



2019 TAX REPORT FOR MRS SAMPLE CLIENT

KEY FIGURES

- Total Income: \$220,561
- AGI: \$218,225
- Deductions: \$24,400
- Taxable Income: \$193,825
- Total Tax: \$31,540
- Marginal Rate: 24.0%
- Average Rate: 14.3%
- Effective Rate: 16.3%
- 2020 Safe Harbor: \$34,695
- Tax Exempt Pct. of Total Interest: 0.0%
- Tax Exempt Interest: \$0
- Qualified/Ordinary Dividends: \$0 / \$0
- ST/LT Capital Gains: \$0 / \$0
- Carryforward Loss: \$0
- Credits Claimed: \$6,285

MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold
10.0%	\$0 to \$19,400
12.0%	\$19,400 to \$78,950
22.0%	\$78,950 to \$168,400
24.0%	\$168,400 to \$321,450
	You: \$193,825
32.0%	\$321,450 to \$408,200
35.0%	\$408,200 to \$612,350
37.0%	\$612,350 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%	\$78,750	\$0
	You: \$193,825	
20.0%	\$488,850	\$0

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Additional Medicare Tax	\$250,000	Under
Coverdell ESA	\$190,000 - \$220,000	In Phaseout
Roth IRA Contribution	\$193,000 - \$203,000	Over
Lifetime Learning Credit	\$116,000 - \$136,000	Over
Student Loan Interest Deduction	\$140,000 - \$170,000	Over
American Opportunity Credit	\$160,000 - \$180,000	Over
Child Tax Credit	\$400,000	Under
Qualified Adoption Expenses Credit	\$207,140 - \$247,140	In Phaseout
Saver's Credit	\$64,000	Over
IRA Contribution Deductibility - Covered Spouse	\$103,000 - \$123,000	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$193,000 - \$203,000	Over

* NIIT, Saver's Credit MAGI = AGI

** Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI = AGI (Form 2555 foreign income not included.)

*** Roth MAGI = AGI - Roth Conversions + IRA Deduction + Student Loan Interest Deduction + Tuition Deduction (Form 2555 foreign income not included.)

† Student Loan Deduction and Adoption Credit MAGI = AGI + Student Loan Interest Deduction

†† IRA Deduction MAGI = AGI + IRA Deduction + Student Loan Interest Deductions + Deductible Self-Employment Tax + EE Bond Interest (Form 2555 foreign income not included.)



MEDICARE PART B/D PREMIUMS FOR 2021

Medicare Parts B and D premiums are impacted by Modified Adjusted Gross Income* (MAGI)

*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
		You: \$218,225
\$272,000 to \$326,000	\$231	\$51
\$326,000 to \$750,000	\$318	\$70
\$750,000 and above.	\$347	\$76

OBSERVATIONS

Per the CARES Act, passed in March 2020, Required Minimum Distributions have been waived for 2020.

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

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.

The safe harbor for underpayment penalties is your total tax x 110%, or \$34,695.00. Note that the timing of your payments is also important with respect to avoiding penalties. Withholding from a paycheck or retirement account distributions is 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 tax return lists HSA contributions totaling \$4,490.00. The 2019 limits for HSA contributions were \$7,000 for families and \$3,500 for individuals, with an extra \$1,000 catch up provision for taxpayers age 55 or older.

Sample is age 61 in 2019, and thus is eligible to start taking Social Security next year. In most cases, it is preferable to wait at least until full retirement age to take Social Security.

