

2020 TAX REPORT FOR JOHN SMITH AND NANCY SMITH

KEY FIGURES

Total Income:	\$100,441	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$193
AGI:	\$100,141	Marginal Rate:	12.0%	Qualified/Ordinary Dividends:	
Deductions:	\$24,800	Average Rate:	7.7%		\$6,711 / \$6,914
Taxable Income:	\$75,326	2021 Safe Harbor:	\$7,749	ST/LT Capital Gains:	(\$33,031) / \$5,106
Total Tax:	\$7,749	Tax Exempt Pct. of Total Interest:	41.8%	Carryforward Loss:	\$24,925
				Credits Claimed:	\$91

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	You: \$68,615
22.0%	\$80,250 to \$171,050	
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 (\$6,711 Total)	
0.0%	\$0	\$6,711	You: \$75,326
15.0%	\$80,000	\$0	
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. Amounts are monthly.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment	
\$0 to \$176,000	\$0	\$0	You: \$100,334
\$176,000 to \$222,000	\$59	\$12	
\$222,000 to \$276,000	\$149	\$32	
\$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	\$250k	Under
Coverdell ESA	\$190k - \$220k	Under
Roth IRA Contribution	\$196k - \$206k	Under
Lifetime Learning Credit	\$118k - \$138k	Under
Student Loan Interest Deduction	\$140k - \$170k	Under
American Opportunity Credit	\$160k - \$180k	Under
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$217k - \$257k	Under
Saver's Credit	\$39k - \$65k	Over
IRA Contribution Deductibility - Covered Spouse	\$104k - \$124k	Under
IRA Contribution Deductibility - Non-Covered Spouse	\$196k - \$206k	Under

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$300 vs. Standard Deduction of \$24,800

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$0
Mortgage and Investment Interest Expense	\$0
Charity	\$300
TOTAL	\$300

SCHEDULE B INCOME SOURCES

The tax return listed the following income sources on Schedule B:

INTEREST

Description	Amount
FIDELITY BROKERAGE SERVICES	\$10
FIDELITY BROKERAGE SERVICES TD AMERITRADE	\$41
FIFTH THIRD BANK	\$1
FIDELITY BROKERAGE FIFTH THIRD BANK	\$208
FIDELITY BROKERAGE	\$9

DIVIDENDS

Description	Amount
FIDELITY BROKERAGE FIDELITY BROKERAGE SERVICES	\$147
FIDELITY BROKERAGE SERVICES JOHNSON & JOHNSON	\$2,605
JOHNSON & JOHNSON	\$418
SANOFI	\$159
SANOFI	\$207
TD AMERITRADE	\$3,378

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 2020	(\$33,031)
Total Short Term Gain/Loss for 2020	(\$33,031)

LONG TERM

Description	Amount
Long Term Loss Carryover from 2019	\$0
Long Term Gain/Loss for 2020	\$5,106
Total Long Term Gain/Loss for 2020	\$5,106

TOTAL

Total Gains/Losses for 2020	(\$27,925)
Loss Carryforward	
Loss Carryforward to 2021	(\$24,925)

OBSERVATIONS

Your taxable income appears to be low enough to have allowed you to recognize long term capital gains at a 0% tax rate. If you expect to have low taxable income this year as well, you might consider taking some or all of any unrealized capital gains you might have.

Given that you are in a lower marginal tax bracket, you may consider converting any eligible retirement accounts to Roth

The safe harbor for underpayment penalties is your total tax x 100%, or \$7,749.00. 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.

This tax return does not appear to include compensation income.

Nancy is age 61 in 2020, and thus is eligible to start taking Social Security next year. In most cases, it is preferable to wait at least until full retirement age to take Social Security.

John is age 62 in 2020, and thus is 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.

You took the Standard Deduction. In 2020, as part of the CARES Act, \$300.00 of charitable cash contributions are an above-the-line deduction for those who file with the Standard Deduction. It would be worthwhile to save receipts for any charitable contributions.

MICHIGAN STATE TAX HINTS

Retirement and pension benefits tax calculation is based on age

Social security benefits not taxed

In-state 529 contribution deductions - \$5,000 single, \$10,000 MFJ

Underpayment penalties can be very expensive, so withholding is extra important

Disclaimer

Avery Wealth, Inc is a Registered Investment Advisory Firm.

- 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.)