

Adjustments to income (above the line → AGI)

- ✓ Adjustments:
 - Traditional IRA
 - Student loan interest
 - Educator expenses
 - Early-withdrawal penalty
 - ½ SE tax
 - Pre-2019 alimony
- ✓ MAGI = AGI + certain add-backs; gates IRA deductions, education credits, PTC and CTC
- ✓ Rates (2025): ordinary 10%—37%; long-term capital gain (held >1 yr) 0/15/20% (collectibles 28%, unrecaptured §1250 25%)

Social Security taxability

Combined income = AGI + nontaxable interest + ½ of SS benefits

Filing status	Combined income	Taxable
Single	Under \$25,000	None
Single	\$25,000—\$34,000	Up to 50%
Single	Over \$34,000	Up to 85%
MFJ	Under \$32,000	None
MFS, living with spouse	\$0 threshold	Up to 85%

Senior deduction: extra \$6,000 per person age 65+ (2025—2028), itemizing or not; phases out above MAGI \$75,000 / \$150,000 MFJ

Capital gains and losses

- ✓ Short-term (held ≤1 yr): ordinary rates. Long-term (>1 yr): capital gain rates
- ✓ Net capital loss deduction limited to \$3,000/yr (\$1,500 MFS); excess carries forward. Sch D / Form 8949
- ✓ Amount realized = value received; amount recognized (taxable) = realized – (basis + sale expenses), unless a nonrecognition rule (e.g., §1031) applies
- ✓ Wash sale: loss disallowed if a substantially identical security is bought within 30 days before or after the sale; the disallowed loss is added to the new basis. Does not apply to digital assets
- ✓ Inherited securities basis = FMV at date of death
- ✓ Personal-use items: gains taxable, losses not deductible

Retirement distributions

- ✓ Traditional IRA: fully taxable if no basis
- ✓ Roth: tax-free if qualified (5-year rule and 59½, disability, death or first home (\$10,000 lifetime))
- ✓ SEP, SIMPLE, 401(k), 403(b): fully taxable unless there is after-tax basis

Required minimum distributions

- ✓ Begin at age 73 (born 1951—1959) or 75 (born 1960+)
- ✓ First RMD may be deferred to April 1 of the next year
- ✓ Still-working exception (employer plan, not IRAs) if not a >5% owner
- ✓ Uniform Lifetime Table (joint table if the spouse is >10 years younger)
- ✓ Missed RMD: 25% excise (10% if fixed within 2 years); Form 5329

Digital assets and installment sales

- ✓ Digital assets = property (not securities); sale or exchange → Form 8949 → Sch D; mining, staking or a hard-fork airdrop = ordinary income when received (Sch 1, or Sch C if a business); 1099-DA
- ✓ Installment sale (Form 6252): taxable gain each year = payment × gross profit % (gross profit ÷ contract price)

Rental and pass-through income

- ✓ Rental (Sch E): passive; \$25,000 loss allowance (active participation) against nonpassive income, phased out at MAGI \$100,000—\$150,000
- ✓ Real estate professional: >750 hrs and >½ of working time in real estate
- ✓ Substantial services for the tenant (maid service, linen changes) → Sch C + SE tax
- ✓ Vacation home rented ≤14 days: income not taxable, expenses not deductible
- ✓ Schedule K-1: reports a pass-through owner's share (partnership, S corp, estate, trust)