

Tax returns for Herb and Wendy and for Wendy after Herb has died.

- If Herb and Wendy are both alive, they pay total tax of about \$14,700 a year. They have about \$15,000 of income that is taxed at marginal 22% rate. Their total tax/AGI = 11%. They are not near a Medicare Tripwire that could cost them \$1,721.
- When it is just Wendy alive, she has less total income (Social Security benefit declines), but she pays \$16,400 tax – about 20% more than when it was the two of them. About \$48,000 of income is taxed at ≥ 22% marginal rate, and she has crossed into the 24% marginal tax bracket. Tax/AGI = 16%. Wendy crosses a Medicare tripwire that costs \$860.

The numbers in both cases generally reflect the future since income and tax brackets adjust for inflation. Medicare tripwires only adjust when Congress passes a change to current tax law.

Herb and Wendy: Taxable Income and Taxes

	Income	
	Ordinary	Cap Gains
Social Security	60,000	
Interest + Dividends	2,000	3,500
Other Pension income	4,000	
Other Ordinary Income	0	
Est. LT Capital Gains from Sales		4,000
IRA Distributions	50,000	
Total Income	116,000	7,500
Memo: AGI = MAGI	123,500	
Standard Deduction	27,800	
Taxable Income	95,700	
Tax	12,551	1,125
Total Tax	13,676	
Amount taxed in 22% bracket	14,650	
Total tax percent of MAGI	11.1%	

First Medicare tripwire is at \$176,000

Wendy: Taxable Income and Taxes

	Income	
	Ordinary	Cap Gains
Social Security	40,000	
Interest + Dividends	2,000	3,500
Other Pension income	3,000	
Other Ordinary Income	0	
Est. LT Capital Gains from Sales		4,000
IRA Distributions	50,000	
Total Income	95,000	7,500
Memo: AGI = MAGI	102,500	
Standard Deduction	13,900	
Taxable Income	88,600	
Tax	15,285	1,125
Total Tax	16,410	
Amount taxed in 22% bracket	45,850	
Amount taxed in 24% bracket	2,225	
Amount at 22% and 24%	48,075	
Total tax percent of MAGI	16.0%	

First Medicare tripwire is at \$88,000 and second is at \$111,000.

Notes: Herb and Wendy pay ~\$15,000 of income in 22% tax bracket. Are not close to crossing a Medicare tripwire. Pay 10% tax on total AGI

Notes: Wendy loses the lower Social Security benefit: assume she loses 1/3 of the total. I assume a lower survivor benefit on Herb's Defined Benefit Plan payments. Wendy crosses a Medicare tripwire costing her \$860/year. Wendy pays \$48,000 in 22% or 24% tax bracket. Pays 15% total tax on AGI.

2021 Tax Table for Ordinary Taxable Income (not Cap Gains income)

Married, joint filers 2021: income after Std or Itemized Deduction

Start of Bracket	Top of Bracket	Rate in Bracket	Cum Amount at Start of Bracket	Amount for Bracket
\$0	\$19,900	10%	0	\$1,990
\$19,900	\$81,050	12%	\$1,990	\$7,338
\$81,050	\$172,750	22%	\$9,328	\$20,174
\$172,750	\$329,850	24%	\$29,502	\$37,704
\$329,850	\$418,850	32%	\$67,206	\$28,480
\$418,850	\$628,300	35%	\$95,686	\$73,308
\$628,300	upward	37%	\$168,994	

Medicare Premium Trip Wires - 2021 for married, filing jointly

Cross a tripwire and incur higher premiums These accumulate.

MAGI Tripwire	Part B	Part D	Approx. Cost if you cross this Tripwire*	Cum
#1 \$176,000	\$1,426	\$295	\$1,721	\$1,721
#2 \$222,000	\$2,138	\$468	\$2,606	\$4,327
#3 \$276,000	\$2,138	\$466	\$2,604	\$6,931
#4 \$330,000	\$2,138	\$468	\$2,606	\$9,538
#5 \$750,000	\$713	\$154	\$866	\$10,404

Single filer 2021: ordinary income after Std or Itemized Deduction

Start of Bracket	Top of Bracket	Rate in Bracket	at Start of Bracket	Amount for Bracket
\$0	\$9,950	10%	0	\$995
\$9,950	\$40,525	12%	\$995	\$3,669
\$40,525	\$86,375	22%	\$4,664	\$10,087
\$86,375	\$164,925	24%	\$14,751	\$18,852
\$164,925	\$209,425	32%	\$33,603	\$14,240
\$209,425	\$523,600	35%	\$47,843	\$109,961
\$523,600	upward	37%	\$157,804	

Medicare Premium Trip Wires - 2021 for single filer

Cross a tripwire and incur higher premiums

MAGI Tripwire	Part B	Part D	Approx. Cost if you cross this Tripwire*	Cum
#1 \$88,000	\$713	\$148	\$860	\$860
#2 \$111,000	\$1,069	\$234	\$1,303	\$2,164
#3 \$138,000	\$1,069	\$233	\$1,302	\$3,466
#4 \$165,000	\$1,069	\$234	\$1,303	\$4,769
#5 \$375,000	\$356	\$77	\$433	\$5,202