



2020 TAX REPORT FOR MULLIGAN HERCULES AND MULLIGAN ELIZABETH

KEY FIGURES

Total Income:	\$285,850	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$3,700
AGI:	\$279,894	Marginal Rate:	24.0%	Qualified/Ordinary Dividends:	
Deductions:	\$46,450	Average Rate:	12.7%		\$14,500 / \$17,500
Taxable Income:	\$232,215	2021 Safe Harbor:	\$39,937	ST/LT Capital Gains:	
Total Tax:	\$36,306	Tax Exempt Pct. of Total Interest:	43.8%		(\$1,500) / \$17,500
				Carryforward Loss:	\$0
				Credits Claimed:	\$6,950

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	
24.0%	\$171,050 to \$326,600	You: \$201,716
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 (\$30,500 Total)
0.0%	\$0	\$0
15.0%	\$80,000	You: \$232,215 \$30,500
20.0%	\$496,600	\$0

The tax return also includes these extra Medicare taxes:

- \$63.00 additional Medicare tax on Form 8959.
- \$1,136.00 net investment income tax on Form 8960.

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Over
Coverdell ESA	\$190k - \$220k	Over
Roth IRA Contribution	\$196k - \$206k	Over
Lifetime Learning Credit	\$118k - \$138k	Over
Student Loan Interest Deduction	\$140k - \$170k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$217k - \$257k	Over
Saver's Credit	\$39k - \$65k	Over
IRA Contribution Deductibility - Covered Spouse	\$104k - \$124k	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$196k - \$206k	Over

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$46,450 vs. Standard Deduction of \$27,400

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$11,000
Charity	\$25,450
TOTAL	\$46,450

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
\$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

**You:
\$283,595**

SCHEDULE B INCOME SOURCES

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

INTEREST

Description	Amount
BANK OF AMERICA	\$500
ALLY BANK	\$3,000
SCHWAB	\$1,250

DIVIDENDS

Description	Amount
VANGUARD	\$8,000
SCWHAB	\$9,500

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 2019	(\$3,500)
Short Term Gain/Loss for 2020	\$2,000
Total Short Term Gain/Loss for 2020	(\$1,500)

LONG TERM

Description	Amount
Long Term Loss Carryover from 2019	(\$5,000)
Long Term Gain/Loss for 2020	\$22,500
Total Long Term Gain/Loss for 2020	\$17,500

TOTAL

Total Gains/Losses for 2020	\$16,000
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SCHEDULE C INCOME SOURCES

The tax return listed the following businesses on Schedule C:

Business Name	Net Profit
SUPER DUPER CONSULTANTS	\$7,600

SCHEDULE E INCOME SOURCES

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

RENTAL REAL ESTATE AND ROYALTIES

98 BEACHFRONT DRIVE AMITYVILLE, NC 27998

OBSERVATIONS

Mulligan is age 71 in 2020, and thus will be required to start required minimum distributions (RMDs) on retirement accounts next 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.

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.

You are in the 24.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.

The safe harbor for underpayment penalties is your total tax x 110%, or \$39,937. 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.

Income exceeds the threshold for the 3.8% Net Investment Interest Tax (NIIT). Consider strategies to reduce taxable income and be mindful of realized capital gains.

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.

Mulligan is over the age of 70.5, and thus is eligible to make tax-free Qualified Charitable Distributions (QCDs) from IRAs to qualifying charitable organizations.

Your tax return lists HSA contributions totaling \$4,500. The 2020 limits for HSA contributions are \$7,100 for families and \$3,550 for individuals, with an extra \$1,000 catch up provision for taxpayers age 55 or older.

Mulligan appears to be age 65 or older but without that potential deduction marked on the return. Mulligan appears to be age 65 or older but without that potential deduction marked on the return.

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 \$20,750 of state and local taxes due to the \$10,000 maximum cap created by the Tax Cuts and Jobs Act.

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.

Congress introduced legislation in mid-September 2021 that, if passed, could have significant impact on tax planning for the remainder of the 2021 tax year and beyond, including some of the observations listed on this report. Depending on your tax bracket and the outcome of that legislation, you may wish to recognize income this year and defer deductions to next year.

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.

TAX LETTER CHECKS

Contributions to Traditional/Roth IRAs

Verify Schedule 1 line 19 if deductible or Form 8606 line 1.

Roth Conversions

Verify Form 8606 filed and any basis incorporated properly.

Gave to a Donor Advised Fund

Verify captured on Schedule A.

HSA Contributions

See line 12 of Schedule 1. Also Form 8889 to verify individual vs employer contributions accounted for properly.

Disclaimer

This report is provided for illustrative purposes. It is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. Please keep in mind, taxable events may be irrevocable and may impact other facets of your overall finances, including (but not limited to) a need for additional tax withholding or estimated tax payments, the loss of certain tax deductions and credits, and higher taxes on Social Security benefits and higher Medicare premiums. The firm providing you with this report does not provide tax or legal advice and all individuals are encouraged to seek the guidance of qualified tax professionals prior to making any decisions about their personal situation. Data and calculations used to produce this report are provided solely by Holistiplan, the accuracy and completeness of which have not been independently verified by the firm.

- 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 - 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