

How Does eMoney Handle Federal Income Taxes?

Flat Tax vs 1040 Calculation

eMoney offers the choice of a flat federal rate or the 1040 calculation.

Flat Tax

The flat tax applies to earned income, investment income, and dividends. Capital gains events are still calculated using the capital gains rates.

1040 Calculation

eMoney's default option, the 1040 calculation is selected by the majority of users.

Deductions

Many common deductible expenses have their own area within the Fact Finder. Once entered, the system will automatically import the relevant values into the tax calculation. Such items include:

- Mortgage/Loan interest
- Charitable gifts
- Retirement plan contributions
- State and local tax

For deductible expenses that do not have their own unique area to enter, you can create "Other Expenses" in the Expense area of the Advanced Fact Finder and assign them a desired deductibility type.

Non-Expense Deductions

In the Advanced Fact Finder > Assumptions > Miscellaneous > Tax Adjustments area, you can create tax credits or deductions for any given year(s) that are not tied to an expense. (Fig 1)

Still Not Happy With the End Result?

Sometimes a client has a tax situation where our 1040 estimation is not close enough to the desired result. The Tax Adjustment area also allows you to edit the final result to your liking. (Fig 1)

Other Items

The 1040 estimation will also handle standard deductions (if appropriate), exemptions, charitable and capital loss carry forwards, the additional Medicare tax, deduction phase-outs, and AMT.

Inflation

In our projections, we inflate all tax related values such as brackets, exemptions, etc., per federal guidelines.

Annual Updates

We have the relevant federal tax data updated on the first or second business day of each new year.

Reports

We provide an entire family of tax reports, one of which lays out the 1040. The blue titled columns have drilldowns so you can see what is included.

Fig. 1 Tax Adjustments Area

| Year | Age | Total Income | Above Line Deduct. | Adjusted Gross Income | Exempt. | Below Line Deduct. | Taxable Income | Income Tax Base | Tax Table Calc | AMT Tax (Credit) | Regular Federal Income Tax | Capital Gains Tax | Total Federal Tax |
|------|-------|--------------|--------------------|-----------------------|---------|--------------------|----------------|-----------------|----------------|------------------|----------------------------|-------------------|-------------------|
| 2014 | 54/49 | \$413,709 | \$26,500 | \$387,209 | \$5,372 | \$48,551 | \$333,286 | \$324,378 | \$82,950 | \$51 | \$83,001 | \$1,336 | \$84,337 |
| 2015 | 55/50 | 437,302 | 27,630 | 409,672 | 3,936 | 47,972 | 357,764 | 340,881 | 87,504 | 116 | 87,620 | 2,533 | 90,153 |
| 2016 | 56/51 | 460,842 | 28,765 | 432,077 | 2,040 | 47,356 | 382,681 | 358,514 | 92,400 | 0 | 92,400 | 3,625 | 96,025 |
| 2017 | 57/52 | 484,597 | 29,904 | 454,693 | 1,056 | 46,708 | 406,929 | 375,931 | 97,182 | 164 | 97,346 | 4,649 | 101,995 |
| 2018 | 58/53 | 508,797 | 31,049 | 477,748 | 0 | 46,025 | 431,723 | 394,149 | 102,201 | 265 | 102,466 | 5,636 | 108,102 |

Fig. 2 The Federal Income Tax Report