

My Tax Plan worksheet for 2022

I calculate our SSA for the upcoming year based on our 12-month portfolio return ending Nov 30 each year. On or right after Nov 30, I always sell securities and get into cash the amount Patti and I will have to spend (net of taxes) in the upcoming calendar year.

Steps.

1. Estimate pre-tax SSA for spending in upcoming year (next calendar year). (Inflation adjust last year or est. real increase.)

The next steps find the total tax I will pay this tax year. I ignore state and local income taxes. Those taxes are modest for us. (PA residents are not taxed on retirement income.)

2. Estimate taxable income other than from security sales – distributions/withdrawals – from our portfolio

3. Decide where our SSA will come from: three sources

a. Roth = no taxes

b. Sales of Taxable Securities = Long term capital gains = Maybe 6% effective tax rate.

(If gain is 40% of proceeds, then tax is 15% * 40% = 6% of proceeds.)

c. Traditional IRAs = let's call that 22% marginal tax rate. Patti and I are both subject to RMD.

4. Reflect my decisions as Ordinary Income and Capital Gains Income

5. Calculate Ordinary Tax from tax table and 15% Capital Gains Tax: this is our total tax

6. Subtract any quarterly taxes that I will have paid before Dec.

7. I therefore know the amount to W/H on distributions from our Traditional IRAs.

What's our SSA for upcoming year and where does it come from?

Want after tax cash at end of Dec for 2023

Approx pay/mo = 1/13th

Taxes W/H from distrib from IRAs in December 0

Gross proceeds from Sales of Securities #VALUE!

Where will I get our SSA? Gross Sales Proceeds

1. Sell and distribute from Roth account (not taxable) 0

2. Sell securities in taxable account (cap gains tax) 0

3. Sell and distribute from traditional IRAs

accounts, amount greater than QCD* (ordinary income) 0

Total Gross Sales of Securities **0**

Less Tax W/H #VALUE!

Net **#VALUE!**

Use Roth judiciously to avoid Medicare tripwire or higher tax bracket.

This shorthand display of our tax return works for me. You may need to adjust to make it work for you.

Estimate Our Total Taxable Income and Taxes

(Abbreviated tax return)	Income	
	Ordinary	Cap Gains
Interest + Dividends		
Distributions from Traditional IRAs	0	
Other Pension income		
Social Security (taxable portion)		
Est. LT Capital Gains from Sales		0
Other Ordinary Income		
Taxable Income	0	0
Memo: AGI = MAGI		
Standard Deduction*	28,700	
Taxable Income	-28,700	
Fed Tax. See Tax Table**	use formula	0
Total Tax	#VALUE!	
Est. Tax Payments in 2022 (EFTPS)		
Tax to W/H when W/D from IRA	#VALUE!	

* Std Deduction per person age > 65 = \$14,350 for 2022.

** We are in 22% marginal bracket.

I show Tax Tables and Medicare Tripwires for Married, Joint filers

2022 Tax Table for Ordinary Taxable Income (not Cap Gains income)

Married, joint filers 2022: 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	\$20,550	10%	0	\$2,055
\$20,551	\$83,550	12%	\$2,055	\$7,560
\$83,551	\$178,150	22%	\$9,615	\$20,812
\$178,151	\$340,100	24%	\$30,427	\$38,868
\$340,101	\$431,900	32%	\$69,295	\$29,376
\$431,901	\$647,850	35%	\$98,671	\$75,583
\$647,851	upward	37%	\$174,254	

Sample formula for Ordinary Tax in 22% marginal bracket = 9615 + .22*(f33-83511)

Medicare Part B & D Premiums & Trip Wires from greater income (MAGI) in your 2020 tax return that you filed by April 15, 2021*.

Medicare Part B & D Premiums from greater income (MAGI) in your 2020 tax return that you filed by April 15, 2021*, filing jointly.	Base & Added amount				Cumulative	You pay
	MAGI	Part B	Part D	B + D		
Medicare Part B premium charge	Up to \$182,000	\$2,041	**	**	na	\$2,041
Medicare Part D Premiums from greater income (MAGI)						
pwire #1	\$182,000	\$1,632	\$298	\$1,930	\$1,930	\$3,971
pwire #2	\$228,000	\$2,450	\$470	\$2,921	\$4,850	\$6,871
pwire #3	\$284,000	\$2,450	\$470	\$2,921	\$7,771	\$9,811
pwire #4	\$340,000	\$2,448	\$468	\$2,916	\$10,687	\$12,721
pwire #5	\$750,000	\$816	\$154	\$970	\$11,657	\$13,621

* Times IRS closes out the tax return in year. Otherwise, Social Security uses tax return of prior year. ** Base for Part D depends on your plan

Starting in 2021, Tripwires adjust for inflation. New table will be published by mid-Nov and will show tripwires that may be 6% greater than shown here.