

### **13-Point Tax Return Review Checklist**

Pleasant Street Wealth Advisors reviews the following thirteen items in detail from your tax return for planning purposes. Our thoughts are sent to you along with your tax report, which presents numerous key findings from your tax return.

1. **Marginal Tax Rate**

We review your marginal tax rate. The marginal tax rate is the tax rate paid on the next dollar of income, so it gives us an idea of which tax bracket you are in and it assists us in tax planning, such as whether we should take an IRA distribution in a “low income year.”

2. **Average Tax Rate**

We review your average tax rate. The average rate is arrived by dividing the total tax paid by total income. This helps us better understand your overall tax picture.

3. **Carry Forward Losses**

Carry forward losses moves your capital losses (from sales of assets) to a future year to reduce future tax liabilities. This can provide a great planning opportunity.

4. **IRMAA Surcharges**

Medicare Income-Related Monthly Adjustment Amount (IRMAA) is the extra surcharge based on income and added to your Medicare premiums. These additional charges increase expenses unnecessarily, and we look to plan to minimize and avoid having our clients subject to IRMAA.

5. **Capital Gains**

Long-term capital gains are taxed at a more preferential rate than your ordinary income, which is helpful when selling assets.

6. **Qualified Dividends (of Total Dividends)**

Qualified dividends are dividends that are taxed at capital gains rates as opposed to ordinary income rates, which are generally higher. The higher the percentage of qualified dividends the more tax-efficient the portfolio.

7. **Roth Conversion Opportunities**

Have you considered a Roth conversion to guarantee tax-free and RMD-free income in retirement? We use industry leading technology to find the optimal Roth conversion amount that would allow you to build your Roth balances and fill your current marginal tax bracket “bucket.”

**8. Itemized vs. Standard Deduction**

Did you take the standard deduction when taking an itemized deduction could have been more beneficial for you? We consider planning strategies (such as “bunching”) and we look to make sure itemized deductions are taken when appropriate.

**9. Net Investment Income (NIIT) Tax**

The additional Net Investment Income Tax (NIIT) is for taxpayers who’s investment income exceeds certain limits. The income over the limit is taxed at 3.8%, and is often a surprise to higher income clients.

**10. Qualified Business Income (QBI) Deduction**

The Tax Cuts and Jobs Act (TCJA) of 2017 includes a 20% tax deduction for pass-through businesses (subject to several requirements). All small business owners should be aware of this tax-savings opportunity.

**11. Phaseouts**

There are fifty (50) tax credits that are available, but they are subject to a variety of income phaseouts. We believe you should take advantage of all available tax credits and that you should know if you are in phaseout range so we can plan accordingly.

**12. Review of Credits and Debits**

We believe you should be aware of your income as well as all of the tax deductions and tax credits you claimed.

**13. Maximizing Value of Equity Compensation**

Many employees receive a portion of their salary or bonus via Employee Stock Compensation Plans. These comp plans are often Incentive Stock Options (ISOs), Restricted Share Units (RSUs), or Non-qualified Stock Options (NQSOs). Each of these plans requires unique tax planning opportunities to maximize the value for a household.

We take our clients’ tax return analysis and reviews very seriously. The above thirteen items are crucial for clients to know about their financial status. After all, a tax return is the most accurate documentation in terms of income and taxes paid. We do our best to work with you and present information in the most helpful way possible.

