



## 2018 TAX REPORT FOR KEVIN SMITH AND JOAN SMITH

### KEY FIGURES

- Total Income: \$124,867
- AGI: \$116,922
- Deductions: \$24,000
- Taxable Income: \$91,335
- Total Tax: \$7,893
- Marginal Rate: 22.0%
- Effective Rate: 6.3%
- 2019 Safe Harbor: \$7,893
- Tax Exempt Interest: \$0
- Qualified/Ordinary Dividends: \$0 / \$0
- ST/LT Capital Gains: \$0 / \$0
- Carryforward Loss: \$0
- Credits Claimed: \$7,200

### 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
32.0%	\$315,000 to \$400,000
35.0%	\$400,000 to \$600,000
37.0%	\$600,000 and above.

You: \$91,335

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: \$91,335
20.0%	\$479,000	\$0

### MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Additional Medicare Tax	\$250,000	Under
Coverdell ESA	\$190,000 - \$220,000	Under
Roth IRA Contribution	\$193,000 - \$203,000	Under
Lifetime Learning Credit	\$116,000 - \$136,000	In Phaseout
Student Loan Interest Deduction	\$140,000 - \$170,000	Under
American Opportunity Credit	\$160,000 - \$180,000	Under
Child Tax Credit	\$400,000	Under
Qualified Adoption Expenses Credit	\$207,140 - \$247,140	Under
Saver's Credit	\$63,000	Over
IRA Contribution Deductibility - Covered Spouse	\$103,000 - \$123,000	In Phaseout
IRA Contribution Deductibility - Non-Covered Spouse	\$193,000 - \$203,000	Under

\* 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 + IRA Deduction + Student Loan Interest 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 2020

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
\$272,000 to \$326,000	\$231	\$51
\$326,000 to \$750,000	\$318	\$70
\$750,000 and above.	\$347	\$76

**You:**  
**\$116,922**

## SCHEDULE B INCOME SOURCES

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

Interest

Description	Amount
AMERICAN EXPRESS BANK FSB	\$711
DISCOVER BANK	\$219
CHARLES SCHWAB BANK	\$14

## OBSERVATIONS

You are in the 22.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.

Your tax return indicates an overpayment of estimated taxes and/or withholding. A tax refund is in essence the government paying back an interest free loan you made to them over the course of the year. Consider discussing with a tax professional, as you may be able to keep more of your capital during the course of the year by adjusting withholding and estimated taxes.

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 called "compensation income". The tax return does include some compensation income.

The safe harbor for underpayment penalties is your total tax x 100%, or \$7,893.00. 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 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.

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.