PIMCO

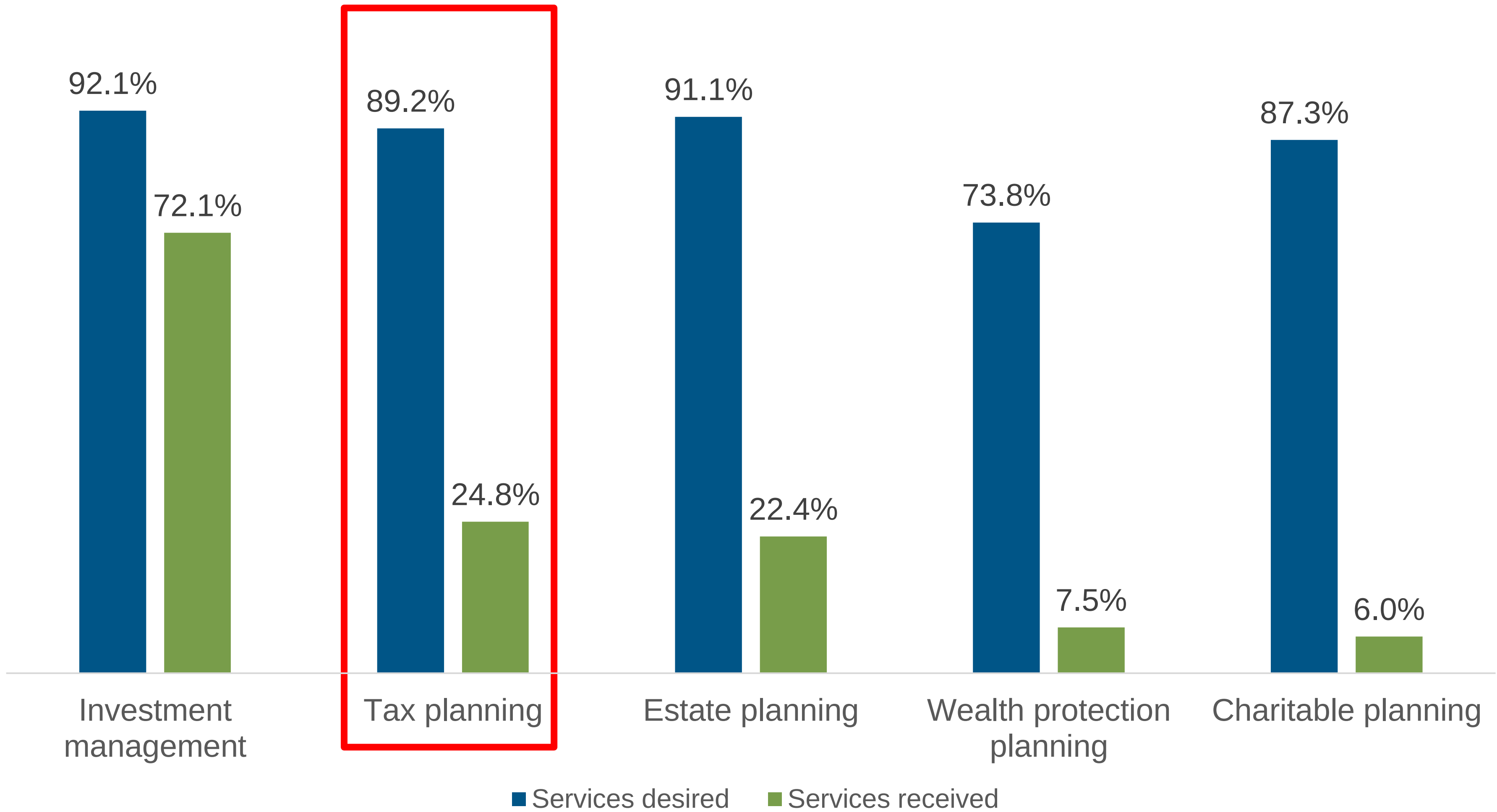
Tax alpha: Preparing for a new tax landscape

IMPORTANT NOTICE
Please note that the following contains the opinions of the manager as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice

A company of Allianz

The importance of professional advice

The gap: Services desired vs. services received



Source: CEG Insights 2023

Agenda

1. Ordinary income
2. Investment income
3. Itemized deductions
4. Tax policy outlook
5. Advisor action steps

Ordinary income

Ordinary income tax rates

Ordinary income tax rates – 2025

Tax rate	Married, filing jointly	Single
10%	$0-$23,850	$0-$11,925
12%	$23,850-$96,950	$11,925-$48,475
22%	$96,950-$206,700	$48,475-$103,350
24%	$206,700-$394,600	$103,350-$197,300
32%	$394,600-$501,050	$197,300-$250,525
35%	$501,050-$751,600	$250,525-$626,350
37%	$751,600+	$626,350+

*Single rates de-couple from MFJ
Ranges are subject to annual IRS inflation adjustments.
Source: IRS
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Individual income tax rates

Affordable Care Act (ACA) taxes

ACA tax	Rate	Affects
Medicare hospital	0.9%	Wages, compensation, self-employment
Net investment income	3.8%	Interest, dividends, net capital gains, annuities, rents

- Affects married, filing jointly (MFJ) with modified adjusted gross income (MAGI) above $250,000 and single with $200,000
- These thresholds are not subject to inflation adjustments, retained for 2025
- Retirement distributions are not subject to these taxes, but could cause other income to become subject when exceeding MAGI levels
- Note: municipal securities income and retirement distributions not subject to ACA taxes

Source: IRS

Alternative minimum tax

Exemptions and brackets – 2025

Filing status	Exemption	Phase-out range
Married, filing jointly	$137,000	$1,252,700-$1,800,700
Married, filing separately	$68,500	$626,350-$900,350
Single/Head of household	$88,100	$626,350-$978,750

Tax rate	Married, filing separately	All others
26%	$0-$119,550	$0-$239,100
28%	$119,500+	$239,100+

Planning considerations

When subject to regular taxes:
- Defer income (bonus, ESOs, SS, pension, cap gains)
- Accelerate deductions (charitable, state and property taxes up to $10,000)

When subject to AMT taxes:
- Accelerate income
- Defer deductions

Source: IRS
Amounts shown are subject to annual IRS inflation adjustments.
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☑ Manage taxable income

Higher tax year	Lower tax year
Increase retirement plan contributions	Accelerate income recognition (ex: NSOs)
Accelerate charitable giving	Defer charitable giving
Recognize capital losses	Delay pass-through business expenses
Avoid capital gain recognition	Recognize capital gains
Defer retirement account distributions	Consider Roth conversions

Items affected by taxable income

- Marginal income tax bracket
- Capital gain tax bracket
- ACA taxes ($250k)
- AMT exemption amount
- Retirement account contributions
- Medical expense deductions
- QBI – 199A deduction for business owners
- Social Security taxation
- Medicare premiums

Retirement account contribution limits

	Regular contribution	Catch-up contribution*	AGI phaseout range*** (married/single)
Traditional IRA	$7,000	$1,000	$126,000-$146,000/ $79,000-$89,000
Roth IRA	$7,000	$1,000	$236,000-$246,000/ $150,000-$165,000
401(k), 403(b)	$23,500	$7,500	
Roth(k), Roth(b)	$23,500	$7,500	NA
SIMPLE IRA	$16,500	$3,500	
SEP plan	$70,000	n/a	$350,000**

For those not covered by an employer retirement plan but whose spouse is covered by a qualified plan, the IRA deduction is phased out for MAGI between $236,000-$246,000 for 2025.

*Catch-up contributions are available to taxpayers age 50 and older by 12/31/25
**The lesser of 25% of the first $350,000 of compensation or $70,000
***Limits ability to deduct, not contribution amount

Source: IRS
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☑ Choose between traditional and Roth accounts

Common individual retirement accounts and employer plan contribution limits

MFJ MAGI	$0 – $126,000	$126k- $146k	$146,000+	$236k - $246k	$246,000+
Traditional IRA	Fully deductible	Partial	Non-deductible		
Roth IRA	Full contribution			Partial contrib.	No contribution

Traditional plan

- **Tax-deductible contributions**
  - IRA deduction subject to MAGI limits
  - No MAGI limits for 401(k) plan deduction
- Tax-deferred growth
- **Taxable withdrawals**
- **Subject to RMDs during owner's lifetime**
  - Non-spouse beneficiary generally must liquidate within 10 years (exceptions apply)

Roth plan

- **Nondeductible contributions**
  - Roth contributions subject to MAGI limits
  - No MAGI limits for 401(k) plan contributions
- Tax-deferred growth
- **Qualified withdrawals are tax-free**
- **Exempt from RMDs during owner's lifetime**
  - Roth 401(k) owners ARE subject to RMDs
  - Non-spouse beneficiary generally must liquidate within 10 years (exceptions apply)

Source: IRS

☑ Consider Roth conversions

Leave in traditional IRA

Maintain tax deferral as long as possible in exchange for taxable income in retirement

Convert to Roth IRA

Accelerate a tax liability to today in exchange for tax-free income, no required minimum distributions (RMDs)

Planning considerations

Most beneficial when executed in lower income years (ex: post retirement prior to RMDs)

Investors can convert any portion of their traditional, SEP or SIMPLE IRA (after 2 years from first deposit) and/or a QRP eligible rollover distribution into a Roth IRA*

Distributions before age 59 ½ may be subject to an additional IRS 10% early distribution tax if no exception applies

Roth IRA owners are not subject to RMDs, providing greater control and compounding (ex: Social Security taxation)

***A Roth conversion is considered a taxable event**

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☑ Contribute to health savings account (HSA)

Tax-deductible contributions	Tax-deferred growth	Tax-free withdrawals

- Maximum family contribution 2025: $8,550 ($1,000 catch-up at age 55)
- Must have high deductible health coverage (can't contribute if enrolled in Medicare)
- Covers current medical expenses (deductibles, premiums) and helps provide additional tax advantaged savings beyond 401K, IRAs

Planning considerations
Medical expenses only deductible if greater than 7.5% of AGI
Pay medical expenses out-of-pocket, save HSA for retirement use
HSA can be used at any time to reimburse qualified medical expenses incurred after account is opened
Keep your receipts!
Spouse can rollover balance for additional compounding

Source: IRS

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☑ Maximize section 199A deduction for business owners

Qualified business income (QBI) deduction: Sec 199A

- Provides 20% deduction for qualified business income (through 2025)
- Available to owners of pass-through entities: partnerships, S-corps, sole proprietorships, REITs
- Claimed on owner's 1040; no need to itemize to receive
- **Specialized services businesses** (lawyers, fin services, accounting, athletes, etc.) subject to phase-out for joint taxable income between $394,600 and $494,600 (MFJ)
- **All businesses** over those levels subject to phased-in cap based on greater of:
  - 50% of W-2 wages or
  - 25% of W-2 wages plus 2.5% of unadjusted basis of acquired qualified property
- Purpose: provide benefit similar to C Corporation tax rate reduction (35% to 21%)

Planning considerations
Time billings, collections to minimize the tax cost
Home office deduction (property tax, mortgage, repairs)
New equipment (ex: auto above 6,000 lbs.)
Retirement contribution (ex: DB plan)
Charitable contributions (ex: DAF)

Investment income

Investment income tax rates

Long-term capital gains and qualified dividends – 2025

	Taxable income	
Tax rate	**Married, filing jointly**	**Single**
0%	$0-$96,700	$0-$48,350
15%	$96,700-$600,050	$48,350-$533,400
20%	$600,050+	$533,400+

PLUS: 3.8% net investment income tax (NIIT) applies at AGI over $250,000 (married, filing jointly) and $200,000 (single)

- Creates additional effective rate of 18.8%, increases 20% rate to 23.8%

Notes:

- NIIT AGI levels not indexed for inflation
- Marginal income tax rates are additive between earned income and capital gains

Ranges are subject to annual IRS inflation adjustments.

Source: IRS

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☑ Recognize capital gains/losses

Short-term transactions
Total short-term gains
- Total short-term losses
Net short-term position

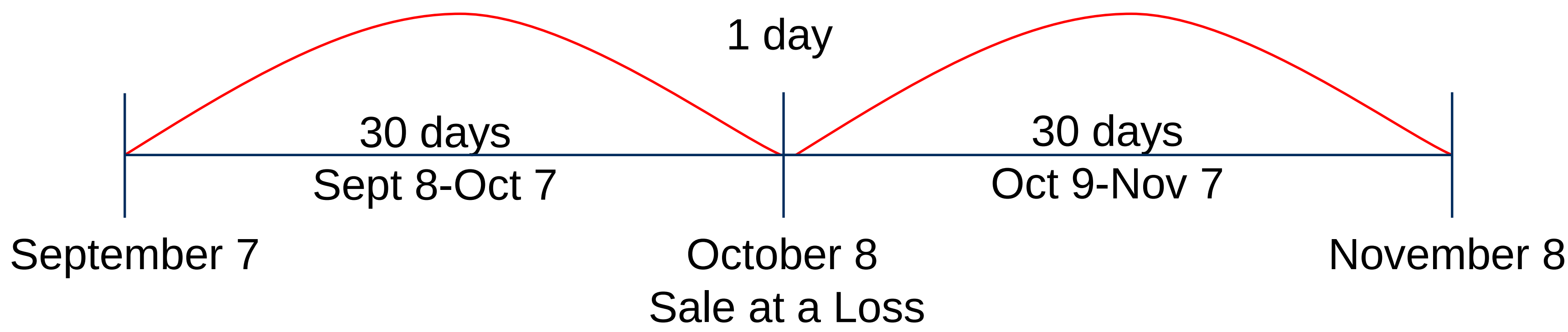
Long-term transactions
Total long-term gains
- Total long-term losses
Net long-term position

Both gains	• Each taxed at applicable tax rate
Both losses	• Deduct up to $3,000 currently (short-term first) • Excess carries forward
One gain/ One loss	• Combine the two = net ST or LT, CG or CL • Net gain taxed according to applicable rate • Net loss deductible up to $3,000 currently, excess carried forward indefinitely

- Short term gains taxed at ordinary income rates (max 37.0%) plus 3.8% net investment income tax (NIIT) if MAGI > $250,000 MFJ, or $200,000 single
- Long term gains taxed at preferential capital gain rate (max 20.0%) plus 3.8% net investment income tax (NIIT) if MAGI > $250,000 MFJ, or $200,000 single

Understanding wash sales

Holding period and similar security requirements



Asset sold for loss	Asset purchased	Wash sale
Mutual fund from Company A	Different fund from Company A	No
Large growth fund	Different large growth fund; different holdings	No
An S&P 500 fund/ETF	Different S&P 500 fund/ETF	Probably
Common stock	Call option on the same stock	Yes
Individual taxable account	Same position in spouse's account	Yes
Individual taxable account	Same position in an IRA	Yes

Sample for illustrative purposes only.

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☑ Review strategies to avoid wash sales

Planning options

Strategy	Planning consideration
Sell asset for loss	Can re-purchase after 30 days
Double-up on position, sell original lot after 30th day	Nov. 28 last day to double up and sell original position for a loss in 2025
Sell stock position, buy new position in same sector	Ex: sell one clothing retailer, purchase another
Sell stock position, purchase index ETF or fund in the same sector	Ex: sell auto stock, buy auto ETF/fund

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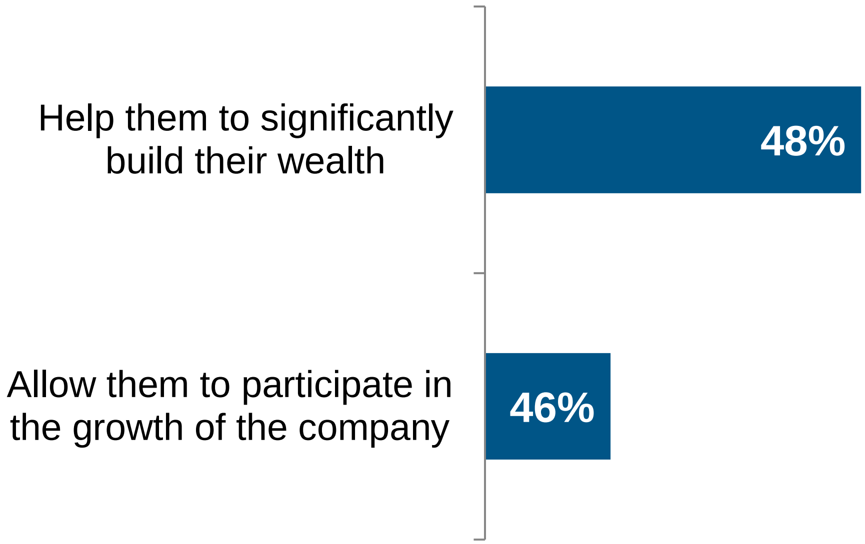
Equity compensation may provide tax advantages

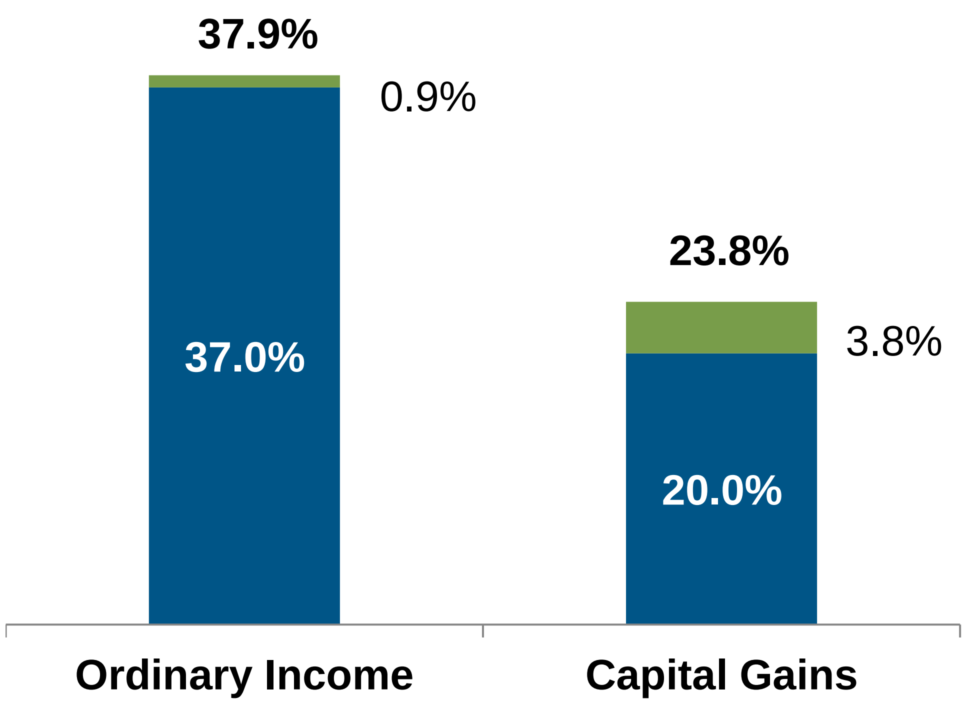
Strategies to maximize benefit of LTCG treatment

Why plan participants view equity compensation as an important benefit:



77% Equity compensation is an essential/very important benefit

Top marginal tax bracket



Source: Charles Schwab *Equity Compensation Plan Participant Survey 2020;* IRS

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☑ Utilize strategies to maximize equity compensation benefits

Qualified disposition of incentive stock options (ISO)

- Non-qualified stock options (NSOs) generally taxed at ordinary rates upon exercise, ISOs have potential tax advantages
- Holding-period requirements: 2 years from grant and 1 year from exercise
- Shares taxed at capital gains rate upon sale
- May produce AMT liability

83(b) election with restricted stock grants

- Plan specific provision
- Must be made within 30 days of grant
- Shares still subject to vesting
- May pay ordinary tax on lesser value now for potential capital gains upon sale

Net unrealized appreciation

- Available for company stock
- Qualified retirement assets (ex: 401k) only
- Shares must be distributed lump sum, in kind
- Basis taxed as ordinary income upon distribution; NUA taxed as capital gains upon sale

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☑ Optimize after-tax returns for bonds

Consider appropriate bond investments for maximum benefit

- Lower income taxpayers likely benefit from taxable bonds
- Higher income taxpayers likely benefit from tax-exempt bonds
- Income investors compare after-tax return on taxable bond to muni yield
- Growth investors compare total return on taxable and tax-exempt bonds

		Tax-exempt bond yield						
		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
MFJ income	Marginal tax rate	Taxable equivalent yield						
$0-$23,850	10%	2.22%	2.78%	3.33%	3.89%	4.44%	5.00%	5.56%
$23,850-$96,950	12%	2.27%	2.84%	3.41%	3.98%	4.55%	5.11%	5.68%
$96,950-$206,700	22%	2.56%	3.21%	3.85%	4.49%	5.13%	5.77%	6.41%
$206,700-$394,600	24%	2.63%	3.29%	3.95%	4.61%	5.26%	5.92%	6.58%
$394,600-$501,050	32%	2.94%	3.68%	4.41%	5.15%	5.88%	6.62%	7.35%
$501,050-$751,600	35%	3.08%	3.85%	4.62%	5.38%	6.15%	6.92%	7.69%
$751,600+	37%	3.17%	3.96%	4.76%	5.56%	6.35%	7.14%	7.93%

NOTE: After-tax yields do not take into consideration NII tax for taxpayers over the applicable threshold.

Sample for illustrative purposes only.

☑ Review asset location for tax efficiency

- Strategic allocation by asset class in taxable, tax-deferred or tax-exempt accounts may enhance after-tax results
- Allows for portfolio rebalancing while considering the tax impact of earning dividend income or capital appreciation

Taxable accounts	Situational	Tax-advantaged accounts
Passively managed investments	REITs	Actively managed investments
Qualified dividend positions	Partnership interests	Non-qualified dividend positions
Long-term holdings	Precious metals	Short-term holdings
Tax-exempt bond funds/ETFs	Cryptocurrency	Taxable bond funds/ETFs
Investments subject to foreign tax		

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☑ Avoid kiddie tax with 529 plans and Roth IRAs

Kiddie tax:

- Applies to children under 19 (full-time students under 24) taxed at parents' tax rate with net unearned income over $2,700
- Unearned income includes investment income, Social Security, retirement plan distributions
- Prevents parents avoiding taxes by shifting assets to children

529 plans

- Provides tax-free growth for distributions used for qualified educational expenses
- Allows for qualified distributions for tuition only for grades K-12, limited to $10,000/yr.
- Flexibility to change beneficiaries
- Provides front loading of annual gifts (5 x $19,000)
- Reduces taxable estate for parents/grandparents
- May provide state income tax deduction
- Ex: $95,000 at 7.00% for 17 years = $300,087

Roth IRAs

- Consider creating Roth IRA for child's earned income
  - Non-deductible contribution, tax-free growth
  - Early access for certain needs
  - Contributions accessible at any time without tax/penalty
  - Earnings accessible tax-free after 5 years and age 59 1/2
  - Contribution limits: $7,000 for 2025
- Ex: $7,000/yr @ 8.00% for 40 years = $1,965,467

For illustrative purposes only.

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Itemized deduction planning

Individual income tax deductions

Filing status	Standard deduction
Married, filing jointly	$30,000
Single	$15,000
Head of household	$22,500
Married, filing separately	$15,000

- Additional deductions for those age 65+ and/or blind
  – $1,600 married
  – $2,000 single

Itemized deductions
Medical expenses
SALT taxes*
Mortgage interest
Charitable gifts

- Medical expenses subject to 7.5% AGI floor
- SALT capped at $10,000
- Mortgage interest capped based on size of loan
- Charitable gifts limited based on type, recipient of gift

*State and local taxes include income or sales tax, plus property tax

Source: IRS

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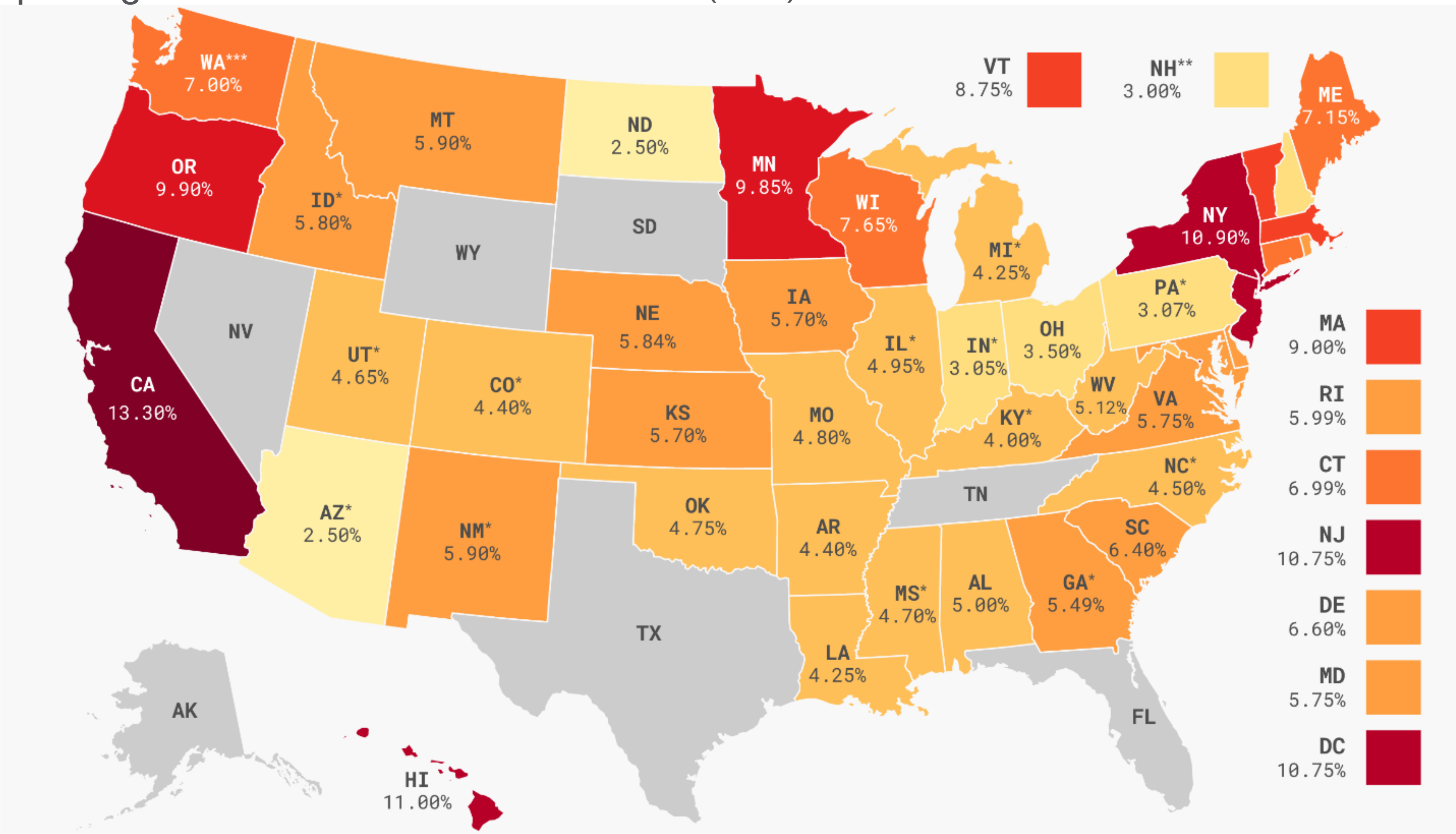
State income taxes

Top marginal individual income tax rates (2024)



(*) State has a flat income tax.
(**) State only taxes interest and dividends income.
(***) State only taxes capital gains income.
Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included.
Sources: Tax Foundation; state tax statutes, forms, and instructions.

☑ Take the proper steps when relocating

Requirements to change domicile:

- A fixed residence in a different jurisdiction
- An intent to abandon his/her old domicile
- An intent to acquire a new domicile in the jurisdiction where the new residence is located

Extra scrutiny:

- Maintain a residence in higher tax state, “winter” in no income tax states
- Move to state in close geographical location to previous state of domicile
- New domicile claimed prior to a major transaction (ex: sale of business)

Factors to consider when changing state domicile
Physical presence
Employment
Family location
Bank accounts
Drivers license
Social/Athletic club membership
Residence
Business connections
Location of personal items
Voter registration
Public library card
Lawyers, doctors, dentist used

Consult a tax advisor

Source: PIMCO
Investors should discuss the tax implications of their state residency with their tax advisors and/or financial planner.
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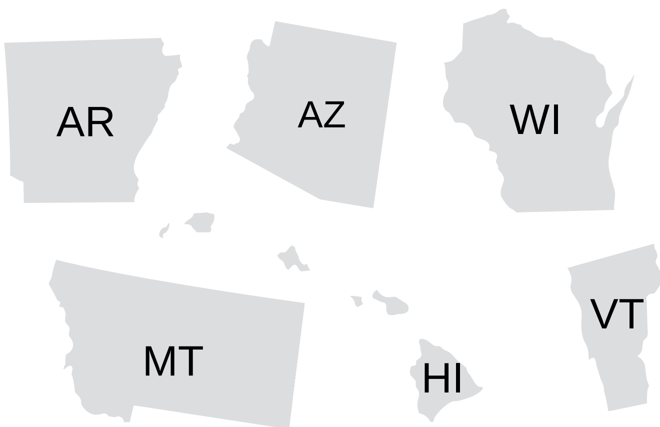
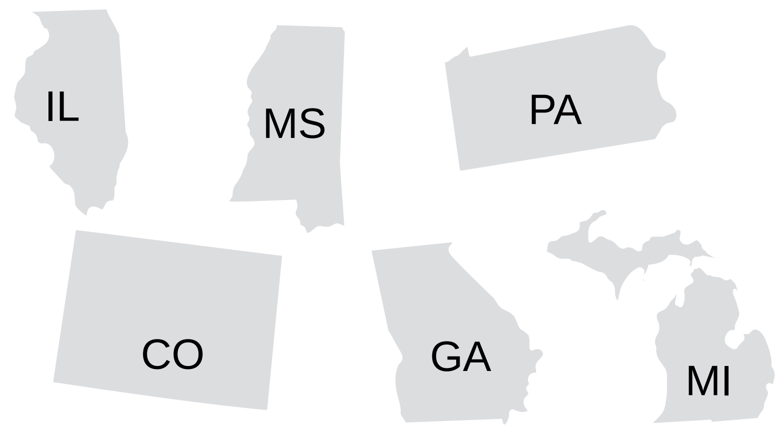
☑ Consider residency when timing transactions

States with reduced taxes on capital gains*



States with reduced taxes on retirement income*



Planning considerations
Coordinate asset sales with changes to state residency
Time Roth conversion in states with favorable taxes on retirement income
NOTE: Gain on real estate taxed in state where property is located

*Sample of impacted states, only. Not meant to be a comprehensive list.

Source: State tax forms

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☑ Weigh mortgage debt

- Interest paid on a loan used to buy, build or improve home is deductible; limits apply
- Taxpayer must itemize to receive benefit
- Available for loans on primary or second home
- Loan must be secured by the property
- Interest deduction limitation (loan size):
  – Loans secured prior to 12/16/17: $1 million ($500,000 for married, filing separately)
  – Loans secured after 12/15/17: $750,000 ($375,000 for married, filing separately)

Planning considerations
Compare loan interest rate to alternative investment options
Mortgages are more expensive for non-itemizers
Loan due to cash-out refinance not deductible
Pay off non-deductible home equity loans before deductible primary mortgage

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Charitable giving on the rise

Catalysts for increased charitable giving

- 2023 giving: $557.16 billion
- Wealth effect from investment portfolios, real estate
- Desire to give back, leave a legacy
- Charitable giving remains an itemized deduction

Least complex — **Most complex**

Direct gifts

- Cash
- Personal property
- Life insurance
- Real estate
- Qualified charitable distribution (QCD)

Philanthropic structures

- Donor advised funds (DAF)
- Community foundations
- Supporting organizations

Split interest vehicles

- Charitable remainder trusts (CRT)
- Charitable lead trusts (CLT)
- Pooled income funds

Private foundations

- Private family foundations
- Private operating foundations

Source: GivingUSA 2024: The Annual Report on Philanthropy for the Year 2023

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Deduction limits for charitable gifts

	PUBLIC CHARITY		PRIVATE FOUNDATION	
Property	**Deduction**	**AGI limit**	**Deduction**	**AGI limit**
Cash	FMV	60%	FMV	30%
Ordinary income property	Cost basis	50%	Cost basis	30%
Long-term capital gain property	FMV*	30%	Cost basis/FMV**	20%
Personal property - same use	FMV	30%	Cost basis	20%
Personal property - not same use	Cost basis	50%	Cost basis	20%

Planning considerations
Gift must be completed by year-end
Donor must give up control to be complete
IRS requires documentation from the charity
Excess gifts carryover up to 5 years, but current year gifts must be used before carryovers
Non-cash donations greater than $5,000 require a qualified appraisal

*Can elect cost basis deduction with 50% AGI limit

**Cost basis if non-operating, FMV if operating

FMV = fair market value; Charitable contributions that are not deductible due to AGI limitations can be carried forward for up to five years.

Source: IRS

☑ Bunch itemized deductions

Illustration of the benefits of selective timing

Expense	2025	2026	2027	2028	Total
Income/Property tax	10,000	10,000	10,000	10,000	
Mortgage interest	0	0	0	0	
Charitable donations	25,000	25,000	25,000	25,000	
Total itemized	**35,000**	**35,000**	**35,000**	**35,000**	
Standard deduction	30,000	30,000	30,000	30,000	
Actual deduction	**35,000**	**35,000**	**35,000**	**35,000**	**140,000**

Expense	2025	2026	2027	2028	Total
Income/Property tax	10,000	10,000	10,000	10,000	
Mortgage interest	0	0	0	0	
Charitable donations	100,000	0	0	0	
Total itemized	**110,000**	10,000	10,000	10,000	
Standard deduction	30,000	**30,000**	**30,000**	**30,000**	
Actual deduction	**110,000**	**30,000**	**30,000**	**30,000**	**200,000**

$60,000 additional deductions

Sample calculation for illustrative purposes only

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Donor advised funds help facilitate bunching

Using DAFs to gift long-term appreciated assets and bunch deductions

Potential benefits

- Contributions to DAF are tax deductible in year they are made
- Facilitates bunching of deductions for maximum tax benefit
- Avoids capital gains taxes on donated long-term appreciated securities
- Appreciation within a DAF is not taxable
- Contribution removed from donor's taxable estate
- Low minimums for a donor's initial contribution and for ongoing grants
- No wash sale implications – asset can be repurchased immediately to maintain exposure with higher cost basis

Planning considerations	
Subject to AGI limitations	Less donor control over assets
Must be completed gift	May not be appropriate for more complex assets
Assets irrevocably removed from donor's resources	Does not provide income stream

FMV=fair market value

Bunching donations is defined as combining multiple years of a taxpayer's normal annual charitable contributions into a single year with the goal of increasing the likelihood of exceeding the standard deduction and thus, potentially providing the taxpayer with additional tax savings

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☑ Consider qualified charitable distribution from IRA

- For individuals over age 70½ with traditional and/or inherited IRAs even though required minimum distribution (RMD) age is 73
- Active SEP and SIMPLE IRAs not eligible
- Maximum $108,000 distribution limit for 2025 (adjusted annually for inflation)
- Donation made directly from IRA to 501(c)(3) nonprofit
- May satisfy part, all or exceed the RMD
- Donors eligible to gift to charitable remainder trust or gift annuity
  - — Allowed only once during life, max of $54,000 for 2025
  - — Trust/annuity solely funded from QCD – no commingling
  - — Mandatory distributions (min. 5%) made to donor/spouse as taxable income

Planning considerations
Distribution not included in individual's AGI, reducing tax liability
Helpful for charitable retirees who don't itemize, depending on individual's circumstances
Avoids AGI limitations for charitable deductions
Can only be done after turning 70½, not anytime that year

Source: IRS

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☑ Weigh treatment of investment fees

Miscellaneous itemized deductions, including investment fees, repealed through 2025

- Advisory fee not eligible to allocate to cost basis
- Retirement account fees no longer deductible if paid with outside funds
- Commissions still tax-advantaged by increasing cost basis, reducing future gains
- Mutual fund expenses reduce current ordinary income of the fund, not gains on subsequent sale

Planning considerations
Paying IRA fee from IRA allows payment with pre-tax dollars, lowers future RMDs
Paying IRA fee from taxable account provides greater tax-deferred growth

Source: IRS
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Tax policy outlook and next steps

Tax Cut and Jobs Act (expiring 2025)

Potential changes under new administration

Tax Provision	Pre-2017 TCJA Policy	Post-TCJA; expiring 2025	Potential outcome
Top Rate	39.6%	37%	**Retained at 37%**
Individual Tax Rates / Brackets	10%: $0; 15%: $18K; 25%: $76K; 28%: 153K; 33%: $233K; 35%: 417K; 37%: Up to $471K	10%: $0; 12%: $19K; 22%: $77K; 24%: 165K; 32%: $315K; 35%: 400K; 37%: Up to $600K	**Retained / adjusted for inflation**
State & Local Taxes (SALT) & AMT	Full deduction	SALT capped at $10K	**SALT cap raised** (e.g., to ~$20K)
Estate Tax Exemption	$5.5mm/person	$13.6 mm/person*	**Retained, made permanent**
Child Tax Credit	$1K/child	$2K/child, refundable up to $1.6K*	**Extend with work requirements**
Standard Deduction	$6.5K single/ $13K married	$14.6K single/ $29.2K married*	**Extend / Increased**
Corporate Tax Rate	35%	21%***	**20%**

Advisor action steps

- Deepen your knowledge of taxes, including income and investment
- Understand clients' current tax circumstances
  - Filing status
  - Marginal brackets
  - Itemized deductions vs standard deduction
  - Traditional taxes vs AMT liability
  - State income taxes
- Consider tax impact on financial decisions
  - Timing of activities for multi-year benefit
  - Investment gains/losses
  - Charitable giving
  - Retirement contributions/distributions
  - Equity compensation
- Engage with client's CPA to discuss strategies

Appendix

Tax planning strategies checklist

- ☑ Manage taxable income
- ☑ Choose between traditional and Roth accounts
- ☑ Consider Roth conversions
- ☑ Contribute to HSA
- ☑ Maximize section 199A deduction for business owners
- ☑ Recognize capital gains/losses
- ☑ Review strategies to avoid wash sales
- ☑ Utilize strategies to maximize equity compensation benefits
- ☑ Optimize after-tax returns for bonds
- ☑ Review asset location for tax efficiency
- ☑ Avoid kiddie tax with 529 plans and Roth IRAs
- ☑ Take proper steps when relocating
- ☑ Consider residency when timing transactions
- ☑ Weigh mortgage debt
- ☑ Bunch itemized deductions
- ☑ Consider qualified charitable distribution from IRA
- ☑ Weigh treatment of investment fees

The above examples are for illustrative and discussion purposes only and may not be appropriate for all. Taxpayers should discuss with their tax adviser.

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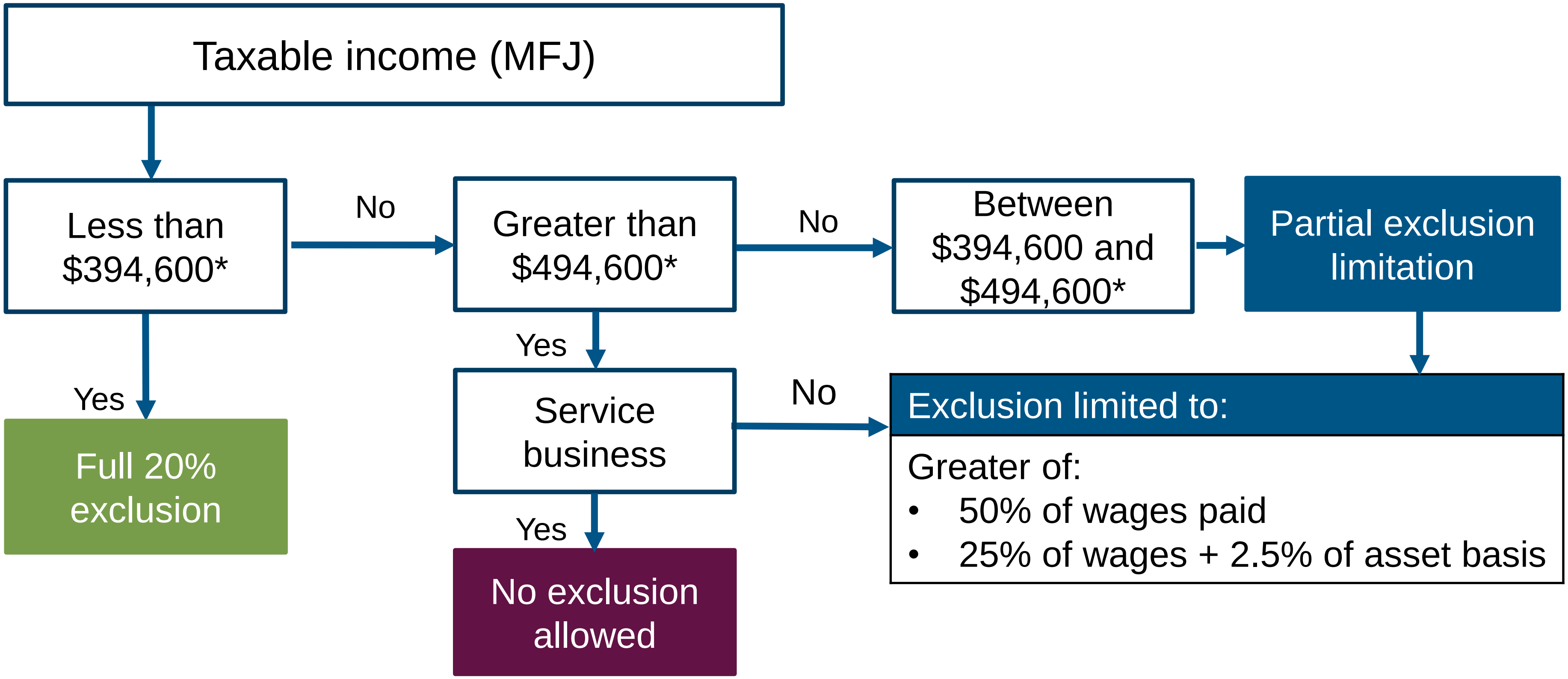
Qualified business income deduction calculation



Source: PIMCO; IRS

*Taxable income range applies to for married couples filing jointly only. For all other taxpayers, range is $191,950 to $241,950

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Wash sale

Illustration

January 10

Bought 1,000 shares @ $50/share

June 1

Sold 500 of Jan 1 shares @ $40/share

June 15

Bought 300 new shares @ $42/share

Goal: Deduct a loss of $10 on 500 of the January shares

Result:

- Deduct $10 loss on 200 shares;
- Loss on 300 shares added to basis of the June 15 shares

Net Holdings

- 500 shares, purchase date of Jan 10
  - Basis = $50
- 300 shares, purchase date adjusted to June 1
  - Basis = $52

Sample for illustrative purposes only.

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Net investment income tax illustration

	A	B	C	D
Net investment income	0	250,000	75,000	200,000
Wages	300,000	0	200,000	100,000
Adjusted gross income	300,000	250,000	275,000	300,000
AGI over $250k	50,000	0	25,000	50,000
Net investment income	0	250,000	75,000	200,000
Amount taxed	0	0	25,000	50,000

Planning considerations
Be aware of added tax cost when recognizing gains
Realizing income NOT subject to this tax may cause OTHER income to be taxed (e.g., IRA withdrawal)

Sample for illustrative purposes only.

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Appendix

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