2024 Tax Report for Peter Professor and Paula Professor

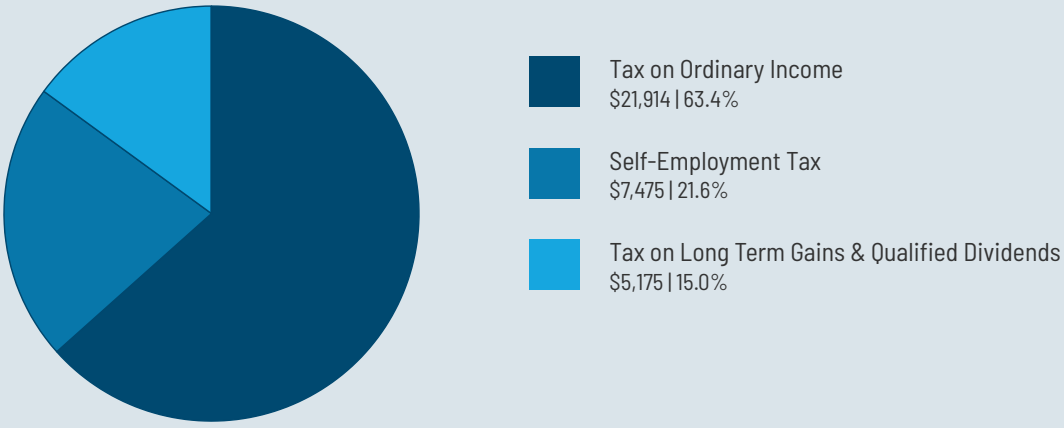
KEY FIGURES

Total Income	$234,650
Adjusted Gross Income (AGI)	$230,912
Deductions	$42,000
Taxable Income	$179,080
Total Tax	$30,864

Filing Status	Married Filing Jointly
Marginal Bracket	22.0%
Average Rate	13.2%
2025 Safe Harbor	$33,951

Qualified/Ordinary Dividends	$15,000 / $20,000
ST/LT Capital Gains	$2,500 / $19,500
Carryforward Loss	$0
Credits Claimed	$3,700

Let's take a look at your Tax Breakdown

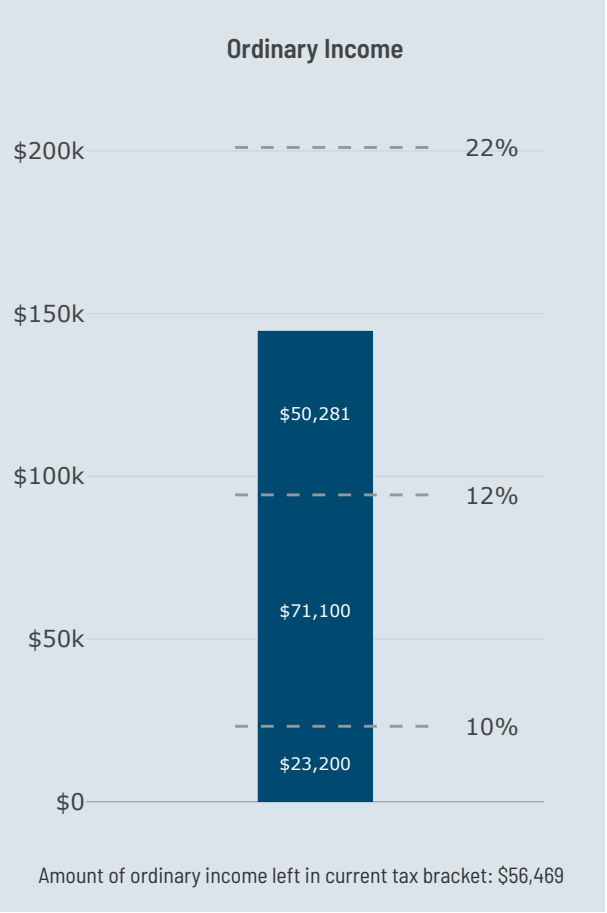


The chart displays taxes before any credits are applied. Accordingly, there may be a mismatch between Total Taxes in the Key Figures section and the sum of the Tax Breakdown components shown here.

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
22%	**$94,300 to $201,050**	**$50,281**	**$11,062**
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
Total		**$144,581**	**$21,914**

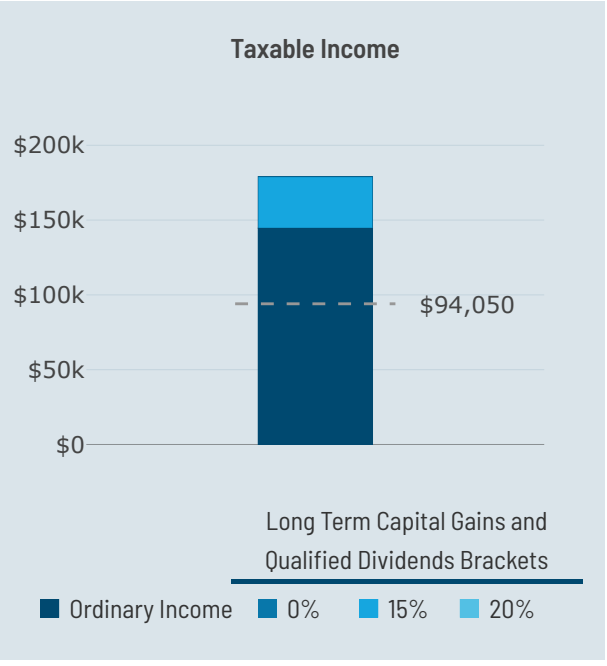


Amount of ordinary income left in current tax bracket: $56,469

Marginal Tax Brackets: Long Term Capital Gains & Qualified Dividends

Your taxable income of $179,081 includes $34,500 of long-term gains and qualified dividends that 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
15.0%	**$94,050 to $583,750**	**$179,081**	**$34,500**	**$5,175**
20.0%	$583,750 and above		$0	$0
Total			**$34,500**	**$5,175**



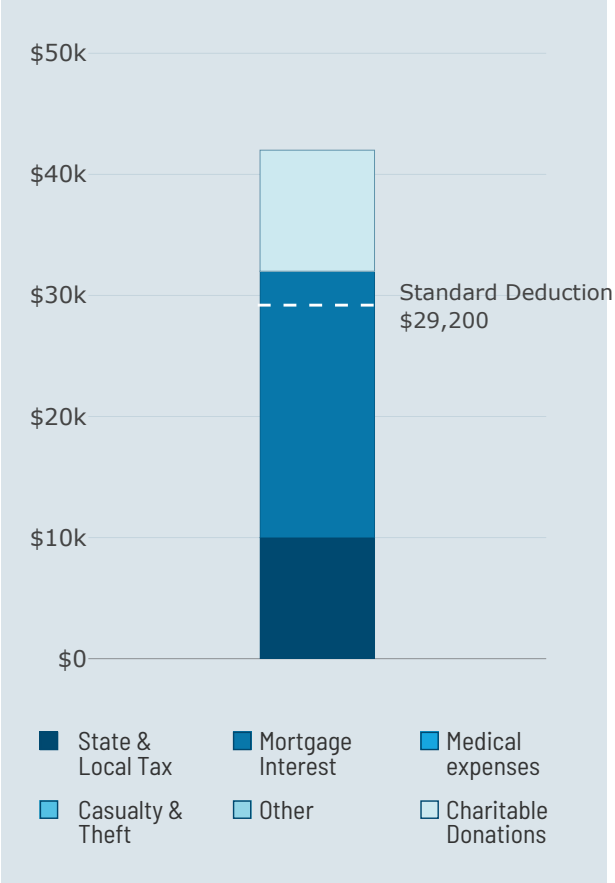
Schedule A

The tax return listed the following items on Schedule A:

ITEMIZED DEDUCTION SUMMARY

Deduction	Amount Claimed
Medical & Dental Expenses	$0
State & Local Taxes	$10,000
Mortgage & Investment Interest Expense	$22,000
Gifts To Charity	$10,000
Casualty & Theft Losses	$0
Other Itemized Deductions	$0
Total Itemized Deductions	$42,000

Your total itemized deductions exceeded the standard deduction by $12,800



Schedule B - Income Sources

The tax return listed the following income sources on Schedule B

INTEREST

Description	Amount
BANK OF AMERICA	$1,500
ALLY BANK	$2,000
SCHWAB	$2,500

DIVIDENDS

Description	Amount
VANGUARD	$10,000
SCHWAB	$10,000

Schedule D - Capital Gains/Losses

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

SHORT TERM

Description	Amount
Short Term Gain/Loss for 2024	$2,500
Total Short Term Gain/Loss for 2024	$2,500

LONG TERM

Description	Amount
Long Term Gain/Loss for 2024	$19,500
Total Long Term Gain/Loss for 2024	$19,500

TOTAL

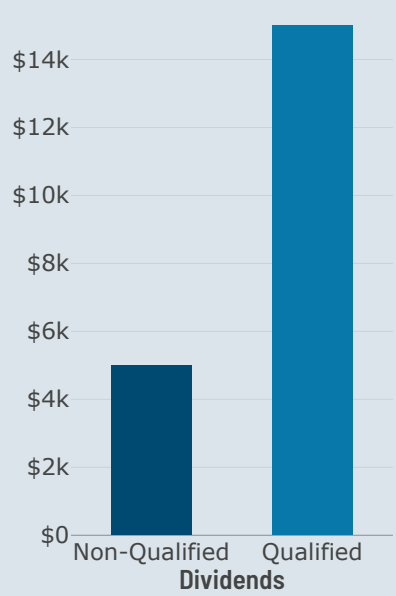
Total Gains/Losses for 2024	$22,000

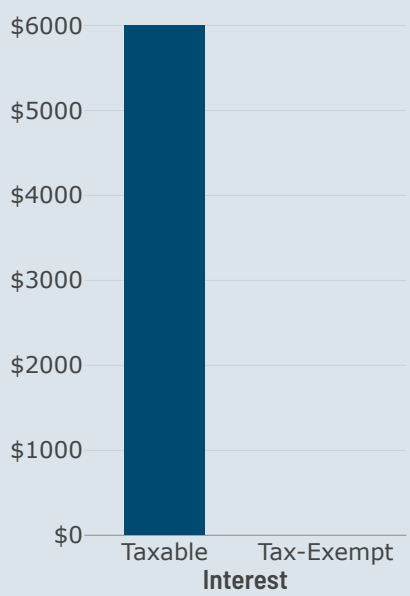
CARRY FORWARD LOSSES TO 2025

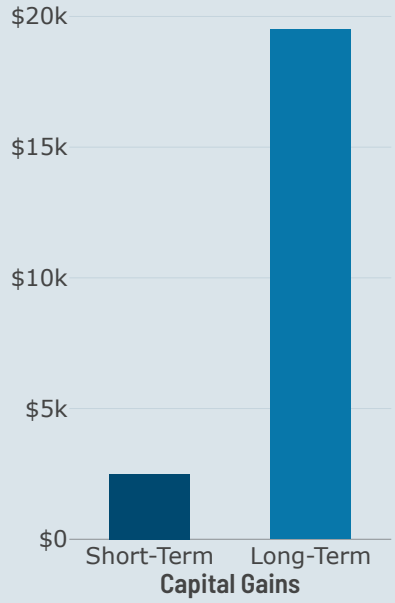
Short Term Loss	$0
Long Term Loss	$0

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.







Schedule C/E - Income Sources

The tax return listed the following businesses and entities on schedules C or E

SCHEDULE C

Business Name	Net Profit
PAULA'S PALATE	$52,900.00

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.

MAGI Definition 1	**$230,913**	
Coverdell ESA	$190,000 - $220,000	Above
Lifetime Learning Credit	$160,000 - $180,000	Above
American Opportunity Credit	$160,000 - $180,000	Above
Child Tax Credit	$400,000 - $440,000	Under
Qualified Adoption Expenses Credit	$252,150 - $292,150	Under
Savers Credit	$46,000 - $76,500	Above
Clean Vehicle Credit (New) - Expires 9/30/2025	$0 - $300,000	Under
Clean Vehicle Credit (Used) - Expires 9/30/2025	$0 - $150,000	Above
MAGI Definition 2	**$230,913**	
Net Investment Income Tax	$0 - $250,000	Under
MAGI Definition 3	**$221,163**	
Roth IRA Contribution	$230,000 - $240,000	Under
MAGI Definition 4	**$230,913**	
Student Loan Interest Deduction	$165,000 - $195,000	Above
MAGI Definition 5	**$230,912**	
IRA Contribution Deductibility - Covered by Qualified Plan	$123,000 - $143,000	Above
IRA Contribution Deductibility - Not Covered/Spouse Covered	$230,000 - $240,000	Phase Out
MAGI Definition 6	**$230,913**	
ACA Premium Credit	770% 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 (2020 only) + Total Foreign Income Exclusions + Foreign Housing Deduction - Taxable Roth Conversion
- 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. (2020 only) + Student Loan Interest Deduction + Tuition and Fees Deduction (2020 only) + 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
Deductible Part of Self-Employment Tax	$3,738
State, Local, and Other Taxes Deducted	$10,000
Mortgage and Investment Interest Expense Deduction	$22,000
Gifts to Charity	$10,000
Qualified Business Income Deduction	$9,832

CREDITS

Claimed	Credit	Type
Non-Refundable Child Tax Credit + Credit for Other Dependents	$2,500	Non-refundable
Dependent Care	$600	Non-refundable
Energy Efficient Home Improvement Credit	$600	Non-refundable

Observations

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.

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.

The 2025 safe harbor for underpayment penalties is your total tax x 110%, or $33,951. 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.

Your Modified Adjusted Gross Income (MAGI) suggests you are eligible to contribute to a Roth IRA. Note that Roth contributions must come from what the IRS calls "compensation income". The tax return does include some compensation income.

Your tax return suggests you may have business income. Depending on your circumstances, you may be able to implement a retirement plan for the business to defer taxes.

You deducted mortgage interest on your tax return. Given the high standard deduction, itemized deductions on mortgage interest are less valuable than they once were.

You had charitable contributions in excess of $10,000. If you plan to do donations of similar size in future years, you may consider grouping them into alternating tax years to maximize your deductions. A "Donor Advised Fund" can facilitate this strategy.

Form 8606 reports after-tax basis in at least one retirement account. This basis reduces the amount of taxable income generated from a Roth conversion or normal distribution.

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 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.

A portion of your retirement or annuity distributions was not taxable. This suggests some after-tax basis in the account, a rollover, a tax free Roth distribution, or a Qualified Charitable Distribution.

Schedule C does not include any expenses on line 9, car and truck expenses. Do you use a vehicle for any business-related activities?

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.

Keep track of your home improvement expenses for determining your adjusted cost basis in the event of a home sale.

You converted $25,000 from a Traditional IRA, SEP IRA, or SIMPLE IRA to a Roth IRA. Of this conversion, $9,750 was taxable as ordinary income, as reported on Form 8606.

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. Please note that the credit is not available for vehicles purchased after September 30, 2025.