IntelliTC Solutions Presents

# Capital Gains Tax Impact Guide

7 Costly Mistakes Seniors (and Anyone)
With $1M+ Should Avoid

## IntelliTC Solutions

intellitcsolutions.com

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This guide is intended for educational purposes only and does not constitute tax, legal, or financial advice. Individual circumstances vary significantly — always consult a qualified CPA or tax attorney before implementing tax strategies.

# Chapter 1: Introduction

## Why Capital Gains Tax Planning Matters

For real estate investors and retirees, capital gains taxes represent one of the largest — and most controllable — tax burdens in a lifetime. A single property sale can generate hundreds of thousands of dollars in taxable gains, potentially pushing investors into the highest federal brackets, triggering Medicare surcharges, and activating the Net Investment Income Tax (NIIT). Unlike ordinary income, capital gains offer significant planning opportunities: the timing of a sale, how assets are held, and how gains are structured can legally reduce the tax owed by tens of thousands of dollars — or even eliminate it entirely.[1]

This guide focuses on the seven most common and costly mistakes made by individuals with $1 million or more in assets — particularly seniors and real estate investors who may have accumulated significant appreciation over decades. Whether you hold rental properties, a primary residence, or a substantial investment portfolio, understanding these pitfalls is the first step toward a smarter exit strategy.

## The Myth of Senior-Specific Capital Gains Exemptions

A common misconception is that seniors over age 55 receive a special capital gains tax exemption. This is no longer true. The "over-55 home sale exclusion" — which previously allowed a one-time $125,000 exclusion from capital gains — was repealed by the **Taxpayer Relief Act of 1997**.[2]

Today, all taxpayers — regardless of age — are subject to the same capital gains rules. The primary tax break for homeowners is now the Section 121 exclusion ($250,000 single / $500,000 married filing jointly) on a primary residence, which requires meeting ownership and use tests. There are no age-based exemptions on investment property, stocks, or other capital assets.

## 2026 Long-Term Capital Gains Brackets

Long-term capital gains (assets held more than 12 months) are taxed at preferential rates of 0%, 15%, or 20% at the federal level. The thresholds below are for tax year 2026 and reflect projected inflation adjustments.[1]

| Filing Status | 0% Rate Up To | 15% Rate Up To | 20% Rate Above |
|---|---|---|---|
| Single | $49,450 | $533,400 | $533,400 |

| Married Filing Jointly | $98,900 | $600,050 | $600,050 |
|---|---|---|---|
| Married Filing Separately | $49,450 | $300,000 | $300,000 |
| Head of Household | $66,750 | $566,700 | $566,700 |
| Trusts & Estates | $3,150 | $15,450 | $15,450 |

Source: Projected 2026 IRS inflation adjustments based on 2025 rates.

## Short-Term vs Long-Term Rates

**Short-term capital gains** apply to assets held 12 months or less and are taxed as ordinary income — at rates up to 37% in 2026. This makes timing crucial: holding an asset just one day past the 12-month threshold can mean the difference between a 37% rate and a 20% rate on the same gain.

| Holding Period | Tax Treatment | Top 2026 Rate | Notes |
|---|---|---|---|
| ≤ 12 months | Ordinary Income | 37% | Same as wages/salary |
| > 12 months | Long-Term Cap Gains | 20% | + NIIT if applicable |
| > 12 months | 0% bracket eligible | 0% | Low-income filers |

> **Key Insight:** The combined effect of the top 20% LTCG rate + 3.8% NIIT + applicable state taxes can push your effective rate above 40% in high-tax states like California (13.3%). Strategic planning can significantly reduce this burden.

1. IRS — Topic No. 409, Capital Gains and Losses: https://www.irs.gov/taxtopics/tc409
2. IRS — Publication 523, Selling Your Home: https://www.irs.gov/publications/p523

# Chapter 2: The 7 Costly Mistakes

The following seven mistakes collectively represent billions of dollars in unnecessary tax payments made by investors each year. Each section includes a real-dollar example, the relevant tax code, and a practical avoidance strategy.

## Mistake #1: Ignoring the 3.8% Net Investment Income Tax (NIIT)

### What It Is

The Net Investment Income Tax (NIIT) is a 3.8% surtax under IRC Section 1411, enacted as part of the Affordable Care Act. It applies to the lesser of (a) net investment income or (b) the amount by which your Modified Adjusted Gross Income (MAGI) exceeds the applicable threshold.[3]

### Who It Affects

The NIIT applies to individuals whose MAGI exceeds:

| Filing Status | MAGI Threshold |
| --- | --- |
| Single / Head of Household | $200,000 |
| Married Filing Jointly | $250,000 |
| Married Filing Separately | $125,000 |
| Trusts & Estates | $15,450 (2026 est.) |

### Real-Dollar Example

**Scenario:** Married couple (MFJ) sells an investment property with $800,000 in long-term capital gains. Other income: $80,000.

Total MAGI = $80,000 + $800,000 = **$880,000**

Excess over $250,000 threshold = $630,000

Lesser of: Net Investment Income ($800,000) vs Excess MAGI ($630,000) = **$630,000**

NIIT = $630,000 × 3.8% = **$23,940** additional tax

### How to Avoid It

- Spread the sale across two tax years using an installment sale.
- Harvest capital losses in the same year to reduce net investment income.
- Consider a 1031 exchange to defer both LTCG and NIIT entirely.

• Use a Qualified Opportunity Zone (QOZ) investment to defer gains.

3. IRS — Questions and Answers on the Net Investment Income Tax: https://www.irs.gov/newsroom/questions-and-answers-on-the-net-investment-income-tax

## Mistake #2: Triggering Medicare IRMAA Surcharges

### What It Is

The Income-Related Monthly Adjustment Amount (IRMAA) is a surcharge on Medicare Part B and Part D premiums for higher-income beneficiaries. The critical — and often overlooked — feature is the **2-year lookback rule**: Medicare uses your income from two years prior to determine your current-year premium tier.[4]

This means a large one-time capital gain in 2024 will increase your Medicare premiums in 2026. Most people don't discover this until the bill arrives.

### 2026 IRMAA Tiers (Estimated)

| Individual MAGI | Joint MAGI | Part B Surcharge/mo | Part D Surcharge/mo |
|---|---|---|---|
| ≤ $103,000 | ≤ $206,000 | $0 | $0 |
| $103,001–$129,000 | $206,001–$258,000 | +$69.90 | +$12.90 |
| $129,001–$161,000 | $258,001–$322,000 | +$174.70 | +$33.30 |
| $161,001–$193,000 | $322,001–$386,000 | +$279.50 | +$53.80 |
| $193,001–$499,999 | $386,001–$749,999 | +$384.30 | +$74.20 |
| ≥ $500,000 | ≥ $750,000 | +$443.90 | +$85.80 |

Source: CMS.gov — 2025 actual values; 2026 projected based on standard adjustments.

### Real-Dollar Example

**Scenario:** Single investor, age 63, sells a rental property in 2024 realizing a $500,000 capital gain. Medicare begins at 65 in 2026.

2024 MAGI = ~$540,000 → highest IRMAA tier in 2026

Monthly surcharge: $443.90 (Part B) + $85.80 (Part D) = **$529.70/month**

Annual extra cost: **$6,356/year** for potentially 2+ years = **$12,700+** in added Medicare costs

### How to Avoid It

• File a Medicare IRMAA appeal (SSA-44 form) if income dropped due to a life-changing event (retirement, divorce, death of spouse).

- Spread gains across 2 years using installment sales to stay below the first IRMAA threshold.
- For ages 62–63, model your Medicare costs 2 years out before selling.
- Consider a 1031 exchange to defer the gain and avoid IRMAA entirely.

4. CMS.gov — Medicare Costs at a Glance: https://www.cms.gov/medicare/your-medicare-costs/costs-at-a-glance

## Mistake #3: Bunching All Gains in One Year

### What It Is

The U.S. capital gains tax system uses progressive brackets. Realizing all of your gains in a single year compresses them into the highest possible bracket, whereas spreading them across multiple years may allow a larger portion to be taxed at 15% — or even 0%.

### Real-Dollar Example

**Scenario:** Married couple (MFJ), $80K other income, $600K in long-term capital gains.

**Option A — All gains in 1 year:**

Total income: $680,000 → $81,100 taxed at 20% + $518,900 at 15% = **$94,055 LTCG tax**

**Option B — Spread over 3 years ($200K/yr):**

Each year: $80K + $200K = $280K total → all gains taxed at 15% = $30,000/yr = **$90,000 total**

**Savings from spreading: ~$4,055+** (plus NIIT and state tax reductions)

### Installment Sales for Real Estate

Under IRS Section 453, sellers of real property can elect installment sale treatment — receiving principal payments over multiple years and recognizing the proportional gain in each year payments are received. This is one of the most powerful tools for spreading real estate gains and controlling IRMAA exposure.

### How to Avoid It

- Plan large asset sales well in advance — model multiple-year scenarios.
- Use installment sales to spread real estate gains across 2–5 years.
- Coordinate sales with retirement, RMDs, and Social Security timing.

## Mistake #4: Not Harvesting Tax Losses

### What It Is

Tax-loss harvesting is the practice of intentionally selling underperforming investments at a loss to offset capital gains. Losses offset gains dollar-for-dollar, potentially reducing your taxable gain to zero — and any excess losses up to **$3,000 per year** can be deducted against ordinary income. Remaining losses carry forward indefinitely to future tax years.[1]

### The Wash Sale Rule

**Warning — Wash Sale Rule (IRC §1091):** You cannot repurchase the same or "substantially identical" security within 30 days before or after the sale (60-day window total). Violating this rule disallows the loss. You may immediately repurchase similar (not identical) securities to maintain market exposure.

### Real-Dollar Example

**Scenario:** Investor with $200,000 in long-term capital gains also holds positions with $150,000 in unrealized losses.

Without harvesting: $200,000 taxable at 15% = **$30,000 tax**

With harvesting: $200,000 - $150,000 = $50,000 taxable at 15% = **$7,500 tax**

**Savings: $22,500**

### How to Avoid It

- Review your portfolio for loss positions every November–December.
- Track carryforward losses on your tax return (Schedule D).
- Use a robo-advisor or tax software that auto-harvests losses.
- Do not violate the 30-day wash sale window.

## Mistake #5: Selling Before Step-Up in Basis

### What It Is

Under IRS Section 1014, when a taxpayer dies, the cost basis of their assets is "stepped up" to the fair market value (FMV) at the date of death. This means heirs can inherit appreciated assets and sell them immediately with little to no capital gains tax — even if the decedent had held the asset for decades with enormous unrealized gains.[2]

### "Swap 'Til You Drop" Strategy

Real estate investors can use a series of 1031 exchanges throughout their lifetime to defer capital gains taxes indefinitely, then pass the property to heirs who receive a full step-up in basis — eliminating the deferred gain entirely. This is often called the 'swap 'til you drop' strategy.

### Real-Dollar Example

**Scenario:** Investor purchased a property in 1990 for $200,000. Current FMV: $1,200,000.

**If sold today:** Taxable gain = $1,000,000

Federal tax (20% + 3.8% NIIT) = ~$238,000 + state taxes

**If held until death and inherited:**

Heir's new basis = $1,200,000 (FMV at date of death)

Heir sells for $1,200,000 → **Capital gains tax = $0**

**Tax savings: $238,000+ (federal alone)**

### How to Avoid It

- Model the estate planning value of holding vs. selling for each major asset.
- Use a series of 1031 exchanges to grow wealth tax-deferred until death.
- Consider gifting appreciated assets during life only if recipient's basis and tax situation favor it.
- Work with an estate planning attorney to optimize the step-up for your heirs.

## Mistake #6: Missing the Primary Residence Exclusion

### What It Is

IRC Section 121 allows taxpayers to exclude up to **$250,000** (single) or **$500,000** (married filing jointly) of capital gains from the sale of a primary residence — entirely tax-free. This exclusion can be used repeatedly (once every two years) if the ownership and use tests are met.[2]

### Ownership and Use Test

You must have owned and used the home as your primary residence for at least **2 of the last 5 years** before the sale. The 2 years do not need to be consecutive. Short absences (e.g., military service, health facility stays) may be treated as periods of use.

### Partial Exclusion

If you don't meet the full 2-of-5-year test, you may still qualify for a **partial exclusion** if the sale was due to:

- Job relocation — new workplace must be at least 50 miles farther
- Health reasons — for yourself, spouse, co-owner, or family member
- Unforeseen circumstances — death, divorce, unemployment, natural disasters

### Real-Dollar Example

> **Scenario:** Married couple sells their primary home after 10 years. Original purchase price: $400,000. Sale price: $900,000.
>
> Capital gain = $900,000 - $400,000 = **$500,000**
>
> MFJ exclusion: up to **$500,000** — gain fully excluded
>
> Capital gains tax owed = **$0**

### How to Avoid Missing It

- Track your residency dates carefully — document with utility bills, voter registration.
- Convert a rental property to primary residence 2+ years before selling.
- Married couples: ensure both spouses meet the ownership test (one is sufficient) but both must meet the use test for the full $500K.

## Mistake #7: Ignoring the 0% Long-Term Capital Gains Bracket

### What It Is

Many retirees qualify for a 0% federal capital gains rate and never realize it. The 0% bracket applies to taxpayers whose total taxable income — including the capital gain — stays below the threshold. For 2026, that's **$49,450** for single filers and **$98,900** for married filing jointly.[1]

### Coordinating With Retirement Income

Retirees must carefully coordinate capital gain realizations with:

- **Required Minimum Distributions (RMDs)** — taxed as ordinary income, reducing how much room remains in the 0% bracket.
- **Social Security income** — up to 85% may be taxable, further filling lower brackets.
- **Pension income** — typically fully taxable as ordinary income.
- **IRA conversions (Roth)** — converting traditional IRA funds to Roth can consume 0% bracket space, crowding out capital gain harvesting.

### Real-Dollar Example

> **Scenario:** Retired couple, 2026. Total income before capital gains:
>
> Social Security (85% taxable): $25,000 | RMDs: $20,000 | Pension: $15,000 = **$60,000 ordinary income**
>
> Standard deduction (MFJ, 2026 est.): ~$30,000
>
> Taxable ordinary income: $60,000 – $30,000 = **$30,000**
>
> Remaining 0% LTCG bracket room: $98,900 – $30,000 = **$68,900**
>
> They can sell up to $68,900 in capital gains → **0% federal rate**

### How to Take Advantage

- Calculate your remaining 0% bracket space each December before year-end.
- Use "gain harvesting" to reset basis on appreciated positions at 0% rate.
- Sell and immediately repurchase to step up basis — no wash sale rule applies to gains.
- Coordinate with your financial advisor on RMD timing vs. gain realization.

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1. IRS — Capital Gains and Losses (Topic 409): https://www.irs.gov/taxtopics/tc409
2. IRS — Publication 523, Selling Your Home: https://www.irs.gov/publications/p523
3. IRS — Net Investment Income Tax (NIIT): https://www.irs.gov/newsroom/questions-and-answers-on-the-net-investment-income-tax
4. CMS.gov — Medicare IRMAA Costs: https://www.cms.gov/medicare/your-medicare-costs/costs-at-a-glance

# Chapter 3: State-Level Considerations

Federal capital gains taxes are only part of the picture. State income taxes — which often treat capital gains as ordinary income — can dramatically change the effective rate. Investors in high-tax states like California can face combined effective rates exceeding 40% on long-term gains.

## States With No Income Tax

Nine states impose **no state income tax**, meaning capital gains are subject only to federal rates:[5]

| State | Notes |
|---|---|
| Alaska (AK) | No income or capital gains tax |
| Florida (FL) | No income tax — popular with retirees |
| Nevada (NV) | No income tax |
| New Hampshire (NH) | No income tax (dividend/interest tax phased out 2025) |
| South Dakota (SD) | No income tax |
| Tennessee (TN) | No income tax (investment income tax repealed 2021) |
| Texas (TX) | No income tax — high property taxes |
| Washington (WA) | 7% capital gains tax on gains over $250K (as of 2023) |
| Wyoming (WY) | No income tax |

## Highest State Capital Gains Tax Rates

The following states impose the highest capital gains tax rates, typically treating capital gains as ordinary income:[6]

| State | Top Rate | Fed 20% + NIIT + State | Notes |
|---|---|---|---|
| California | 13.3% | 37.1% | Highest in the US |
| Hawaii | 11.0% | 34.8% | Includes 10% on gains over $400K |
| New Jersey | 10.75% | 34.55% | Treats all gains as ordinary income |
| Oregon | 9.9% | 33.7% | No sales tax but high income tax |
| Minnesota | 9.85% | 33.65% | Includes federal deductibility |

| | | | |
|---|---|---|---|
| New York | 10.9% | 34.7% | Plus NYC tax if applicable |
| Vermont | 8.75% | 32.55% | Partial exclusion for long-term |
| Iowa | 8.53% | 32.33% | Phasing down through 2026 |
| Wisconsin | 7.65% | 31.45% | No exclusion for most assets |
| Maine | 7.15% | 30.95% | Treats as ordinary income |

Combined rate = Federal 20% + NIIT 3.8% + State top rate. Actual rates vary by income level and filing status.

> **Important:** Domicile — not just physical presence — determines state tax liability. Simply spending time in a no-tax state is insufficient. You must change your legal domicile, update voter registration, obtain a new driver's license, and sever ties with the prior state. Some states (notably California and New York) aggressively audit domicile changes.

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5. Tax Foundation — State Individual Income Tax Rates: https://taxfoundation.org/data/all/state/state-income-tax-rates-2024/
6. Kiplinger — States with the Highest Capital Gains Tax Rates: https://www.kiplinger.com/taxes/state-tax/601781/states-with-lowest-capital-gains-tax

# Chapter 4: Using the IntelliTC Capital Gains Tax Impact Analyzer

The IntelliTC Capital Gains Tax Impact Analyzer is a comprehensive, educational tool designed to help real estate investors, retirees, and financial advisors model the full tax impact of capital gains events — including all seven of the costly mistakes covered in this guide.

## Walkthrough of Each Input Section

**1. Asset Information**

Enter the asset type (primary residence, investment property, stocks, etc.), the original purchase price (cost basis), and the anticipated sale price. For real estate, you can also enter depreciation recapture amounts, improvement costs, and selling expenses.

**2. Filing Status & Income**

Select your filing status and enter your estimated ordinary income for the year (wages, RMDs, Social Security, pension, etc.). This is used to determine your capital gains bracket, NIIT exposure, and IRMAA tier.

**3. State Selection**

Choose your state of residence. The analyzer applies the applicable state capital gains tax rate, including states with no income tax.

**4. Holding Period**

Indicate how long you have held the asset. Assets held more than 12 months qualify for long-term rates. The tool automatically applies the correct rate.

**5. Age & Medicare Status**

Entering your age enables IRMAA modeling. The tool calculates the 2-year lookback impact and shows projected Medicare premium surcharges.

**6. Loss Carryforwards**

Enter any capital loss carryforwards from prior years. These will be applied dollar-for-dollar against your current-year gains.

## How to Interpret the 7-Mistake Scorecard

After entering your information, the analyzer generates a color-coded scorecard for each of the 7 mistakes covered in this guide:

| Color | Meaning | Action Required |
|---|---|---|
| Green | Not triggered — no exposure | No immediate action needed |
| Yellow | Partial exposure or near threshold | Review and monitor closely |
| Red | Significant exposure detected | Consult a tax professional |

## Understanding the Optimization Scenarios

The analyzer presents two or more alternative scenarios for each flagged mistake, showing the projected tax impact of each approach:

- **Baseline:** Tax cost if you sell under current conditions.
- **Spread Over 2 Years:** Estimated savings from an installment sale splitting the gain across two tax years.
- **Hold for Step-Up:** Projected estate tax savings if the asset is held until death and transferred to heirs at stepped-up basis.
- **1031 Exchange:** Estimated total deferred gain if the proceeds are reinvested in like-kind property.
- **Loss Harvest:** Tax reduction achievable by harvesting identified loss positions against the current gain.

## When to Use "Spread Over 2 Years" vs "Hold for Step-Up"

| Strategy | Best When | Limitations |
|---|---|---|
| Spread Over 2 Years | You need liquidity; IRMAA or NIIT thresholds are near; installment buyer available | Requires a cooperative buyer; interest income on deferred payments |

| Hold for Step-Up | Estate planning is a priority; long remaining life expectancy; property is appreciating | No immediate liquidity; heirs may face estate taxes on large estates |
|---|---|---|

# Chapter 5: When to Consult a Professional

> **Important Disclaimer:** The IntelliTC Capital Gains Tax Impact Analyzer and this guide are for **educational purposes only**. They do not constitute tax advice, legal advice, or financial planning recommendations. Tax laws change frequently, and individual circumstances vary significantly. Always consult a qualified tax professional before implementing any tax strategy.

## Scenarios That Require a CPA or Tax Attorney

### Sale of real property with $500K+ in gains

Complex depreciation recapture, installment sale elections, and state tax implications require professional modeling.

### Estate planning with appreciated assets

Step-up in basis strategies, gift vs. hold analysis, and trust structures require coordination between a CPA and estate planning attorney.

### 1031 Exchange transactions

Strict timelines (45-day ID / 180-day close), qualified intermediary requirements, and like-kind property rules demand expert guidance.

### Multi-state residency or domicile change

Domicile audits by CA and NY are aggressive; proper documentation and legal guidance are essential.

### Medicare IRMAA appeals

Filing SSA-44 for life-changing events requires documentation and sometimes legal representation.

### Opportunity Zone investments

QOZ rules are complex — timing of investment, basis adjustments, and exclusion requirements should be reviewed by a specialist.

### Trust and estate capital gains

Trusts hit the 20% LTCG bracket at just $15,450 in 2026 — trust distributions and timing require careful planning.

## How to Find a Qualified Tax Professional

- **CPA (Certified Public Accountant):** Best for tax return preparation, tax planning, and representing you in IRS audits. Search at AICPA Find-a-CPA.
- **Enrolled Agent (EA):** Licensed by the IRS to represent taxpayers. Often specializes in complex tax situations. Search at NAEA Find a Tax Expert.
- **Tax Attorney:** Required for complex estate plans, legal disputes, and transactions involving trusts or significant legal exposure.
- **Fee-Only Financial Advisor (CFP):** Can help coordinate tax strategies with overall financial planning. Search at NAPFA Find a Planner.

## Working With Your Financial Advisor

Bring this guide and your IntelliTC Analyzer results to your next advisor meeting. The scorecard provides a clear starting point for discussion — red flags indicate areas where professional tax modeling is most urgent. Your advisor can help you prioritize strategies and coordinate with your CPA.

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1. IRS — Capital Gains and Losses: https://www.irs.gov/taxtopics/tc409
7. SmartAsset — Capital Gains Tax Calculator: https://smartasset.com/investing/capital-gains-tax-calculator

# Appendix: 2026 Tax Reference Tables

## A. 2026 Federal Long-Term Capital Gains Brackets

| Rate | Single | MFJ | MFS | HOH | Trusts/ Estates |
|---|---|---|---|---|---|
| 0% | ≤ $49,450 | ≤ $98,900 | ≤ $49,450 | ≤ $66,750 | ≤ $3,150 |
| 15% | $49,451–$533,400 | $98,901–$600,050 | $49,451–$300,000 | $66,751–$566,700 | $3,151–$15,450 |
| 20% | > $533,400 | > $600,050 | > $300,000 | > $566,700 | > $15,450 |

MFJ = Married Filing Jointly | MFS = Married Filing Separately | HOH = Head of Household. Amounts are projected 2026 values.

## B. 2026 Federal Ordinary Income Tax Brackets

| Rate | Single | Married Filing Jointly | Head of Household |
|---|---|---|---|
| 10% | ≤ $11,925 | ≤ $23,850 | ≤ $17,000 |
| 12% | $11,926–$48,475 | $23,851–$96,950 | $17,001–$64,850 |
| 22% | $48,476–$103,350 | $96,951–$206,700 | $64,851–$103,350 |
| 24% | $103,351–$197,300 | $206,701–$394,600 | $103,351–$197,300 |
| 32% | $197,301–$250,525 | $394,601–$501,050 | $197,301–$250,500 |
| 35% | $250,526–$626,350 | $501,051–$751,600 | $250,501–$626,350 |
| 37% | > $626,350 | > $751,600 | > $626,350 |

Source: IRS Rev. Proc. 2024-40; 2026 amounts are projected estimates.

## C. Medicare IRMAA 2026 Tier Table (Projected)

| 2024 Individual MAGI | 2024 Joint MAGI | Part B Monthly Premium | Part D Monthly Add-On |
|---|---|---|---|
| ≤ $103,000 | ≤ $206,000 | $185.00 (standard) | $0 |
| $103,001–$129,000 | $206,001–$258,000 | $254.90 | +$12.90 |
| $129,001–$161,000 | $258,001–$322,000 | $359.70 | +$33.30 |
| $161,001–$193,000 | $322,001–$386,000 | $464.50 | +$53.80 |

| | | | |
|---|---|---|---|
| $193,001–$499,999 | $386,001–$749,999 | $569.30 | +$74.20 |
| ≥ $500,000 | ≥ $750,000 | $628.90 | +$85.80 |

Source: CMS.gov. 2026 amounts projected. Standard Part B premium is baseline; surcharges are added on top.

## D. NIIT Threshold Reference

| Filing Status | MAGI Threshold | NIIT Rate | Applies To |
|---|---|---|---|
| Single / HOH | $200,000 | 3.8% | Lesser of NII or excess MAGI |
| Married Filing Jointly | $250,000 | 3.8% | Lesser of NII or excess MAGI |
| Married Filing Separately | $125,000 | 3.8% | Lesser of NII or excess MAGI |
| Trusts & Estates | $15,450 (2026 est.) | 3.8% | Lesser of undistributed NII or excess AGI |

Net Investment Income (NII) includes: interest, dividends, capital gains, rental/royalty income, and passive business income. It excludes: wages, active business income, IRA distributions, and Social Security.

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1. IRS — Capital Gains, Losses, and Sale of Home: https://www.irs.gov/taxtopics/tc409
4. CMS.gov — 2025 Medicare Costs: https://www.cms.gov/medicare/your-medicare-costs/costs-at-a-glance
8. Thrivent — Capital Gains Tax Planning Strategies: https://www.thrivent.com/insights/taxes/capital-gains-tax
9. SmartAsset — Capital Gains Tax Guide: https://smartasset.com/investing/capital-gains-tax-calculator