



## 2020 TAX REPORT FOR TONY STARK AND PEPPER STARK

## KEY FIGURES

Total Income:	\$241,874	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$34
AGI:	\$241,578	Marginal Rate:	22.0%	Qualified/Ordinary Dividends:	\$219 / \$445
Deductions:	\$27,179	Average Rate:	13.1%	ST/LT Capital Gains:	\$26 / \$59,138
Taxable Income:	\$214,216	2021 Safe Harbor:	\$34,741	Carryforward Loss:	\$0
Total Tax:	\$31,582	Tax Exempt Pct. of Total Interest:	97.1%	Credits Claimed:	\$3,062

## MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold	
10.0%	\$0 to \$19,750	
12.0%	\$19,750 to \$80,250	
22.0%	\$80,250 to \$171,050	You: \$154,859
24.0%	\$171,050 to \$326,600	
32.0%	\$326,600 to \$414,700	
35.0%	\$414,700 to \$622,050	
37.0%	\$622,050 and above.	

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$59,357 Total)
0.0%	\$0	\$0
15.0%	\$80,000	You: \$214,216 \$59,357
20.0%	\$496,600	\$0

## MEDICARE PART B/D PREMIUMS FOR 2022

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income\* (MAGI). Amounts below are in addition to the base premiums.

\*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$176,000	\$0	\$0
\$176,000 to \$222,000	\$59	\$12
\$222,000 to \$276,000	\$149	\$32 You: \$241,612
\$276,000 to \$330,000	\$238	\$51
\$330,000 to \$750,000	\$327	\$71
\$750,000 and above.	\$356	\$77

## MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250,000	Under
Coverdell ESA	\$190,000 - \$220,000	Over
Roth IRA Contribution	\$196,000 - \$206,000	Over
Lifetime Learning Credit	\$116,000 - \$136,000	Over
Student Loan Interest Deduction	\$140,000 - \$170,000	Over
American Opportunity Credit	\$160,000 - \$180,000	Over
Child Tax Credit	\$400,000 - \$440,000	Under
Qualified Adoption Expenses Credit	\$216,600 - \$256,660	In Phaseout
Saver's Credit	\$39,000 - \$65,000	Over
IRA Contribution Deductibility - Covered Spouse	\$104,000 - \$124,000	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$196,000 - \$206,000	Over

## ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$27,179 vs. Standard Deduction of \$24,800

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$8,488
Charity	\$8,691
<b>TOTAL</b>	<b>\$27,179</b>

## 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 2019	\$0
Short Term Gain/Loss for	\$26
Total Short Term Gain/Loss for	\$26
LONG TERM	
Description	Amount
Long Term Loss Carryover from 2019	\$0
Long Term Gain/Loss for	\$59,138
Total Long Term Gain/Loss for	\$59,138
TOTAL	
Total Gains/Losses for	\$59,164

## OBSERVATIONS

Less than 50% of dividend income came from qualified dividends. You may consider reviewing the portfolio to determine if this percentage can be increased to reduce the overall tax paid on dividends

MAGI income is within 10% of the threshold for the Medicare tax on investment income. Consider strategies next year to reduce taxable income and to avoid realizing capital gains.

You are in the 22.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.

You were assessed an underpayment penalty. Penalties can be avoided by paying, through withholding and/or estimated taxes, the "safe harbor" amount of taxes through the year. You might discuss with your tax professional.

The safe harbor for underpayment penalties is your total tax x 110%, or \$34,741.00. 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 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.

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

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Your itemized deductions are not much larger than the standard deduction. You may consider grouping itemized deductions into alternating years. A charitable donor advised fund is a common method, as is the grouping of property tax payments into alternating calendar years.

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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.

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Your tax return does not list any HSA contributions. If you are eligible to contribute to an HSA, you will get a tax deduction, regardless of whether you itemize or take the standard deduction.

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You had additional taxes due, over and above what you withheld and paid through estimated tax payments. If the additional taxes were due to a one-time event, no further action may be necessary, but if the additional tax was large and unexpected, you may need to adjust withholding for this year.

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You were unable to deduct \$656.00 of state and local taxes due to the \$10,000.00 maximum cap created by the Tax Cuts and Jobs Act.

- NIIT, Saver's Credit MAGI = AGI (Foreign income exclusion not included)
- Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI = AGI (Form 2555 foreign income not included.)
- Roth MAGI = AGI - Roth Conversions + IRA Deduction + Student Loan Interest Deduction + Tuition Deduction (Form 2555 foreign income not included.)
- Student Loan Deduction and Adoption Credit MAGI = AGI + Student Loan Interest Deduction
- IRA Deduction MAGI = AGI + Student Loan Interest Deduction + Tuition and Fees Deduction + Schedule B Line 3 Interest (Foreign income and employer-provided adoption benefits not included.)