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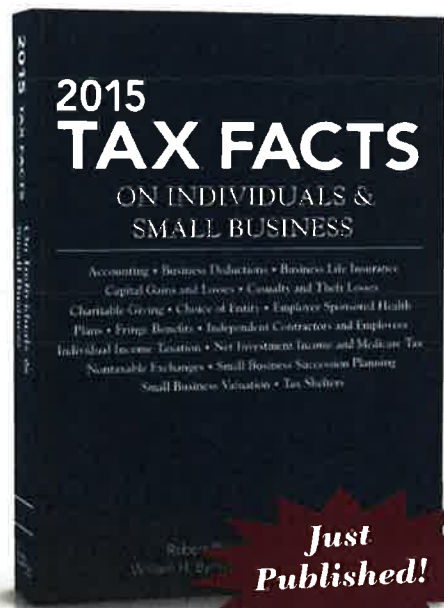
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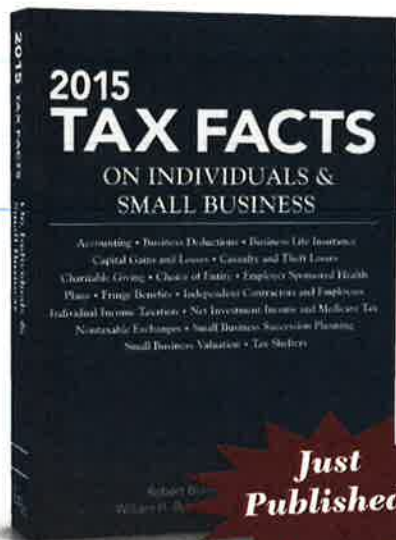
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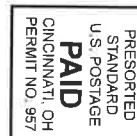
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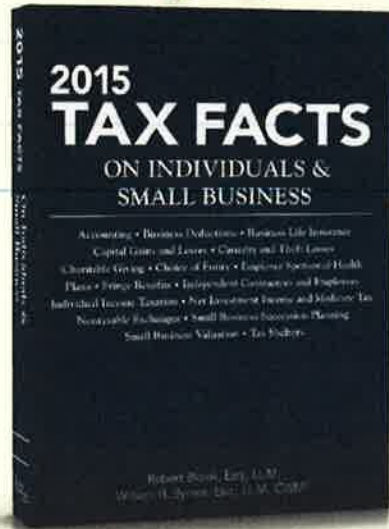
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# A Trusted Resource You'll Turn to Again and Again for Fast Answers to Your Clients' Pressing Tax Questions



**2015 Tax Facts on Individuals & Small Business** focuses exclusively on what individuals and small businesses need to know to maximize opportunities under today's often-complex tax rules. It is the essential tax reference for financial advisors & planners, insurance professionals, CPAs, attorneys, and other practitioners advising small businesses and individuals.

**2015 Edition Highlights Include:**

- » Additional coverage of and additional questions on **Federal Income Taxation**
- » Additional coverage of **additional questions on the Non-Taxable Exchanges**
- » Greatly expanded discussion on the Net Investment Income and Medicare Tax
- » Expansion of healthcare coverage to include the Individual Mandate under the Affordable Care Act (ACA)

- » Greatly expanded coverage of and additional questions on business succession planning
- » More than 20 additional Planning Points, written by practitioners for practitioners

Give Your Small Business and Individual Clients the Best Possible Tax Guidance with **2015 Tax Facts on Individuals & Small Business**

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## MEET THE TAX FACTS EXPERTS

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# Answer Your Clients' Critical Tax Questions with Clear Cut Facts

2014 TAX FACTS ON INDIVIDUALS & SMALL BUSINESS

## PART III: INVESTMENT INCOME TAX AND ADDITIONAL MEDICARE TAX

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Find Your Topic in Our Very Comprehensive List of **Questions**

**What is the investment income tax?**

2014 TAX FACTS ON INDIVIDUALS & SMALL BUSINESS

## PART III: INVESTMENT INCOME TAX AND ADDITIONAL MEDICARE TAX

- 8559. What is the investment income tax?**  
The investment income tax is an additional 3.8 percent tax that is imposed upon the *lesser* of the following amounts:  
(1) Net investment income (see Q 8560 for an explanation of what amounts are included in net investment income); or  
(2) The excess (if any) of (i) the taxpayer's adjusted gross income (AGI) for the year over (ii) the applicable threshold amount.  
The threshold amount for single taxpayers is \$200,000. For married taxpayers filing a joint return, the threshold is increased to \$250,000 (see Q 8561 and Q 8562 for a detailed discussion of who is liable for the investment income tax).  
*Example:* Erica and Mickey are a married couple with earnings of \$400,000 and net investment income equal to \$125,000 for 2014. Their AGI, therefore, exceeds the threshold level for married taxpayers by \$150,000. Because \$125,000 is less than the \$150,000 by which their income exceeds the threshold, the tax applies to all of their net investment income. In 2014, Erica and Mickey have earnings of only \$300,000 and net investment income of \$125,000. Because their AGI only exceeds the threshold by \$50,000 in 2014, the tax applies to the \$50,000 excess. Their \$125,000 net investment income is not subject to the tax in 2014.
- 8560. What is net investment income?**  
The investment income tax is a 3.8 percent tax on "net investment income" that is added to any tax that certain high-income taxpayers would otherwise owe on such income. The tax applies for tax years beginning after December 31, 2012. See Q 8561 and Q 8562 for a discussion of which taxpayers are liable for the investment income tax.  
The tax is imposed on a taxpayer's "net investment income" or a portion of the taxpayer's adjusted gross income (AGI). (See Q 8559).  
In general, net investment income encompasses income that is considered to be "unearned," and is defined in IRC Section 1411 to include the sum of the following three categories of income:  
(a) gross income from interest, dividends, annuities, rents and royalties that is not derived in the ordinary course of the taxpayer's trade or business;  
(b) income derived from a trade or business involving a passive activity of the taxpayer or trading in financial instruments or commodities; and  
(c) net gain attributable to the disposition of property *other than* property held in a trade or business *not* described in (b), above.<sup>1</sup>

<sup>1</sup> IRC Sec. 1411(a)(1).  
<sup>2</sup> IRC Sec. 1411(b)(1)(A).

Locate Your Question... and Your **Answer** is Right There

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