



## 2024 Tax Report for Jane Sample

Scenario: 2024 Sample Tax Report

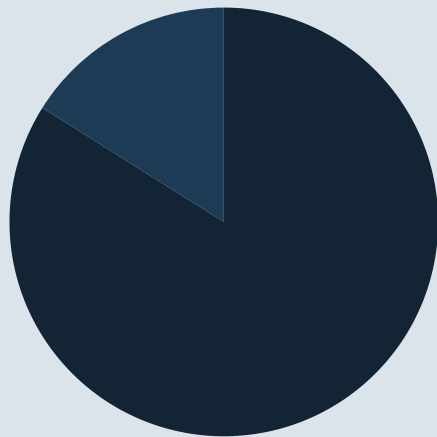
### KEY FIGURES

Total Income	\$242,930
AGI	\$242,930
Deductions	\$29,200
Taxable Income	\$213,730
Total Tax	\$34,537

Filing Status	Married Filing Jointly
Marginal Bracket	22.0%
Average Rate	14.2%
2024 Safe Harbor	\$31,083

Qualified/Ordinary Dividends	\$25,000 / \$35,000
ST/LT Capital Gains	\$2,500 / \$12,000
Carryforward Loss	\$0
Total/Taxable Social Security	\$28,741 / \$24,430
Credits Claimed	\$0

### Let's take a look at your Tax Breakdown

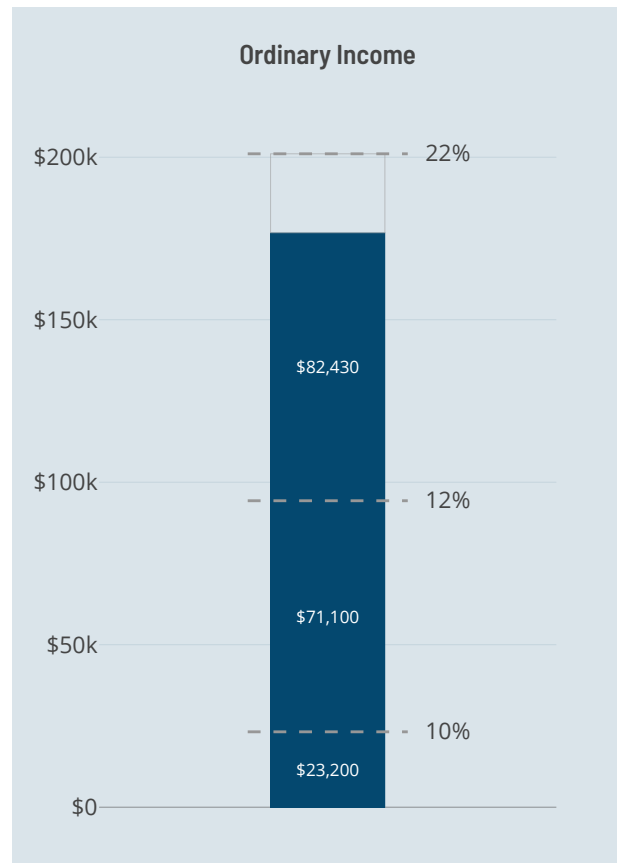


- Tax on Ordinary Income  
\$28,987 | 83.9%
- Tax on Long Term Gains & Qualified Dividends  
\$5,550 | 16.1%

## Marginal Tax Brackets: Ordinary Income

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

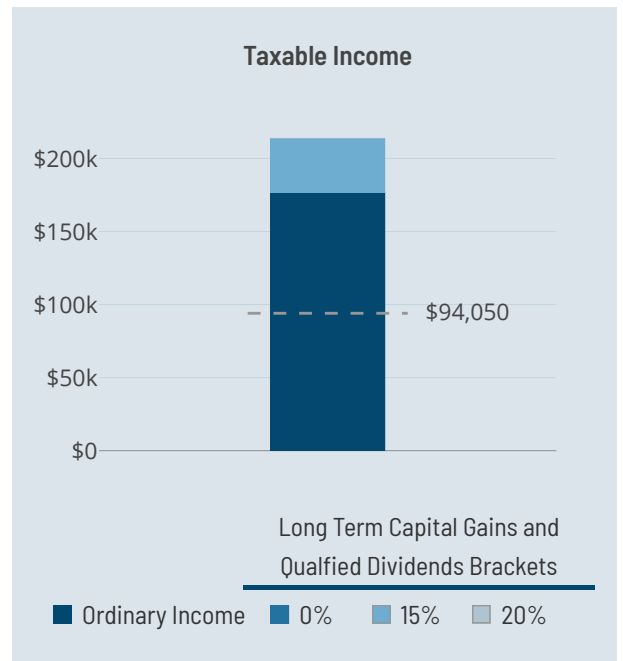
Marginal Rate	Ordinary Income Threshold	Ordinary Income	Tax
10%	\$0 to \$23,200	\$23,200	\$2,320
12%	\$23,200 to \$94,300	\$71,100	\$8,532
<b>22%</b>	<b>\$94,300 to \$201,050</b>	<b>\$82,430</b>	<b>\$18,135</b>
24%	\$201,050 to \$383,900	\$0	\$0
32%	\$383,900 to \$487,450	\$0	\$0
35%	\$487,450 to \$731,200	\$0	\$0
37%	\$731,200 and above	\$0	\$0
<b>Total</b>		<b>\$176,730</b>	<b>\$28,987</b>



## Marginal Tax Brackets: Long Term Capital Gains & Qualified Dividends

Your taxable income of \$213,730 includes \$37,000 of long-term gains and qualified dividends which are taxed at lower rates compared to ordinary income. Long-term gains are added on top of your ordinary income to determine the tax rates that apply.

Marginal Rate	Taxable Income Threshold	Taxable Income	Qualified Income	Tax
0.0%	\$0 to \$94,050		\$0	\$0
<b>15.0%</b>	<b>\$94,050 to \$583,750</b>	<b>\$213,730</b>	<b>\$37,000</b>	<b>\$5,550</b>
20.0%	\$583,750 and above		\$0	\$0
<b>Total</b>			<b>\$37,000</b>	<b>\$5,550</b>



# Medicare Part B/D Premiums for 2026

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income\* (MAGI). Your MAGI is \$242,930.

Amounts are monthly per person.

\*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	MAGI	Part B Premium	Part D Premium
\$0 to \$206,000		\$174.70	your plan premium
<b>\$206,000 to \$258,000</b>	<b>\$242,930</b>	<b>\$174.70 + \$69.90 = \$244.60</b>	<b>Your Plan Premium + \$12.90</b>
\$258,000 to \$322,000		\$174.70 + \$174.70 = \$349.40	Your Plan Premium + \$33.30
\$322,000 to \$386,000		\$174.70 + \$279.50 = \$454.20	Your Plan Premium + \$53.80
\$386,000 to \$750,000		\$174.70 + \$384.30 = \$559.00	Your Plan Premium + \$74.20
\$750,000 and above		\$174.70 + \$419.30 = \$594.00	Your Plan Premium + \$81.00

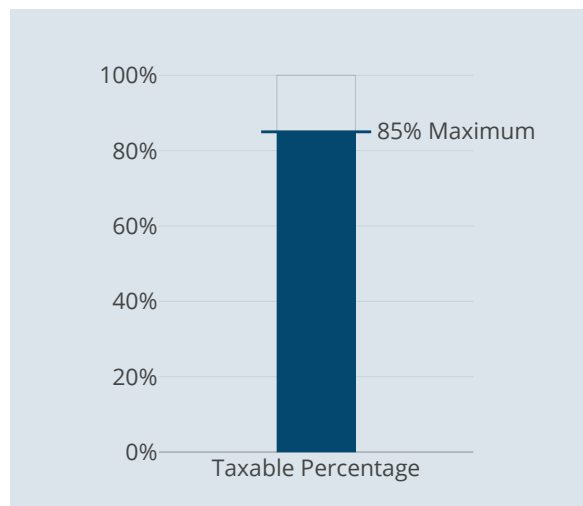
## Social Security

### TAXATION OF SOCIAL SECURITY

Taxable Percentage	Income Threshold	Combined Income *	Your Taxable Percentage
0% Taxable	Less than \$32,000		
Up to 50.0% taxable	\$32,000 to \$44,000		
<b>Up to 85.0% taxable</b>	<b>More than \$44,000</b>	<b>\$232,871</b>	<b>85.0%</b>

### SOCIAL SECURITY

Description	Amount
Total Benefits	\$28,741
Taxable Percentage	85.0%
Taxable Benefits	\$24,430



\* Combined income (provisional income)

AGI (not including Social Security benefits)	\$218,500
Nontaxable Interest	\$0
50% of your Social Security benefits	\$14,371
<b>Total combined income</b>	<b>\$232,871</b>

# Schedule D - Capital Gains/Losses

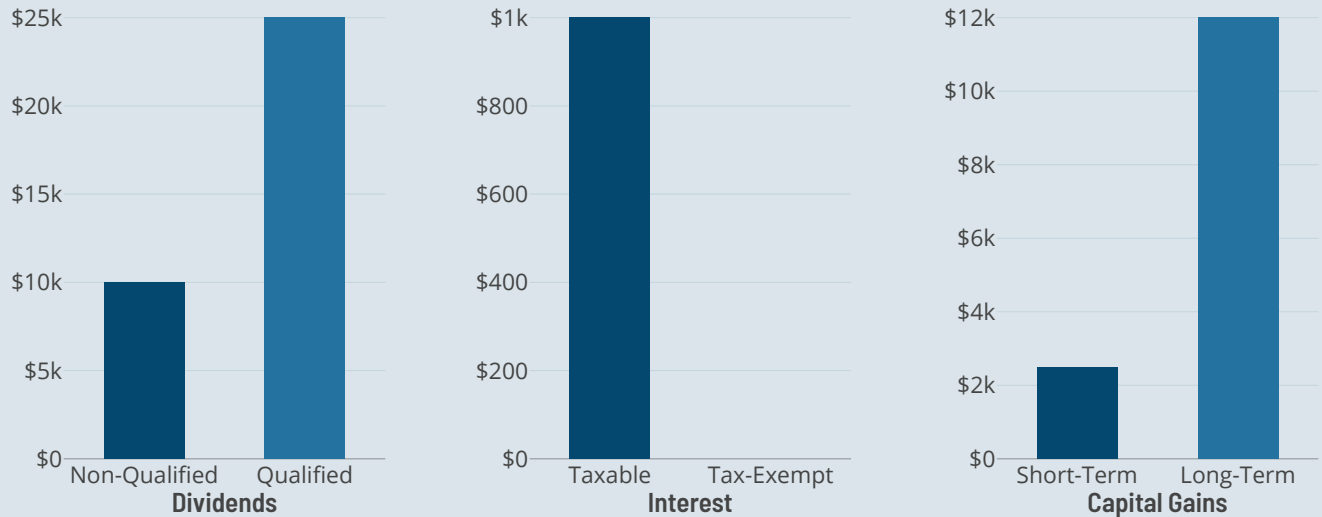
The tax return listed the following sources of capital gains/losses

SHORT TERM		LONG TERM	
Description	Amount	Description	Amount
Short Term Gain/Loss for 2024	\$2,500	Long Term Gain/Loss for 2024	\$12,000
Total Short Term Gain/Loss for 2024	\$2,500	Total Long Term Gain/Loss for 2024	\$12,000

TOTAL		CARRY FORWARD LOSSES TO 2025	
Total Gains/Losses for 2024	\$14,500	Short Term Loss	\$0
		Long Term Loss	\$0

## Let's take a look at the tax efficiency of your investment income

Different types of investment income are taxed differently. For example, non-qualified dividends and short-term capital gains are taxed as ordinary income at higher rates, while qualified dividends and long-term capital gains are taxed at lower preferential rates. And depending on your marginal bracket, it may be more tax efficient to use tax-free income vehicles like municipal bonds/bond funds instead of taxable income options.



## Modified Adjusted Gross Income (MAGI): Planning Considerations

Certain deductions and tax incentives phase out as income reaches certain levels. The definition of "income" for these phase outs can be different. The term "Modified Adjusted Income" (MAGI) is generally used, but there are several definitions of MAGI that are slightly different from each other.

<b>MAGI Definition 1</b>	<b>\$242,930</b>	
Coverdell ESA	\$190,000 - \$220,000	Over
Lifetime Learning Credit	\$160,000 - \$180,000	Over
American Opportunity Credit	\$160,000 - \$180,000	Over
Child Tax Credit	\$400,000 - \$400,000	Under
Qualified Adoption Expenses Credit	\$252,150 - \$292,150	Under
Savers Credit	\$46,000 - \$76,500	Over
Clean Vehicle Credit (New)	\$0 - \$300,000	Under
Clean Vehicle Credit (Used)	\$0 - \$150,000	Over
<b>MAGI Definition 2</b>	<b>\$242,930</b>	
Net Investment Income Tax	\$0 - \$250,000	Under
<b>MAGI Definition 3</b>	<b>\$242,930</b>	
Roth IRA Contribution	\$230,000 - \$240,000	Over
<b>MAGI Definition 4</b>	<b>\$218,500</b>	
Student Loan Interest Deduction	\$165,000 - \$195,000	Over
<b>MAGI Definition 5</b>	<b>\$242,930</b>	
IRA Contribution Deductibility - Covered by Qualified Plan	\$123,000 - \$143,000	Over
IRA Contribution Deductibility - Not Covered/Spouse Covered	\$230,000 - \$240,000	Over
<b>MAGI Definition 6</b>	<b>\$247,241</b>	
ACA Premium Credit	125% of federal poverty limit (48 States and DC)	

### Formulas

- MAGI Definition 1: AGI + Foreign Housing Exclusion + Foreign Earned Income Exclusion + Foreign Housing Deduction
- MAGI Definition 2: AGI + Excluded Foreign Earned Income
- MAGI Definition 3: AGI + IRA Deduction + Student Loan Interest Deduction + Tuition and Fees Deduction + Total Foreign Income Exclusions + Foreign Housing Deduction - Taxable Roth Conversions
- MAGI Definition 4: Worksheet 4-1 from Publication 970, Total Income, Several Above the Line Deductions, + Total Foreign Income Exclusions + Foreign Housing Deduction

- MAGI Definition 5: AGI + (unemployment comp. in 2020 only) + Student Loan Interest Deduction + Tuition and Fees Deduction + Total Foreign Income Exclusions + Foreign Housing Deduction
- MAGI Definition 6: AGI + Excluded Foreign Income + Nontaxable Social Security Benefits (Including Tier 1 Railroad Retirement Benefits) + Tax Exempt Interest

---

## Deductions & Credits

Deductions reduce the amount of income subject to tax while credits reduce taxes dollar for dollar.

### DEDUCTIONS

Claimed	Deduction
Standard Deduction	\$29,200

### CREDITS

Claimed	Credit Type
---------	-------------

## Observations

\$24,430, or 85%, of your total Social Security earnings of \$28,741 was taxable as ordinary income. Social Security income is excluded from taxes to varying degrees, based on total income from other sources.

Income is within 10% of 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 22.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.

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.

Jane, you are age 62 in 2024 and thus are eligible to start taking Social Security. In most cases, it is preferable to wait at least until full retirement age to take Social Security.

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.

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.

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

Based on the total tax estimate, the minimum amount of withholding needed in 2024 to avoid an underpayment penalty is 90% of the total tax, or \$31,083. Alternatively, the "penalty proof" withholding amount can be calculated based on the previous year's total tax and Adjusted Gross Income.

Your modified adjusted gross income (MAGI) appears to be low enough to qualify for the new but not the used clean vehicle credit, assuming you purchase such a vehicle and it meets the other eligibility criteria. 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.

---

## IA State Tax Hints

Social Security benefits are not taxed.

Taxpayers who have one or more dependents attending Kindergarten through 12th grade in an accredited Iowa school or receiving qualifying private instruction may take a credit for each dependent for amounts paid for tuition and textbooks. The Tuition and Text Book credit amount is 25% of the first \$2,000 paid for each dependent.

Military retirement income is not taxed.

From 2023 to 2024, the number of income tax brackets will be reduced and the top income tax rate will decrease to 6% in 2023 and 5.7% in 2024. A flat rate of 3.8% will apply starting in 2025.

Beginning in 2023, retirement income is exempt for taxpayers who are at least 55 years old.

Effective January 1, 2024, the maximum deductible contribution to a beneficiary's 529 college savings account is \$5,500 per year. Also starting in 2024, 529 plan account owners or beneficiaries can transfer 529 funds into a beneficiary-owned Roth IRA and be exempt from Iowa income tax, subject to limitations.

The 2017 Tax Cut Jobs Act imposed a \$10,000 limitation on individuals' deduction of state and local taxes (SALT) for tax years 2018 through 2025. In response, many states have now enacted laws allowing pass-through entities (PTE) to elect to pay SALT at the entity level as a PTE tax in order to exceed the TCJA SALT deduction limitation. Please consult with a tax professional as it relates to your state's PTE tax ruling.

---

## Disclaimer

We know taxes can be confusing and complex, so we have provided this information to help make your taxes easier to understand. Although we are always here to answer your tax questions, we encourage you to consult your tax professional about the details of the above recommendations before engaging in any transaction.