

# **SAVE 2016 INCOME TAXES! LAST MINUTE TAX PLANNING TIPS**

**Presented by:**

**James J. Holtzman, CFP®**

# **JAMES J. HOLTZMAN, CFP®**

**James J. Holtzman, CFP®, is a Wealth Advisor and Shareholder with Legend Financial Advisors, Inc.® and Emerging Wealth Investment Management, Inc.**

**Jim has been selected eight consecutive times by *Medical Economics* as one of “The 150 Best Financial Advisors for Doctors in America.”**

**Mr. Holtzman has been selected five times by *Dental Products Report* as one of “The Best Financial Advisors for Dentists in America”.**



**Jim has also been previously selected twice by *Pittsburgh Magazine* as one of the Pittsburgh area’s FIVE STAR Wealth Managers, a list that represents the most elite financial advisors in Pittsburgh.**

**With over 20 years of experience, Jim assists all types of clients with their financial planning and investment needs. Jim’s extensive skill set includes providing financial advice to retirement-focused clients, medical and dental practices, and businesses.**

**Jim serves as the firm’s Income Tax and Education Funding and Planning Specialist.**

**Jim’s previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.**

**Jim’s areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.**

**Mr. Holtzman was selected by *Pittsburgh Business Times* as one of the 2013 Fast Tracker's, which honors leaders in the Pittsburgh area's business community who've had a significant impact on the growth of their organization.**

# **TAX RETURN FRAUD**

- 1. Criminals Filing Tax Returns On Behalf Of Individuals To Collect Refunds**
- 2. Information Can Be Stolen From Healthcare Providers**

# **TOP 12 TAX FRAUDS ANNOUNCED BY THE IRS**

- 1. Tax Return Refunds**
- 2. Telephone Scams**
- 3. Phishing**
- 4. False Promise Of Free Money From Inflated Refunds**
- 5. Return Preparer Fraud**
- 6. Hiding Income Offshore**
- 7. Impersonating Charitable Organizations**
- 8. False Income, Expenses Or Exemptions**
- 9. Frivolous Arguments**
- 10. Falsely Claiming Zero Wages Or Using A False Form 1099**
- 11. Abusive Tax Structures**
- 12. Misuse Of Trusts**

# **TAX RETURN FRAUD – MISCELLANEOUS INFORMATION**

- 1. IRS Never Calls Taxpayer**
- 2. IRS Only Corresponds By Letter (No E-mails)**
- 3. 80.0% Of Taxpayer E-file**
- 4. Use Encrypted Vaults, Password Protected E-mails**
- 5. IRS Form 14039: Identity Theft Affidavit: Complete If Taxpayers Believes They Are A Victim Of Identity Theft**
- 6. Forward E-mail Scams To The IRS At [phishing@irs.gov](mailto:phishing@irs.gov)**

# **IRS CORRESPONDENCE**

- 1. IRS Requests To Verify Taxpayer Identities Due To Suspicious Activity.**
- 2. IRS Identity Verification Service Website: [idverify.irs.gov](https://idverify.irs.gov).**
- 3. Formal Name Of The Letter Is Letter 5701C.**

# 2016 TAX RATE SCHEDULE

<b>TAX RATE</b>	<b>SINGLE FILERS</b>	<b>MARRIED FILING JOINTLY</b>
10%	Up to \$9,275	Up to \$18,550
15%	\$9,276 to \$37,650	\$18,551 to \$75,300
25%	\$37,651 to \$91,150	\$75,301 to \$151,900
28%	\$91,151 to \$190,150	\$151,901 to \$231,450
33%	\$190,151 to \$413,350	\$231,451 to \$413,350
35%	\$413,351 to \$415,050	\$413,351 to \$466,950
39.6%	\$415,051 or more	\$466,951 or more

# RECOGNIZING CAPITAL GAINS

	<b>10% And 15% Tax Brackets</b>	<b>25% Up To 35% Tax Brackets</b>	<b>39.6% Tax Bracket</b>
<b>Short-Term (One Year Or Less)</b>	<b>Ordinary Income Tax Rate</b>		
<b>Long-Term (Longer Than One Year)</b>	<b>0%*</b>	<b>15%*</b>	<b>20%</b>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>• <b>Qualified - Long-Term Capital Gains Rates.</b></li> <li><b>* Non-Qualified - Ordinary Income Tax Rates.</b></li> </ul>		

**\*To The Extent Taxable Income Remains In These Brackets. Consult Your Tax Advisor About How This Applies To Your Situation.**



# **CAPITAL LOSS CARRYOVER**

**Review Prior Year Tax Return**

# MISCELLANEOUS UPDATES FOR 2016

**PERSONAL AND DEPENDENCY EXEMPTION: \$4,050.00**

## Standard Deductions

<b>Married/Joint</b>	<b>\$12,600.00</b>
<b>Single</b>	<b>\$6,300.00</b>
<b>Head Of Household</b>	<b>\$9,300.00</b>
<b>Dependents</b>	<b>\$1,050.00</b>
<b>Married/Separate</b>	<b>\$6,300.00</b>

For dependents with earned income, the deduction is greater of \$1,050.00 or earned income +\$350.00 (up to \$6,300.00)

## ADDITIONAL STANDARD DEDUCTIONS

<b>Married, Older Than Age 65 or Blind</b>	<b>\$1,250.00*</b>
<b>Single, Older Than Age 65 (Per Person) or blind</b>	<b>\$1,550.00</b>

\*Per Person

# **1<sup>st</sup> QUARTER 2017 ESTIMATED TAX PAYMENTS**

**Deadline: April 18, 2017**

# **ANNUALIZED INSTALLMENT METHOD**

- 1. Can Reduce Or Eliminate Underpayment Penalty**
- 2. Report Your Income And Deductions In The Quarter That They Occurred**
- 3. Match Your Estimated Income Tax Payments When Income Is Received**
- 4. Income Tax Withholding Can Also Reduce Underpayment Penalty**

# **TAX RETURN EXTENSIONS**

- 1. File Automatic Six-Month Extension**
- 2. Extension Does Not Give Extension To Pay Taxes**

# **IRS PAYMENT PLANS**

- 1. IRS Has Installment Agreement Plans if the Taxpayer Can't Pay Tax Bill**
- 2. IRS Form 9465: Installment Agreement Request**

# 2016 MILEAGE DEDUCTION

1. **Medical Care:** **19.0 Cents Per Mile**
2. **Charitable Work:** **14.0 Cents Per Mile**
3. **Business Related:** **54.0 Cents Per Mile**

# REVISED IRS FORM 1099

- 1. Don't File Tax Return Too Early**
- 2. Estimated One In Eight IRS 1099-DIV Forms Will Need To Be Reissued**
- 3. Why? Qualified Or Non-Qualified Dividends**



# **FORMS TO SEND IN**

- 1. Attach The Following Forms**
  - a. W-2**
  - b. IRS Form 1099-R**
  - c. Generally, Any Form That Reflects Federal Withholding**
  
- 2. If Filing Electronically, An Electronic Copy Of These Documents Is Created For The IRS**

# **AMENDED TAX RETURN**

**Deadline To Amend 2013 Tax Return:**

**April 18, 2017**

# **IRS FORM TD F 90-22.1 – REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS (FBAR)**

- 1. Need To File If Taxpayer Has More Than \$10,000.00 At Any Time In An Account During The Year Overseas.**
- 2. Deadline: June 30, 2017 - No Extensions Granted**
- 3. File Separately (Not With Individual Tax Return)**
- 4. Penalty: Non-Willful: \$10,000.00**
- 5. Penalty: Willful: Greater Of \$100,000.00 or 50.0% Of Account Balances**

# **IRS FORM 8938 – STATEMENT OF FOREIGN FINANCIAL ASSETS**

- 1. Report The Ownership Of Specific Foreign Financial Assets**
- 2. Single: More Than \$50,000.00 On Last Day Of Year Or More Than \$75,000.00 On Any Day Of The Year**
- 3. Married Filing Joint: More Than \$100,000.00 On Last Day Of Year Or More Than \$150,000.00 On Any Day Of The Year**
- 4. Due Date: April 18, 2017 Or October 16, 2017 If Personal Tax Return Is Extended.**
- 5. File With Individual Tax Return.**
- 6. Penalty (Includes Criminal Penalties)**
  - a. Up To \$10,000.00 For Failure To Disclose**
  - b. Additional \$10,000.00 For Each 30 Days Of Non-Filing After IRS Notice Up To \$60,000.00**

# **IRS FORM 5498**

- 1. IRA Trustee Or Custodian Reports Activity**
- 2. Reports The Following:**
  - a. Contributions**
  - b. Transfers In Or Rollovers In**
  - c. Roth IRA Conversion**
  - d. Mailed By May 31**
  - e. Required Withdrawals/Distributions**

# **IRS FORM 5498-SA**

**Reports Annual Contributions To Health Savings Account**

# **IRA CONTRIBUTIONS**

- 1. 3 Types Of IRAs**
  - a. Deductible IRA**
  - b. Non-Deductible IRA (Everyone With Earned Income Can Make This Kind Of IRA Contribution)**
  - c. Roth IRA**
- 2. 2016 Deadline: April 18, 2017**
- 3. 2016 IRA Contribution Limit: \$5,500.00**
- 4. 2016 IRA Catch-Up Contribution Limit: \$1,000.00**

# TRADITIONAL IRA DEDUCTIBILITY SCHEDULE - COVERED BY AN EMPLOYER-SPONSORED RETIREMENT PLAN

	2016 Modified Adjusted Gross Income	2016 Deduction
<b>Single</b>	Up TO \$61,000	\$5,500
	\$61,000 - \$71,000	Partial
	Above \$71,000	No Contribution
<b>Married Filing Joint</b>	Up to \$98,000	Full \$5,500
	\$98,000 - \$118,000	Partial
	Above \$118,000	No Contribution



**TRADITIONAL IRA DEDUCTIBILITY SCHEDULE -  
NOT COVERED BY AN  
EMPLOYER-SPONSORED RETIREMENT PLAN**

	<b>2016 Modified Adjusted Gross Income</b>	<b>2016 Deduction</b>
<b>Single</b>	<b>Unlimited</b>	<b>\$5,500</b>
<b>Married Filing Joint</b>	<b>Unlimited</b>	<b>\$5,500</b>

# ROTH IRA ELIGIBILITY

	2016 MAGI	2016 Contribution
<b>Single</b>	<b>Up To \$117,000</b>	<b>\$5,500</b>
	<b>\$117,000 - \$132,000</b>	<b>Partial</b>
	<b>Above \$132,000</b>	<b>No Contribution</b>
<b>Married Filing Joint</b>	<b>Up to \$184,000</b>	<b>Full \$5,500</b>
	<b>\$184,000 - \$194,000</b>	<b>Partial</b>
	<b>Above \$194,000</b>	<b>No Contribution</b>

# **INDIVIDUAL 401(k) PLAN**

- I. For Self-Employed Individuals**
- II. Established By December 31, 2016**
- III. Contribution Deadline: April 18, 2017**
- IV. Higher Contribution Than SEP IRA (In Most Cases)**
- V. 2 Part Calculation**
  - I. Salary Deferral: 100% Of The First \$18,000.00 (\$24,000.00 If Age 50+) Of Net Self-Employment Income**
  - II. Profit Sharing Contribution: 20.0% Of Net Self-Employment Income**
- VI. 2016 Maximum Contribution: \$53,000.00 (\$59,000.00 If Age 50+)**

# **SEP IRA**

- I. Can Be Established Before April 18, 2017 For 2016 Tax Year**
- II. Contribution Deadline Is April 18, 2017 For 2016 Tax Year**
- III. 20.0% Of Net Self-Employment Income**
- IV. Contribution Limit: \$53,000.00**
- V. No Catch-Up Contribution**

# MEDICARE PART B

## If Your Yearly Income in 2014

<b>File Individual Tax Return</b>	<b>File Joint Tax Return</b>	<b>File Married &amp; Separate Tax Return</b>	<b>You Pay Monthly (In 2016)</b>
<b>\$85,000 or Less</b>	<b>\$170,00 or Less</b>	<b>\$85,000 or Less</b>	<b>\$121.80</b>
<b>Above \$85,000 up to \$107,000</b>	<b>Above \$170,000 up to \$214,000</b>	<b>Not Applicable</b>	<b>\$170.50</b>
<b>Above \$107,000 up to \$160,000</b>	<b>Above \$214,000 up to \$320,000</b>	<b>Not Applicable</b>	<b>\$243.60</b>
<b>Above \$160,000 up to \$214,000</b>	<b>Above \$320,000 up to \$428,000</b>	<b>Above \$85,000 and up to \$129,000</b>	<b>\$316.70</b>
<b>Above \$214,000</b>	<b>Above \$428,000</b>	<b>Above \$129,000</b>	<b>\$389.80</b>

# MEDICARE PART D

## If Your Yearly Income in 2014

<b>File Individual Tax Return</b>	<b>File Joint Tax Return</b>	<b>File Married &amp; Separate Tax Return</b>	<b>You Pay Monthly (In 2016)</b>
<b>\$85,000 or Less</b>	<b>\$170,00 or Less</b>	<b>\$85,000 or Less</b>	<b>Your Plan Premium</b>
<b>Above \$85,000 up to \$107,000</b>	<b>Above \$170,000 up to \$214,000</b>	<b>Not Applicable</b>	<b>\$12.70 + Your Plan Premium</b>
<b>Above \$107,000 up to \$160,000</b>	<b>Above \$214,000 up to \$320,000</b>	<b>Not Applicable</b>	<b>\$32.80 + Your Plan Premium</b>
<b>Above \$160,000 up to \$214,000</b>	<b>Above \$320,000 up to \$428,000</b>	<b>Above \$85,000 and up to \$129,000</b>	<b>\$52.80 + Your Plan Premium</b>
<b>Above \$214,000</b>	<b>Above \$428,000</b>	<b>Above \$129,000</b>	<b>\$72.90 + Your Plan Premium</b>

# **MEDICAL EXPENSE OPPORTUNITIES**

- I. Provide Accountant With The Following:**
  - I. Pre-Medicare Medical Insurance Premiums**
  - II. Medicare Part B Premiums**
  - III. Medicare Part D Premiums**
  - IV. Medigap Insurance Premiums**
  - V. Medicare Advantage Plan Insurance Premiums**
  - VI. Non-Reimbursed Medical Expenses**
  - VII. Long-Term Care Insurance Premiums**
  
- II. Itemizing: 10.0% Of Adjusted Gross Income In 2016**
  
- III. Exception: Taxpayers Aged 65 And Older:**
  - I. 7.5% of Adjusted Gross Income Limit Through The Tax Year 2016**

# **FLEXIBLE SPENDING ACCOUNTS**

- I. Set Up By Employer**
- II. Pre-Tax Through Payroll.**
- III. \$2,550.00 Contribution Limit Per Year.**
- IV. 2 Options:**
  - I. Use It Or Lose It By March 15 Of The Following Year Or,**
  - II. \$500.00 Carryover But Use It Or Lose It For The Rest Of The Funds By December.**



# **HEALTH SAVINGS ACCOUNT (HSA)**

- 1. High Deductible Health Insurance Plan.**
  
- 2. Tax Benefits**
  - a. Pre-Tax Deductions**
  - b. Tax Deferred Earnings**
  - c. Tax Free Withdrawal If Used For Covered Medical Expenses**

# HEALTH SAVINGS ACCOUNT (HSA) IRS LIMITS

## 2016 IRS LIMITS

	<u>Single Plan</u>	<u>Family Plan</u>
Maximum Contribution Limit	\$3,350.00	\$6,750.00
Minimum Deductible	\$1,300.00	\$2,600.00
Maximum Out-Of-Pocket	\$6,550.00	\$13,100.00
Catch-Up Contribution (55+)	\$1,000.00	\$1,000.00

# **HEALTH SAVINGS ACCOUNT**

- 1. Non-Qualified Withdrawal: Taxable And 20.0% Penalty Before 65**
- 2. No Penalty For Non-Qualified Withdrawal After 65**
- 3. Age Limit For Contributions: 65 Unless Delaying Medicare Enrollment**

# **HEALTH INSURANCE PREMIUMS FOR SELF-EMPLOYED**

- 1. Deducted Before Adjusted Gross Income**
- 2. More Favorable Than Itemized Deduction**

# 2016 LONG-TERM CARE INSURANCE FEDERAL TAX DEDUCTION LIMITS

<u>Taxpayer's Age At End Of Tax Year</u>	<u>Deductible Limit</u>
40 Or Less	\$ 390.00
More Than 40 But Not More Than 50	\$ 730.00
More Than 50 But Not More Than 60	\$ 1,460.00
More Than 60 But Not More Than 70	\$ 3,900.00
More Than 70	\$ 4,870.00

# ALTERNATIVE MINIMUM TAX

- 1. AMT Exemption Is Increased:**
  - I. \$83,800.00 For Married Filing Joint**
  - II. \$53,900.00 For Single Filers.**
  
- 2. AMT Exemption Will Be Inflation-Adjusted Annually.**
  
- 3. Common Causes:**
  - I. High Number Of Personal Exemptions**
  - II. State And Local Income Taxes**
  - III. Miscellaneous Itemized Deductions**
  - IV. Large Capital Gains**
  
- 4. Other Causes:**
  - I. Standard Deduction**
  - II. Interest On Second Mortgage**
  - III. Medical Expenses**
  - IV. Various Credits**
  - V. Incentive Stock Options**
  - VI. Private Activity Bonds**

# **ROTH IRA RECHARACTERIZATION**

- 1. Definition: Reversal Of Roth IRA Conversion**
- 2. Deadline: The Later Of Tax Filing Deadline, Including Extensions Or October 16, 2017**
- 3. Cannot Reconvert Back To A Roth IRA In The Same Tax Year As Your Recharacterization Back To A Traditional IRA, And You Must Wait At Least 30 Days To Switch Back To A Roth IRA**
- 4. Amount Recharacterized Will Include Earnings On Converted Funds**
- 5. Reported On IRS Form 8606**
- 6. Why Consider Recharacterization? If Converted Assets Drop In Value**

# **WORTHLESS INVESTMENTS**

- 1. Treated As Sold On The Last Day Of The Year**
- 2. No Markets For That Particular Investment Can Be Available**



# **COST BASIS REPORTING FROM BROKERAGE FIRMS**

- 1. Stocks Bought On Or After January 1, 2011**
- 2. Mutual Funds Bought On Or After January 1, 2012**
- 3. Options, Fixed Income, Bought On Or After January 1, 2013**
- 4. IRS Form 1099-B Report Cost Basis and Purchase Dates**

# **SOCIAL SECURITY TAX WITHHOLDING**

- 1. Changed Jobs- Review Social Security Withholding**
- 2. Calculation Of Maximum Withholding: \$7,347.00  
(\$118,500.00 X 6.20%)**
- 3. Excess Withholding Credit On Federal Tax Return**

# SOCIAL SECURITY INCOME TAX PLANNING

<b>Filing Status</b>	<b>Adjusted Gross Income (AGI) Plus Provisional Income</b>	<b>Amount Of Social Security Subject To Tax</b>
<b>Married Filing Jointly</b>	<b>Under \$32,000</b>	<b>0%</b>
	<b>\$32,000 - \$44,000</b>	<b>Up to 50%</b>
	<b>Over \$44,000</b>	<b>Up to 85%</b>
<b>Single</b>	<b>Under \$25,000</b>	<b>0%</b>
	<b>\$25,000 - \$34,000</b>	<b>Up to 50%</b>
	<b>Over \$34,000</b>	<b>Up to 85%</b>

# **COVERDELL EDUCATION SAVINGS ACCOUNT**

- 1. Maximum Contribution: \$2,000.00**
- 2. Tax-Free Treatment Of Elementary And Secondary School Expenses**
- 3. 2016 Contribution Deadline: April 18, 2017**

# **SECTION 529 PLAN STATE TAX DEDUCTIONS**

- 1. State Residents Review Any Deduction Benefits**
- 2. Pennsylvania Allows A Deduction Of \$14,000.00 Per Beneficiary**

# STUDENT LOAN INTEREST DEDUCTION

**Maximum Deduction: \$2,500.00**

## Modified Adjusted Gross Income Phase-Outs

<b>Married Filing Jointly</b>	<b>\$130,000.00 – 160,000.00</b>
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<b>Others</b>	<b>\$65,000.00 – 80,000.00</b>
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# **CHARITABLE DEDUCTION**

- 1. Donation Guides In IRS Publication 526 And 561 For Non-Cash Gifts**
- 2. Review Prior Year Tax Return For Charitable Contribution Carryover**

# **PRIOR YEAR STATE AND LOCAL INCOME TAXES**

**2015 Fourth Quarter Estimated State Or Local Income Tax Payment  
Made After December 31, 2015, Can Be Deducted On Your 2016  
Federal Tax Return**



# **TAX RETURN PREPARATION**

- 1. A CPA Can Provide Income Tax Planning**
- 2. Respond To Any Tax Notices**
- 3. IRS Estimates That It Can Take 20-25 Hours To Prepare Tax Return**
- 4. Tax Return Preparation Costs Are Deductible (Subject To 2% Of Adjusted Gross Income)**

# **INVESTMENT RELATED EXPENSES**

**You May Write Off Any And All:**

- 1. Investment Publications To Which You Subscribe**
- 2. Financial Advisor's Annual Fees (If Paid With Taxable Funds)**
- 3. Mileage For Visits To Your Advisor**
- 4. Safe Deposit Boxes**

# **QUALIFIED CHARITABLE DISTRIBUTION**

- 1. An IRA Owner Must Be At Least Age 70½**
- 2. \$100,000 Limit**
- 3. Not Included In Taxable Income**
- 4. Satisfies The Required Minimum Distribution**
- 5. No Charitable Deduction**

# **SALES TAX**

- 1. Option Of Claiming The Greater Of:**
  - I. State And Local Income Taxes Or**
  - II. State And Local General Sales Taxes**
- 2. Could Be Beneficial If Resident Of Low Tax Rate State Or No Tax State**
- 3. Could Be Beneficial If Taxpayer Made Large Purchase**

# **AMERICAN OPPORTUNITY TAX CREDIT**

- 1. Undergraduate**
- 2. More Advantageous Than Hope Credit**
- 3. 40.0% Is Refundable**
- 4. Adjusted Gross Income Phase-Out**

# AMERICAN OPPORTUNITY TAX CREDIT

**Maximum Credit:**

**\$2,500.00 Per Student Per Year, For First Four Years Of Qualified Expenses Paid**

## Modified Adjusted Gross Income Phase-Outs

**Married Filing Jointly**

**\$160,000.00 – 180,000.00**

**Single**

**\$80,000.00 – 90,000.00**

# **MORTGAGE INSURANCE DEDUCTIONS**

- 1. First Mortgage Or Refinanced Mortgage After January 1, 2007**
- 2. File On Line 13 Of Schedule A**
- 3. Form 1098 In Box 4**
- 4. Adjusted Gross Income Phase-Out**

# **ENERGY CREDIT FOR INDIVIDUALS**

- 1. Energy Efficiency Improvements To Their Existing Residence**
- 2. 10% OF Qualifying Expenses Up To Lifetime Credit Limit Is \$500.00.**



# **ELECTRIC-DRIVE AUTOMOBILES**

- 1. Incentives For Purchase Of Electric-Drive And Plug-In Hybrid Electric Vehicles.**
- 2. \$2,500.00 - \$7,500.00 Non-Refundable Credit.**
- 3. Energy Department Website Lists Vehicles That Apply.**

# **CHILD AND DEPENDENT CARE CREDIT**

- I. 35.0% Credit Rate Is Permanent.**
- II. \$3,000.00 Cap On Expenses For One Qualifying Child**
- III. \$6,000.00 For Two Or More Qualifying Children**
- IV. Dependent Under Age 13.**

# LIFETIME LEARNING CREDIT

## Maximum Credit:

20% Of First \$10,000.00 (Per Tax Return) Of Qualified Expenses Paid In 2016

## Modified Adjusted Gross Income Phase-Outs

Married Filing Jointly

\$110,000.00 – 130,000.00

Single Filer

\$55,000.00 – 65,000.00

# **BOX 12 OF YOUR W-2 – HEALTH INSURANCE**

- 1. Box 12, Code DD Of Your W-2 Will Report The Cost Of Your Employer's Group Health Insurance Coverage**
- 2. Includes Employer And Employee Contribution**
- 3. Purpose Is Not To Report Tax Information**
- 4. Purpose Is To Provide Information On The Cost Of Overall Healthcare Coverage**

# **AFFORDABLE CARE ACT TAX FORMS**

- 1. Form 1095-A: Health Insurance Purchased On Exchange.**
- 2. Form 1095-B Or 1095-C: Health Insurance Purchased Outside The Exchange Or From Employer**
- 3. Form 8965: Choose Health Coverage Exemption Or Penalty Calculation If Exemptions Don't Apply**
- 4. Form 8962: Reflects Premium Tax Credit From Health Insurance Exchange**

# CHILD TAX CREDIT

## Tax Credit For Dependent Children

	<b>Modified Adjusted Gross Income (MAGI)</b>	<b>Tax Credit For Each Child Younger Than Age 17</b>
<b>Married/Joint</b>	<b>\$0 – 110,000.00</b>	<b>\$1,000.00</b>
<b>Individual</b>	<b>\$0 – 75,000.00</b>	<b>\$1,000.00</b>

# **KIDDIE TAX**

- 1. Unearned Income Earned By Children Under The Age Of 19 And College Students Under The Age Of 24.**
- 2. If Child Has Enough Earned Income To Provide Greater Than Half Of His/Her Support, The Unearned Income Would Be Taxed At The Child's Rates.**

# KIDDIE TAX

<b>Unearned Income</b>	<b>Tax Treatment</b>
<b>Less Than \$1,000.000</b>	<b>No Tax</b>
<b>\$1,050.00 - \$2,100.00</b>	<b>Taxed At Child's Income Tax Rate</b>
<b>More Than \$2,100.00</b>	<b>Taxed At The Higher Of The Parent's Top Marginal Income Tax Rate Or The Child's Income Tax Rate</b>



# **ITEMIZED DEDUCTION LIMITATION**

- 1. Reduces The Amount Of Deductions You Can Take By 3% Of Adjusted Gross Income (AGI) Above The Following Thresholds:**
  - I. \$311,300.00 Adjusted Gross Income For Married Filing Joint.**
  - II. \$259,400.00 Adjusted Gross Income For Single Filers.**
- 2. Inflation-Adjusted Going Forward.**
- 3. Cannot Lose More Than 80% Of The Affected Itemized Deductions.**
- 4. Deductions Impacted:**
  - I. Mortgage Interest**
  - II. Charitable Deductions**
  - III. State And Local Income Tax Payments.**

# ITEMIZED DEDUCTION LIMITATION EXAMPLE

1. **Adjusted Gross Income (AGI) Assumption: \$500,000.00**
2. **Married Filing Jointly**
3. **AGI Limitation Level: \$311,300.00**
4. **Total Itemized Deductions Subject To Limitation: \$45,000.00**
5. **Excess AGI: \$188,700.00 = \$500,000.00 AGI - \$311,300.00 AGI Limitation Level**
6. **Reduction Of Itemized Deduction Calculation: 3.0% x \$188,700.00 = \$5,661.00**
7. **Total Itemized Deductions Allowed: \$45,000.00 - \$5,661.00 = \$39,339.00**

# **PERSONAL EXEMPTION DEDUCTION LIMITATION**

- 1. The Value Of Each Personal Exemption Is Reduced From Its Full Value By 2 Percent For Each \$2,500 Above The Above Specified Income Thresholds.**
- 2. Beginning At \$311,300.00 Adjusted Gross Income For Married Filing Joint.**
- 3. Beginning At \$259,400.00 Adjusted Gross Income For Single Filers.**
- 4. Inflation-Adjusted Going Forward.**

# PERSONAL EXEMPTION DEDUCTION LIMITATION EXAMPLE

1. **Adjusted Gross Income: \$361,300.00**
2. **Filing Status: Married Filing Jointly**
3. **Phase-Out Begins \$311,300.00**
4. **Amount AGI Exceeds Threshold: \$50,000.00 ( $\$361,300.00 - \$311,300.00$ )**
5. **Excess Amount Divided By \$2,500.00 ( $\$50,000.00 / \$2,500.00$ ) = 20**
6. **Multiply Excess Amount By 2.00% = 40.0% ( $20 \times 2.00\%$ )**
7. **Reduce Personal Exemptions By 40.0%**
8. **2016 Personal Exemption: \$8,100.00 ( $\$4,050 \times 2$ )**
9. **Amount Of Personal Exemption Reduction:  $\$8,100.00 \times 40.0\% = \$3,240.00$**
10. **Total Amount Of Personal Exemptions:  $\$8,000.00 - \$3,240.00 = \$4,760.00$**

## **ADDITIONAL MEDICARE TAX ON WAGES**

- 1. Implemented In 2013**
- 2. Single Filers: Wages Are More Than \$200,000.00**
- 3. Married Filing Joint Filers: Wages Are More Than \$250,000.00**
- 4. Tax Rate: .90%**
- 5. Employee Is Responsible**
- 6. Employer Continues To Pay Half The Base Rate Of 2.9%**
- 7. Self-Employed Individuals Will Be Liable Too**

# **ADDITIONAL MEDICARE TAX ON WAGE EXAMPLE**

## **1. Example:**

**A. Single Individual**

**B. Salary: \$250,000.00**

**C. The Tax Would Apply To:**

**1. Wages Exceeding The Threshold Amount (\$200,000.00),  
Or \$50,000.00**

**2. Tax Calculation: .90% Of \$50,000.00 = \$450.00**

# **MEDICARE TAX ON UNEARNED INCOME**

- 1. Implemented In 2013.**
- 2. Tax Rate: 3.8%.**
- 3. Tax Applies To Whichever Is Less:**
  - I. Net Investment Income Or,**
  - II. Amount That Your Modified Adjusted Gross Income Exceeds The Threshold.**
- 4. Unearned Income Defined:**
  - I. Capital Gains**
  - II. Interest**
  - III. Dividends**
  - IV. Rental Income**
  - V. Passive Investor**

# MEDICARE TAX ON UNEARNED INCOME

## The Threshold Amounts

Single Filers	Married Filing Jointly	Married Filing Separately
\$200,000.00	\$250,000.00	\$125,000.00



# MEDICARE TAX ON UNEARNED INCOME EXAMPLE

## 1. Example:

I. Single Individual

II. Modified Adjusted Gross Income: \$220,000.00

III. Net Investment Income: \$40,000.00

IV. The Tax Would Apply To The Lesser Of:

1. Net Investment Income: \$40,000.00 Or

2. Modified Adjusted Gross Income (\$220,000.00) Over The Threshold Amount (\$200,000.00), Or \$20,000.00

3. Tax Calculation:  $3.8\% \text{ Of } \$20,000.00 = \$760.00$



# CONTACT INFORMATION



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