

FMI FINANCIAL

2018 TAX REPORT FOR

KEY FIGURES

- Total Income: \$333,923
- Total Tax: \$81,411
- Effective Rate: 24.4%
- AGI: \$333,923
- Taxable Income: \$303,131
- Marginal Rate: 35%
- Itemized/Standard Deductions: \$30,792
- Tax Exempt Interest: \$0
- ST/LT Capital Gains: \$0 / \$0
- Qualified/Ordinary Dividends: \$4,050 / \$4,050
- Carryforward Loss: \$0
- 2019 Safe Harbor: \$89,553

MARGINAL TAX BRACKET INFORMATION

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

Ordinary Income Threshold	Marginal Rate
\$0 to \$9,525	10%
\$9,525 to \$38,700	12%
\$38,700 to \$82,500	22%
\$82,500 to \$157,500	24%
\$157,500 to \$200,000	32%
\$200,000 to \$500,000	35%
\$500,000 and above.	37%

You (\$299,081)

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

Taxable Income Threshold	Marginal Rate	Qualified Income (\$0 Total)
\$0	0.00%	\$0
\$38,600	15.00%	\$4,050
\$425,800	20.00%	\$0

You (\$303,131)

The tax return also includes these extra Medicare taxes:

- \$260.00 additional Medicare tax on Form 8959.
- \$175.00 net investment income tax on Form 8960.

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax*	\$200,000	Over
Coverdell ESA**	\$95,000 - \$110,000	Over
Roth IRA Contribution***	\$122,000 - \$137,000	Over
Lifetime Learning Credit**	\$58,000 - \$68,000	Over
Student Loan Interest Deduction†	\$70,000 - \$85,000	Over
American Opportunity Credit**	\$80,000 - \$90,000	Over
Child Tax Credit**	\$200,000	Over
Qualified Adoption Expenses Credit†	\$207,140 - \$247,140	Over
IRA Contribution Deductibility††	\$64,000 - \$74,000	Over

* NIIT MAGI = AGI

** Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI = AGI (Form 2555 foreign income not included.)

*** Roth MAGI = AGI + IRA Deduction + Student Loan Interest 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 2020

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 \$87,000	\$0	\$0
\$87,000 to \$109,000	\$58	\$12
\$109,000 to \$136,000	\$145	\$32
\$136,000 to \$163,000	\$231	\$52
\$163,000 to \$500,000	\$318	\$70
\$500,000 and above.	\$347	\$76

You (\$333,923)

ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$30,792 vs. Standard Deduction of \$12,000

Deduction	Amount Claimed
Health Care Expenses	\$0
Taxes Paid	\$10,000
Mortgage and Investment Interest Expense	\$12,527
Charity	\$8,265
TOTAL	\$30,792

SCHEDULE B INCOME SOURCES

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

Interest

Description	Amount
Discover Bank	\$746
NATIONAL FINANCIAL SERVICES LLC	\$1
State of New Jersey Unclaimed Property Administration	\$36

Dividends

Description	Amount
DOWDUPONT INC C/O COMPUTERSHARE	\$93
MERRILLYNCH,PIERCE,FENNER&SMITH	\$2,940
THE CHEMOURS COMPANY C/O COMPUTERSHARE	\$8
NATIONAL FINANCIAL SERVICES LLC	\$1,009

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 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 \$89,553. 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.

The tax return includes a taxable refund, credit, or offset of state and local income taxes. This is taxable at the Federal level. Consider reworking state and local tax withholding to avoid this in future years

Your tax return lists an HSA contributions totaling \$4,450.00. The 2018 limits for HSA contributions were \$6,900 for families and \$3,450 for individuals, with an extra \$1,000 catch up provision for taxpayers age 55 or older.

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

High level assessments of tax documents should not be interpreted as tax advice. Clients should always consult with a tax professional for advice on the tax ramifications of any/all investments.