

Taxation: Overview

Taxation: Overview

Ordinary Income

- Wages, salary
- Other earned income
- Interest
- Dividends*
- Distributions from QPs
- Distributions from Traditional IRAs
- Distributions of earnings from annuities
- Alimony

Capital Gains

Net proceeds from sale
 Less: Adjusted Cost Basis
 Realized Capital Gain (Loss)

Short-Term Capital Gains
 Held for one year or less
 Taxed at ordinary income rates

Long-Term Capital Gains
 Held for more than one year
 Taxed at lower rate

Taxation: Overview

• Taxes

- Progressive
 - Wealthy families and individuals pay higher taxes
 - Personal income tax
 - Gift tax
 - Estate tax



Taxation: Overview

- Regressive

- Everyone pays the same rates
- Impacts lower income families and individuals to a greater degree
 - Sales tax
 - Fuel tax



Sales tax

Taxation: Overview

• Classifications of income

- Earned income
 - Salary or wages
 - Self-employment income
 - Alimony
 - Commissions
- Passive income
 - Limited partnership interests
 - Rents

Taxation: Overview

- Portfolio income

- Dividends
- Interest
- Capital gains

Taxation: Overview

- Taxation of income
 - Tax rate
 - Ordinary income
 - Progressive rate dependent upon net taxable amount earned



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Taxation: Overview

- Taxation of portfolio income
 - Qualified dividends currently taxed at a lower rate
 - Non-qualifying dividends taxed at filer's ordinary tax rate
 - Some dividends will qualify for tax credit for foreign tax paid
 - Dividends from American Depositary Receipts (ADR)
 - Dividend income reported on Form 1099Div
 - Corporate taxes on dividends received
 - 70% exclusion

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Taxation: Overview

- Taxation of interest
 - Interest on corporate debt
 - Taxed as ordinary income
 - Interest on US Government direct debt
 - Taxed as ordinary income at federal level
 - Non-taxable at state level
 - Interest received from mortgage backed government agencies
 - Taxed as ordinary income at federal and state levels
 - Interest received from municipal debt
 - Generally non taxable at federal level
 - May be non-taxable in state of issuance

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