Tax Snapshot
User Guide

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Introduction — What Is the Tax Snapshot?

FP Alpha Tax Snapshot

The Tax Snapshot is a clear, visual summary of a client's tax situation based on their most recent federal tax return (Form 1040). Think of it as a one-stop dashboard — instead of flipping through pages of tax forms, the snapshot pulls out the numbers that matter most and presents them in a way that's easy to understand at a glance.

Why It Matters	Taxes can be one of the biggest expenses in a financial plan. The Tax Snapshot helps advisors and clients identify opportunities to reduce tax burdens, plan ahead, and make smarter financial decisions.

Who Is This Guide For?

- Financial advisors who want to walk clients through their tax picture
- Clients who want to understand what their tax return really means
- Anyone who needs a clear explanation — without jargon

What Can You Do With the Tax Snapshot?

- Get a quick overview of federal and state taxes paid
- See exactly where income comes from — wages, investments, business, Social Security
- Understand deductions and which option (standard vs. itemized) works best
- Identify whether a Roth conversion makes sense
- Check Medicare premium levels and Social Security taxability
- Review capital gains activity and loss carryovers

How It Works — A Simple Overview

The Tax Snapshot reads data from a client's federal tax return and a few additional IRS reference tables, then organizes everything into easy-to-read sections

Step 1	**Client data is entered** Basic client information — name, filing status, business ownership, and retirement status — is pulled from the client profile.
Step 2	**Tax return is read** Key figures are pulled directly from the Form 1040 and any attached Schedules (A, C, D, E, SE, etc.).
Step 3	**IRS tables are applied** Published IRS tax bracket tables for the tax year are used to determine rates, thresholds, and phase-out amounts.
Step 4	**Calculations are run** Some figures — like Ordinary Income or Effective Tax Rate — are calculated automatically from other values
Step 5	**Snapshot is displayed** All results are organized into sections covering income, taxes, deductions, investments, and planning opportunities.

Reading the Guide — Key Terms

Throughout this guide, you'll see references to specific lines on the tax return. Here's what those references mean:

Term	What It Means
1040 Line X	A specific line on the client's federal tax return (Form 1040). For example, "1040 Line 11" means Adjusted Gross Income.
Sch X Line Y	A line from a Schedule attached to the return. For example, "Sch D Line 15" = long-term capital gains from Schedule D.
IRS Tables	Published government tables for a given tax year — used for tax brackets, IRMAA premiums, QBI thresholds, and more.
Calculated	A value we compute from other figures, rather than reading directly from a tax return line.

Good to know:

You don't need to look up any of these lines yourself. The snapshot reads and displays them automatically. This guide just helps you understand where the numbers come from.

Section-by-Section Breakdown

Below is a full explanation of every section in the Tax Snapshot — what it shows, where the numbers come from, and how to read it.

4.1 Client Profile

Before any numbers appear, the snapshot reads basic information about the client and co-client from their profile.

What's Shown	Where It Comes From
Client name	Client profile
Owns a business?	Client profile OR presence of Sch C or SE in the tax return
Retirement status / occupation	Client profile
Co-client name & details	Co-client profile

4.2 Overview Section

A one-page summary of the most important tax numbers. This is the first thing most advisors and clients will look at.

What You See	Source	What It Means
Federal Taxes Paid	1040 Line 24	Total federal income tax owed for the year (this figure includes self-employment tax)
Federal Income Tax Bracket	IRS bracket tables	The federal tax bracket the client falls in based on their taxable income
Federal Effective Tax Rate	1040 Line 24 and 1040 Line 15	The actual percentage of taxable income paid in tax
State of Residence	Client profile	Determines which state tax rules apply
State Income Tax Bracket	State bracket tables	Marginal state tax rate for the income level
State Effective Tax Rate	Calculated	Actual percentage of taxable income paid in state tax

Effective Tax Rate vs. **Marginal Rate**

The Effective Tax Rate is often lower than the bracket rate — it shows what you actually pay across all income, not just the top slice. However, the Effective Tax Rate can be higher than the marginal bracket rate if you have significant business or self-employment income. This happens because we calculate the Effective Rate using Form 1040 Line 24 (total tax) divided by Line 15 (taxable income), rather than Line 16 (income tax only). Line 24 includes self-employment tax, which Line 16 does not — so when SE tax is substantial, it can push the effective rate above the marginal bracket rate.

Note on State Tax Calculations:

Because the Tax Snapshot does not read state tax returns, both the State Income Tax Bracket and the State Effective Tax Rate are calculated using Federal Taxable Income (1040 Line 15) as the income base. State-specific adjustments that would normally appear on a state return are not applied.

4.3 Income Sections

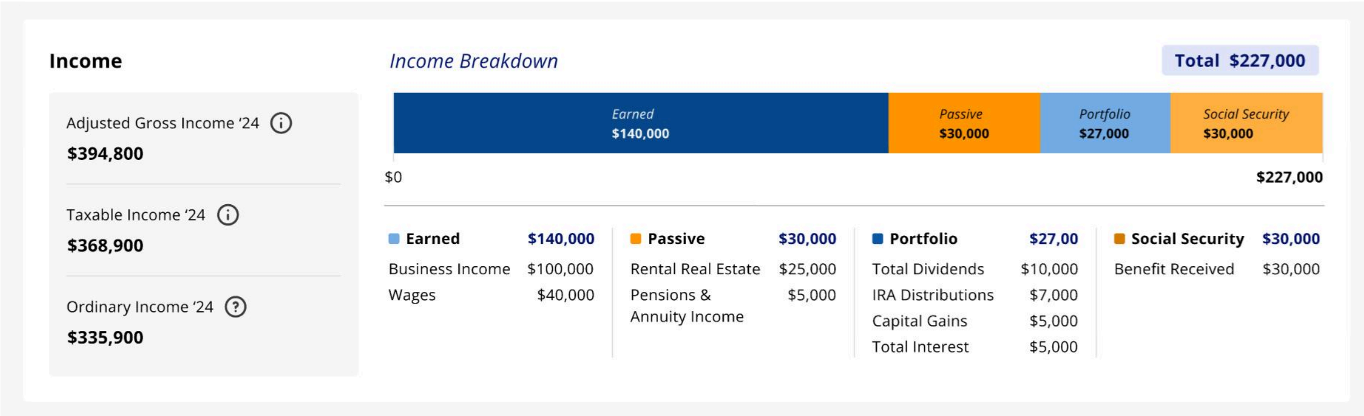
Shows the three most important income figures from the return — the starting points for almost every other tax calculation.

What You See	1040 Line	What You See
Adjusted Gross Income (AGI)	Line 11	Total income after above-the-line deductions (retirement contributions, student loan interest, etc.). This is the starting point for most phase-outs.
Taxable Income	Line 15	AGI minus your deduction (standard or itemized). This is the amount actually taxed.
Ordinary Income	Calculated	Taxable income minus qualified dividends and capital gains — the portion taxed at regular income rates.

4.4 Income Breakdown

Breaks down where all of the client's income comes from, organized into four easy-to-understand categories.

Category	What It Includes	Tax Return Source
Earned	Business income + W-2 wages	Sch 1 Line 3 + 1040 Line 1
Passive	Rental real estate + pensions/ annuities + other income	Sch E Line 26 + 1040 Line 5a + Sch 1 Line 9
Portfolio	Dividends + IRA distributions + capital gains + interest	1040 Lines 3b, 4b, 7a, 2b
Social Security	Social Security benefit received	1040 Line 6a



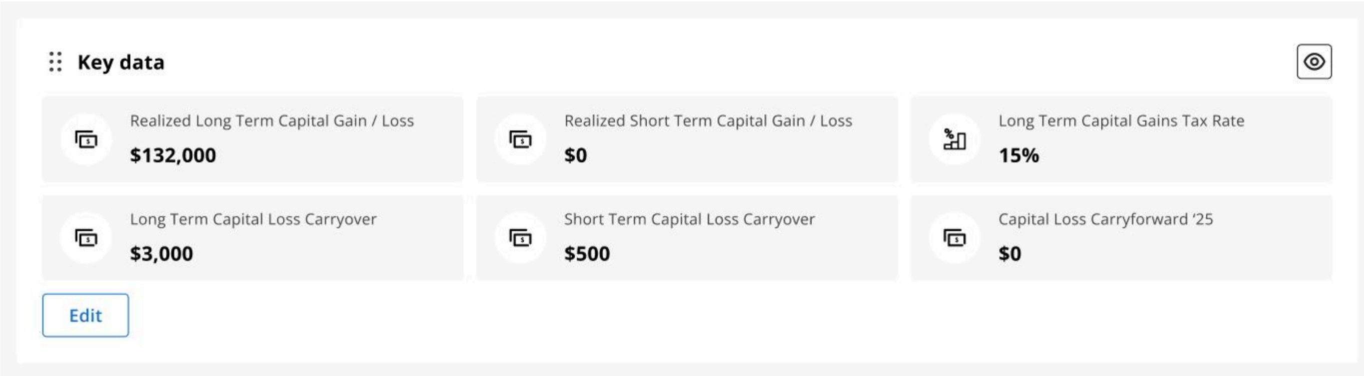
Note:

All Tax Return Source values are capped at $0 if negative.

4.5 Key Data Reference Table

A comprehensive quick-reference table showing the most important figures from the client's return — all in one place. It's organized into the following groups:

Federal Income Brackets	Shows the bracket ranges for taxable income, ordinary income, and the applicable long-term capital gains rate (0%, 15%, or 20%). Pulled from IRS bracket tables.
Income	Lists all major income figures: MAGI, AGI, taxable income, W-2 wages, business income, dividends, IRA distributions, Social Security, capital gains/losses, and carryovers. Sources include 1040 Lines 11, 15, 1, 3a, 3b, 4b, 6a and Schedule D.
Deductions / Credits	Shows the deduction subtotal (1040 Line 14) — the amount subtracted from AGI to arrive at taxable income.
Federal Taxes	Shows income tax before credits (Line 16), self-employment tax, net investment income tax (3.8% NIIT), additional Medicare tax (0.9%), and total tax (Line 24).
Schedule A — Itemized Deductions	A line-by-line breakdown of itemized deductions: state & local taxes (SALT), mortgage interest, charitable gifts, and other deductions. All from Schedule A.
Other	Medicare Part B and Part D premiums (based on IRMAA tables) and the estimated safe harbor payment for next year (prior year tax × 110%).



4.6 Federal & State Tax Brackets

These sections visually place the client inside the federal and state bracket structures — making it easy to see how close they are to the next bracket.

Federal Tax Bracket shows:

- Taxable Income *(1040 Line 15)*
- Which bracket that income falls into *(from IRS tables)*
- Qualified dividends + long-term capital gains *(1040 Lines 3a and Sch D Line 15)*
- Ordinary income *(calculated — see Income section)*

State Tax Bracket shows:

- The client's taxable income vs. their state's bracket thresholds
- How much room remains before reaching the next higher bracket

4.7 Deductions

Compares two options side by side so the advisor and client can see which gives the better tax result.

Deduction Type	How It's Determined
Standard Deduction	Set by IRS tables based on filing status and age. An additional add-on applies for taxpayers age 65 or older.
Itemized Deductions (Schedule A)	Totaled from Schedule A: healthcare (Line 4), interest (Line 10), donations (Line 14), state & local taxes (Line 7), and other deductions (Lines 15–16).

Key takeaway:

Most clients use the standard deduction. However, if itemized deductions are higher — due to large mortgage interest, charitable giving, or high state taxes — itemizing saves more money.

4.8 Charitable Contribution Deductions

Shows how much of the client's charitable giving is actually deductible, based on IRS limits tied to Adjusted Gross Income (AGI). Different types of donations have different limits.

Category	What It Includes	Tax Return Source
60% Limit	Cash contributions	AGI × 60%
30% Limit	Other property (land, stock, etc.)	AGI × 30%
30% Special	Special 30% category	AGI × 30%
20% Limit	Capital gain property	AGI × 20%

4.9 Roth Conversion

Shows how much room is left in the client's current tax bracket and how a Roth conversion would use that space.

The visual answers a key planning question: "How much could we have converted to Roth this past year without pushing the client into a higher tax bracket?"

What You See	Source
Ordinary Income	Calculated (Taxable Income minus qualified dividends and capital gains)
Remaining room in bracket	Bracket upper limit minus Ordinary Income
Roth conversion amount	1040 Form 8606 Line 16

4.10 QBI Analysis (Qualified Business Income)

These sections visually place the client inside the federal and state bracket structures — making it easy to see how close they are to the next bracket.

Federal Tax Bracket shows:

- Taxable Income *(1040 Line 15)*
- Which bracket that income falls into *(from IRS tables)*
- Qualified dividends + long-term capital gains *(1040 Lines 3a and Sch D Line 15)*
- Ordinary income *(calculated — see Income section)*

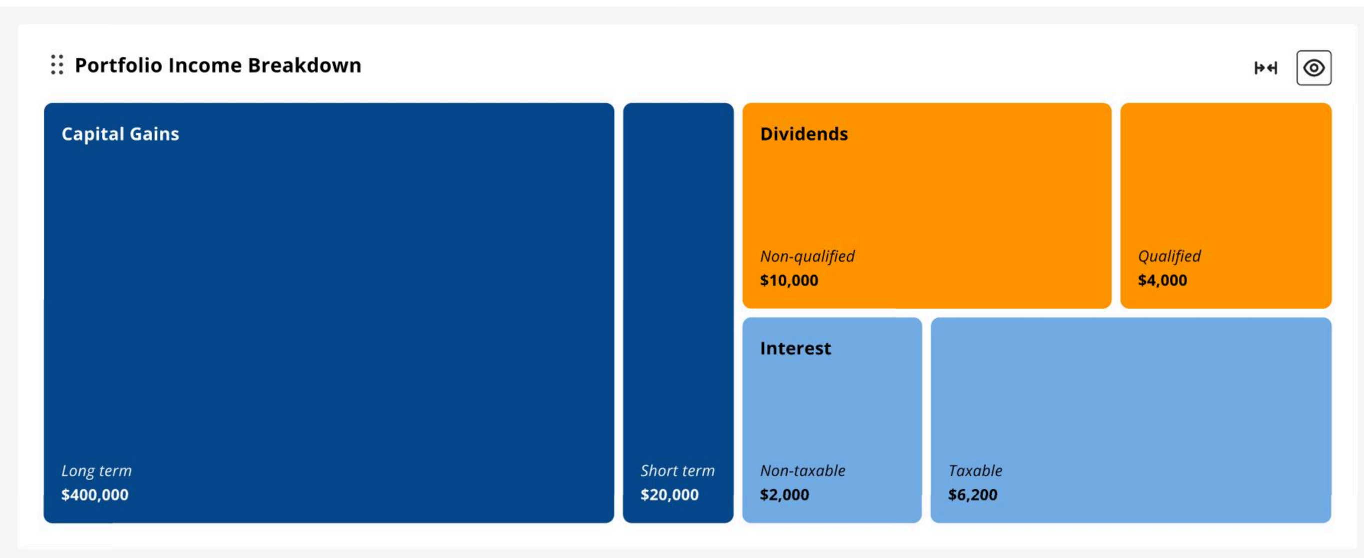
State Tax Bracket shows:

- The client's taxable income vs. their state's bracket thresholds
- How much room remains before reaching the next higher bracket

4.11 Portfolio Income Breakdown (Treemap)

A proportional visual map that shows where portfolio income comes from. Larger blocks = larger income sources.

Group	What It Includes	Source
Capital Gains	Long-term + short-term capital gains	Sch D Lines 15 and 7
Interest	Non-taxable interest + taxable interest	1040 Lines 2a and 2b
Dividends	Non-qualified dividends + qualified dividends	1040 Lines 3b and 3a



4.12 Portfolio Tax Analysis — Capital Gains & Losses

Two tables summarize the client's capital gain and loss activity for the year, plus any amounts carried forward to future years.

Table 1 — Current Year Activity

Item	Source
Short-Term Realized Gain/Loss	Sch D Line 7
Long-Term Realized Gain/Loss	Sch D Line 15
Net Realized Capital Gain/Loss	Sch D Lines 7 + 15 (or 1040 Line 7a)

Table 2 — Carryover Analysis

Item	Source
Capital Loss Carryover into current year	Sch D Lines 6 + 14
Remaining Net Realized Gain	1040 Line 7a (if positive; $0 if negative)
Loss Applied Against Ordinary Income	Sch D Line 21
Remaining Net Realized Gain	Sch D Line 16 (if negative) minus Line 21

4.13 Portfolio Tax Analysis — Interest & Dividends

Breaks down the client's interest and dividend income into taxable and non-taxable portions.

Type	Item	Source
Interest	Non-Taxable Interest	1040 Line 2a
Interest	Taxable Interest	1040 Line 2b
Dividends	Non-Qualified Dividends	1040 Line 3b minus Line 3a
Dividends	Qualified Dividends	1040 Line 3a

Why it matters:

Qualified dividends are taxed at the lower long-term capital gains rate. Non-qualified dividends are taxed as ordinary income — at a potentially higher rate. Knowing the split helps advisors plan more efficiently.

4.14 Estimated Tax — Safe Harbor

Compares the current year's tax to the estimated payment needed next year to avoid an IRS underpayment penalty.

Item	Source / Formula
Taxes paid (current year)	1040 Line 24
Estimated Safe Harbor (next year)	1040 Line 24 × 110%

Rule	The 110% rule applies to taxpayers with AGI above $150,000. Paying 110% of the prior year's tax liability is the most common way to avoid an underpayment penalty.

4.15 Business Income / Self-Employment Tax

Applies to clients who are self-employed or own a sole proprietorship (Schedule C). Breaks down how self-employment (SE) tax is calculated.

Net Profit

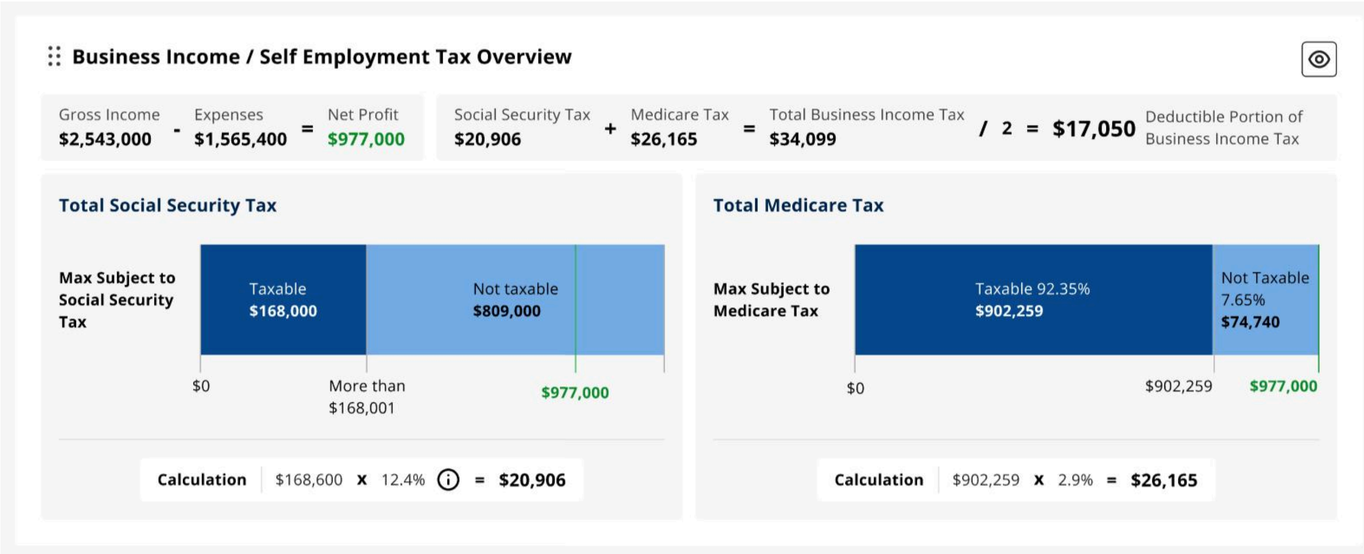
Item	Source
Gross Income	Sch C Line 7
Expenses	Sch C Lines 28 + 30
Net Profit	Sch C Line 31

SE Tax Breakdown

Item	Source
Social Security Tax (12.4%)	Applied to net profit up to the IRS wage base threshold (Sch SE Line 7 × 12.4%)
Medicare Tax (2.9%)	Applied to net profit × 92.35% (Sch SE Line 6 × 2.9%)
Total SE Tax	Social Security Tax + Medicare Tax
Deductible Portion	Half of total SE tax — deducted from AGI above the line

"Appears only for" callout:

Schedule C or SE clients only



4.16 Additional Medicare Tax (0.9%)

A 0.9% surtax applies to wages and self-employment income above a threshold, depending on filing status.

Income thresholds:

Filing Status	Threshold
Married Filing Jointly (MFJ)	$250,000
Married Filing Separately (MFS)	$125,000
Single / Head of Household / Qualifying Surviving Spouse	$200,000

The chart shows how close the client is to the threshold. The formula section only appears if the client's combined wages and SE income exceeds the limit.

Notes:

- If Form 8959 (Additional Medicare Tax) **is included** in the return, we calculate Wages/Self-Employment Income using Line 4 (Medicare wages and tips from W-2) and Line 8 (self-employment income subject to Medicare tax) from Form 8959.
- If Form 8959 **is not present**, we estimate the wage base using Form 1040, Line 1 (wages) plus Schedule SE, Line 6 (net earnings from self-employment) to determine income subject to the Additional Medicare Tax.

4.17 Net Investment Income Tax / NIIT (3.8%)

A 3.8% tax on investment income for clients whose Modified Adjusted Gross Income (MAGI) exceeds the same thresholds as the Additional Medicare Tax.

Net Investment Income is calculated as:

	Taxable Interest (Form 1040, Line 2B)
+	Ordinary Dividends (Form 1040, Line 3B)
+	Net Investment & Business Income
+	Other Income

Net Investment & Business Income

This value combines the following Form 8960 entries:

	Sec. 1411 Investment & Business Income (Form 8960, Line 4a)
+	Non-Sec. 1411 Income Adjustment (Form 8960, Line 4b)

Other Income

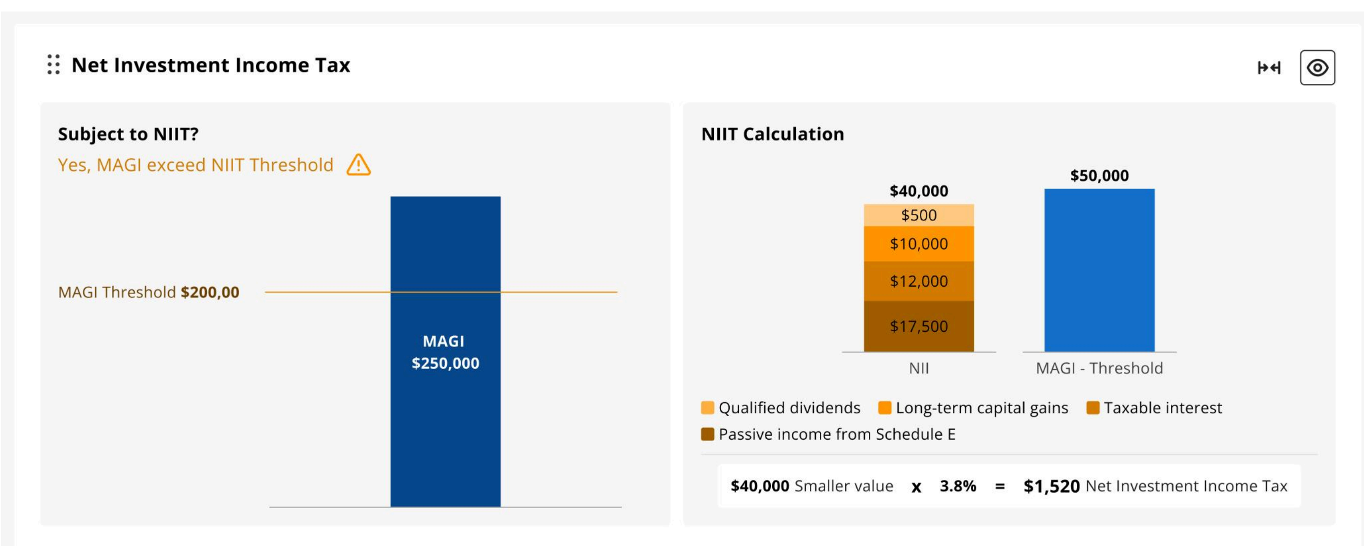
This value combines:

	Net Capital Gains or Loss Incurred (Form 1040, Line 7A)
-	Investment Income Adjustments

Investment Income Adjustments

This value combines the following Form 8960 entries:

	Investment Interest Expenses (Form 8960, Line 9A)
+	State, Local, and Foreign Income Tax (Form 8960, Line 9B)
+	Miscellaneous Investment Expenses (Form 8960, Line 9C)



4.18 Medicare Premiums (IRMAA)

Shows the client's Medicare base premium, in addition to their Medicare Part B and Part D monthly IRMAA premiums based on MAGI, if applicable. Higher-income clients pay a surcharge called IRMAA (Income-Related Monthly Adjustment Amount).

Income thresholds:

Filing Status	Threshold
MAGI used for IRMAA	AGI (Line 11) + Tax-Exempt Interest (Line 2a) + ½ SE Tax (Sch 2 Line 4)
Part B Premium	IRS IRMAA-D adjustment tables
Part D Premium	IRS IRMAA-B adjustment tables

The table also shows how much MAGI separates the client from the next (higher) premium tier — useful for planning to stay under a threshold.

"Appears only for" callout:

Households with at least one filer older than 63

4.19 Social Security Benefit Taxability

Determines what percentage of the client's Social Security benefit is subject to income tax, using the IRS Provisional Income test.

How It Works — 3 Steps:

- **Step 1 — Calculate Provisional Income:** AGI + Tax-Exempt Interest + ½ × Social Security Benefit
- **Step 2 — Apply the threshold test:** Compare Provisional Income to IRS thresholds (vary by filing status)
- **Step 3 — Determine taxable amount:** 0%, up to 50%, or up to 85% of benefits may be taxable

Provisional Income Level	Taxable Portion
Below lower threshold	0% — no Social Security income is taxed
Between lower and upper threshold	Up to 50% is taxable
Above upper threshold	Up to 85% is taxable

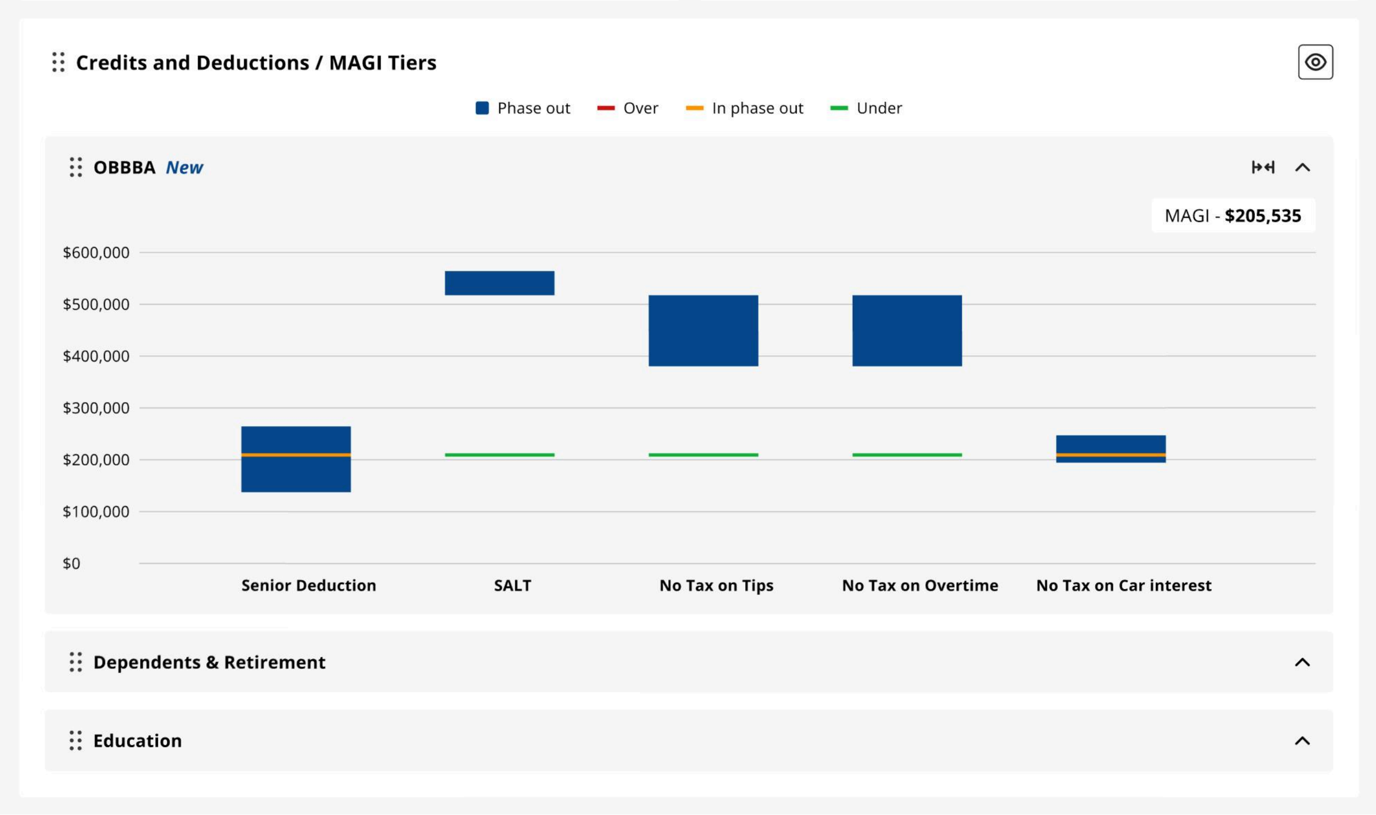
Households with at "Appears only if" callout:

At least one client has Social Security benefits on Line 6a least one filer older than 63

4.20 MAGI Tiers — Credits & Deductions Phase-Outs

Places the client's MAGI against the income thresholds where various tax credits and deductions begin to phase out. Three charts are shown:

OBBBA Tiers	Uses AGI (not MAGI) to show One Big Beautiful Bill Act thresholds, including: Senior Deduction, Tax on Tips Deduction, Tax on Overtime Deduction, State & Local Taxes (SALT) Deduction, and Car Loan Interest Deduction.
Dependents & Retirement	Shows phase-outs for: American Opportunity Credit, Child Tax Credit, Qualified Adoption Expenses Credit, IRA Contribution Deductibility, Saver's Credit, and Roth IRA Contribution limits.
Education	Shows phase-outs for: Coverdell ESA contributions, Lifetime Learning Credit, and Student Loan Interest Deduction.



4.21 OBBBA Reference Images (2025 / 2026)

Static reference images showing the One Big Beautiful Bill Act tax tier changes scheduled for 2025 and 2026. These are informational only and do not change based on client data — they serve as a quick reference for upcoming tax law changes.

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Key Insights — What to Pay Attention To

Effective vs. Marginal Rate

The marginal (bracket) rate is often higher than the effective rate. Focus on the effective rate for a true picture of what's being paid.

Bracket Room

Check how much space remains in the current bracket. This gap is the opportunity window for Roth conversions or realizing capital gains at a lower rate.

NIIT & Medicare Surtaxes

Clients with high investment income or wages may owe an extra 3.8% NIIT and/or 0.9% Additional Medicare Tax. These can add up quickly.

IRMAA Thresholds

Medicare premiums jump significantly once MAGI crosses certain levels. Even a small income increase can trigger a higher bracket — plan carefully.

Capital Loss Carryovers

Unused capital losses carry forward and can offset future gains. Review carryover balances each year.

Social Security Taxability

Up to 85% of Social Security benefits can be taxable. Provisional Income is the key number — managing other income sources can reduce the taxable portion.

QBI Deduction

Business owners may qualify for a 20% deduction on qualified business income. Income near the phase-out threshold warrants careful review.

Safe Harbor

Paying at least 110% of last year's tax avoids underpayment penalties — especially important for clients with variable income.

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Tips & Best Practices

1	**Start with the Overview**	Use the Overview section as your entry point. It gives the fastest summary of the client's tax position before diving into detail.
2	**Compare Standard vs. Itemized**	Always check the Deductions section to confirm which option was used — and whether switching would save money next year.
3	**Review MAGI, Not Just AGI**	Several critical thresholds (NIIT, IRMAA, Roth IRA eligibility) use MAGI, not AGI. The Key Data table makes it easy to find both.
4	**Use the Bracket Chart for Conversions**	The Roth Conversion section shows the exact dollar amount that could be converted this year without triggering a higher bracket.
5	**Check Business Clients for QBI**	For clients with business income, the QBI chart quickly shows whether they're near, within, or above the deduction phase-out zone.
6	**Monitor Medicare Thresholds**	For clients near retirement, small income changes can bump Medicare premiums significantly. Review IRMAA brackets annually.
7	**Review Loss Carryforwards**	Capital loss carryovers are a hidden asset. Make sure they're tracked and applied strategically to offset future gains.
8	**Use the Safe Harbor Figure Proactively**	Share the Safe Harbor number with clients early so they can set up estimated tax payments before the year ends.
9	**Discuss Social Security Timing**	Social Security taxability can often be managed with careful income planning — especially relevant for clients not yet collecting benefits.

Common Questions (FAQ)

Q: Where does the data in the snapshot come from?

A: All numbers come from the client's federal tax return (Form 1040 and its Schedules) and published IRS tables. No data is invented or estimated — everything traces back to a specific line or table.

Q: What's the difference between AGI and Taxable Income?

A: AGI (Adjusted Gross Income) is your total income after certain above-the-line deductions like retirement contributions. Taxable Income is AGI minus your deduction (standard or itemized) — it's the amount that income tax is actually calculated on.

Q: What does 'Ordinary Income' mean?

A: Ordinary income is your taxable income minus qualified dividends and long-term capital gains. It's the portion of income taxed at regular rates (10%–37%), as opposed to the lower rates for qualified dividends and capital gains.

Q: Why does my effective tax rate look lower than my marginal tax bracket?

A: Your bracket rate (marginal rate) applies only to the last dollar of income. The effective rate averages across all income — including amounts taxed at lower rates in lower brackets. The effective rate is usually the more meaningful number.

Q: What is MAGI and why does it appear everywhere?

A: MAGI stands for Modified Adjusted Gross Income. It's AGI plus a few add-backs (tax-exempt interest and half of self-employment tax). Many important thresholds — NIIT, IRMAA premiums, Roth IRA limits, and more — are based on MAGI.

Q: What is IRMAA?

A: IRMAA stands for Income-Related Monthly Adjustment Amount. It's the extra amount higher-income Medicare enrollees pay on top of the standard Part B and Part D premiums. IRMAA is based on MAGI from two years prior.

Common Questions (FAQ)

Q: What's the Safe Harbor rule?

A: The Safe Harbor rule lets you avoid IRS underpayment penalties by paying at least 100% (or 110% if AGI > $150,000) of your prior year's total tax liability through withholding or estimated payments.

Q: What if a section doesn't appear on my snapshot?

A: Some sections only appear when relevant to the client. For example, the Business Income / Self-Employment Tax section only shows if the client has Schedule C income. Similarly, NIIT and Additional Medicare Tax sections only appear if the client's income exceeds the applicable threshold.

Q: How is Social Security taxability determined?

A: The IRS uses a 'Provisional Income' formula: AGI + tax-exempt interest + 50% of Social Security
benefits. Depending on where Provisional Income falls relative to filing-status thresholds, 0%, up to 50%, or up to 85% of Social Security benefits may be subject to income tax.

Have more questions? Reach out to your advisor or the FP Alpha support team for additional guidance on interpreting your Tax Snapshot.

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