

Income Tax Projections Seem Wrong

If the tax projections for a Client seem substantially different than your expectations, here are some things you should review.

Deductions

If these common deductions apply to your Client, they should be entered in their Facts. Once entered, the system automatically includes these in the tax calculation when the Form 1040 Tax Mode is selected.

- **Mortgage Interest** – Enter Mortgages in the Liabilities section so the system can amortize.
- **Charitable Gifts** – Enter these under Planned Gifts.
- **State/Local Income Taxes** – Enter these tax rates in the Tax Assumptions area.
- **Retirement Plan Savings** – Use the Contributions tab within each Retirement Plan.
- **Existing Charitable or Capital Loss Carry-Forwards** – Update these in the Tax Assumptions area annually.

Investment Income

The taxation of Investment Income is sometimes overlooked. The growth rate applied to a Taxable Investment can be taxed several different ways:

- Dividends
- Ordinary Investment Income
- Unrealized Capital Gains
- Non-Taxable

Use the Realization Tab to define the proper tax handling. *Figure 1.*

When using a Custom Growth Rate rather than a Model Portfolio Growth Rate, the system defaults to 100% Ordinary Investment Income. This can create a large tax difference every year if you were expecting the growth to be Unrealized Capital Gains. Use the Realization tab to change this as needed. *Figure 1.*

For more information on the Realization Tab, refer to the user guide: [Realization – Taxable Investments](#)

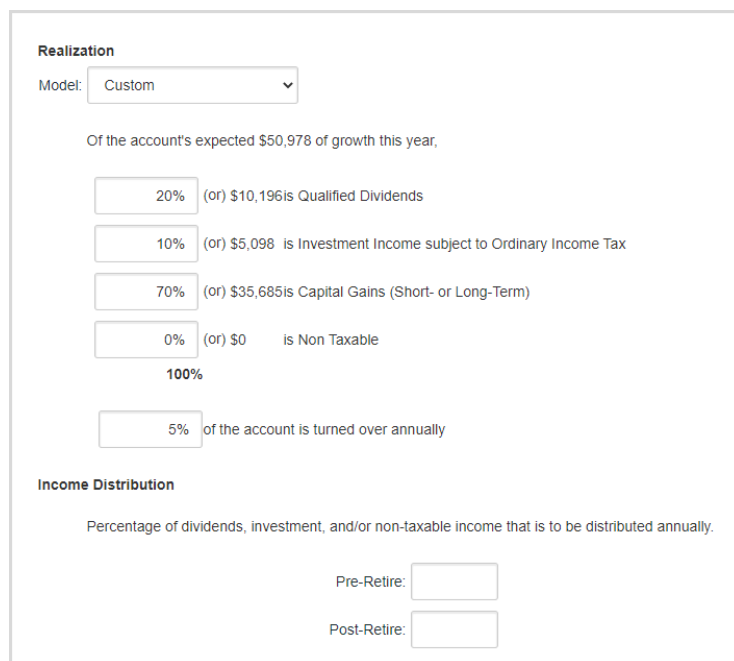


Figure 1

Basis

Make sure the Basis is entered correctly for Taxable Investments and Property. If the Basis field is left blank, the system will assume it is the same as the market value which could lead to incorrect Capital Gains.

Tax Events Ledger Report

This report itemizes the projected tax events used to calculate the Income and Gift Taxes. It is helpful to review this report to ensure the appropriate items are being taxed. To access the report, select the **Ledger**, then click the sub report **Tax Events**.