

How to Navigate Taxes: The Apogee Way

Ed Harris

Introduction

Welcome to the wild world of taxes, where the only certainty is that they're unavoidable. But don't let that intimidate you! Understanding taxes is not just about compliance; it's about empowerment. At Apogee Wealth Academy, we believe in the power of self-discipline and education to navigate the complex tax landscape. As Judge Learned Hand famously said, "Any one may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury." This guide will arm you with the knowledge to utilize the tax code to your advantage.

Understanding Taxation in the U.S.

Overview of the U.S. Tax System

The U.S. tax system is a complex web of federal, state, and local taxes. It's essential to understand how these layers interact. The federal government primarily collects income taxes, while states may impose their own income taxes, sales taxes, and property taxes. Local governments often rely on property taxes and sales taxes to fund services.

Types of Taxes: Federal, State, and Local

1. **Federal Taxes:** Collected by the IRS, these include income tax, payroll tax, and corporate tax.
2. **State Taxes:** Vary by state; some states have no income tax, while others have progressive tax rates.
3. **Local Taxes:** Often based on property value or sales, these taxes fund local services like schools and public safety.

The Role of the IRS

The Internal Revenue Service (IRS) is the federal agency responsible for tax collection and enforcement. Understanding how the IRS operates can help you navigate your tax obligations more effectively.

Income Tax

What is Income Tax?

Income tax is a tax imposed on individuals and businesses based on their income. It's progressive, meaning that higher income levels are taxed at higher rates.

How Income Tax Brackets Work

The U.S. has several tax brackets, which determine how much tax you owe based on your taxable income. For the tax year 2025, the federal income tax brackets are as follows:

- 10% on income up to \$11,925 for single filers; \$23,850 for married couples filing jointly.
- 12% on income over \$11,925 to \$48,475 for single filers; \$23,850 to \$96,950 for married couples.
- 22% on income over \$48,475 to \$103,350 for single filers; \$96,950 to \$206,700 for married couples.
- 24% on income over \$103,350 to \$197,300 for single filers; \$206,700 to \$394,600 for married couples.
- 32% on income over \$197,300 to \$250,525 for single filers; \$394,600 to \$501,050 for married couples.
- 35% on income over \$250,525 to \$626,350 for single filers; \$501,050 to \$751,600 for married couples.
- 37% on income over \$626,350 for single filers; over \$751,600 for married couples.

The Difference Between Ordinary Income and Qualified Dividends

Ordinary income includes wages, salaries, and interest, while qualified dividends are taxed at a lower rate (0%, 15%, or 20%) depending on your income level. Understanding this distinction can help you strategize your investments.

Capital Gains Tax

What is Capital Gains Tax?

Capital gains tax is levied on the profit from the sale of assets or investments. It's crucial to understand how this tax works to maximize your investment returns.

Short-term vs. Long-term Capital Gains

- Short-term capital gains: Profits from assets held for one year or less, taxed as ordinary income.
- Long-term capital gains: Profits from assets held for more than one year, taxed at reduced rates (0%, 15%, or 20%).

Strategies to Minimize Capital Gains Tax

1. Hold Investments Longer: Aim for long-term capital gains rates.
 2. Tax-Loss Harvesting: Offset gains with losses from other investments.
 3. Utilize Tax-Advantaged Accounts: Invest through IRAs or 401(k)s to defer taxes.
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Common Deductions and Credits

Standard Deduction vs. Itemized Deductions

For the tax year 2025, the standard deduction amounts are:

- \$15,000 for single filers
- \$30,000 for married couples filing jointly
- \$22,500 for heads of household

Itemized deductions can include mortgage interest, state and local taxes, and medical expenses, but you should only itemize if it exceeds the standard deduction.

Common Deductions

1. Mortgage Interest: Deduct interest paid on your mortgage.
2. Student Loan Interest: Deduct up to \$2,500 of interest paid on student loans.
3. Charitable Contributions: Deduct donations to qualified charities.

Tax Credits

Tax credits directly reduce your tax liability. Some common credits include:

- Earned Income Tax Credit (EITC): For low to moderate-income workers.
 - Child Tax Credit: For families with qualifying children.
 - American Opportunity Tax Credit: For education expenses.
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Tax Planning Strategies

Importance of Proactive Tax Planning

Don't wait until tax season to think about your taxes. Proactive planning can save you money and stress.

Retirement Accounts and Tax Advantages

Contributing to retirement accounts like 401(k)s and IRAs can reduce your taxable income and grow your savings tax-deferred.

Tax-Loss Harvesting

This strategy involves selling losing investments to offset gains, reducing your overall tax liability.

The Apogee Way: Discipline in Tax Management

Keeping Organized Records

Maintain meticulous records of your income, expenses, and deductions. This discipline will pay off come tax time.

Staying Informed About Tax Law Changes

Tax laws change frequently. Stay educated to take advantage of new opportunities and avoid pitfalls.

The Value of Continuous Education

Invest in your financial education. The more you know, the better decisions you can make regarding your taxes.

Conclusion

Navigating taxes doesn't have to be a daunting task. With the right knowledge and strategies, you can take control of your tax situation. Remember, the Apogee Way emphasizes self-discipline and education. By understanding the tax code and utilizing it to your advantage, you can minimize your tax liabilities and maximize your wealth. Take charge of your financial future—your wallet will thank you!

References:

1. [Tax Foundation 2025 Tax Brackets](#)
2. [IRS.gov - Student Loan Interest Deduction](#)
3. [IRS.gov - Earned Income Tax Credit](#)
4. [IRS.gov - Child Tax Credit](#)
5. [IRS.gov - American Opportunity Tax Credit](#)
6. [IRS.gov - 2025 adjustments to tax deductions and credits](#)



A handwritten signature in black ink that reads "Ed Harris".

Ed Harris is the Founder and CEO of Apogee Wealth Management and the driving force behind Apogee Wealth Academy, a 501(c)(3) nonprofit dedicated to financial education. With over 20 years of experience, Ed helps clients navigate complex financial landscapes and achieve their goals through a holistic approach that considers financial, emotional, and psychological aspects of financial decision-making.

Beginning his journey in ministry at age 15, Ed developed a deep commitment to uplifting others. He and his wife, Melissa, raise their five children with values centered on health and personal growth. An advocate for financial literacy, Ed actively participates in community initiatives to empower underserved populations, striving to create a world where everyone can make informed financial decisions.

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