



Scenario: Tax Year 2025 - OBBB Tax Changes

KEY FIGURES

Total Income	\$114,290	Filing Status	Single	Tax Exempt Interest	\$450
Adjusted Gross Income (AGI)	\$114,290	Marginal Bracket	22.0%	Qualified/Ordinary Dividends	\$3,600 / \$5,500
Deductions	\$17,750	Average Rate	13.1%	ST/LT Capital Gains	\$490 / \$1,300
Taxable Income	\$92,897	2025 Safe Harbor	\$13,508	Carryforward Loss	\$0
Total Tax	\$15,008	Tax Exempt Pct. of Total Interest	13.0%	Credits Claimed	\$0
Enhanced Senior Deduction	\$3,643				

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 \$11,925	\$11,925	\$1,193
12%	\$11,925 to \$48,475	\$36,550	\$4,386
22%	\$48,475 to \$103,350	\$39,522	\$8,695
24%	\$103,350 to \$197,300	\$0	\$0
32%	\$197,300 to \$250,525	\$0	\$0
35%	\$250,525 to \$626,350	\$0	\$0
37%	\$626,350 and above	\$0	\$0
Total		\$87,997	\$14,273

Long Term Capital Gains & Qualified Dividends

Your taxable income of \$92,897 includes \$4,900 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 \$48,350		\$0	\$0
15.0%	\$48,350 to \$533,400	\$92,897	\$4,900	\$735
20.0%	\$533,400 and above		\$0	\$0
Total			\$4,900	\$735

Medicare Part B/D Premiums for 2027

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income* (MAGI). Your MAGI is \$114,740.
Amounts are monthly per person.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	MAGI	Part B Premium	Part D Premium
\$0 to \$106,000		\$185.00	Your Plan Premium
\$106,000 to \$133,000	\$114,740	\$185.00 + \$74.00 = \$259.00	Your Plan Premium + \$13.70
\$133,000 to \$167,000		\$185.00 + \$185.00 = \$370.00	Your Plan Premium + \$35.30
\$167,000 to \$200,000		\$185.00 + \$295.90 = \$480.90	Your Plan Premium + \$57.00
\$200,000 to \$500,000		\$185.00 + \$406.90 = \$591.90	Your Plan Premium + \$78.60
\$500,000 and above		\$185.00 + \$443.90 = \$628.90	Your Plan Premium + \$85.80

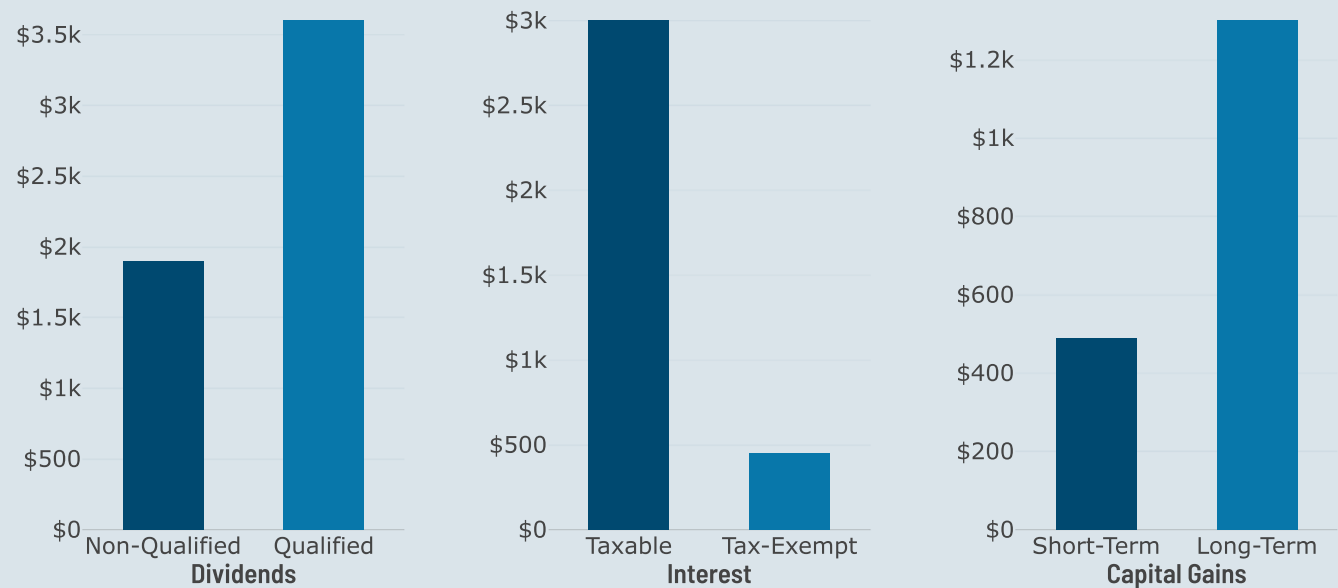
Schedule D - Capital Gains/Losses

The tax return listed the following sources of capital gains/losses

SHORT TERM		LONG TERM	
Description	Amount	Description	Amount
Short Term Gain/Loss for 2025	\$490	Long Term Gain/Loss for 2025	\$1,300
Total Short Term Gain/Loss for 2025	\$490	Total Long Term Gain/Loss for 2025	\$1,300
TOTAL		CARRY FORWARD LOSSES TO 2026	
Total Gains/Losses for 2025	\$1,790	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.



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	\$114,290	
Coverdell ESA	\$95,000 - \$110,000	Above
Lifetime Learning Credit	\$80,000 - \$90,000	Above
American Opportunity Credit	\$80,000 - \$90,000	Above
Child Tax Credit	\$200,000 - \$200,000	Under
Qualified Adoption Expenses Credit	\$259,190 - \$299,190	Under
Savers Credit	\$25,500 - \$39,500	Above
Clean Vehicle Credit (New) - Expires 9/30/2025	\$0 - \$150,000	Under
Clean Vehicle Credit (Used) - Expires 9/30/2025	\$0 - \$75,000	Above
Enhanced Deduction for Seniors	\$75,000 - \$175,000	Phase Out
SALT Deduction Cap	\$500,000 - \$600,000	Under
Qualified Tips Deduction	\$150,000 - \$400,000	Under
Overtime Deduction	\$150,000 - \$275,000	Under
Car Loan Interest Deduction	\$100,000 - \$150,000	Phase Out
MAGI Definition 2	\$114,290	
Net Investment Income Tax	\$0 - \$200,000	Under
MAGI Definition 3	\$114,290	
Roth IRA Contribution	\$150,000 - \$165,000	Under
MAGI Definition 4	\$114,290	
Student Loan Interest Deduction	\$85,000 - \$100,000	Above
MAGI Definition 5	\$114,290	
IRA Contribution Deductibility - Covered by Qualified Plan	\$79,000 - \$89,000	Above
MAGI Definition 6	\$114,740	
ACA Premium Credit	762% 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		CREDITS	
Claimed	Deduction	Claimed	Credit Type
Standard Deduction	\$17,750		
Enhanced Senior Deduction	\$3,643		

Observations

- 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.
- For the ACA Premium Tax Credit, taxpayers with MAGI of less than 100% of the Federal Poverty Limit (FPL) are not eligible to receive any credits. Generally, taxpayers with MAGI between 100% and 400% of the FPL are eligible to receive the credit on a sliding scale. Taxpayers with MAGI above 400% of the FPL may receive the credit, to the extent the credit will keep the cost of the benchmark plan to no more than 8.5% of household income.
- Review employer-provided benefits to ensure you are taking full advantage of any pre-tax options.
- Keep track of your home improvement expenses for determining your adjusted cost basis in the event of a home sale.
- Based on the total tax estimate, the minimum amount of withholding needed in 2025 to avoid an underpayment penalty is 90% of the total tax, or \$13,508. Alternatively, the "penalty proof" withholding amount can be calculated based on the previous year's total tax and Adjusted Gross Income.
- Your modified adjusted gross income (MAGI) appears to be low enough to qualify for the new but not the used clean vehicle credit, assuming you purchase such a vehicle and it meets the other eligibility criteria. Note that you may still be eligible for the used vehicle credit based on MAGI, as you can use your MAGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in one of the two years, you can claim the credit.

MN State Tax Hints

Active military duty pay is not taxed.

Military pension and retirement income is not taxed.

Minnesota's Section 529 Plan Credit is a nonrefundable credit for contributions to any state's 529 plan. The credit equals 50 percent of contributions, up to a maximum of \$500. The maximum credit is phased out as income increases with varying thresholds for individuals and married joint filers. Alternatively, a taxpayer may subtract up to \$1,500 (\$3,000 for married joint filers) of contributions to any state's 529 college savings plan or prepaid tuition plan. The subtraction excludes any amounts that are rolled-over from other college savings plans. A taxpayer may claim either the credit or the subtraction, but not both.

Minnesota's Angel Tax Credit provides a 25% credit to investors or investment funds that make equity investments in startup companies focused on high technology, new proprietary technology, or a new proprietary product, process or service in specified fields. The maximum credit is \$125,000 per person, per year (\$250,000 if filing jointly), subject to availability of state funding.

80% of the Minnesota allowable bonus depreciation must be added back when calculating Minnesota taxable income. Then, starting with the following year, the addition is recovered by taking a subtraction in equal parts over five years (20% per year).

Taxpayers may claim a credit for purchasing insurance to provide long-term care coverage. The amount of the credit is 25% of the policy premiums, up to \$100 per beneficiary. For married couples, separate policies or premiums are not required. One policy covering both spouses qualifies for the \$200 maximum credit. To qualify, the policy purchased must be eligible as a federal deduction (disregarding the 7.5% or 10% income test) and have a lifetime benefit limit of \$100,000 or more.

Deductions are available for K-12 expenses, including certain after-school activities related to education (including arts: e.g. dance lessons).

Taxpayers with Social Security or Railroad Retirement benefits included in their federal AGI may qualify for a Social Security Benefit subtraction if certain income requirements are met.

Taxpayers age 65 or older, or those that have a permanent and total disability, may qualify for a deduction up to \$9,600 for single filers or \$12,000 for joint filers to lower their Minnesota taxable income.

The 2017 Tax Cut Jobs Act imposed a \$10,000 limitation on individuals' deduction of state and local taxes (SALT) for tax years 2018 through 2025. In response, many states have now enacted laws allowing pass-through entities (PTE) to elect to pay SALT at the entity level as a PTE tax in order to exceed the TCJA SALT deduction limitation. Please consult with a tax professional as it relates to your state's PTE tax ruling.

Disclaimer

Information provided above by the individual and subsequent analysis is based upon these inputs. Individuals should closely review the inputs.

Petros Family Wealth does not provide legal or tax advice. Individuals should consult their tax or legal advisers prior to taking any action.