

## 2023 TAX REPORT FOR FRANK & JOANNA CLIENT

### KEY FIGURES

Total Income:	\$430,286	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$0
AGI:	\$422,338	Marginal Rate:	24.0%	Qualified/Ordinary Dividends:	
Deductions:	\$27,700	Average Rate:	15.0%		\$2,530 / \$4,209
Taxable Income:	\$324,448	2024 Safe Harbor:	\$71,041	ST/LT Capital Gains:	\$0 / \$843
Total Tax:	\$64,582			Carryforward Loss:	\$0
				Credits Claimed:	\$79

### MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold	
10.0%	\$0 to \$22,000	
12.0%	\$22,000 to \$89,450	
22.0%	\$89,450 to \$190,750	
24.0%	\$190,750 to \$364,200	<b>You: \$318,075</b>
32.0%	\$364,200 to \$462,500	
35.0%	\$462,500 to \$693,750	
37.0%	\$693,750 and above.	

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$3,373 Total)
0.0%	\$0	\$0
15.0%	\$89,250	<b>You: \$324,448</b> \$3,373
20.0%	\$553,850	\$0

The tax return also includes these extra Medicare taxes:

- \$297.00 net investment income tax on Form 8960.

### MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Over
Roth IRA Contribution	\$218k - \$228k	Over
Lifetime Learning Credit	\$160k - \$180k	Over
Student Loan Interest Deduction	\$155k - \$185k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	In Phaseout
Clean Vehicle Credit (New)	\$300k	Over
Clean Vehicle Credit (Used)	\$150k	Over

### MEDICARE PART B/D PREMIUMS FOR 2025

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 per person.

\*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$206,000	\$0	\$0
\$206,000 to \$258,000	\$70	\$13
\$258,000 to \$322,000	\$175	\$33
\$322,000 to \$386,000	\$280	\$54
\$386,000 to \$750,000	\$384	\$74
\$750,000 and above.	\$419	\$81

**You: \$422,338**

## OBSERVATIONS

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.

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

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The 2024 safe harbor for underpayment penalties is your total tax x 110%, or \$71,041. 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.

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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.

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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.

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You both are over the age of 70.5 and thus are eligible to make tax-free Qualified Charitable Distributions (QCDs) from IRAs to qualifying charitable organizations.

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Joanna appears to be age 65 or older but without that potential deduction marked on the return. Frank appears to be age 65 or older but without that potential deduction marked on the return.

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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.

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For the ACA Premium Tax Credit, taxpayers with MAGI of less than 100% of the Federal Poverty Limit (FPL) are not eligible to receive any credits. Generally, taxpayers with MAGI between 100% and 400% of the FPL are eligible to receive the credit on a sliding scale. Taxpayers with MAGI above 400% of the FPL may receive the credit, to the extent the credit will keep the cost of the benchmark plan to no more than 8.5% of household income.

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Review employer-provided benefits to ensure you are taking full advantage of any pre-tax options.

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Your tax return lists HSA contributions totaling \$7,750.00. The 2023 limits for HSA contributions were \$7,750 for families and \$3,850 for individuals, and any eligible taxpayer age 55 and older can contribute an additional \$1,000 catch-up amount to their own HSA account.

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Your modified adjusted gross income (MAGI) appears to be high enough to make you ineligible for the new and used clean vehicle credits. Note that you may still be eligible for the used vehicle credit based on MAGI, as you can use your MAGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in one of the two years, you can claim the credit.

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- NIIT = AGI + Excluded Foreign Earned Income
- Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI, Adoption Credit, Saver's Credit = AGI + Excluded Foreign Earned Income + Housing
- Roth MAGI = AGI - Taxable Roth Conversions + IRA Deduction + Student Loan Interest Deduction + Tuition and Fees Deduction + Excluded Foreign Earned Income + Housing

- Student Loan Deduction MAGI = AGI not including student loan interest + Excluded Foreign Earned Income + Housing
- IRA Deduction MAGI = AGI + Student Loan Interest Deduction + Tuition and Fees Deduction + Excluded Foreign Earned Income + Housing