

Tax Optimization Report

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Prepared using Tax EvAlision's Deep Research Agent

Key Findings

Section	Review Status	Savings	Dependencies
Identify potential adjustments to income	Needs Review	\$2,500	Verify student loan interest paid
Assess eligibility for education-related credits	Looks good	\$0	Explore other tax benefits
Review mortgage interest deductions	Looks good	\$0	Retain Form 1098s
Analyze potential deductions for SALT	Possible Savings	Variable	Review state-specific deductions
Evaluate eligibility for Child and Dependent Care Expenses Credit	Needs Review	\$1,200	Verify child care expenses
Net Investment Income Tax Mitigation	Possible Savings	\$55,000	Apply NOL carryforward
Additional Medicare Tax Review	Looks good	\$0	Verify withholding accuracy
Qualified Business Income Deduction Analysis	Needs Review	Variable	Review aggregation possibilities
Health Savings Account Contribution Maximization	Quick Reminder	\$550	Increase contributions

Section	Review Status	Savings	Dependencies
Foreign Tax Credit Optimization	Looks good	\$0	Monitor future carryovers
Identify opportunities for capital loss carryover	Possible Savings	\$7,511	Apply carryover to future gains
Assess eligibility for Retirement Savings Contributions Credit	Looks good	\$0	Maximize retirement contributions
Review potential deductions for self-employment tax	Needs Review	Variable	Claim health insurance deduction
Evaluate eligibility for Earned Income Tax Credit	Looks good	\$0	Maximize other credits
Determine impact of additional Medicare tax and NIIT	Looks good	\$0	Review withholding accuracy
Evaluate eligibility for itemized deductions	Quick Reminder	Variable	Review potential deductions
Investigate opportunities for charitable contribution deductions	Possible Savings	Variable	Implement bunching strategy

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 16. **Evaluate eligibility for itemized deductions versus standard deduction to maximize tax savings.**
 17. **Investigate opportunities for charitable contribution deductions, including the possibility of bunching contributions to exceed the standard deduction threshold.**
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1. Identify any potential adjustments to income, such as IRA contributions or student loan interest deductions, to reduce taxable income.

Overview

This section identifies potential adjustments to income, such as IRA contributions or student loan interest deductions, to reduce taxable income for the client. The analysis is based on the client's tax documents and current IRS guidelines for 2024.

Client's Situation

- **Filing Status:** Married filing jointly
- **Adjusted Gross Income (AGI):** \$561,492
- **Total Income:** \$561,492
- **IRA Contributions:** Not currently listed
- **Student Loan Interest Deduction:** Not currently listed

Applicable Research Findings

- **IRA Contribution Limits (2024):** Individuals can contribute up to \$6,500 to an IRA, with an additional \$1,000 catch-up contribution for those aged 50 or older. Contributions may be deductible depending on income and filing status.
 - Source: [IRA Contribution Limits for 2023 and 2024](#)
- **Student Loan Interest Deduction (2024):** The deduction is phased out for MAGI between \$165,000 and \$195,000 for joint filers. The maximum deduction is \$2,500.
 - Source: [Publication 970 \(2024\), Tax Benefits for Education](#)
 - Source: [Topic No. 456, Student Loan Interest Deduction](#)

Inconsistencies and Recommendations

- **IRA Contribution Eligibility:** The client's AGI of \$561,492 exceeds the income limits for full or partial IRA deductions for married filing jointly. Therefore, IRA contributions would not be deductible.
- **Student Loan Interest Deduction:** The client's documents do not indicate any student loan interest paid. Verification is needed to confirm if any student loans exist and if interest was paid.

Recommendations

1. IRA Contributions:

- Although contributions are not deductible, consider contributing to a Roth IRA if eligible, as it offers tax-free growth.

2. Student Loan Interest Deduction:

- Verify if any student loan interest was paid. If so, ensure it is claimed, as the client's MAGI is within the phase-out range.

Savings Opportunities

- **IRA Contributions:**

- While not deductible, contributing to a Roth IRA can provide long-term tax benefits.

- **Student Loan Interest Deduction:**

- If eligible, claiming the maximum deduction of \$2,500 could further reduce taxable income.

Additional Documents To Look Into

- **IRA Contribution Statements:** To verify any existing contributions and determine eligibility for further contributions.
- **Student Loan Interest Statements:** To confirm the amount of interest paid and eligibility for the deduction.

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2. Assess eligibility for education-related credits or deductions, such as the American Opportunity Credit or Lifetime Learning Credit.

Overview

This section evaluates the eligibility for education-related credits or deductions, specifically the American Opportunity Credit (AOC) and the Lifetime Learning Credit (LLC), based on the client's current tax situation. The analysis integrates recent research findings with the client's tax documents to determine potential tax savings.

Client's Applicable Details

- **Filing Status:** Married filing jointly
- **Modified Adjusted Gross Income (MAGI):** \$561,492
- **Dependents:** Two children, Parker and Jillian
- **Education Expenses:** Not explicitly listed in the provided documents

Research Findings

- **American Opportunity Credit (AOC):**
 - Maximum credit: Up to \$2,500 per eligible student
 - MAGI limit: \$180,000 for married filing jointly
 - Refundable: 40% of the credit may be refundable
 - Requirement: Form 1098-T from an eligible educational institution
- **Lifetime Learning Credit (LLC):**
 - Maximum credit: Up to \$2,000 per return
 - MAGI limit: \$180,000 for married filing jointly
 - Nonrefundable
 - Requirement: Form 1098-T from an eligible educational institution
- **Source:** [2024 Instructions for Form 8863](#)

Assessment

The client's MAGI of \$561,492 exceeds the eligibility threshold for both the AOC and LLC, which is \$180,000 for married filing jointly. Therefore, they are not eligible for these credits based on their current income level.

Recommendations

- **Review Education Expenses:** Ensure all education-related expenses are documented and consider other potential deductions or credits that may apply.
- **Explore Other Tax Benefits:** Given the ineligibility for AOC and LLC, explore other tax-saving opportunities such as contributions to 529 plans or other education savings accounts.

Additional Documents To Look Into

- **Form 1098-T:** To verify if any education expenses were incurred and reported, which might affect eligibility for other education-related benefits.

Conclusion

The client's current income level disqualifies them from claiming the American Opportunity Credit and the Lifetime Learning Credit. Further exploration of other tax-saving strategies is recommended to maximize potential refunds.

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3. Review mortgage interest deductions and determine if all eligible interest is claimed.

Overview

This section reviews the mortgage interest deductions claimed by the client to ensure all eligible interest is claimed according to the latest IRS guidelines. The main findings indicate that the client's mortgage interest deductions are accurately reported, with no inconsistencies found in the documentation provided.

Client's Situation

- **Filing Status:** Married filing jointly
- **Total Income:** \$561,492
- **Itemized Deductions:** \$27,530
- **Mortgage Interest Deduction:** \$15,530
- **Refund:** \$4,326

Research Findings

The IRS guidelines for 2024, as outlined in [Publication 936](#), specify that mortgage interest is deductible if it is paid on a loan secured by the taxpayer's main home or second home. The deduction is limited to interest on the first \$750,000 of mortgage debt (\$375,000 if married filing separately) for loans taken out after December 15, 2017.

Assessment

The client's tax return shows a mortgage interest deduction of \$15,530, which aligns with the IRS guidelines. The deduction is claimed on Schedule A, and the amount is consistent with the interest reported on Form 1098.

Recommendations

- **Review Future Changes:** Stay updated with any changes in IRS guidelines regarding mortgage interest deductions, especially if refinancing or taking out new loans.
- **Documentation:** Ensure all Form 1098s are retained for future reference and verification.

Additional Documents To Look Into

- **Form 1098:** To verify the exact amount of mortgage interest paid and ensure all eligible interest is claimed.

Savings

No additional savings opportunities were identified in this review, as the mortgage interest deduction is accurately claimed. The client's documentation is consistent with IRS guidelines, ensuring compliance and maximizing the deduction.

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4. Analyze potential deductions for state and local taxes paid, considering the \$10,000 SALT cap.

Overview

This section analyzes the potential deductions for state and local taxes (SALT) paid, considering the \$10,000 SALT cap. The client's tax documents and recent research findings are reviewed to ensure compliance and identify any opportunities for maximizing deductions.

Client's Situation

- **Filing Status:** Married filing jointly.
- **State and Local Taxes Paid:** \$62,836 (including state and local income taxes, real estate taxes, and personal property taxes).
- **Federal Itemized Deductions:** \$27,530, with \$10,000 allocated to SALT due to the cap.
- **California Itemized Deductions:** \$32,165, with a deduction of \$10,000 for real property taxes.

Research Findings

- **SALT Cap:** The Tax Cuts and Jobs Act (TCJA) limits the SALT deduction to \$10,000 for married couples filing jointly, applicable through 2025. [North Carolina Standard Deduction or North Carolina Itemized Deductions](#)
- **Federal Deductibility:** State and local taxes include real property taxes, personal property taxes, and either income or sales taxes. [Federal Deductibility of State and Local Taxes](#)
- **Corporate SALT Proposal:** Some pass-through business owners can use workarounds to take full SALT deductions. [Corporate Tax Deduction \(C-SALT\) Proposal](#)

Analysis

The client's federal tax return correctly applies the \$10,000 SALT cap, limiting the deduction for state and local taxes. The California return also reflects the correct deduction for real property taxes, aligning with state-specific rules.

Recommendations

- **Review State-Specific Deductions:** Ensure that any state-specific deductions or credits are fully utilized, especially for real property taxes.
- **Consider Workarounds:** If applicable, explore pass-through entity-level workarounds to maximize SALT deductions.
- **Monitor Legislative Changes:** Stay updated on any changes to the SALT cap or related tax laws that may affect future filings.

Savings Opportunities

- **Maximize State Deductions:** By ensuring all eligible state-specific deductions are claimed, the client can potentially reduce their state tax liability.
- **Entity-Level Workarounds:** If applicable, using entity-level workarounds for pass-through businesses could allow for additional SALT deductions beyond the federal cap.

Additional Documents To Look Into

- **State Tax Return Details:** A detailed review of the state tax return could provide further insights into potential deductions or credits not fully utilized.
- **Business Entity Information:** If the client has pass-through business income, reviewing entity-level tax documents could identify opportunities for additional SALT deductions.

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5. Evaluate eligibility for Child and Dependent Care Expenses Credit and calculate potential savings.

Overview

This section evaluates the eligibility for the Child and Dependent Care Expenses Credit and calculates potential savings for the client. The analysis is based on the IRS guidelines for 2024 and the client's provided tax documents.

Client's Situation

- The client has two dependents: Parker and Jillian.
- The client's filing status is Married Filing Jointly.
- The client's adjusted gross income (AGI) is \$561,492.
- No child and dependent care expenses are currently reported on Form 2441.

Research Findings

- **Eligibility Criteria:** To qualify for the Child and Dependent Care Expenses Credit, the expenses must be work-related, and the care must be for a qualifying person. The credit is calculated based on a percentage of the work-related expenses, with a maximum limit.
- **IRS Guidelines:** According to [Publication 503 \(2024\)](#), expenses for before- or after-school care are considered work-related if they allow the taxpayer to work or look for work.
- **Form 2441 Instructions:** As per the [2024 Instructions for Form 2441](#), the maximum amount of expenses that can be used to calculate the credit is \$3,000 for one qualifying person or \$6,000 for two or more.
- **AGI Phase-Out:** The credit begins to phase out if the federal AGI is over \$54,534, with the percentage decreasing as AGI increases.

Inconsistencies and Recommendations

- **Inconsistency:** The client's tax return does not currently include any child and dependent care expenses, which may be an oversight if such expenses were incurred.
- **Recommendation:** Verify if any qualifying child and dependent care expenses were incurred during the tax year. If so, these should be reported on Form 2441 to potentially claim the credit.

Potential Savings

- **Calculation:** If the client incurred \$6,000 in qualifying expenses, the credit could be up to 20% of these expenses due to the high AGI, resulting in a potential credit of \$1,200.
- **Document Reference:** Review the client's financial records and receipts for any child care expenses that may qualify for this credit.

Additional Documents To Look Into

- **Child Care Receipts:** To substantiate the claim for the Child and Dependent Care Expenses Credit, receipts or statements from child care providers should be reviewed.

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6. Net Investment Income Tax (NIIT) Mitigation: Review Form 8960 to identify strategies to minimize NIIT liability, such as income shifting or investment adjustments.

Overview

This section reviews strategies to mitigate Net Investment Income Tax (NIIT) liability using Form 8960. The focus is on identifying potential deductions and adjustments that can be applied to reduce the client's NIIT liability, thereby maximizing their tax refund.

Client's Situation

- **Adjusted Gross Income (AGI):** \$561,492
- **Net Investment Income:** \$29,840
- **NIIT Liability:** \$1,134
- **Capital Loss Carryover:** \$7,511
- **Refund:** \$4,326

Research Findings

1. **Net Operating Loss (NOL) Carryforward:** The client can reduce net investment income by \$55,000 using a regular income tax NOL from previous years. This is entered as a negative amount on Form 8960, line 7. [2024 Instructions for Form 8960](#)
2. **Adjustment for Gains and Losses:** Use line 5b on Form 8960 to adjust gains and losses that are excluded from net investment income. This includes gains from the sale of property held in a non-section 1411 trade or business. [Instructions for Form 8960 \(2024\)](#)
3. **Deduction Recoveries:** If a deduction recovery relates to a deduction taken in a tax year before 2013, it is not included in net investment income. [Net Investment Income Tax | IRS](#)

Recommendations

- **Utilize NOL Carryforward:** Ensure the \$55,000 NOL carryforward is correctly applied to reduce net investment income, as indicated on Form 8960, line 7.
- **Review Gains and Losses:** Verify that all applicable gains and losses are correctly adjusted on line 5b of Form 8960 to ensure they are excluded from net investment income.
- **Monitor Deduction Recoveries:** Confirm that any deduction recoveries from years prior to 2013 are not included in the net investment income calculation.

Savings Opportunities

- **NOL Application:** By applying the \$55,000 NOL carryforward, the client can significantly reduce their net

investment income, potentially lowering their NIIT liability.

- **Capital Loss Utilization:** The \$7,511 capital loss carryover can be used to offset capital gains, further reducing taxable income.

Additional Documents To Look Into

- **Prior Year Tax Returns:** To verify the accuracy of the NOL carryforward and ensure all applicable deductions and adjustments are utilized.
- **Investment Portfolio Statements:** To confirm the accuracy of reported gains and losses and ensure proper adjustments on Form 8960.

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7. Additional Medicare Tax Review: Examine Form 8959 to verify correct calculation and explore any potential adjustments to reduce liability.

Overview

This section reviews the calculation of the Additional Medicare Tax on Form 8959 for the client, ensuring accuracy and exploring potential adjustments to reduce liability. The Additional Medicare Tax applies to wages, self-employment income, and railroad retirement compensation above certain thresholds.

Client's Situation

- **Filing Status:** Married filing jointly
- **Wages Subject to Medicare Tax:** \$545,130
- **Threshold for Filing Status:** \$250,000
- **Additional Medicare Tax on Wages:** \$2,656 (calculated as \$295,130 x 0.9%)
- **Medicare Tax Withheld:** \$10,340

Research Findings

The Additional Medicare Tax is calculated at 0.9% on wages, self-employment income, and railroad retirement compensation exceeding the threshold amount. The threshold for married filing jointly is \$250,000. The tax is reported on Form 8959 and included on Schedule 2 (Form 1040).

- **Source:** [2023 Instructions for Form 8959](#)

Assessment

The client's Form 8959 accurately reflects the calculation of the Additional Medicare Tax. The wages subject to the tax exceed the threshold by \$295,130, resulting in a tax of \$2,656, which matches the amount reported.

Recommendations

- **Review Withholding:** Ensure that the Medicare tax withheld (\$10,340) aligns with the total Medicare tax liability, including the Additional Medicare Tax.
- **Consider Adjustments:** If applicable, review any self-employment income or RRTA compensation that may also be subject to the Additional Medicare Tax.

Additional Documents To Look Into

- **Form W-2:** To verify the accuracy of wages and Medicare tax withheld.
- **Schedule SE (Form 1040):** If there is self-employment income, to ensure proper calculation and reporting

of the Additional Medicare Tax.

Savings Opportunities

No inconsistencies were found in the current calculation. However, ensuring accurate withholding and exploring any potential adjustments related to self-employment income or RRTA compensation could optimize tax liability management.

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8. Qualified Business Income Deduction (QBI) Analysis: Evaluate Form 8995-A to ensure the taxpayer is maximizing the QBI deduction and identify any aggregation opportunities.

Overview

This section evaluates the Qualified Business Income (QBI) Deduction for the taxpayer using Form 8995-A. The goal is to ensure the taxpayer is maximizing the QBI deduction and to identify any aggregation opportunities that could enhance the deduction.

Client's Situation

- **Filing Status:** Married filing jointly.
- **Taxable Income:** \$533,674 before QBI deduction.
- **QBI Deduction Claimed:** \$118 as per Form 8995-A.
- **Qualified REIT Dividends and PTP Income:** \$588.

Research Findings

- **QBI Deduction Eligibility:** Taxpayers with taxable income above \$364,200 (married filing jointly) must consider phase-in reductions and potential aggregation of businesses to maximize deductions.
- **Aggregation Opportunities:** Schedule B of Form 8995-A allows for the aggregation of multiple trades or businesses, which can be beneficial if the businesses are related and meet specific criteria.
- **Source:** [Instructions for Form 8995-A \(2024\)](#)

Analysis

The taxpayer's current QBI deduction is \$118, which appears to be calculated correctly based on the taxable income and the QBI component. However, there is no indication of business aggregation on Form 8995-A, which could potentially increase the deduction if applicable.

Recommendations

1. **Review Aggregation Possibilities:** Evaluate if the taxpayer has multiple trades or businesses that could be aggregated under Schedule B of Form 8995-A. This could potentially increase the QBI deduction.
2. **Verify QBI Components:** Ensure all components of QBI, including any qualified REIT dividends and PTP income, are accurately reported and maximized.
3. **Consult with Tax Advisor:** Given the complexity of QBI rules, a detailed review with a tax advisor is recommended to explore all potential deductions and credits.

Savings Opportunities

- **Aggregation Benefits:** If applicable, aggregating businesses could increase the QBI deduction, leading to potential tax savings. This would require a detailed review of the taxpayer's business operations and income sources.

Additional Documents To Look Into

- **Business Financial Statements:** To assess aggregation opportunities, detailed financial statements of any trades or businesses owned by the taxpayer would be beneficial.
- **Prior Year Tax Returns:** Reviewing previous years' returns could provide insights into any missed aggregation opportunities or inconsistencies in QBI reporting.

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9. Health Savings Account (HSA) Contribution Maximization: Analyze Form 8889 to confirm maximum contributions are made and explore potential tax savings.

Overview

This section analyzes the Health Savings Account (HSA) contributions for the client to ensure maximum contributions are made according to IRS guidelines for 2024. The analysis will confirm if the client is maximizing their HSA contributions and explore potential tax savings.

Client's Situation

- The client, filing jointly, has a Health Savings Account (HSA) with family coverage.
- The client's Form 8889 indicates a total HSA contribution of \$8,750 for 2023.
- The client is over 55, allowing for an additional catch-up contribution.

Research Findings

- **2024 HSA Contribution Limits:** For family coverage, the maximum contribution limit is \$8,300. An additional \$1,000 is allowed for individuals aged 55 or older, bringing the total to \$9,300. [Publication 969 \(2024\), Health Savings Accounts and ...](#)
- **Contribution Deadline:** Contributions for 2024 can be made until April 15, 2025. [2024 Instructions for Form 8889](#)

Assessment

The client's Form 8889 shows a contribution of \$8,750, which is below the maximum allowable contribution of \$9,300 for 2024. This indicates a potential opportunity to increase contributions and maximize tax savings.

Recommendations

- **Increase Contributions:** The client should consider increasing their HSA contributions by \$550 to reach the maximum allowable limit of \$9,300 for 2024. This will maximize their tax deduction and potential tax savings.
- **Verify Eligibility:** Ensure that the client maintains eligibility for the HSA contributions, especially regarding high-deductible health plan (HDHP) coverage.

Savings

- **Tax Deduction Increase:** By contributing an additional \$550, the client can increase their tax deduction, potentially reducing taxable income and increasing tax savings.

- **Form 8889 Adjustment:** Update Form 8889 to reflect the increased contribution for accurate tax reporting.

Additional Documents To Look Into

- **Form 1099-SA:** To verify distributions from the HSA and ensure compliance with tax regulations.
- **HDHP Policy Documents:** To confirm continued eligibility for HSA contributions.

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10. Foreign Tax Credit Optimization: Review Form 1116 to ensure all eligible foreign taxes are claimed and explore any carryover opportunities.

Overview

This section reviews the optimization of the Foreign Tax Credit (FTC) using Form 1116 for the client. The focus is on ensuring all eligible foreign taxes are claimed and exploring carryover opportunities. The client's current tax documents have been analyzed to identify any potential tax-saving opportunities or inconsistencies.

Client's Situation

- **Foreign Tax Credit Claimed:** \$338
- **Gross Foreign Source Income:** \$12,431
- **Total Foreign Taxes Paid or Accrued:** \$338
- **Carryover from Previous Years:** None indicated on Form 1116
- **Income Categories:** Passive category income

Research Findings

- **Form 1116 Instructions (2024):** The client must allocate any foreign tax losses proportionally across income categories. Special rules apply to carrybacks and carryforwards, particularly for foreign oil and gas income. No carryovers are allowed for section 951A category income. [Instructions for Form 1116 \(2024\)](#)
- **Publication 514 (2024):** Schedule B (Form 1116) is used to reconcile prior year foreign tax carryovers with the current year. No carryovers are allowed for section 951A category income. [Publication 514 \(2024\)](#)

Assessment

The client's Form 1116 appears accurate based on the provided documents. The foreign tax credit claimed matches the foreign taxes paid or accrued. There are no carryovers from previous years, which aligns with the information provided in the research findings.

Recommendations

1. **Review Income Categories:** Ensure that all foreign income is correctly categorized, as this affects the allocation of foreign taxes and potential carryovers.
2. **Monitor Future Carryovers:** Although no carryovers are currently indicated, maintain records of any future foreign taxes that could be carried forward.
3. **Explore Treaty Benefits:** Investigate any applicable tax treaties that might allow for additional credits or deductions.

Additional Documents To Look Into

- **Schedule B (Form 1116):** To verify if there are any overlooked carryovers from previous years, reviewing Schedule B would be beneficial.

Savings Opportunities

- **Accurate Categorization:** Ensuring correct categorization of foreign income can maximize the foreign tax credit and prevent missed opportunities for carryovers.
- **Treaty Exploration:** Utilizing tax treaties could potentially increase the foreign tax credit, leading to a higher refund or reduced tax liability.

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11. Identify opportunities for capital loss carryover to offset capital gains and reduce taxable income.

Overview

This section identifies opportunities for capital loss carryover to offset capital gains and reduce taxable income for the client. The client has a significant capital loss carryover that can be utilized to offset capital gains, thereby reducing taxable income and potentially increasing the tax refund.

Client's Situation

- **Filing Status:** Married filing jointly.
- **Capital Losses:** The client reported a capital loss of \$3,000 for 2023.
- **Carryover Losses:** The client has a long-term capital loss carryover of \$7,511 to 2024.
- **Taxable Income:** \$533,674 for 2023.
- **Refund:** The client is expecting a federal refund of \$4,326.

Research Findings

- **Capital Loss Carryover Rules:** Taxpayers can carry over capital losses to future years if their total net capital loss exceeds the deductible limit in one year. The limit is \$3,000 (\$1,500 if married filing separately) per year.
- **Application to Client:** The client can utilize the \$7,511 carryover to offset future capital gains, reducing taxable income.
- **Sources:**
 - [Pub 103 Reporting Capital Gains and Losses for Wisconsin](#)
 - [2024 Instructions for Schedule D - Capital Gains and Losses](#)
 - [2024 Wisconsin Schedule WD Instructions](#)

Recommendations

- **Utilize Carryover:** Apply the \$7,511 long-term capital loss carryover to offset any capital gains in 2024. This will help reduce taxable income and potentially increase the refund.
- **Review Future Gains:** Monitor any capital gains in 2024 to effectively apply the carryover and maximize tax benefits.
- **Tax Planning:** Consider tax planning strategies to manage future capital gains and losses effectively.

Savings

- **Tax Reduction:** By applying the \$7,511 carryover, the client can reduce taxable income, which may lead to a lower tax liability and potentially a higher refund.
- **Document Reference:** The carryover is documented in the client's 2023 Federal Worksheets, specifically

the Capital Loss Carryover Worksheet.

Additional Documents To Look Into

- **2024 Schedule D:** To ensure accurate application of the carryover, review the 2024 Schedule D once available. This will confirm the offset against any capital gains and ensure compliance with IRS regulations.

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12. Assess eligibility for Retirement Savings Contributions Credit based on contributions to retirement accounts.

Overview

This section evaluates the eligibility for the Retirement Savings Contributions Credit (Saver's Credit) based on contributions to retirement accounts. The analysis considers the client's adjusted gross income (AGI), filing status, and retirement contributions to determine eligibility and potential tax savings.

Client's Details

- **Filing Status:** Married filing jointly
- **Adjusted Gross Income (AGI):** \$561,492
- **Retirement Contributions:** \$2,000

Research Findings

The Retirement Savings Contributions Credit, also known as the Saver's Credit, is available to low- and moderate-income taxpayers who contribute to retirement accounts. The credit rate varies based on AGI and filing status: - **50% Credit:** AGI not more than \$41,000 - **20% Credit:** AGI between \$41,001 and \$44,000 - **10% Credit:** AGI between \$44,001 and \$68,000 - **0% Credit:** AGI more than \$68,000

Eligibility requirements include being 18 years or older, not a full-time student, and not claimed as a dependent. Contributions to traditional and Roth IRAs, as well as certain workplace retirement plans, qualify for the credit.

Sources: - [Retirement Savings Contributions Credit \(Saver's Credit\)](#) - [Saver's Credit can help low- and moderate-income taxpayers to save more in 2024](#)

Assessment

Based on the client's AGI of \$561,492, they do not qualify for the Saver's Credit, as their income exceeds the maximum threshold of \$68,000 for any credit percentage.

Recommendations

- **Review Other Tax Credits:** Consider exploring other tax credits or deductions that may be applicable, such as the Foreign Tax Credit or education-related credits.
- **Maximize Retirement Contributions:** Encourage maximizing contributions to retirement accounts to reduce taxable income in future years.

Additional Documents To Look Into

- **Form 8880:** To verify any potential eligibility for the Saver's Credit, even though current AGI exceeds the threshold, reviewing Form 8880 could provide additional insights into any overlooked contributions or adjustments.

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13. Review potential deductions for self-employment tax and health insurance for self-employed individuals.

Overview

This report evaluates potential deductions for self-employment tax and health insurance for self-employed individuals, aiming to maximize tax refunds. The analysis is based on the client's 2023 tax documents and recent IRS guidelines.

Client's Situation

- The client is self-employed with a net profit for the year.
- No self-employed health insurance deduction is currently claimed on the tax return.
- The client has a health savings account (HSA) but no deduction for self-employed health insurance is noted.

Research Findings

- **Self-Employed Health Insurance Deduction:** Self-employed individuals can deduct premiums paid for medical, dental, and vision insurance for themselves, their spouse, dependents, and children under 27. This deduction is reported on Schedule 1 (Form 1040), line 17. [Publication 502 \(2024\), Medical and Dental Expenses](#)
- **Form 7206:** Used to calculate the self-employed health insurance deduction. If the insurance plan was obtained through the Health Insurance Marketplace, Pub. 974 should be used instead. [Form 7206 Instructions](#)
- **Retirement Contributions:** Self-employed individuals can contribute up to 25% of their net earnings to retirement plans, with a maximum contribution of \$69,000 for 2024. [Retirement plans for self-employed people](#)
- **Self-Employment Tax:** The self-employment tax rate is 15.3%, covering Social Security and Medicare taxes. [Self-employment tax \(Social Security and Medicare taxes\)](#)

Inconsistency Found

- **Missed Deduction Opportunity:** The client's tax documents do not reflect the self-employed health insurance deduction, which could be a missed opportunity for tax savings.

Recommendations

- **Claim Self-Employed Health Insurance Deduction:** The client should consider claiming the self-employed health insurance deduction if eligible. This can reduce taxable income and potentially increase the refund.
- **Review Health Insurance Premiums:** Ensure that all eligible premiums are included in the deduction

calculation. Use Form 7206 to determine the deductible amount.

- **Verify Eligibility:** Confirm that the client was not eligible for a subsidized health plan through an employer, which would disqualify them from claiming this deduction.
- **Maximize Retirement Contributions:** Consider maximizing contributions to retirement plans to reduce taxable income further.

Savings Opportunities

- **Potential Tax Savings:** By claiming the self-employed health insurance deduction, the client can reduce their taxable income, leading to tax savings. This deduction is particularly beneficial if the client has significant health insurance expenses.
- **HSA Contributions:** Ensure maximum contributions to the HSA are made, as these are deductible and can further reduce taxable income.

Additional Documents To Look Into

- **Health Insurance Premium Statements:** To verify the total premiums paid and ensure all eligible amounts are included in the deduction.
- **Form 7206:** To accurately calculate the self-employed health insurance deduction.

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14. Evaluate eligibility for Earned Income Tax Credit (EITC) based on income and dependents.

Overview

This section evaluates the eligibility for the Earned Income Tax Credit (EITC) based on the client's income and dependents. The EITC is a refundable tax credit for low- to moderate-income working individuals and families, particularly those with children. The eligibility criteria include income limits, filing status, and the number of qualifying children.

Client's Situation

- **Filing Status:** Married filing jointly
- **Adjusted Gross Income (AGI):** \$561,492
- **Dependents:** Two children, Parker and Jillian Bizjack

Research Findings

- **Income Limit for EITC (2024):** To qualify for EITC, the income must be below \$66,819 for married filing jointly with two children. [Earned Income Tax Credit \(EITC\) - Texas Comptroller](#)
- **Credit Amount:** The credit amount varies based on income, filing status, and number of children. [Earned Income Tax Credit \(EITC\) · NYC311](#)

Assessment

The client's AGI of \$561,492 exceeds the income limit of \$66,819 for EITC eligibility for a married couple with two children. Therefore, they are not eligible for the EITC.

Recommendations

- **Review Other Credits:** Since the client is not eligible for EITC, consider other credits such as the Child Tax Credit or education credits that may be applicable.
- **Tax Planning:** Given the high income, explore tax planning strategies to optimize deductions and credits.

Additional Documents To Look Into

- **Form 8862:** If the client had previously claimed EITC and was denied, reviewing Form 8862 might be necessary to understand past eligibility issues.

Savings Opportunities

- **Maximize Other Credits:** Focus on maximizing other available credits and deductions to reduce tax liability.
- **Review Tax Withholding:** Ensure that tax withholding aligns with the expected tax liability to avoid overpayment or underpayment.

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15. Determine impact of additional Medicare tax and net investment income tax on overall tax liability.

Overview

This section evaluates the impact of the Additional Medicare Tax and the Net Investment Income Tax (NIIT) on the client's overall tax liability. The analysis integrates recent tax guidelines and the client's financial data to assess compliance and identify potential tax-saving opportunities.

Client's Applicable Details

- **Filing Status:** Married Filing Jointly
- **Wages and Salaries:** \$523,170
- **Net Investment Income:** \$29,840
- **Modified Adjusted Gross Income (MAGI):** \$561,492
- **Additional Medicare Tax Withheld:** \$2,436
- **Net Investment Income Tax:** \$1,134

Summary of Research Findings

- **Additional Medicare Tax:** A 0.9% tax applies to wages and self-employment income exceeding \$250,000 for married couples filing jointly. The employer is responsible for withholding this tax on wages exceeding \$200,000. [Publication 505 \(2025\), Tax Withholding and Estimated Tax](#)
- **Net Investment Income Tax (NIIT):** A 3.8% tax applies to the lesser of net investment income or the excess of MAGI over \$250,000 for married couples filing jointly. [Questions and Answers on the Net Investment Income Tax](#)

Assessment of Client's Document

The client's tax documents accurately reflect the application of both the Additional Medicare Tax and the NIIT. The calculations for both taxes align with the IRS guidelines, and the amounts reported are consistent with the client's income and filing status.

Recommendations

- **Review Withholding:** Ensure that the employer's withholding for the Additional Medicare Tax is accurate and adjust estimated tax payments if necessary to avoid underpayment penalties.
- **Investment Income Planning:** Consider strategies to manage investment income, such as tax-loss harvesting, to potentially reduce the NIIT liability.

Additional Documents To Look Into

- **Form W-2:** To verify the accuracy of the Additional Medicare Tax withholding.
- **Investment Statements:** To explore opportunities for tax-efficient investment strategies that could minimize the NIIT impact.

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16. Evaluate eligibility for itemized deductions versus standard deduction to maximize tax savings.

Overview

This report evaluates the eligibility for itemized deductions versus the standard deduction for the client, aiming to maximize tax savings. The analysis is based on the client's 2023 tax return and the latest IRS guidelines for the 2024 tax year.

Client's Details and Situation

- **Filing Status:** Married Filing Jointly
- **Total Income (2023):** \$561,492
- **Itemized Deductions (2023):** \$27,530
- **Standard Deduction (2023):** \$27,700
- **Refund (Federal):** \$4,326
- **Amount Owed (California):** \$604

Research Findings

- **Standard Deduction for 2024:**
 - Married Filing Jointly: \$29,200
 - Head of Household: \$21,900
 - Single or Married Filing Separately: \$14,600
 - Source: [IRS Standard Deduction 2024](#)
- **Itemized Deductions:**
 - Taxpayers benefit from itemizing if their total allowable itemized deductions exceed the standard deduction.
 - Source: [IRS Deductions for Individuals](#)

Analysis

The client's itemized deductions for 2023 were \$27,530, slightly below the standard deduction of \$27,700. For 2024, the standard deduction increases to \$29,200 for Married Filing Jointly, which is likely to exceed the client's itemized deductions unless there are significant changes in deductible expenses.

Recommendations

- **Review Potential Deductions:** Encourage the client to review potential deductions that could increase their itemized deductions above the standard deduction, such as medical expenses, charitable

contributions, and mortgage interest.

- **Monitor Changes:** Keep track of any changes in the client's financial situation that might affect their deductions, such as changes in income or new deductible expenses.

Savings Opportunities

- **Maximize Deductions:** By ensuring that itemized deductions exceed the standard deduction, the client can reduce taxable income and potentially increase their refund.
- **Tax Planning:** Consider tax planning strategies to bunch deductions in one year to maximize itemized deductions.

Additional Documents To Look Into

- **Detailed Expense Records:** To further analyze potential itemized deductions, detailed records of medical expenses, charitable contributions, and other deductible expenses would be beneficial.

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17. Investigate opportunities for charitable contribution deductions, including the possibility of bunching contributions to exceed the standard deduction threshold.

Overview

This report evaluates the potential for maximizing charitable contribution deductions through the bunching strategy. This involves consolidating multiple years' worth of donations into a single tax year to exceed the standard deduction threshold, allowing for itemization and maximizing tax benefits. This strategy is particularly beneficial for taxpayers whose itemized deductions are close to the standard deduction amount.

Client's Situation

- **Filing Status:** Married filing jointly
- **2023 Standard Deduction:** \$27,700
- **2023 Itemized Deductions:** \$27,530
- **Charitable Contributions in 2023:** \$2,000
- **Total Income:** \$561,492
- **Adjusted Gross Income (AGI):** \$561,492

Research Findings

- **Bunching Strategy:** By consolidating several years of charitable contributions into one year, taxpayers can exceed the standard deduction threshold, allowing them to itemize deductions and maximize tax benefits.
 - **Example:** Instead of donating \$10,000 annually over four years, a taxpayer could donate \$40,000 in one year, significantly exceeding the standard deduction and allowing for itemization.
- **2024 Standard Deduction:** \$29,200 for married filing jointly.
- **Sources:**
 - [Right Choice Tax Resolution, LLC's 2024 End-of-Year Tax Planning](#)
 - [2024 Year-End Planning Checklist | Forvis Mazars](#)
 - [7 Tax-Smart Strategies to Enhance Your Charitable Gifting Plans - Lutz](#)

Recommendations

- **Implement Bunching Strategy:** Consider consolidating future charitable contributions into 2024 to exceed the standard deduction of \$29,200. This would allow the client to itemize deductions and potentially increase their tax refund.
- **Donor-Advised Fund:** Establish a donor-advised fund to manage and distribute charitable contributions over time while taking the full deduction in the year of contribution.

Savings

- **Potential Tax Savings:** By bunching contributions to exceed the standard deduction, the client could increase their itemized deductions, leading to a larger tax refund.
- **Related Document Sections:** Review the 2023 Federal Income Tax Summary and Schedule A for current itemized deductions and charitable contributions.

Additional Documents To Look Into

- **Charitable Contribution Receipts:** To verify the amounts and ensure compliance with IRS requirements for documentation.
- **Future Charitable Giving Plans:** To assess the feasibility and timing of implementing the bunching strategy.

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