

2019 TAX REPORT FOR

KEY FIGURES

- Total Income: \$408,215
- AGI: \$408,215
- Deductions: \$24,400
- Taxable Income: \$383,815
- Total Tax: \$81,523
- Marginal Rate: 32.0%
- Average Rate: 20.0%
- 2020 Safe Harbor: \$89,676
- Tax Exempt Interest: \$0
- Qualified/Ordinary Dividends: \$2,562 / \$2,570
- ST/LT Capital Gains: (\$155) / \$0
- Carryforward Loss: \$0
- Credits Claimed: \$5,639

MARGINAL TAX BRACKET INFORMATION

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

Marginal Rate	Ordinary Income Threshold
10.0%	\$0 to \$19,400
12.0%	\$19,400 to \$78,950
22.0%	\$78,950 to \$168,400
24.0%	\$168,400 to \$321,450
32.0%	\$321,450 to \$408,200
35.0%	\$408,200 to \$612,350
37.0%	\$612,350 and above.

You: \$381,253

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

Marginal Rate	Taxable Income Threshold	Qualified Income (\$2,562 Total)
0.0%	\$0	\$0
15.0%	\$78,750	\$2,562
20.0%	\$488,850	\$0

You: \$383,815

The tax return also includes these extra Medicare taxes:

- \$1,960.00 additional Medicare tax on Form 8959.
- \$184.00 net investment income tax on Form 8960.

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Additional Medicare Tax	\$250,000	Over
Coverdell ESA	\$190,000 - \$220,000	Over
Roth IRA Contribution	\$193,000 - \$203,000	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	Over
Qualified Adoption Expenses Credit	\$207,140 - \$247,140	Over
Saver's Credit	\$64,000	Over
IRA Contribution Deductibility - Covered Spouse	\$103,000 - \$123,000	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$193,000 - \$203,000	Over

* NIIT, Saver's Credit MAGI = AGI

** 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 + IRA Deduction + Student Loan Interest Deductions + Deductible Self-Employment Tax + EE Bond Interest (Form 2555 foreign income not included.)

MEDICARE PART B/D PREMIUMS FOR 2021

Medicare Parts B and D premiums are impacted by Modified Adjusted Gross Income* (MAGI)

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$174,000	\$0	\$0
\$174,000 to \$218,000	\$58	\$12
\$218,000 to \$272,000	\$145	\$32
\$272,000 to \$326,000	\$231	\$51
\$326,000 to \$750,000	\$318	\$70
\$750,000 and above.	\$347	\$76

You: \$408,215

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$13,021 vs. Standard Deduction of \$24,400

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$2,749
Charity	\$272
TOTAL	\$13,021

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 2018	\$0
Short Term Gain/Loss for 2019	(\$155)
Total Short Term Gain/Loss for 2019	(\$155)

LONG TERM

Description	Amount
Long Term Loss Carryover from 2018	\$0
Long Term Gain/Loss for 2019	\$0
Total Long Term Gain/Loss for 2019	\$0

TOTAL

Total Gains/Losses for 2019	(\$155)
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OBSERVATIONS

MAGI income exceeds the threshold for the Medicare tax on investment income. Consider strategies to reduce taxable income and to avoid realizing capital gains.

Your tax return indicates an overpayment of estimated taxes and/or withholding. A tax refund is in essence the government paying back an interest free loan you made to them over the course of the year. Consider discussing with a tax professional, as you may be able to keep more of your capital during the course of the year by adjusting withholding and estimated taxes.

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.

The safe harbor for underpayment penalties is your total tax x 110%, or \$89,676.00. 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 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.

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

Andreas is age 49 in 2019, and thus is eligible to make catch-up contributions to retirement accounts starting next year.