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April 2, 2026

Adrian & Maya Calderon
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Your 2025 tax return, explained

Dear Adrian and Maya,

Your 2025 federal and state returns are complete and ready for your review and signature. This year brought a few meaningful changes — a strong year of RSU vesting, more investment income, and your mid-year move from Cambridge to Hoboken — so we've put together this summary to walk you through what happened in plain English before you sign.

The short version: **you owe a federal balance of $6,176** (plus a small $184 underpayment charge), you're due a **$410 refund from Massachusetts**, and you owe **$1,440 to New Jersey**. None of this reflects a mistake — it's the natural result of your income growing faster than the tax that was withheld from it. The pages that follow break down exactly why, and, more importantly, what we'd change together for 2026 so there are no surprises next April.

Please review everything, and don't hesitate to call or email with questions — we'd genuinely rather talk it through than have you wonder. Once you're comfortable, sign where indicated and we'll get everything e-filed well ahead of the April 15 deadline.

With appreciation,

Jordan Ellison

Jordan A. Ellison, CPA, MST
Partner · Northcove Tax + Advisory, LLC

ENCLOSED

Federal Form 1040 · MA Form 1-NR/PY · NJ-1040 · e-file authorizations

ACTION NEEDED BY

Sign e-file forms · Remit balances due · April 15, 2026

FEDERAL · FORM 1040

Tax year 2025 · Married filing jointly

Your federal return at a glance

TOTAL INCOME

$446,100

Wages, RSUs & investments

ADJUSTED GROSS INCOME

$437,550

After HSA & pre-tax items

TAXABLE INCOME

$397,050

After $40,500 itemized deductions

TOTAL FEDERAL TAX

$81,076

18.5% effective · 24% top bracket

Tax owed vs. tax already paid in

Total tax	$81,076
Withheld from paychecks	$74,900

Balance due with your return **$6,360**

Includes $184 underpayment charge

Your **effective rate** — total tax divided by income — was 18.5%. That's the number that actually matters. Your **top bracket** of 24% only applies to your last dollars of income, not all of it, which is why the two figures differ so much.

THE PLAIN-ENGLISH VERSION

Why you owed this year

You didn't do anything wrong, and your tax rate didn't jump. What happened is simple: **more of your income came from sources that don't withhold enough tax** — or any tax at all. Here are the four drivers, largest first.

1 Your RSUs under-withheld ≈ $3,400

When RSUs vest, your employer withholds federal tax at the flat **22% supplemental rate**. But those shares stack on top of your salary, so they're really taxed at your **24% bracket plus surtaxes**. That gap, across a big vesting year, is most of your balance due.

2 Two surtaxes kicked in — with no withholding $2,754

Once your income crossed $250,000, two extra taxes applied that paychecks generally don't cover: the **3.8% Net Investment Income Tax** on your dividends, interest and gains ($1,296) and the **0.9% Additional Medicare Tax** on wages above the threshold ($1,458).

3 Investment income carries no withholding at all

Your $22,500 of long-term gains plus $8,400 of dividends were taxed at the favorable 15% rate — good news — but **nothing was withheld** on them during the year, so the tax comes due all at once in April.

4 Your mid-year move reset payroll withholding

Changing your state of residence from Massachusetts to New Jersey in July meant payroll restarted state withholding partway through the year, leaving a small gap on the New Jersey side.

The takeaway: this is a withholding timing issue, not a rate problem. On page 7 we lay out exactly how to true-up your 2026 withholding so this balance shrinks to near zero.

WHERE IT CAME FROM · WHERE IT WENT

Your income and tax, broken down

Where your $446,100 came from

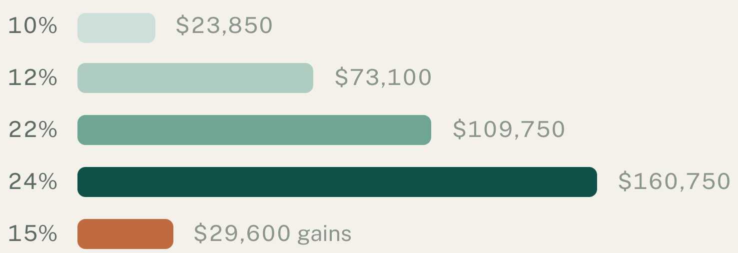
Wages & RSUs	$412,000
Capital gains	$22,500
Dividends	$8,400
Interest	$3,200

What made up your $81,076 federal tax

Ordinary income tax	$73,882
Capital gains & dividend tax (15%)	$4,440
Add'l Medicare Tax (0.9%)	$1,458
Net Investment Income Tax (3.8%)	$1,296

How your income filled the brackets

Each layer of income is taxed at its own rate. Only the top slice touches 24% — this is why your effective rate is far lower than your bracket.



2024 VS. 2025

How this year compared to last

Your income rose about 14% — mostly the larger RSU vest and a strong year in the markets. Tax rose roughly in step, but because more of it went unwithheld, last year's small refund became this year's balance due.

MEASURE	2024	2025	CHANGE
Total income	$391,000	$446,100	+14.1%
Adjusted gross income	$383,200	$437,550	+14.2%
Taxable income	$345,700	$397,050	+14.9%
Total federal tax	$70,540	$81,076	+14.9%
Effective tax rate	18.4%	18.5%	+0.1 pt
Refund / (balance due)	$1,150	($6,176)	($7,326)

WHAT DROVE THE SWING

- Larger RSU vest ($58k more, 22% withheld)
- Realized $22,500 in long-term gains (0% withheld)
- Crossed into NIIT + Medicare surtax territory

WHAT STAYED STEADY

- Your effective rate barely moved (18.4% → 18.5%)
- You remained in the 24% top bracket
- Itemizing still beat the standard deduction

STATE RETURNS · PART-YEAR RESIDENCY

Two states, because you moved

You were a Massachusetts resident through June 30 and a New Jersey resident from July 1. That means a **part-year return in each state** — each one taxes only the income earned while you lived there (plus any income sourced to that state). Here's how each shook out.

Massachusetts

Form 1-NR/PY · Jan 1 – Jun 30

RESULT +$410

Income taxed by MA	$214,800
Tax rate	5.00% flat
MA tax	$10,740
Withheld	$11,150
Refund	**$410**

Massachusetts uses a single 5% rate on most income. Your withholding slightly overshot — hence the small refund.

New Jersey

Form NJ-1040 · Jul 1 – Dec 31

RESULT −$1,440

Income taxed by NJ	$231,300
Tax rate	1.4% – 8.97%
NJ tax	$12,980
Withheld	$11,540
Balance due	**$1,440**

New Jersey uses graduated brackets and doesn't allow most federal deductions. Withholding restarted mid-year after your move, leaving a modest gap.

COMBINED RESULT — ALL JURISDICTIONS

Federal $6,360 due · NJ $1,440 due · MA $410 refund

$7,390 net due

Good to know: because you paid tax to two states on separate slices of income (not the same income twice), there's no double-taxation credit needed this year. If you keep MA-source income going forward, we'll coordinate a resident-credit strategy.

LOOKING AHEAD

Let's make next April boring

A handful of moves will close most of this year's gap and keep more of your money working for you in the meantime.

1 **True-up your RSU withholding**

File an updated W-4 asking for an extra **$525/month** in federal withholding, or set aside the 22%-vs-24% gap each time shares vest. This alone erases most of the balance due.

2 **Make quarterly estimated payments**

To avoid the underpayment charge, pay in at least **110% of this year's tax** through withholding plus estimates. We've prepared 2026 federal vouchers below.

3 **Max the tax-advantaged accounts**

Each of you can defer **$23,500** to your 401(k) and **$8,550** to a family HSA. Every dollar deferred comes straight off the top 24% bracket. Consider a backdoor Roth as well.

4 **Be tactical with gains & giving**

Harvest losses to offset gains before year-end, and since you itemize, consider **bunching charitable gifts** into a donor-advised fund in high-income years.

2026 Federal Estimated Payments (Form 1040-ES)

Safe-harbor target · $11,184 total

VOUCHER	FOR PERIOD	DUE DATE	AMOUNT
Q1	Jan – Mar 2026	April 15, 2026	$2,800
Q2	Apr – May 2026	June 15, 2026	$2,800
Q3	Jun – Aug 2026	September 15, 2026	$2,800
Q4	Sep – Dec 2026	January 15, 2027	$2,784

Pay online at **irs.gov/payments** (select "Estimated Tax / 2026"). We'll send NJ estimate reminders separately. If you increase paycheck withholding per tip #1, we'll reduce these accordingly at your mid-year check-in.

Let's schedule your mid-year check-in

A 30-minute call in July to reset withholding and lock in these moves — no surprises next April.

Jordan Ellison, CPA
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This summary is a plain-language companion to your filed returns, prepared for your convenience. Figures are rounded; the signed returns govern. It is not a substitute for the returns themselves and does not constitute legal advice. Northcove Tax + Advisory, LLC · 210 Congress Street, Suite 900, Boston, MA 02110. This example is fictional and for illustration only.