

# RETIREMENT and TAXES

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# RETIREMENT

- You become your own boss
- You have the time and ability to give back
- You probably need to do something other than rock

# TAXES

- Income
- Reducing Taxable Income

# INCOME

- Social Security
- Work
- Pension
- Interest and Dividends
- Capital Gains
- Other Income

# SOCIAL SECURITY

- First taxed in 1984
- Three tier approach
- Social Security is NOT taxed in Wisconsin

# THREE TIER APPROACH

- Under the lower threshold      Not taxable  
    \$25,000 Single / \$32,000 Married Filing Jointly
- Middle tier                              50% is taxable
- Above the upper threshold      85% is taxable  
    \$34,000 S / \$44,000 MFJ

# INTEREST and DIVIDENDS

- Four Categories
- Government Interest Not taxable in Wisconsin
- Municipal Bonds Not federally taxable
- Very few are not taxable to both federal and Wisconsin

# PENSIONS

- Most are fully taxable to federal and state
- Wisconsin has a few exceptions
  - Military pensions are not taxed in Wisconsin
  - Civil service pensions are not taxed in Wisconsin **IF** the recipient in the system prior to January 1, 1964
  - State and local pensions (WRS) are not taxed in Wisconsin **IF** the recipient was in the system prior to January 1, 1964 **AND** was employed by Milwaukee City or County, or was a public school teacher



# IRA, 401(k), 403(b)

- Fully taxable to federal and state
- Annuities are taxed on the gain

# RMD

- Required Minimum Distributions
- At age 72, you must make annual distributions from non-qualified plans based on your life expectancy

# INHERITANCE

- Common parlance is that Inheritance is not taxable

BUT.....

- It is taxable if it was tax deferred
- Savings Bond, IRAs, 401(k)s, etc.

# INHERITANCE

- The STRETCH IRA has been eliminated

SO.....

- If you inherit an IRA from someone other than your spouse, you must take the entire amount within 10 years
- The STRETCH allowed you to take it over your lifetime

# BUSINESS VENTURES

- All income must be reported
- Expenses are deductible
- Office in home must be regular and exclusive
- 2022 mileage rates

*Business* Jan-June \$0.585 July-Dec \$0.625

*Medical* Jan-June \$0.18 July-Dec \$0.22

*Charitable* Jan-Dec \$0.14

# WORK and SOCIAL SECURITY

- Under Full Retirement Age (FRA) \$1 is deducted from SS Benefits for every \$2 over \$19,560
- Year of FRA, \$1 is deducted for every \$3 over \$51,960
- Over FRA, there is no deduction for earnings



- Questions?

- Comments

# REDUCING INCOME

## ▶ 2022 Standard Deductions

- Single \$12,950
- Head of Household \$19,400
- Married Filing Jointly \$25,900
- MFJ, QW, MFS Plus \$1400 for Blindness or 65+
- S, HH Plus \$1750 for Blindness or 65+



# ITEMIZED DEDUCTIONS

- Medical
- Taxes Limited to \$10,000
- Interest
- Charitable Contributions

# NOTES

- Several items have been returned to 2019 rules
- \$300/\$600 above the line Charitable Contributions
- Increased CTC, Advanced CTC, Child and dependent care

# MORE NOTES

- Medical
- Long Term Care Insurance
- Medicare and Medicare Supplements
- Medical Mileage
- Completing Schedule A can be important for the Wisconsin Itemized Deduction Credit

# REDUCING INCOME

- Qualified Charitable Distributions QCD
- Can make up to \$100,000 contributions to a 501(c) organization and have that contribution excluded from income
- May not also include it in Itemized Deductions

# QCD ADVANTAGES

- No income means no tax
- Reduces AGI
  - May reduce taxable Social Security
  - May affect Medicare premiums
  - May increase allowable medical deduction
  - May reduce Wisconsin tax

# OTHER CONSIDERATIONS

- Death of a Spouse
- Sale of Home
- Gifting
- Energy Credits

# DEATH OF A SPOUSE

- Wisconsin is a Marital Property State
- Surviving Spouse receives a step up in basis on both halves of the property
- Important to determine the FMV of any properties, stocks, bonds and mutual funds
- Items are not taxed until they are sold

# SALE OF HOME

- Not a taxable event **IF**
  - Was the primary residence for 2 of last 5 years
  - Gain was less than \$250,000 for Single, HH
  - Gain was less than \$500,000 for MFJ



# GIFTING

- For 2022, the limit on gifting is \$16,000
- Thus Gift splitting for a couple to their married child is \$64,000
- Gifts in excess can be applied to the lifetime exclusion
- Excess gifts require a filing requirement but not a tax
- Lifetime exclusion is \$12,000,000 per person

# ENERGY CREDITS

- August 2022 Inflation Reduction Act
- Must be primary home or second home
- 30% Solar, Geothermal or Wind Energy
- \$500 Improvements to your home
  - Windows, doors, roof, insulation furnace, etc
  - All have different credit amounts
  - Credits will be higher in 2023, consider waiting

# SOUND INTERESTING??

- Consider Volunteering  
Richard Dilley Tax Center  
Housed in the UW South Madison Partnership  
2238 S Park Street
  - 60 volunteers provide free tax preparation for 2300+ taxpayers per year
  - Fewer than 20% have professional tax experience
  - Most volunteer 6-10 hours a week
  - Training is provided
  - Support is always available

Contact Paul Swanson [pswantce@gmail.com](mailto:pswantce@gmail.com)

Questions??

Comments

Thank You