

## How Much Tax Can You Avoid?

Let's look at the typical family – husband, wife, and child – with annual income of \$40,000, health insurance premiums of \$300 monthly, and \$250 monthly for uninsured expenses.

	Without Plan	With Plan
<b>Gross Income from Business</b>	\$40,000	\$40,000
<b>Spouse Benefits - All Deductible</b>		
Medical Insurance Premiums	0	(3,600) (a)
Uninsured Expenses Reimbursed	0	(3,000) (b)
Other Spouse Benefits	0	(670) (c)
<b>Self - employment Tax Deduction (half)</b>	(2,826) (d)	(2,312) (e)
<b>Adjusted Gross Income</b>	\$37,174	\$30,418
<b>Standard Deduction (2004)</b>	(9,700)	(9,700)
<b>Personal Exemptions (2004)</b>	(9,300) (f)	(9,300) (f)
<b>Taxable Income</b>	<b>\$18,174</b>	<b>\$11,418</b>
<b>Federal Income Tax</b>	\$ 2,011 (g)	\$ 1,142 (h)
<b>State Income Tax*</b>	727 (i)	457 (j)
<b>Self - employment Tax</b>	5,652	4,625
<b>Total Taxes Paid</b>	<b>\$ 8,390</b>	<b>\$ 6,223</b>
<b>Taxes Saved with <i>TaxSaver Plan</i><sup>TM</sup> **</b>		<b>\$ 2,167</b>

**NOTES:** If dental, LTC, and/or vision insurance were added, savings would be even higher.

(a) \$ 300 / month X 12 = **\$3,600**

(b) \$ 250 / month X 12 = **\$3,000**

(c) Sum of other deductible benefits, plus the cost of the program.

(d) \$40,000 X 92.35% = **\$36,940** (Maximum income subject to Social Security Tax is \$87,900)

    Social Security Tax : 36,940 X 12.40% = 4,581

    Medicare Tax : 36,940 X 2.90% = 1,071

**Total = \$5,652** ( Half = \$2,826 )

(e) \$40,000 - 3,600 - 3,000 - 670 = **\$32,730**

\$32,730 X 92.35% = **\$30,226** (Maximum income subject to Social Security Tax is \$87,900)

    Social Security Tax : 30,226 X 12.40% = 3,748

    Medicare Tax : 30,226 X 2.90% = 877

**Total = \$4,625** ( Half = \$2,312 )

(f) \$ 3,100 X 3 = **\$9,300**

(g) \$18,174 = 14,300 : 14,300 X 10.00% = 1,430

    + 3,874 : 3,874 X 15.00% = 581

**Total = \$2,011**

(h) \$11,418 X 10.00% = **\$1,142**

(i) \$18,174 X 4.00% = **\$ 727**

(j) \$11,418 X 4.00% = **\$ 457**

\* 4% illustrated, varies by state.

\*\* Savings vary with tax bracket and your total health care expense.

**NOTE:** No one can set up a retroactive process concerning any kind of insurance.