Income Taxes Generally

Three Kinds of Income

Earned Income

- Salary, bonus
- Business income
- Up to 85% of Social Security

Portfolio Income

- Dividends
- Interest
- Royalties
- Capital Gains or losses on portfolio Assets

Passive Income¹

- Limited Partnership Income
- Rental Income
- Capital Gains on **Passive Activities**

Contribution

S to MSAs

 Contributions to IRAS. Keoghs, Self-employed SEP/Simple Plans

Adjustments

- Student Loan Interest
- One-half of SE tax
- SE health Insurance
- Tuition and fees
- Alimony
- Early withdrawal penalty
- Moving expense
- Educator expenses



Itemized deductions² (subtract from AGI)

- Medical Expenses over 7.5% of AGI
- State and local property taxes
- Mortgage interest on 1st and 2nd residences. investment interest
- Charitable contributions
- Miscellaneous deductions (most must exceed 2% of AGI)
- Or, use the standard deduction

