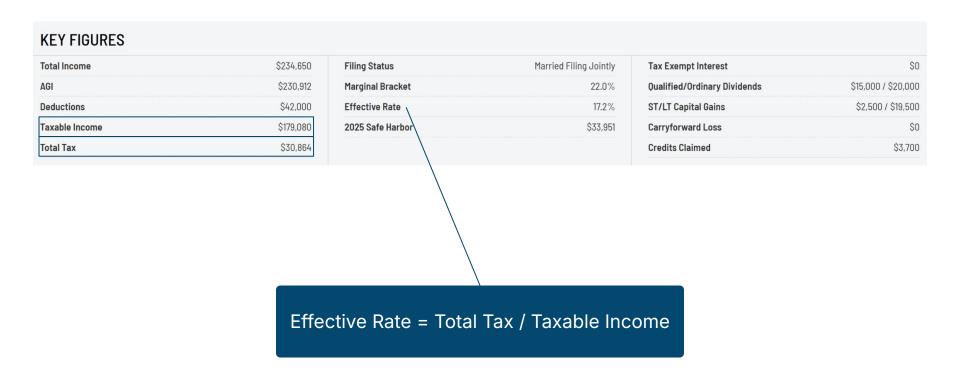
Tax ReportSections

KEY FIGURES Total Income \$234,650 Filing Status Married Filing Jointly Tax Exempt Interest AGI \$230,912 Marginal Bracket 22.0% Qualified/Ordinary Dividends \$15,000 / \$20,000 Deductions \$42,000 Average Rate ST/LT Capital Gains \$2,500 / \$19,500 13.2% Taxable Income \$179,080 2025 Safe Harbor \$33,951 **Carryforward Loss Total Tax** \$30,864 **Credits Claimed** \$3,700

Marginal Rate = Rate of tax on last dollar of ordinary income



KEY FIGURES Total Income \$234,650 Filing Status Married Filing Jointly Tax Exempt Interest AGI \$230,912 Marginal Bracket 22.0% Qualified/Ordinary Dividends \$15,000 / \$20,000 Deductions \$42,000 Average Rate 13.2% ST/LT Capital Gains \$2,500 / \$19,500 Taxable Income \$179,080 2025 Safe Harbox \$33,951 **Carryforward Loss Total Tax** \$30,864 **Credits Claimed** \$3,700 Average Rate = Total Tax / Total Income





| KEY FIGURES | |
|----------------|----------|
| Total Income | \$234,65 |
| AGI | \$230,91 |
| Deductions | \$42,00 |
| Taxable Income | \$179,08 |
| Total Tax | \$30,86 |
| | |
| | |
| | |
| | |
| | |

| , | This number represents the amount that the taxpayer could pay, via withholding and estimated taxes, to avoid an underpayment penalty. |
|---|--|
| - | This safe harbor amount is calculated by multiplying last year's tax bill, net of credits, by 100%, (or 110% for taxpayers with AGI over \$150,000, or \$75,000 for married filing separate). |
| , | Not depicted here is the alternative calculation, which is to pay at least 90% of the eventual tax bill. This method is potentially more challenging and prone to error, given that estimating the tax bill with certainty will be harder than using a fixed number from last year's return. |
| ; | Note that this safe harbor amount does not necessarily preclude all penalties. The taxpayer could still get a penalty for incorrectly matching the timing of estimated tax payments against the timing of the actual income. |

| Tax Exempt Interest | \$0 |
|------------------------------|---------------------|
| Qualified/Ordinary Dividends | \$15,000 / \$20,000 |
| ST/LT Capital Gains | \$2,500 / \$19,500 |
| Carryforward Loss | \$0 |
| Credits Claimed | \$3,700 |



| KEY FIGURES | | | | | |
|----------------|-----------|-----------------------------------|------------------------|-------------------------------|---------------------|
| Total Income | \$114,550 | Filing Status | Married Filing Jointly | Tax Exempt Interest | \$3,700 |
| AGI | \$114,550 | Marginal Bracket | 12.0% | Qualified/Ordinary Dividends | \$2,250 / \$10,000 |
| Deductions | \$32,300 | Average Rate | 7.7% | ST/LT Capital Gains | \$1,000 / \$3,000 |
| Taxable Income | \$82,250 | 2025 Safe Harbor | \$8,776 | Carryforward Loss | \$0 |
| Total Tax | \$8,776 | Tax Exempt Pct. of Total Interest | 63.8% | Total/Taxable Social Security | \$57,000 / \$48,450 |
| | | | | Credits Claimed | \$0 |

Tax Equivalent Yield = $\frac{\text{Tax-Exempt Yield}}{\text{(1 - Tax Rate)}}$

| Tax Exempt Yield = 2% | Tax Equivalent Yield |
|-----------------------|----------------------|
| 10% | 2.2% |
| 12% | 2.27% |
| 22% | 2.56% |
| 24% | 2.63% |
| 32% | 2.94% |
| 35% | 3.08% |
| 37% | 3.17% |

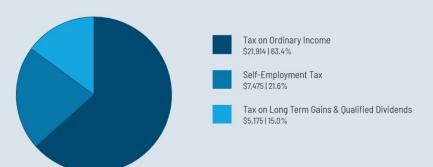


| KEY FIGURES | | | | | |
|----------------|-----------|-----------------------------------|------------------------|-------------------------------|---------------------|
| Total Income | \$114,550 | Filing Status | Married Filing Jointly | Tax Exempt Interest | \$3,700 |
| AGI | \$114,550 | Marginal Bracket | 12.0% | Qualified/Ordinary Dividends | \$2,250 / \$10,000 |
| Deductions | \$32,300 | Average Rate | 7.7% | ST/LT Capital Gains | \$1,000 / \$3,000 |
| Taxable Income | \$82,250 | 2025 Safe Harbor | \$8,776 | Carryforward Loss | \$0 |
| Total Tax | \$8,776 | Tax Exempt Pct. of Total Interest | 63.8% | Total/Taxable Social Security | \$57,000 / \$48,450 |
| | | | | Credits Claimed | \$0 |

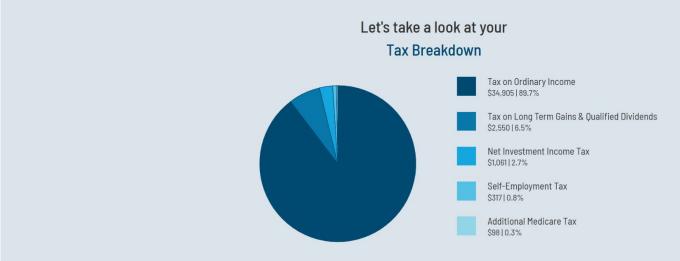
Social Security - depending on income, benefits are taxable anywhere from 0% to 85%



Let's take a look at your Tax Breakdown



The chart displays taxes before any credits are applied. Accordingly, there may be a mismatch between Total Taxes in the Key Figures section and the sum of the Tax Breakdown components shown here.



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KEY FIGURES

| Total Income | \$234,650 |
|----------------|-----------|
| AGI | \$230,912 |
| Deductions | \$42,000 |
| Taxable Income | \$179,080 |
| Total Tax | \$30,864 |

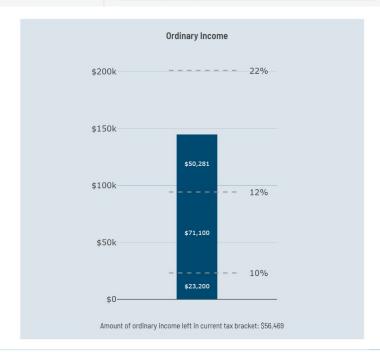
| Filing Status | Married Filing Jointly | |
|------------------|------------------------|--|
| Marginal Bracket | 22.0% | |
| Average Rate | 13.2% | |
| 2025 Safe Harbor | \$33.951 | |

| Tax Exempt Interest | \$0 |
|------------------------------|---------------------|
| Qualified/Ordinary Dividends | \$15,000 / \$20,000 |
| ST/LT Capital Gains | \$2,500 / \$19,500 |
| Carryforward Loss | \$0 |
| Credits Claimed | \$3,700 |

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 \$23,200 | \$23,200 | \$2,320 |
| 12% | \$23,200 to \$94,300 | \$71,100 | \$8,532 |
| 22% | \$94,300 to \$201,050 | \$50,281 | \$11,062 |
| 24% | \$201,050 to \$383,900 | \$0 | \$0 |
| 32% | \$383,900 to \$487,450 | \$0 | \$0 |
| 35% | \$487,450 to \$731,200 | \$0 | \$0 |
| 37% | \$731,200 and above | \$0 | \$0 |
| Total | | \$144,581 | \$21,914 |





KEY FIGURES

| Total Income | \$234,650 |
|----------------|-----------|
| AGI | \$230,912 |
| Deductions | \$42,000 |
| Taxable Income | \$179,080 |
| Total Tax | \$30,864 |
| | |

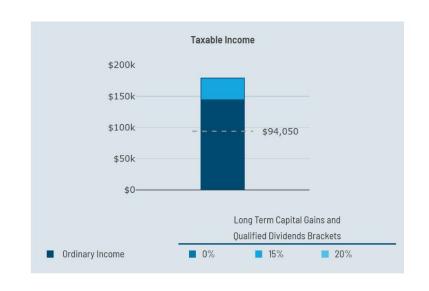
| Filing Status Married Filing | |
|------------------------------|----------|
| Marginal Bracket | |
| Average Rate | 13.2% |
| 2025 Safe Harbor | \$33.951 |

| Tax Exempt Interest | \$0 |
|------------------------------|---------------------|
| Qualified/Ordinary Dividends | \$15,000 / \$20,000 |
| ST/LT Capital Gains | \$2,500 / \$19,500 |
| Carryforward Loss | \$0 |
| Credits Claimed | \$3,700 |

Marginal Tax Brackets: Long Term Capital Gains & Qualified Dividends

Your taxable income of \$179,080 includes \$34,500 of long-term gains and qualified dividends that 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 \$94,050 | | \$0 | \$0 |
| 15.0% | \$94,050 to \$583,750 | \$179,080 | \$34,500 | \$5,175 |
| 20.0% | \$583,750 and above | | \$0 | \$0 |
| Total | | | \$34,500 | \$5,175 |





Marginal Tax Brackets: Ordinary Income ③

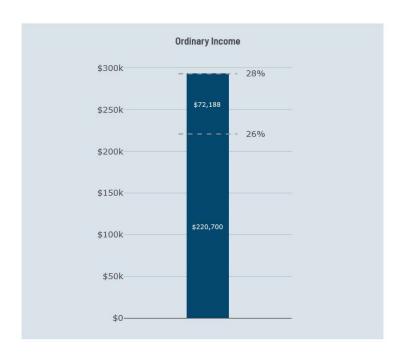
Alternative Minimum Tax (AMT)

Technically, the IRS asks taxpayers to calculate their taxes two ways (the standard way and the Alternative Minimum Tax way), with the resulting tax liability being whichever method results in a higher amount. The AMT method starts with the taxable income of the standard way, then adds back certain deductions and "preference items." Qualified dividends and long-term capital gains are taxed the same in both systems, but ordinary income is subject to just two marginal rates of 26% and 28% in the AMT system.

Before factoring in any other taxes, your standard tax liability was \$70,503, while your AMT tax liability was \$87,145, so you paid the latter.

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

| Marginal Rate | AMT Ordinary Income Threshold | AMT Income | Tax |
|---------------|-------------------------------|------------|----------|
| 26% | \$0 to \$220,700 | \$220,700 | \$57,382 |
| 28% | \$220,700 and above | \$72,188 | \$20,213 |
| Total | | \$292,888 | \$77,595 |





Medicare Part B/D Premiums for 2026

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income* (MAGI). Your MAGI is \$230,913. Amounts are monthly per person.

*MAGI = AGI + Tax-Exempt Interest

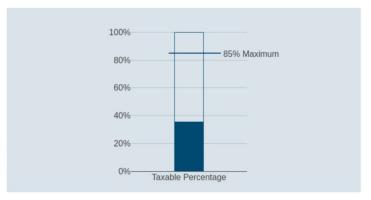
| MAGI Threshold | MAGI | Part B Premium | Part D Premium |
|------------------------|-----------|--------------------------------|-----------------------------|
| \$0 to \$212,000 | | \$185.00 | Your Plan Premium |
| \$212,000 to \$266,000 | \$230,913 | \$185.00 + \$74.00 = \$259.00 | Your Plan Premium + \$13.70 |
| \$266,000 to \$334,000 | | \$185.00 + \$185.00 = \$370.00 | Your Plan Premium + \$35.30 |
| \$334,000 to \$400,000 | | \$185.00 + \$295.90 = \$480.90 | Your Plan Premium + \$57.00 |
| \$400,000 to \$750,000 | | \$185.00 + \$406.90 = \$591.90 | Your Plan Premium + \$78.60 |
| \$750,000 and above | | \$185.00 + \$443.90 = \$628.90 | Your Plan Premium + \$85.80 |



Social Security 🛂

TAXATION OF SOCIAL SECURITY

| Taxable Percentage | Income Threshold | Combined Income * | Your Taxable Percentage |
|---------------------|----------------------|-------------------|----------------------------|
| 0% Taxable | Less than \$32,000 | | |
| Up to 50.0% taxable | \$32,000 to \$44,000 | | |
| Up to 85.0% taxable | More than \$44,000 | \$55,723 | 35.5% |



SOCIAL SECURITY

| Description | Amount |
|--------------------|----------|
| Total Benefits | \$45,000 |
| Taxable Percentage | 35.5% |
| Taxable Benefits | \$15.965 |

| * Combined income (provisional income) | |
|--|----------|
| AGI (not including Social Security benefits) | \$33,223 |
| Nontaxable Interest | \$0 |
| 50% of your Social Security benefits | \$22,500 |
| Total combined income | \$55,723 |



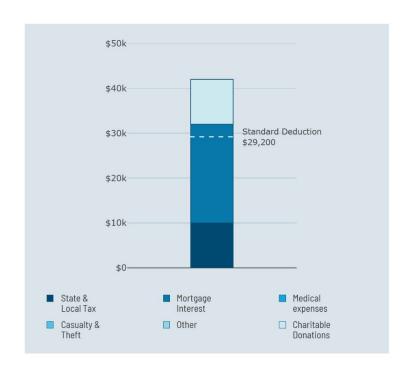
Schedule A

The tax return listed the following items on Schedule A:

ITEMIZED DEDUCTION SUMMARY

| Deduction | Amount Claimed |
|--|----------------|
| Medical & Dental Expenses | \$0 |
| State & Local Taxes | \$10,000 |
| Mortgage & Investment Interest Expense | \$22,000 |
| Gifts To Charity | \$10,000 |
| Casualty & Theft Losses | \$0 |
| Other Itemized Deductions | \$0 |
| Total Itemized Deductions | \$42,000 |

Your total itemized deductions exceeded the standard deduction by \$12,800





Schedule B - Income Sources

The tax return listed the following income sources on Schedule B

| INTEREST | | DIVIDENDS | |
|-----------------|---------|-------------|----------|
| Description | Amount | Description | Amount |
| BANK OF AMERICA | \$1,500 | VANGUARD | \$10,000 |
| ALLY BANK | \$2,000 | SCHWAB | \$10,000 |
| SCHWAB | \$2,500 | | |

- Did we know about these accounts?
- If there is significant interest coming from a bank, is that an indication that there are large amounts of cash potentially sitting unproductive?



Schedule D - Capital Gains/Losses

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

| | KI. | | |
|--|-----|--|--|
| | | | |

| Description | Amount |
|-------------------------------------|------------|
| Short Term Gain/Loss for 2023 | \$5,000 |
| Short Term Loss Carryover from 2022 | (\$10,000) |
| Total Short Term Gain/Loss for 2023 | (\$5,000) |

LONG TERM

| Description | Amount |
|-------------------------------------|----------|
| Long Term Gain/Loss for 2023 | \$50,000 |
| Capital Gain Distributions for 2023 | \$10,000 |
| Total Long Term Gain/Loss for 2023 | \$60,000 |

TOTAL

Total Gains/Losses for 2023 \$55,000

CARRY FORWARD LOSSES TO 2024

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

GAINS AND COLLECTIBLES

1250 Gains: \$10,000

Section 1250 depreciation capture is taxed as ordinary income up to a maximum rate of 25%, You had \$10,000 of this type of income that was taxed at the 25% rate for \$2,500, with any remainder that helped make up taxable income taxed as ordinary income.

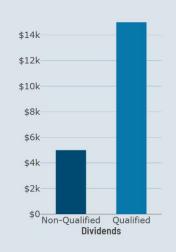
Collectibles: \$10,000

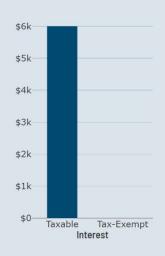
Collectibles are taxed as ordinary income up to a maximum rate of 28%. You had \$0 of this type of income that was taxed at the 28% rate for \$0, with any remainder that helped make up taxable income taxed as ordinary income.

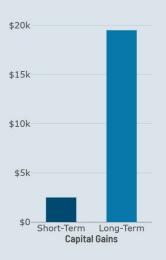


Let's take a look at the tax efficiency of your investment income

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 | | SCHEDULE E | |
|----------------|-------------|---|--|
| Business Name | Net Profit | Rental Real Estate and Royalties | |
| PAULA'S PALATE | \$52,900.00 | 100 BEACHFRONT DRIVE WILMINGTON, NC 27516 | |

- Did we know about the business?
- Liability protection?
- Are there opportunities for retirement plan contributions?
- Are there opportunities for other deductions, like self-employed health insurance?

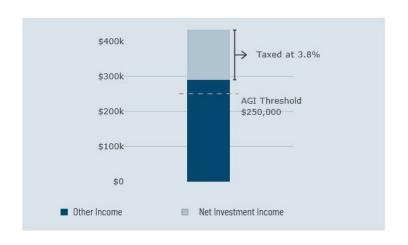
- Did we know about these entities?
- Are rental properties productive/cash flow positive?
- Potential depreciation recapture upon sale of rental properties
- Liability protection?
- Estate distribution ramifications



Net Investment Income Tax Summary

The Net Investment Income Tax(NIIT) is a 3.8% tax on the lesser of investment income or the amount over the income threshold where the NIIT is triggered which is \$200,000 (single filers) or \$250,000 (joint filers).

| Description | Amount |
|---|-----------|
| Modified adjusted gross income | \$430,761 |
| Threshold for Net Investment Income Tax | \$250,000 |
| Net Investment Income | \$141,000 |
| Lesser of Net Investment Income or MAGI in excess of the NIIT threshold | \$141,000 |
| Net Investment Income Tax | \$5,358 |





Modified Adjusted Gross Income (MAGI): Planning Considerations

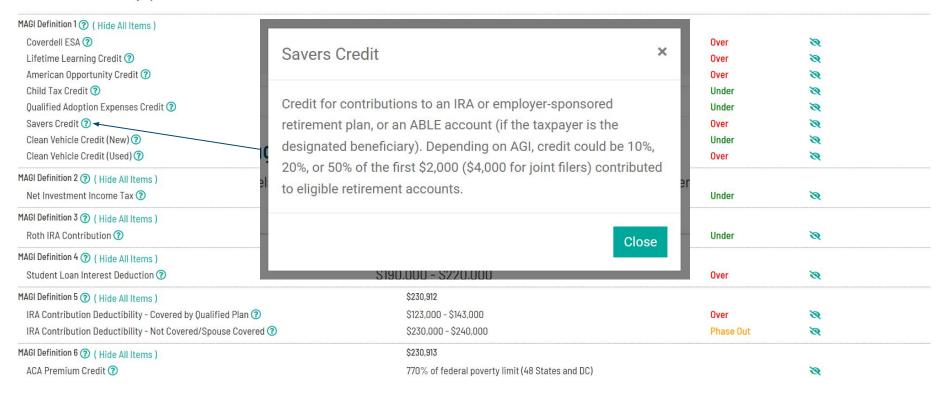
Certain deductions and tax incentives phase out as income reaches certain levels. The definition of "income" for these phase outs can be different. The term "Modified Adjusted Income" (MAGI) is generally used, but there are several definitions of MAGI that are slightly different from each other.

| MAGI Definition 1 ② (Hide All Items) | \$230,913 | | | |
|---|--|-----------|-----|--|
| Coverdell ESA ? | \$190,000 - \$220,000 | Over | 3 | |
| Lifetime Learning Credit ? | \$160,000 - \$180,000 | Over | 30 | |
| American Opportunity Credit ② | \$160,000 - \$180,000 | Over | 100 | |
| Child Tax Credit 🕐 | \$400,000 - \$440,000 | Under | 3 | |
| Qualified Adoption Expenses Credit ② | \$252,150 - \$292,150 | Under | 3 | |
| Savers Credit ② | \$46,000 - \$76,500 | Over | 30 | |
| Clean Vehicle Credit (New) 🕜 | \$0 - \$300,000 | Under | 30 | |
| Clean Vehicle Credit (Used) ② | \$0 - \$150,000 | Over | 100 | |
| 1AGI Definition 2 ② (Hide All Items) | \$230,913 | | | |
| Net Investment Income Tax 🔞 | \$0 - \$250,000 | Under | Ø | |
| MAGI Definition 3 ① (Hide All Items) | \$221,163 | | | |
| Roth IRA Contribution ③ | \$230,000 - \$240,000 | Under | 100 | |
| MAGI Definition 4 ⑦ (Hide All Items) | \$230,913 | | | |
| Student Loan Interest Deduction 3 | \$165,000 - \$195,000 | Over | Ø | |
| 1AGI Definition 5 ② (Hide All Items) | \$230,912 | | | |
| IRA Contribution Deductibility - Covered by Qualified Plan 🔞 | \$123,000 - \$143,000 | Over | 30 | |
| IRA Contribution Deductibility - Not Covered/Spouse Covered ③ | \$230,000 - \$240,000 | Phase Out | Ø | |
| MAGI Definition 6 ⑦ (Hide All Items) | \$230,913 | | | |
| ACA Premium Credit ② | 770% of federal poverty limit (48 States and DC) | | Ø | |
| | | | | |



Modified Adjusted Gross Income (MAGI): Planning Considerations 🛂

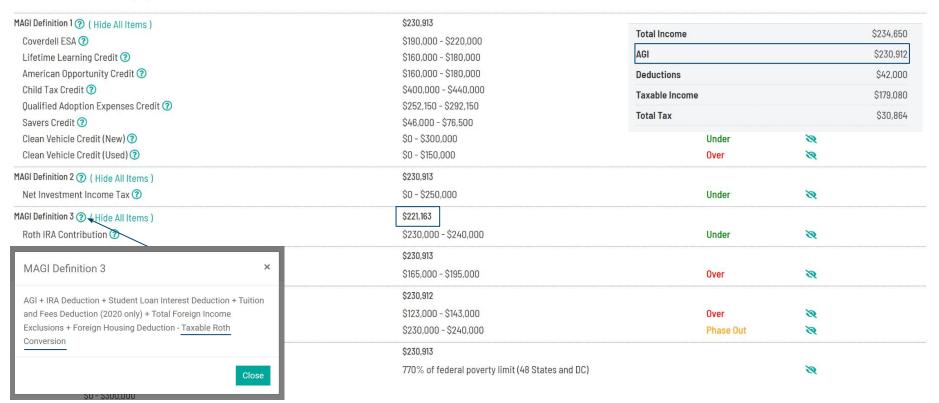
Certain deductions and tax incentives phase out as income reaches certain levels. The definition of "income" for these phase outs can be different. The term "Modified Adjusted Income" (MAGI) is generally used, but there are several definitions of MAGI that are slightly different from each other.





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.





Deductions & Credits

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

| DEDUCTIONS | | | | | | |
|------------|--|-----|----|-----|-----|---|
| | | TIL | 01 | FIC | TAC | 0 |
| | | | | | | |

ClaimedDeductionDeductible Part of Self-Employment Tax\$3,738State, Local, and Other Taxes Deducted\$10,000Mortgage and Investment Interest Expense Deduction\$22,000Gifts to Charity\$10,000Qualified Business Income Deduction\$9,832

CREDITS

| laimed | Credit | Туре |
|---|---------|----------------|
| lon-Refundable Child Tax Credit + Credit for Other Dependents | \$2,500 | Non-refundable |
| lependent Care | \$600 | Non-refundable |
| nergy Efficient Home Improvement Credit | \$600 | Non-refundable |



Peter and PaulaProfessor