

2023 Tax Report for Peter Professor and Paula Professor

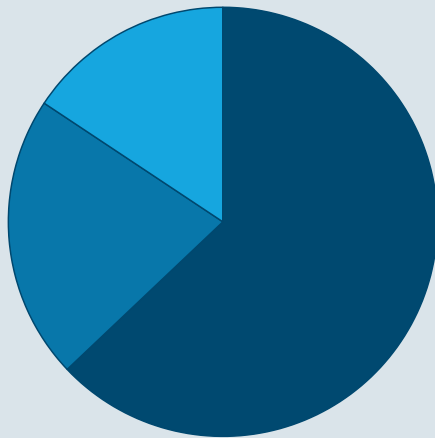
KEY FIGURES

Total Income	\$234,650
AGI	\$230,912
Deductions	\$42,000
Taxable Income	\$179,080
Total Tax	\$25,233

Filing Status	Married Filing Jointly
Marginal Bracket	22.0%
Average Rate	10.8%
2024 Safe Harbor	\$27,757

Qualified/Ordinary Dividends	\$17,000 / \$20,000
ST/LT Capital Gains	\$2,500 / \$19,500
Carryforward Loss	\$0
Credits Claimed	\$9,700

Let's take a look at your Tax Breakdown



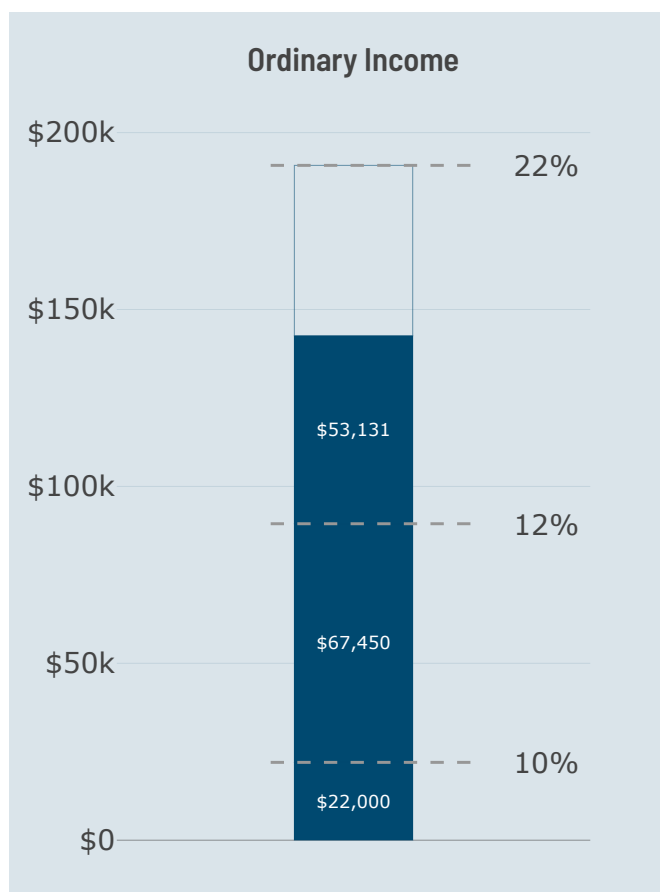
■	Tax on Ordinary Income \$21,983 62.9%
■	Self-Employment Tax \$7,475 21.4%
■	Tax on Long Term Gains & Qualified Dividends \$5,475 15.7%

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:

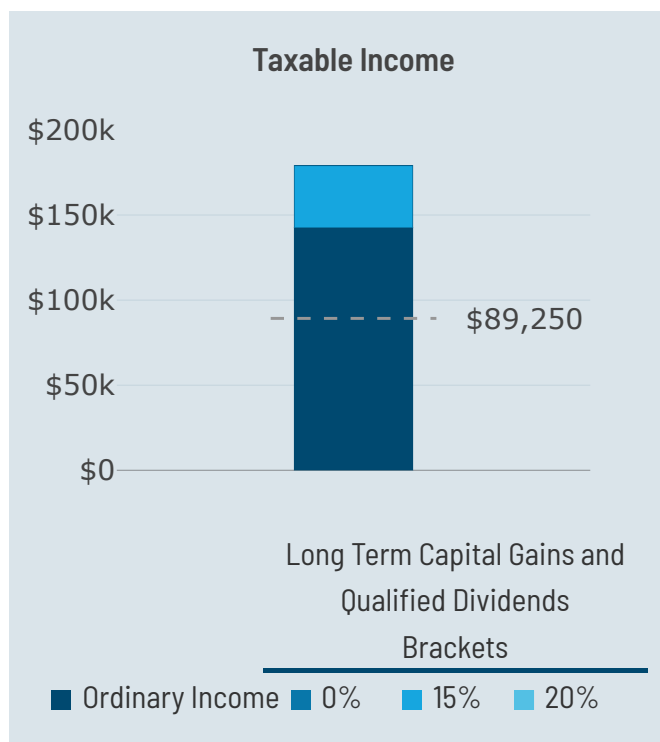
Marginal Rate	Ordinary Income Threshold	Ordinary Income	Tax
10%	\$0 to \$22,000	\$22,000	\$2,200
12%	\$22,000 to \$89,450	\$67,450	\$8,094
22%	\$89,450 to \$190,750	\$53,131	\$11,689
24%	\$190,750 to \$364,200	\$0	\$0
32%	\$364,200 to \$462,500	\$0	\$0
35%	\$462,500 to \$693,750	\$0	\$0
37%	\$693,750 and above	\$0	\$0
Total		\$142,581	\$21,983



Marginal Tax Brackets: Long Term Capital Gains & Qualified Dividends

Your taxable income of \$179,080 includes \$36,500 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 \$89,250		\$0	\$0
15.0%	\$89,250 to \$553,850	\$179,080	\$36,500	\$5,475
20.0%	\$553,850 and above		\$0	\$0
Total		\$36,500	\$5,475	



Medicare Part B/D Premiums for 2025

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income* (MAGI). Your MAGI is \$230,913. Amounts are monthly per person.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	MAGI	Part B Premium	Part D Premium
\$0 to \$212,000		\$185.00	Your Plan Premium
\$212,000 to \$266,000	\$230,913	\$185.00 + \$74.00 = \$259.00	Your Plan Premium + \$13.70
\$266,000 to \$334,000		\$185.00 + \$185.00 = \$370.00	Your Plan Premium + \$35.30
\$334,000 to \$400,000		\$185.00 + \$295.90 = \$480.90	Your Plan Premium + \$57.00
\$400,000 to \$750,000		\$185.00 + \$406.90 = \$591.90	Your Plan Premium + \$78.60
\$750,000 and above		\$185.00 + \$443.90 = \$628.90	Your Plan Premium + \$85.80

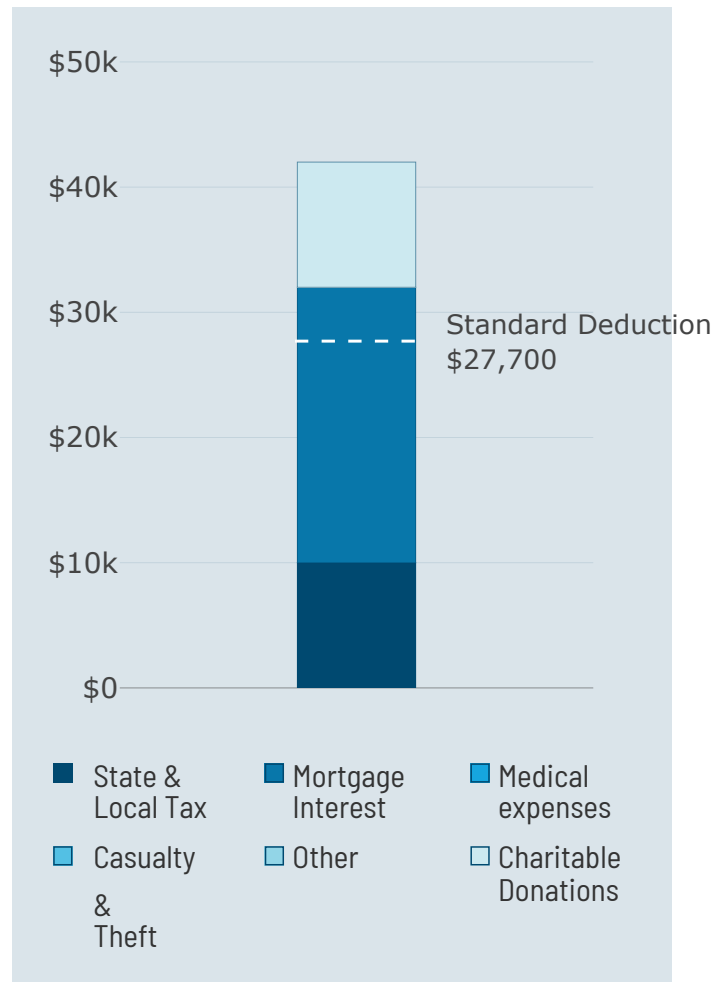
Schedule A

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 \$14,300



Schedule B - Income Sources

The tax return listed the following income sources on Schedule B

INTEREST

Description	Amount
BANK OF AMERICA	\$1,500.00
ALLY BANK	\$2,000.00
SCHWAB	\$2,500.00

DIVIDENDS

Description	Amount
VANGUARD	\$10,000.00
SCWHAB	\$10,000.00

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 2023	\$2,500
Total Short Term Gain/Loss for 2023	\$2,500

LONG TERM

Description	Amount
Long Term Gain/Loss for 2023	\$7,000
Capital Gain Distributions for 2023	\$12,500
Total Long Term Gain/Loss for 2023	\$19,500

TOTAL

Total Gains/Losses for 2023 \$22,000

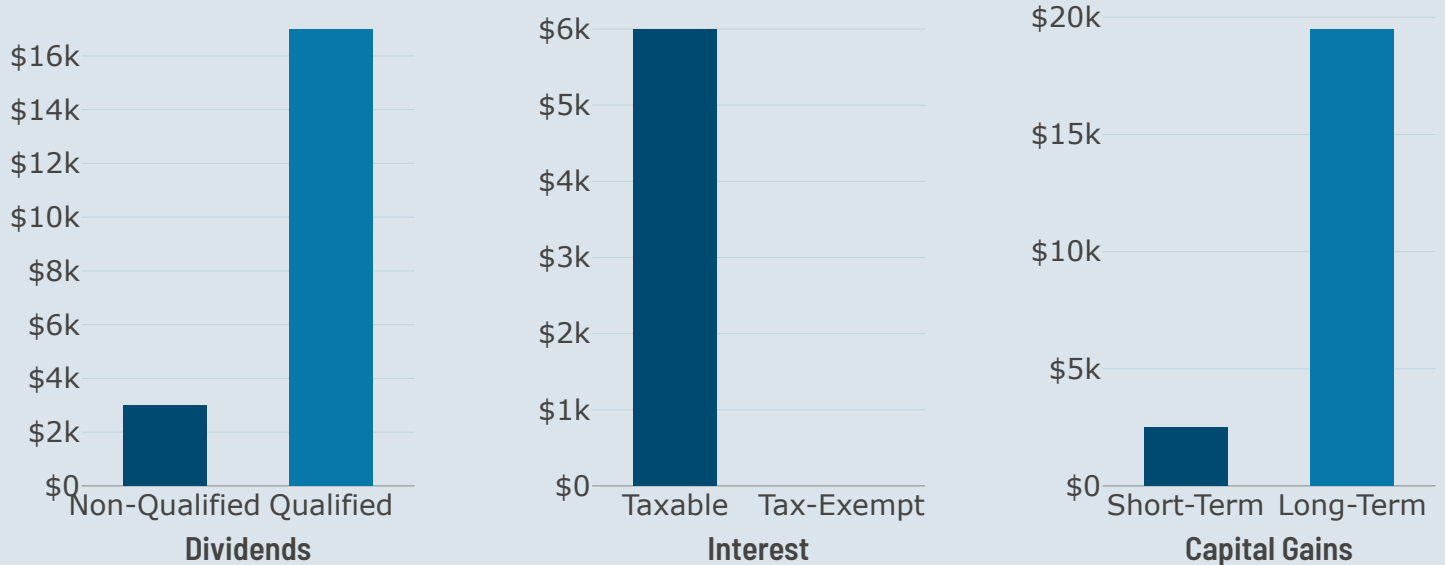
CARRY FORWARD LOSSES TO 2024

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	Over
Lifetime Learning Credit	\$160,000 - \$180,000	Over
American Opportunity Credit	\$160,000 - \$180,000	Over
Child Tax Credit	\$400,000 - \$440,000	Under
Qualified Adoption Expenses Credit	\$239,230 - \$279,230	Under
Savers Credit	\$43,500 - \$73,000	Over
Clean Vehicle Credit (New)	\$0 - \$300,000	Under
Clean Vehicle Credit (Used)	\$0 - \$150,000	Over

MAGI Definition 2	\$230,913	
Net Investment Income Tax	\$0 - \$250,000	Under

MAGI Definition 3	\$221,163	
Roth IRA Contribution	\$218,000 - \$228,000	Phase Out

MAGI Definition 4	\$230,913	
Student Loan Interest Deduction	\$155,000 - \$185,000	Over

MAGI Definition 5	\$230,912	
IRA Contribution Deductibility - Covered by Qualified Plan	\$116,000 - \$136,000	Over
IRA Contribution Deductibility - Not Covered/Spouse Covered	\$218,000 - \$228,000	Over

MAGI Definition 6	\$230,913	
ACA Premium Credit	832% 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	\$1,200 Non-refundable
Residential Clean Energy Credit	\$6,000 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.

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.

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.

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

TX State Tax Hints

Texas has no state income tax.

Use tax on out-of-state purchases applies if sales tax was not paid at time of purchase.

Businesses with limited liability structures are subject to the Texas franchise tax. Clients with Texas business interests should check with a CPA about filing.

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