

2019 TAX REPORT FOR JOHN DOE

KEY FIGURES

- Total Income: \$78,045
- AGI: \$68,091
- Deductions: \$20,144
- Taxable Income: \$47,411
- Total Tax: \$5,042
- Filing Status: Married Filing Jointly
- Marginal Rate: 12.0%
- Average Rate: 6.5%
- 2020 Safe Harbor: \$5,042
- Tax Exempt Pct. of Total Interest: 0.1%
- Tax Exempt Interest: \$1
- Qualified/Ordinary Dividends: \$333 / \$1,019
- ST/LT Capital Gains: \$87 / \$1,066
- Carryforward Loss: \$0
- Credits Claimed: \$500

SCHEDULE D - CAPITAL GAINS/LOSSES

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

SHORT TERM

Description	Amount
Short Term Loss Carryover from	\$0
Short Term Gain/Loss for	\$87
Total Short Term Gain/Loss for	\$87

LONG TERM

Description	Amount
Long Term Loss Carryover from	\$0
Long Term Gain/Loss for	\$1,066
Total Long Term Gain/Loss for	\$1,066

TOTAL

Total Gains/Losses for	\$1,153
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ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$20,144 vs. Standard Deduction of \$25,700

Deduction	Amount Claimed
Health Care Expenses	\$12,893
Taxes Paid	\$1,951
Mortgage and Investment Interest Expense	\$0
Charity	\$5,300
TOTAL	\$20,144

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 You: \$46,022
22.0%	\$78,950 to \$168,400
24.0%	\$168,400 to \$321,450
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 You: \$47,411	\$1,389
15.0%	\$78,750	\$0
20.0%	\$488,850	\$0

MEDICARE PART B/D PREMIUMS FOR 2019

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 You: \$68,093
\$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

OBSERVATIONS

Less than 50% of dividend income came from qualified dividends. We should review the portfolio to determine if this percentage can be increased to reduce the overall tax paid on dividends

Your taxable income appears to be low enough to allow you to recognize long term capital gains at a 0% tax rate. If you expect to have low taxable income this year as well, you might consider taking some or all of any unrealized capital gains you might have.

Given that you are in a lower marginal tax bracket, you may consider converting any eligible retirement accounts to Roth

John is age 69.5 in 2019, and thus is eligible to start making Qualified Charitable Distributions next year.

The safe harbor for underpayment penalties is your total tax x 100%, or \$5,042.00. 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 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.

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 are not using the full state and local tax itemized deduction. If you pay property taxes, you may research paying those taxes in alternating years.

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Your tax return lists HSA contributions totaling \$3,500.00. 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.

PENNSYLVANIA STATE TAX HINTS

State does not distinguish between long and short term capital gains

Federal and state pensions not taxed

Social security benefits not taxed

Retirement plan distributions not taxed (some limitations)

IRA distributions not taxed up to PA basis (since PA contributions not deductible)

In-state and out-of-state 529 contributions deductions per beneficiary - \$15,000 single, \$30,000 MFJ

Roth IRA distributions taxable over PA basis

Carried forward capital losses are NOT recognized - Gain not taxed at Federal level due to offset losses will be taxed in PA

when deciding on a business location, it helps to know if the municipality of choice has adopted the Business Privilege and/or Mercantile tax under Act 511. It assesses a set tax millage on GROSS receipts (not income). Typically the first \$1 million of gross income only, then the remainder is exempt.

Disclaimer

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