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Tax Planning

2022 Federal Tax Provisions

Federal Income Tax Brackets

Marginal Tax Rate	Single Filers	Head of Household	Married Filing Jointly	Trusts and Estates
10%	0 – 10,275	0 – 14,650	0 – 20,550	0 – 2,750
12%	10,276 – 41,775	14,651 – 55,900	20,551 – 83,550	
22%	41,776 – 89,075	55,901 – 89,050	83,551 – 178,150	
24%	89,076 – 170,050	89,051 – 170,050	178,151 – 340,100	2,751 – 9,850
32%	170,051 – 215,950	170,051 – 215,950	340,101 – 431,900	
35%	215,951 – 539,900	215,951 – 539,900	431,901 – 647,850	9,851 – 13,450
37%	539,901 +	539,901 +	647,851 +	13,451 +

Source: Tax Foundation, as of October 2021

Alternative Minimum Tax (AMT)

	AMT Exemption	AMT Exemption Phaseout
Single and Head of Household	$75,900	$539,900
Married Filing Jointly	$118,100	$1,079,800

The AMT exemption is reduced by $0.25 for each dollar that a taxpayer's Alternative Minimum Taxable Income (AMTI) exceeds the phase-out threshold

Long-Term Capital Gains Tax Rates

Taxable Income:

0%	<	$41,675 Single $55,800 Head of Household $83,350 Married Filing Jointly
15%	*between*	$41,676 – 459,750 Single $55,801 – 488,500 Head of Household $83,351 – 517,200 Married Filing Jointly
20%	>	$459,750 Single $488,500 Head of Household $517,200 Married Filing Jointly

Source: The Tax Foundation

2022 Federal Tax Provisions

Standard Deduction vs. Itemized Deductions

Taxpayers may take the greater of the standard deduction or total itemized deductions

Standard Deduction

- $12,950 Single
- $19,400 Head of Household
- $25,900 Married Filing Jointly

Itemized Deductions

- Medical expenses greater than 7.5 percent of adjusted gross income are deductible
- SALT Deduction capped at $10,000 for *the sum of*: 1) property taxes *and* 2) *greater of* state and local income taxes *or* sales taxes
- Home mortgage interest on mortgages up to $750,000. (*Note: Mortgages before December 15, 2017 up to $1 million grandfathered.)*
- Charitable contributions (subject to AGI limits based on contributed property & receiving charity)

Source: The Tax Foundation

"Must Know" Healthcare Taxes

Net Investment Income Tax (NIIT):

3.8%

On the *lesser of* net investment income *or* Modified AGI above threshold:
$200,000 for Single/Head of Household
$250,000 for Married Filing Jointly
$125,000 for Married Filing Separately

Note: These threshold amounts are not indexed for inflation.

Investment income includes, but is not limited to:

- Interest
- Dividends
- Capital Gains
- Rental/Royalty Income
- Non-Qualified Annuities
- Business involved with Financial Trading
- Passive Activities

Medicare Surtax:

0.9%

On *earned* income above:
$200,000 for Single
$250,000 for Married Filing Jointly
$125,000 for Married Filing Separately

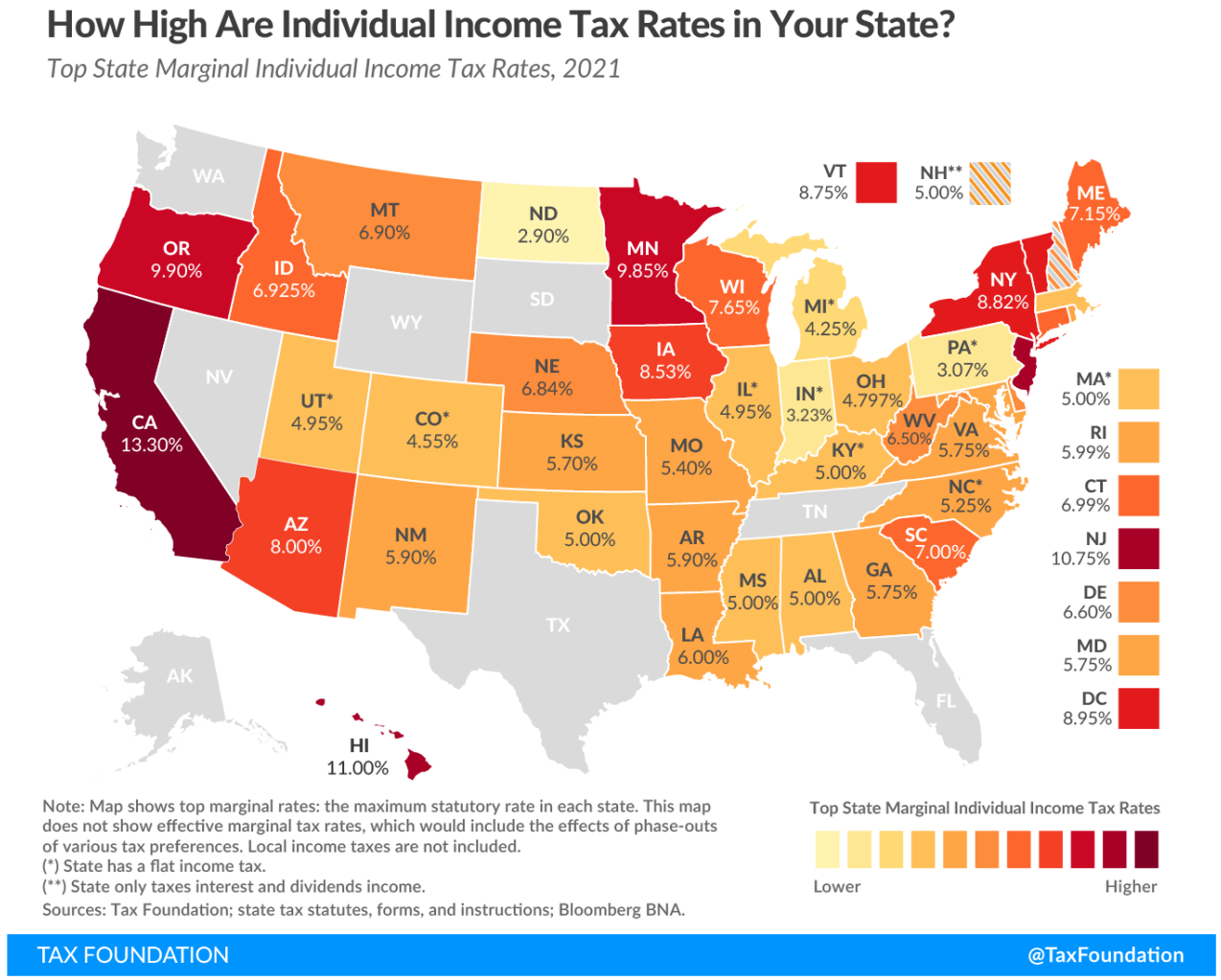
Note: These threshold amounts are not indexed for inflation.

State Tax Provisions

41 States with individual income taxes

1 State that only taxes dividends and interest (New Hampshire)

8 States with no individual income tax (Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, Wyoming)

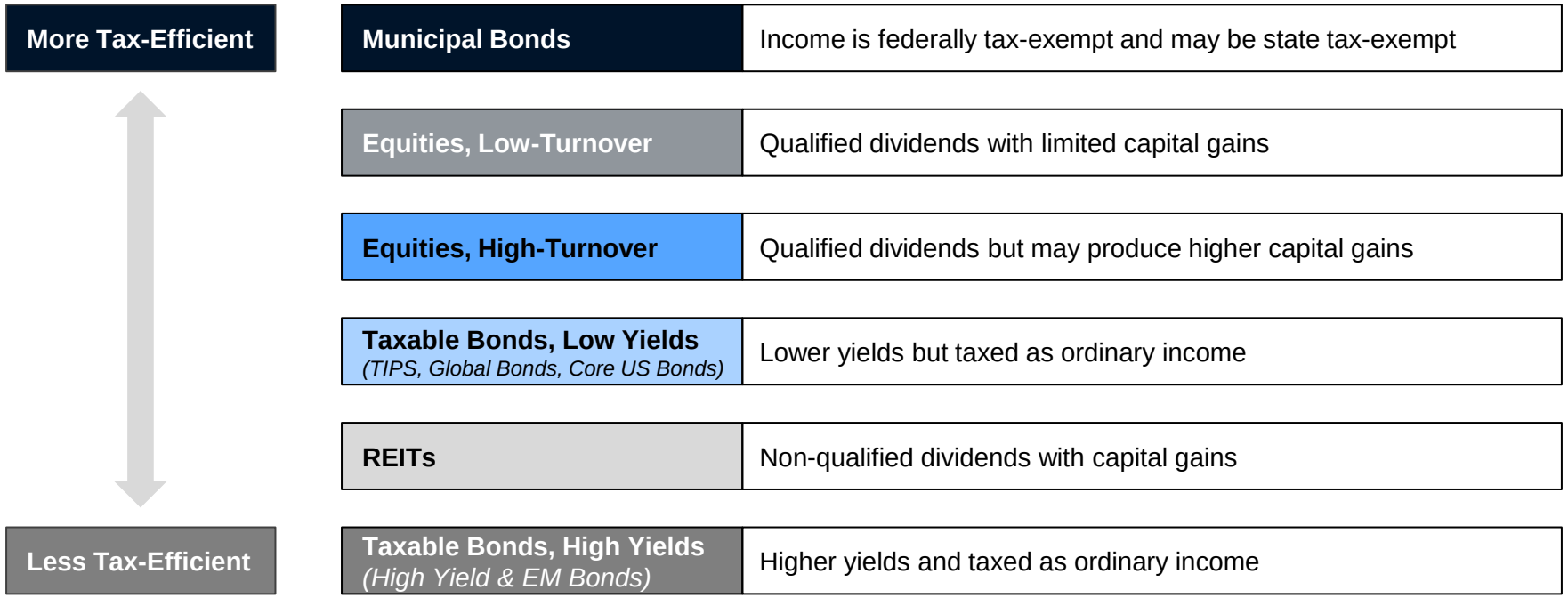


Source: The Tax Foundation

Asset Location

Planning Tip

- The taxation of portfolio income varies by asset class. Taxable bond and REIT income is taxed unfavorably at ordinary income rates, while equity dividends are taxed favorably at lower qualified dividend rates.
- An investor who has a combination of taxable accounts, Traditional 401(k)/IRAs and Roth 401(k)/Roth IRAs can optimize a portfolio's allocation to minimize tax drag, thereby enhancing long-term after-tax returns.



Asset classes/investments such as broad real assets, hedge funds, etc. may be harder to quantify for tax efficiency.

Tax Planning Checklist

What we are doing to help clients

1. Tax-Aware Investing/Asset Placement
2. Tax-Efficient Securities and Active Management Considerations
3. Tax Loss Harvesting/Thoughtful Rebalancing
4. Tax-Aware Recognition of Capital Gains
5. Capital Gain Dividend Distribution Analysis

How your tax advisor can help

1. Recognition and Timing of Income
2. Timing and Target Amount for Charitable Gifts
3. Evaluating the Potential Benefits of a Roth Conversion
4. Review Estimated Tax Withholding
5. AMT Considerations
6. Manage State and Local Income Tax Deductions
7. Review Property Tax Deductions
8. Additional State Tax Considerations

Areas where we can offer perspective

1. **Evaluating and Minimizing Capital Gain Implications** amid a portfolio repositioning considering factors such as potential step-ups in cost basis, asset placement, etc.
2. **Evaluating Family Gifting Strategies** according to desired gifting goals and, once determined, coordinating the gifting transfers.
3. **Gifting Long-Term Appreciated Securities** rather than cash for charitable contributions, which avoids capital gains taxes on the appreciated securities.
4. **Charitably Gifting the Required Minimum Distribution of an IRA**, which avoids the IRA distribution being treated as taxable income.
5. **Weighing the Differences between a Lump Sum Option or Annuity** income stream for Defined Benefit Plan or Cash Balance Pensions.
6. **Evaluating Tax Bracket Breakpoints and Stock Volatility** when minimizing single stock concentrations.
7. **Reviewing Social Security** income options.

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