

TAX ANALYSIS

Your tax picture

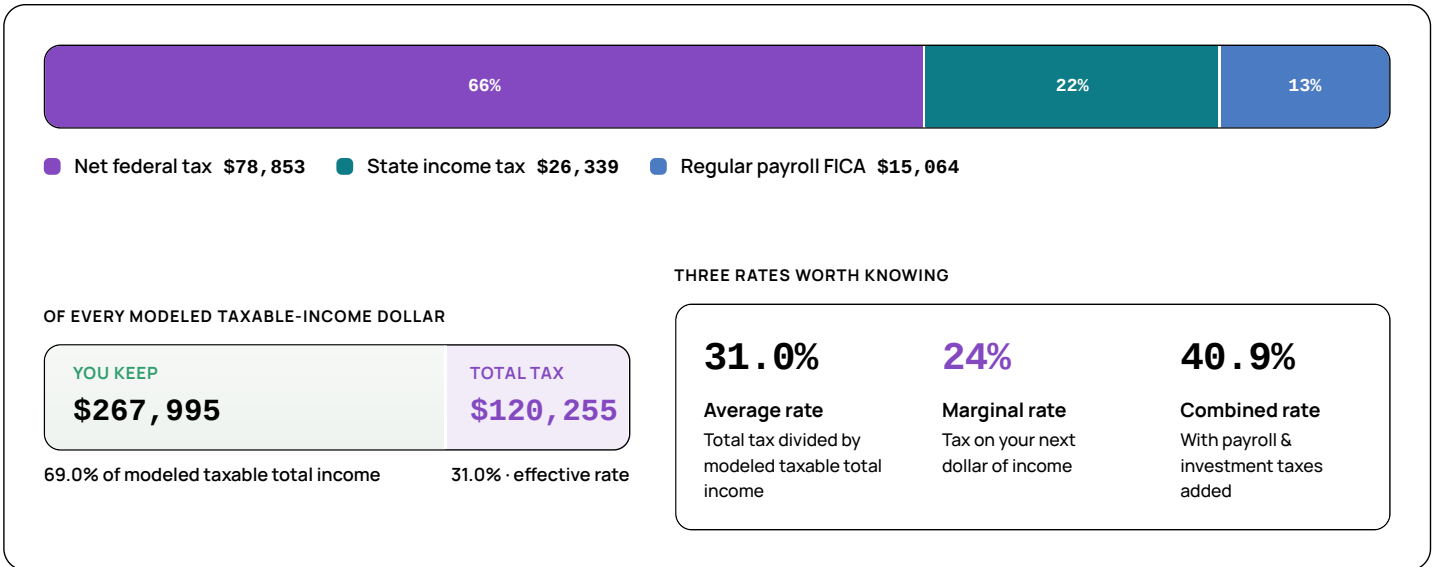
This plan models \$406,250 of gross household income and \$388,250 of taxable total income. Your total estimated tax burden is \$120,255 – about 31 cents of every modeled taxable-income dollar. Here's where it goes, what's still owed, and a few moves worth reviewing.



WHERE IT GOES

What makes up your tax

Your total tax includes net federal tax after refundable credits, state income tax, and regular payroll FICA withheld outside the return. Here's the full mix.



From what you earned to what you owe

Tax is built in steps. We start with your income, subtract deductions to find the part that's actually taxed, calculate federal return taxes including Schedule 2 items, then add state tax and regular payroll FICA for the full picture.

Taxable total income

\$388,250

Form 1040-style total income before above-the-line adjustments

- **Income adjustments** (\$17,039)
Items that reduce adjusted gross income
- **Standard or itemized deduction** (\$32,200)
The larger of the modeled standard or itemized deduction
- **QBI deduction** (\$27,842)
Separate Section 199A deduction after standard or itemized deductions

⋮

Income that gets taxed

\$311,169

Your taxable income

- + **Tax on regular income** \$59,877
Across the ordinary brackets
- ⋮
- + **Self-employment tax** \$22,077
Schedule SE tax reported with federal return taxes
- + **Additional Medicare tax** \$1,299
Form 8959 Schedule 2 tax

Federal return tax before refundable credits

\$78,853

Federal return tax after nonrefundable credits and Schedule 2 taxes, before refundable credits and payments

Net federal tax after refundable credits

\$78,853

Federal tax included in the total modeled tax burden

- + **Regular payroll FICA** \$15,064
W-2 Social Security and Medicare withheld outside the return
- + **State income tax** \$26,339
Modeled state tax estimate

⋮

Total estimated tax

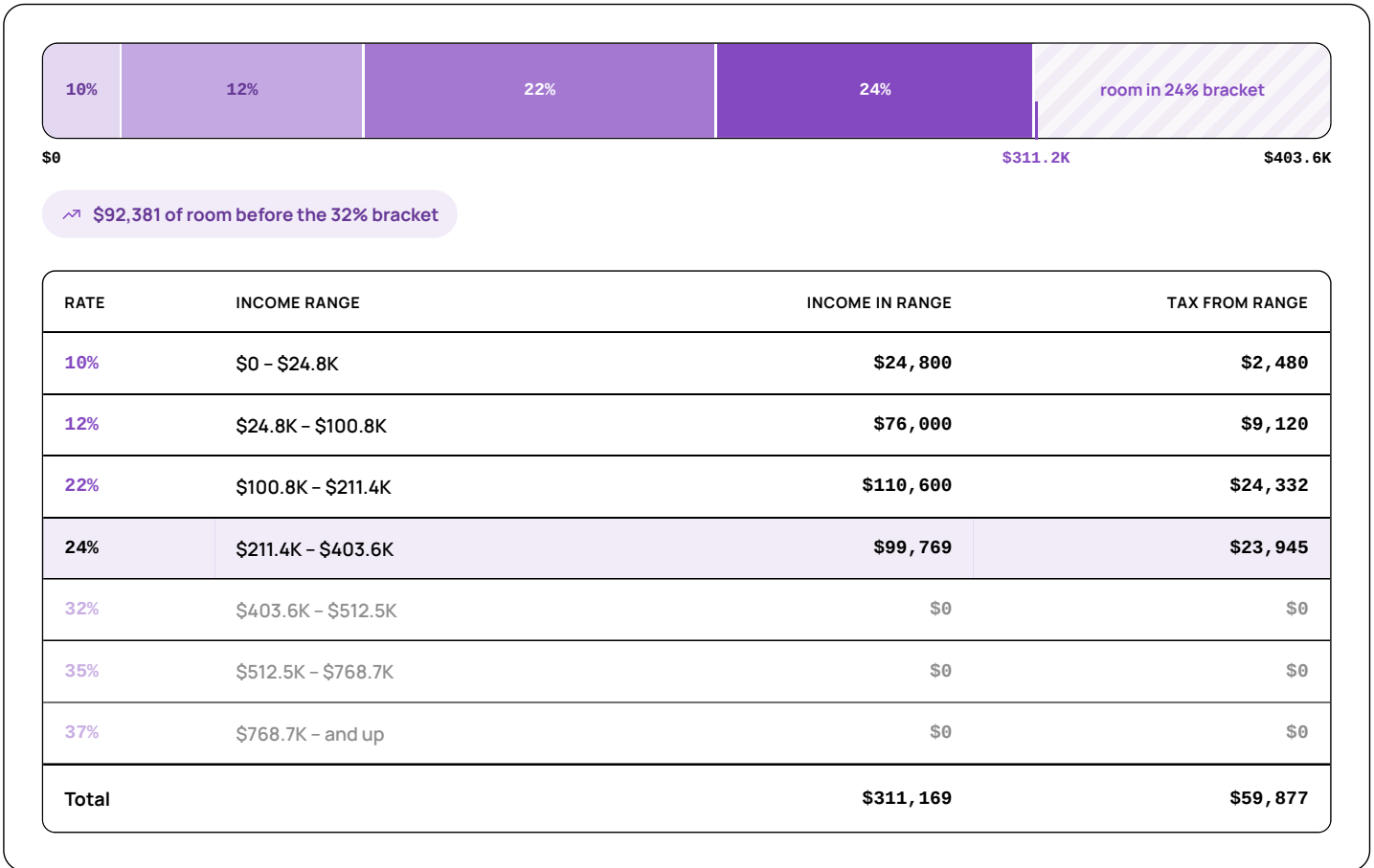
\$120,255

Everything combined

HOW BRACKETS WORK

Your income is taxed in layers

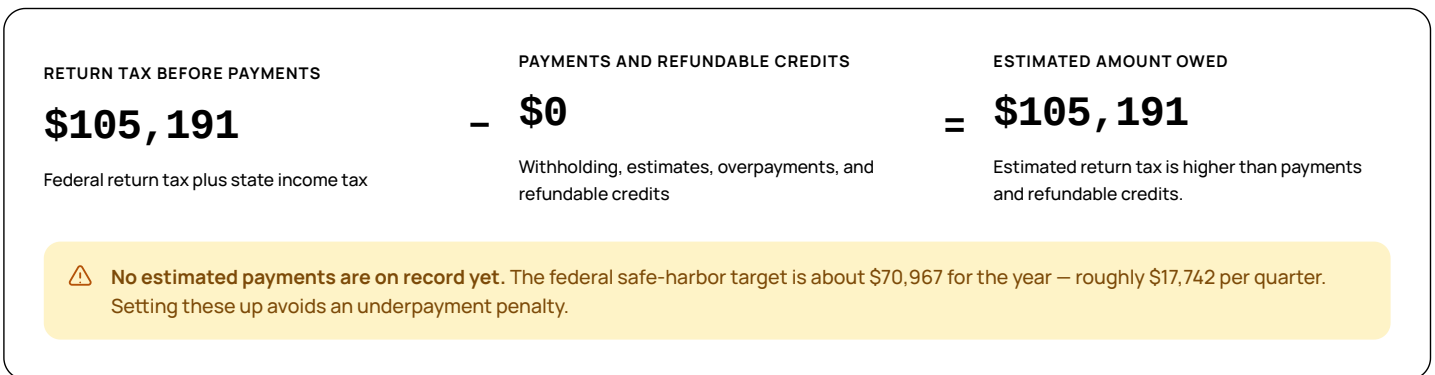
Being "in the 24% bracket" doesn't mean all your income is taxed at 24%. Each layer of income is taxed only at that layer's rate – so your first dollars are taxed the least.



SETTLING UP

What's still owed

This compares estimated return tax against payments and refundable credits. It excludes regular payroll FICA that is already handled through payroll withholding.



Planning opportunities to review

These aren't instructions to act – they're topics this estimate surfaced that are worth discussing before any decisions. Each one links back to a number in your situation.

↕ 5 opportunities

⚠ 1 action item



Income

Roth Conversion Bracket Room

You are in the 24.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion. You have \$92,381 of room remaining in the 24% bracket before moving into the next bracket. Modeling a conversion up to this amount can show the estimated cost of recognizing income at a known current bracket, with future qualified Roth growth generally excluded from taxable income.

→ SUGGESTED NEXT STEP

Use the Roth conversion input to model a partial conversion up to the available bracket room, then compare total tax and future income assumptions.



Payments

Estimated Payment Safe Harbor

For federal safe harbor planning, estimated payments or withholding generally need to cover the lesser of 90% of current year tax (\$70,967). The estimated safe harbor amount is \$70,967, or approximately \$17,742 per quarter. Withholding from paychecks or retirement distributions is generally treated as paid evenly throughout the year, but estimated payments should be timed to match when income is earned. A tax professional can help optimize timing for uneven income.

→ SUGGESTED NEXT STEP

Confirm prior-year tax and AGI, then decide whether withholding or estimated payments is the better funding path for this client.



Benefits

Backdoor Roth Review

Your MAGI of \$371,211 exceeds the Roth IRA direct contribution limit of \$252,000. Consider the Backdoor Roth IRA strategy: contribute to a non-deductible Traditional IRA and then convert to Roth. Be aware that if you have existing pre-tax IRA balances, the pro-rata rule will apply and a portion of the conversion will be taxable. When an actual conversion is entered or imported, use Form 8606 line 18 as the taxable conversion amount and preserve line 16/17/14 details; the calculator does not independently prepare the full pro-rata worksheet from IRA balances alone.

→ SUGGESTED NEXT STEP

Confirm year-end Traditional, SEP, SIMPLE, and rollover IRA balances are zero before treating a backdoor Roth as clean.



Benefits

Business Retirement Plan

Your tax information suggests you have business income totaling \$156,250. Depending on your circumstances, you may be able to implement a retirement plan for the business to defer taxes. A SEP-IRA allows contributions of up to 25% of net self-employment income. A Solo 401(k) adds an employee deferral of up to \$24,500 (plus \$8,000 catch-up if age 50+) on top of the employer contribution. These contributions reduce your adjusted gross income, which can have cascading benefits across MAGI thresholds and other tax provisions.

→ SUGGESTED NEXT STEP

Model SEP-IRA or Solo 401(k) contributions separately and verify employee coverage, entity type, and plan deadlines.



Benefits

HSA Contribution Review

Your tax information does not list any HSA contributions. If you are eligible to contribute to an HSA, a contribution can reduce taxable income regardless of whether you itemize or take the standard deduction. The 2026 contribution limit is \$8,750 for family coverage. HSA funds can grow tax-deferred, and withdrawals for qualified medical expenses are generally tax-free. After age 65, HSA funds can be withdrawn for any purpose without penalty, making it an effective supplemental retirement vehicle.

→ SUGGESTED NEXT STEP

Confirm HDHP eligibility, coverage type, employer HSA contributions, and age catch-up before recommending a contribution.



Benefits

Payroll Benefits Review

Review employer-provided benefits to ensure you are taking full advantage of any pre-tax options. Pre-tax contributions to health insurance, FSA, dependent care FSA, and commuter benefits reduce both income tax and FICA taxes, providing a double tax benefit.

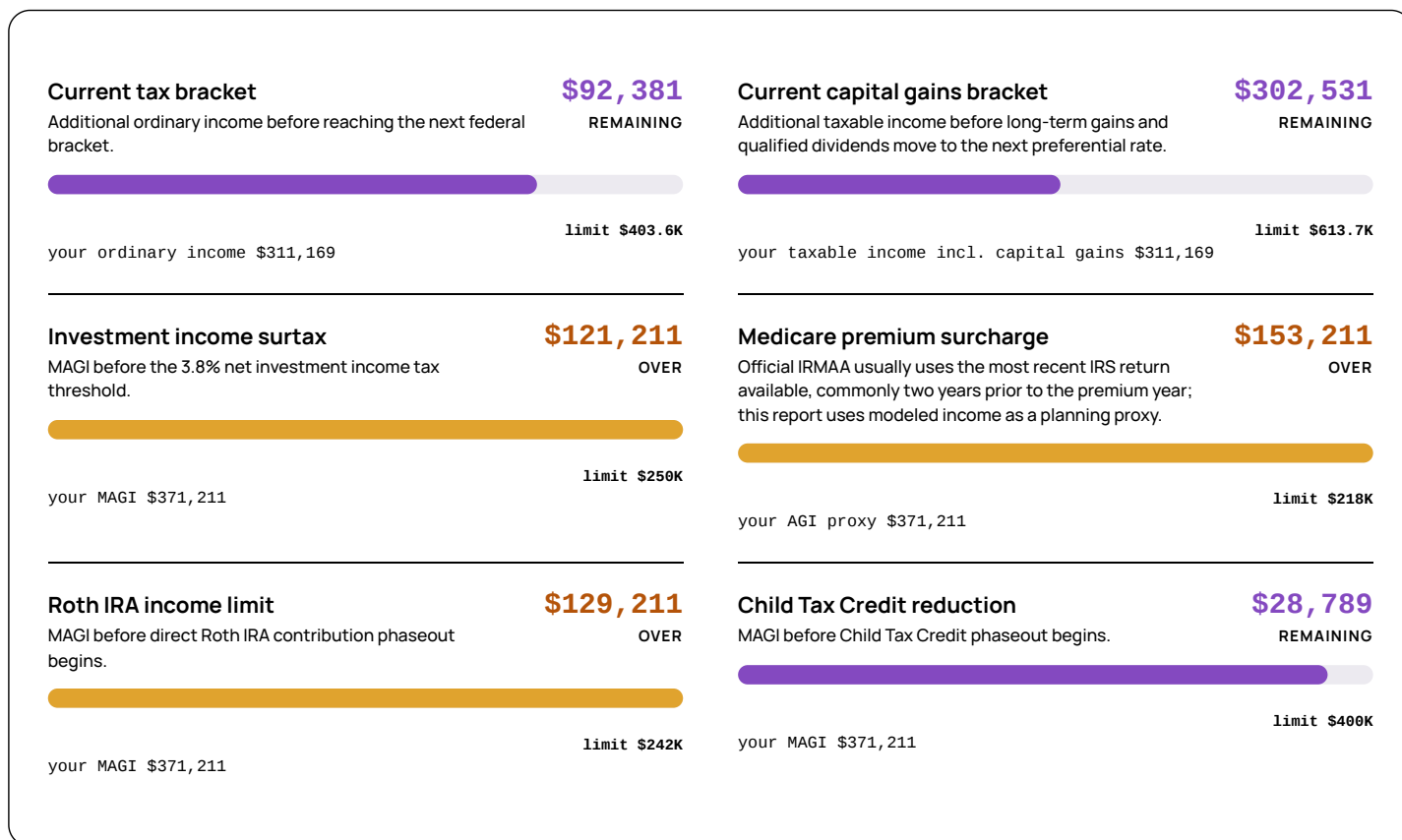
→ SUGGESTED NEXT STEP

Ask for the benefits guide or paystub elections before assuming no pre-tax payroll benefits are available.

THRESHOLDS

Room before key tax thresholds

Some taxes and limits switch on at specific income levels. This shows where your income sits relative to the lines that matter most – some you're under, some you've crossed.

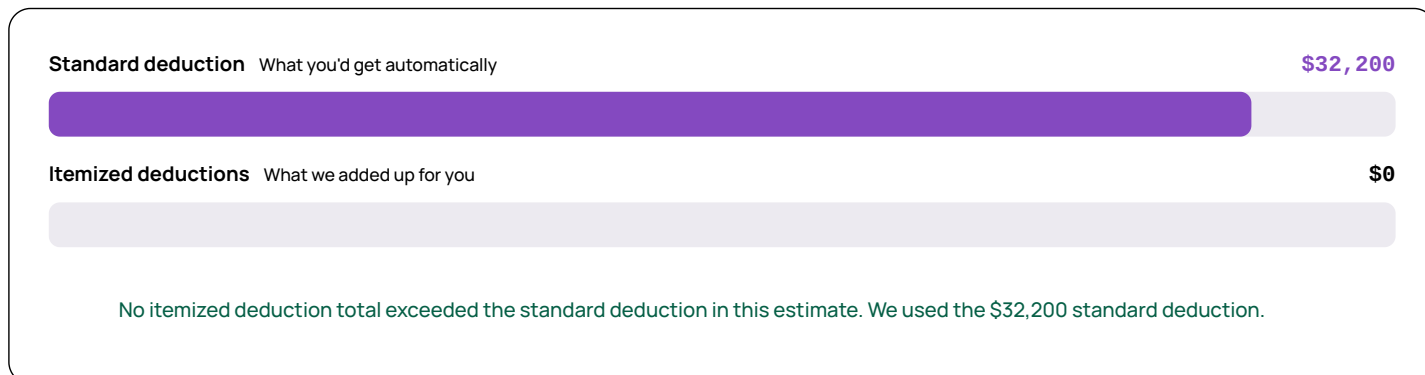


SUPPORTING DETAIL

DEDUCTIONS

Your deduction

You can take a flat standard deduction or add up your actual deductible expenses (itemize). We use whichever is larger.



BUSINESS INCOME

Business and pass-through income

Business income can affect both income tax and self-employment tax. These are the business-related sources included in this estimate.

SCHEDULE C – NET PROFIT	
BUSINESS	NET PROFIT
Bob	\$156,250

TAX REDUCTIONS

Applied deductions and credits

Deductions lower the income that is taxed. Credits lower tax more directly.

DEDUCTIONS LOWERING TAXABLE INCOME	
Retirement Contributions	\$18,000
SE Tax Deduction	\$11,039
Standard Deduction	\$32,200
QBI Deduction	\$27,842

CREDITS USED	
Child Tax Credit (Non-refundable)	-\$4,400
Total credits	-\$4,400

Income limits to watch

Many credits, deductions and surcharges depend on income limits. This shows where your modeled income sits against each one.

LIMIT OR BENEFIT	YOUR INCOME	LIMIT / RANGE	STATUS
Coverdell ESA	\$371,211	\$190,000 - \$220,000	Above
Lifetime Learning Credit	\$371,211	\$160,000 - \$180,000	Above
American Opportunity Credit	\$371,211	\$160,000 - \$180,000	Above
Child Tax Credit	\$371,211	\$400,000 - \$800,000	Under
Qualified Adoption Expenses Credit	\$371,211	\$265,080 - \$305,080	Above
Saver's Credit	\$371,211	\$0 - \$80,500	Above
Clean Vehicle Credit (New)	\$371,211	Expired after 2025-09-30	Expired
Clean Vehicle Credit (Used)	\$371,211	Expired after 2025-09-30	Expired
Net Investment Income Tax	\$371,211	\$0 - \$250,000	Above
Roth IRA Contribution	\$371,211	\$242,000 - \$252,000	Above
Student Loan Interest Deduction	\$371,211	\$175,000 - \$205,000	Above
IRA Deductibility - Covered by Qualified Plan	\$371,211	\$129,000 - \$149,000	Above
IRA Deductibility - Not Covered/Spouse Covered	\$371,211	\$242,000 - \$252,000	Above
ACA Premium Credit	\$371,211	400% FPL: \$62,600	Above 400%
Medicare IRMAA Surcharge	\$371,211	\$0 - \$218,000	Surcharge

Medicare premium tiers

Part B and Part D premiums can increase when Medicare MAGI crosses income-related monthly adjustment amount tiers.

MODELED IRMAA MAGI \$371,211 AGI + tax-exempt interest	PREMIUM YEAR 2026 Modeled proxy	PART B PREMIUM \$527.50 Monthly total	PART D ADD-ON \$60.40 Added to plan premium	TIER ROOM \$38,789 room to next tier
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MAGI BAND	PART B PREMIUM	PART B ADJUSTMENT	PART D ADD-ON	STATUS
Up to \$218,000	\$202.90	\$0.00	\$0.00	-
Over \$218,000 to up to \$274,000	\$284.10	\$81.20	\$14.50	-
Over \$274,000 to up to \$342,000	\$405.80	\$202.90	\$37.50	-
Over \$342,000 to up to \$410,000	\$527.50	\$324.60	\$60.40	Current tier 3
Over \$410,000 to under \$750,000	\$649.20	\$446.30	\$83.30	-
\$750,000 and above	\$689.90	\$487.00	\$91.00	-

Official IRMAA usually uses the most recent IRS return available, commonly two years prior to the premium year; this report uses modeled income as a planning proxy. Part D premiums vary by plan; the amount shown is the IRMAA add-on.

Assumptions & limitations

A few things this estimate simplifies or leaves out. Your advisor can walk through any of these.

- This report is a planning estimate based on the inputs provided. It is not a substitute for a prepared return or tax advice.
- Federal tax mix charts show net federal tax after refundable credits. Form 1040 line 24-style return tax, refundable credits, withholding, estimates, and overpayment are reconciled separately in the payment section.
- AMT is planning-level and not a complete Form 6251 model. ISO preference, private activity bond interest, AMT foreign tax credit, depreciation/preference adjustments, and detailed AMT capital-gain worksheets are not fully modeled.
- NIIT uses a core Form 8960-style 3.8% planning calculation with broad investment-income buckets, not a complete Form 8960 classification of every exclusion or adjustment.
- Premium Tax Credit results require complete marketplace inputs from Form 1095-A and should be verified on Form 8962. The calculator annualizes SLCSP, enrollment premiums, APTC, and covered months and does not model every Form 8962 / Pub. 974 exception.
- EIC uses the explicit EIC qualifying-child count when entered; otherwise it defaults to children under 17. Its investment-income test uses available interest, dividend, net capital gain, and rental buckets, but does not fully model Form 8814, Form 4797, royalty expenses, or passive-activity classification. It models the MFS lived-apart exception when flagged, but does not independently verify SSN, residency, relationship, tiebreaker, dependent, legal-separation, or joint-return screens.
- Saver's Credit includes age and AGI limits, but does not model the full-time-student, dependent-of-another, or prior-distribution eligibility screens.
- Itemized deductions are limited to the modeled categories and simplified federal caps/floors. Mortgage interest assumes the entered amount is deductible after debt-limit rules; casualty/theft losses do not model every event-level or disaster rule.
- Medicare IRMAA surcharges usually use a prior-year MAGI lookback; this report shows modeled tax-year income as a planning proxy.
- Return settlement excludes regular payroll FICA already handled through payroll withholding; total modeled tax burden includes it for cash-flow context.
- State tax is a broad planning estimate using the selected state's modeled brackets. Some Social Security subtractions are modeled where current inputs support them; local income taxes, credits, and many state-specific retirement or pension exclusions remain partial or omitted.
- QBI is modeled for core Schedule C, S-corp, partnership, REIT, W-2 wage, UBI, SSTB, and taxable-income cap mechanics. Entity-level attribution of deductions and special 199A facts should still be verified against Form 8995/8995-A worksheets.
- Estimated-payment safe harbor is modeled for ordinary 90% current-year and 100%/110% prior-year thresholds. Form 2210 penalty, annualized installment income, and farmer/fisher special rules are not calculated.
- Backdoor Roth and IRA conversion modeling uses entered/imported Form 8606 taxable conversion amounts when provided; it does not independently compute the full pro-rata worksheet from IRA balances alone.
- Child and dependent care credit models Form 2441 expense caps, dependent care FSA reductions, earned-income limits, AGI rates, and the MFS lived-apart proxy when entered, but not student/disabled spouse deemed-earned-income rules or every provider, household-support, and eligibility screen.
- Schedule 1-A tips, overtime, senior bonus, and vehicle-loan-interest deductions rely on entered eligibility facts and should be verified against source documents.
- Specialized credits such as clean-vehicle, adoption, foreign tax, and other manual credits may require separate eligibility and form-level calculations.

Clients should consult a tax professional before acting on any number here. Figures are rounded for readability.