



2021 TAX REPORT FOR XXXXX XXXXX

KEY FIGURES

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

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Over
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$217k - \$257k	Over

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.

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 \$182,000	\$0	\$0
\$182,000 to \$228,000	\$68	\$12
\$228,000 to \$284,000	\$170	\$32
\$284,000 to \$340,000	\$272	\$52
\$340,000 to \$750,000	\$374	\$71
\$750,000 and above.	\$408	\$78

You:
\$399,092

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

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	\$25
ALLY BANK	0
SCHWAB	\$50
	0

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 Qualifying Business Income 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 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 this year on your tax return. Given the high standard deduction, itemized deductions on mortgage interest are less valuable.

You had charitable contribution in excess of \$10,000 this year. If you plan to do donations of similar size in future years, you may consider grouping them into alternative 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.

You were unable to deduct \$2,000 of state and local taxes due to the \$10,000 maximum cap created by the Tax Cuts and Jobs Act.

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 this year. 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.

NORTH CAROLINA STATE TAX HINTS

Social Security benefits not taxed

State and federal pensions excluded - If retiree had 5 years service before Aug 12, 1989

Foreign tax credit is available, but must be calculated. Frequently missed on self-prepared returns.

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 Deduction + Excluded Foreign Earned Income + Housing

Student Loan Deduction MAGI = AGI not including student loan interest

IRA Deduction MAGI = AGI + Student Loan Interest Deduction + Tuition and Fees Deduction + Excluded Foreign Earned Income + Housing