

2021 TAX REPORT FOR SAM SAMPLETON

KEY FIGURES

Total Income:	\$403,950	Filing Status: Married Filing Jointly	Tax Exempt Interest:	\$0
AGI:	\$399,092	Marginal Rate:	24.0%	Qualified/Ordinary Dividends:
Deductions:	\$32,500	Average Rate:	19.7%	\$11,500 / \$15,000
Taxable Income:	\$361,840	2022 Safe Harbor:	\$87,550	ST/LT Capital Gains:
Total Tax:	\$79,590			\$9,000 / \$22,500
			Carryforward Loss:	\$0
			Credits Claimed:	\$550

MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold	
10.0%	\$0 to \$19,900	
12.0%	\$19,900 to \$81,050	
22.0%	\$81,050 to \$172,750	
24.0%	\$172,750 to \$329,850	You: \$327,840
32.0%	\$329,850 to \$418,850	
35.0%	\$418,850 to \$628,300	
37.0%	\$628,300 and above.	

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$34,000 Total)
0.0%	\$0	\$0
15.0%	\$80,800	You: \$361,840 \$34,000
20.0%	\$501,600	\$0

The tax return also includes these extra Medicare taxes:

- \$786.00 additional Medicare tax on Form 8959.
- \$1,815.00 net investment income tax on Form 8960.

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Over
Coverdell ESA	\$190k - \$220k	Over
Roth IRA Contribution	\$198k - \$208k	Over
Lifetime Learning Credit	\$160k - \$180k	Over
Student Loan Interest Deduction	\$140k - \$170k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$217k - \$257k	Over
Saver's Credit	\$40k - \$66k	Over
IRA Contribution Deductibility - Covered Spouse	\$105k - \$125k	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$198k - \$208k	Over

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$32,500 vs. Standard Deduction of \$25,100

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$12,000
Charity	\$10,500
TOTAL	\$32,500

MEDICARE PART B/D PREMIUMS FOR 2023

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.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$194,000	\$0	\$0
\$194,000 to \$246,000	\$66	\$12
\$246,000 to \$306,000	\$165	\$32
\$306,000 to \$366,000	\$264	\$51
\$366,000 to \$750,000	\$363	\$70
\$750,000 and above.	\$396	\$76

**You:
\$399,092**

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 2020	\$0
Short Term Gain/Loss for 2021	\$9,000
Total Short Term Gain/Loss for 2021	\$9,000

LONG TERM

Description	Amount
Long Term Loss Carryover from 2020	\$0
Long Term Gain/Loss for 2021	\$22,500
Total Long Term Gain/Loss for 2021	\$22,500

TOTAL

Total Gains/Losses for 2021	\$31,500
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SCHEDULE B INCOME SOURCES

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

INTEREST

Description	Amount
BANK OF AMERICA	\$250
ALLY BANK	\$500
SCHWAB	\$500

DIVIDENDS

Description	Amount
VANGUARD	\$5,000
SCWHAB	\$10,000

SCHEDULE C INCOME SOURCES

The tax return listed the following businesses on Schedule C:

Business Name	Net Profit
PAULA'S PALATE	\$40,450

SCHEDULE E INCOME SOURCES

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

RENTAL REAL ESTATE AND ROYALTIES

555 EROSION WAY WRIGHTSVILLE, NC 27516

PARTNERSHIPS AND S CORPORATIONS

EXPENSIVE TAX SHELTER LP

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 exceeds 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 24.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.

The Qualified Business Income (QBI) deduction phases out between \$329,800 and \$429,800 for certain professions named by the IRS. Your taxable income was within that phaseout range. If your business falls within one of those named professions, your QBI eligibility might be impacted.

The 2022 safe harbor for underpayment penalties is your total tax x 110%, or \$87,550. 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 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.

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.

You had charitable contributions in excess of \$10,000. If you plan to do donations of similar size in future years, you may consider grouping them into alternating tax years to maximize your deductions. A "Donor Advised Fund" can facilitate this strategy.

Form 8606 reports after-tax basis in at least one retirement account. This basis reduces the amount of taxable income generated from a Roth conversion or normal distribution.

You owed additional taxes beyond any withholding or estimated tax payments. If this was due to a one-time event, you may not need to take any action. If not, consider adjusting your withholding to avoid any surprise lump sum payments due at tax time.

A portion of your retirement or annuity distributions was not taxable. This suggests some after-tax basis in the account, a rollover, or a Qualified Charitable Distribution.

Schedule C does not include any expenses on line 9, car and truck expenses. Do you use a vehicle for any business-related activities?

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.

The child tax credit available in 2021 was larger than in other years and also included an advance payment component. Schedule 8812 should be checked for accuracy, most notably lines 14f and 30. Letter 6419 should also be reviewed and retained in your records.

The 2021 tax year included a child and dependent care expense credit that was much larger than in past years. Form 2441 is worth extra scrutiny for 2021. Extra care should be taken to report all qualifying dependent care expenses in order to maximize this credit.

Your tax return lists HSA contributions totaling \$2,000.00. The 2021 limits for HSA contributions were \$7,200 for families and \$3,600 for individuals, with an extra \$1,000 catch up provision for taxpayers age 55 or older.

You converted \$25,000 from a Traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA. Of this conversion, \$15,750 was taxable as ordinary income, as reported on Form 8606.

MASSACHUSETTS STATE TAX HINTS

Foreign earned income is NOT excluded for MA state tax purposes

Social Security benefits not taxed

IRA contributions not deductible, IRA distributions up to MA after tax basis not taxed

50% of rent is deductible up \$3,000 (\$1,500 MFS)

In-state 529 contribution deductions - \$1,000 single, \$2,000 MFJ

State pension income is not taxable in MA

The Senior Circuit Breaker tax credit is a refundable credit based on the taxpayer's age, income, and real estate taxes

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- $NIIT = AGI + \text{Excluded Foreign Earned Income}$
- Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI, Adoption Credit, Saver's Credit = $AGI + \text{Excluded Foreign Earned Income} + \text{Housing}$
- $\text{Roth MAGI} = AGI - \text{Taxable Roth Conversions} + \text{IRA Deduction} + \text{Student Loan Interest Deduction} + \text{Tuition and Fees Deduction} + \text{Excluded Foreign Earned Income} + \text{Housing}$
- $\text{Student Loan Deduction MAGI} = AGI \text{ not including student loan interest} + \text{Excluded Foreign Earned Income} + \text{Housing}$
- $\text{IRA Deduction MAGI} = AGI + \text{Student Loan Interest Deduction} + \text{Tuition and Fees Deduction} + \text{Excluded Foreign Earned Income} + \text{Housing}$