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Year-End Tax Planning

Year-End Tax Planning

With the mid-term elections behind us[1] and the end of the year rapidly approaching, it is important to have a plan to implement any strategic year-end tax planning.

There are many strategies and elections that can not only help reduce current-year tax bills but can also help minimize future tax liabilities. The items listed below are some of the most effective tax planning strategies that can still be accomplished before the end of the year. For reference and convenience, the appendix to this Insight also includes charts containing the tax brackets and other important tax information for tax years 2022 and 2023.

We recognize that many individuals, families, businesses, and fiduciaries feel fatigue from the past several years of tax law uncertainty and the associated tax planning. No doubt, many feel that they have been running a financial planning marathon on a treadmill! That said, there are still strategies to implement ahead of year end and as is often the case, value to be captured for those that "run through the tape."

Retirement Plan and IRA Year-End Checklist

Required Minimum Distributions: If you are age 72 or older, you may be required to take distributions from your retirement accounts. These distributions are known as "required minimum distributions" (RMDs) and are applicable to all employer sponsored retirement plans, including 401(k) plans, Roth 401(k) plans, 403(b) plans, 457(b) plans and profit-sharing plans. The RMD rules also apply to traditional IRAs and IRA-based plans such as SEPs and Simple IRAs. The RMD rules do not, however, apply to Roth IRAs while the owner is alive. If a taxpayer is age 72 or older, he or she must take their RMD by December 31st of the current year or face substantial penalties.

There is, however, an exception for taxpayers who turned age 72 in 2022. Such a taxpayer can delay taking their RMD until April 1, 2023, which can provide an opportunity for tax deferral if the taxpayer does not need the RMD this year. Taxpayers who choose to delay will be required to take both their 2022 and 2023 RMD in tax year 2023. As a result, individuals should be strategic to the extent smoothing out income over two tax years in an effort to manage tax brackets is more advantageous than the deferral afforded by using the April 1, 2023, distribution date.

Qualified Charitable Distributions: Another strategic tax planning item with IRAs is a qualified charitable distribution (QCD).

1. At the time of publication of this Insight, Democrats have been declared the winner of the Senate, while neither party has officially been declared the winner of the House of Representatives. It is, however, anticipated that Republicans will end up with a slight majority in the House and Democrats will have a slight majority in the Senate. If that projection holds, it is anticipated that legislative gridlock will be the central theme in D.C. for the next two years. As a result, drastic tax law changes favoring one party or the other are unlikely. Please consult with your Private Advisor for updates after the publication date of this Insight.

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Qualified Charitable Distributions (Continued): A QCD allows individuals to donate up to $100,000 annually to one or more charities directly from a taxable IRA, in lieu of all or a portion of their RMD (up to the $100,000 limit) being distributed to the individual. There are several tax advantages to a QCD. First, because the QCD goes directly to a charity, the amount of the QCD will not be included in and increase the taxpayer's taxable income. This may help a taxpayer remain in a lower tax bracket and avoid phase-outs and special rules based on the adjusted gross income or taxable income of the taxpayer. Additionally, depending on their state of residence, a taxpayer might not receive a state income tax benefit for charitable contributions claimed as an itemized deduction but could benefit at the state level from excluding the RMD from income all together through a QCD.

The manner in which the QCD rules are drafted by the IRS provide another tax planning opportunity for taxpayers. The QCD rules allow individuals aged 70 ½ or older to make QCDs in a given year, up to 18 months before they are required to start taking RMDs. This window could allow individuals to make QCDs and lower the value of their IRAs, which could reduce the amount of their future RMDs. Please note, however, that QCDs can only be made directly to public charities and cannot be made to donor-advised funds (DAFs) or private foundations.

No Required Minimum Distributions for Certain Inherited IRA Beneficiaries for Tax Year 2022: The provisions of the SECURE Act (applicable to deaths occurring after 12/31/2019) established different RMD rules for Eligible Designated Beneficiaries and Non-Eligible Designated Beneficiaries. The Act generally requires Non-Eligible Designated Beneficiaries to completely liquidate inherited IRAs within 10-years but permits Eligible Designated Beneficiaries to "stretch" RMDs over the course of their lifetime[2].

For tax year 2022, the IRS has stated that Non-Eligible Designated beneficiaries of inherited IRAs whose account owners (i) died in 2020 or 2021 and (ii) had attained their Required Beginning Date (generally, April 1st of the year after the account owner turned age 72) at the time of their death are not required to take an RMD for tax year 2022. This provides an opportunity for tax deferral if the beneficiary does not need the RMD in 2022. Please note, however, that it is anticipated that these beneficiaries will be subject to annual RMD requirements in 2023 and thereafter (in addition to having to withdraw the entire inherited IRA within 10 years).

Individual and Trust Income Tax Planning

Minimize Capital Gains: A timely review of a taxpayer's portfolio can uncover hidden tax savings. Tax loss harvesting is the process of selling underperforming investments at a loss and using those capital losses to offset taxable capital gains elsewhere in the taxpayer's portfolio . Due to the recent market volatility, loss harvesting will be an effective strategy in 2022 for many looking to capture tax benefits in conjunction with depressed asset values.

In a year when a taxpayer's capital losses outweigh their gains, the IRS will allow the taxpayer to apply up to $3,000 in net capital losses against ordinary income. Any unused capital losses can be carried forward to be used in future tax years. On top of the tax benefits of loss harvesting, the strategy can also help rebalance a portfolio that is out of alignment.

2. Eligible Designated Beneficiaries are limited to: the participant's surviving spouse, a child of the participant who has not yet reached age 21, a chronically ill or disabled individual, or an individual not previously described who is not more than 10 years younger than the participant.

Non-QCD Charitable Contributions: Due to the increased standard deduction ($25,900 for married couples filing jointly in 2022) and the $10,000 cap on the state and local tax deduction, taxpayers may have to be more strategic with their charitable gifting to realize any tax benefit. Depending on a taxpayer's "traditional" annual gifting and other circumstances, they may not gift enough in a given year to exceed the standard deduction. As a result, a taxpayer may get no tax benefit in that year for their charitable contributions.

As the end of the year approaches and taxpayers have a better idea of their income for the year and potentially future years, it may make sense for taxpayers to "bunch" and accelerate their charitable giving for this year, as opposed to sticking with their "traditional" yearly gifting pattern now and in the future. An ideal recipient for accelerated charitable gifting is a DAF. If a taxpayer establishes a DAF, they can make a large donation to the DAF in the current year and receive the tax deduction in the current year, but the taxpayer is not forced to decide which individual charities he or she would like to benefit right away. Instead, the taxpayer can advise that the DAF make distributions to charities of his or her choosing over any number of years.

Non-Grantor Trust Income Tax Planning: The income taxation of a non-grantor trust may provide another income tax planning opportunity. Non-grantor trusts reach the top tax bracket (including the imposition of the additional 3.8% net investment income tax) at a much lower threshold than individuals[3]. However, tax law provides that these trusts will generally receive a tax deduction equal to the amount of income that is distributed to the beneficiaries ("income distribution deduction").

As a result, if the trust permits discretionary distributions of income to the beneficiaries, there may be an opportunity to minimize the overall tax liability of the trust and the beneficiaries by making distributions of income to the beneficiaries.

Of note, the IRS permits additional flexibility here by allowing a Trustee to elect to treat distributions made during the first 65 days of the current tax year as distributions made during the immediately preceding tax year[4]. For tax year 2022, a trustee will have until March 6, 2023, to decide to make distributions to beneficiaries that could be treated as distributions made during 2022 for tax purposes.

2023 Tax Brackets: Due to high inflation in 2022, the annual IRS adjustments to the income tax brackets and the standard deduction for tax year 2023 were considerably larger than previous years[5]. While these adjustments to the tax brackets may not ultimately provide more buying power due to the same inflation, they are effectively an income tax cut as taxes apply to less income and result in less tax paid on the income that is taxed. As a result, deferring income to tax year 2023 could result in a lower overall income tax bill.

Estate and Gift Tax Planning

Annual Exclusion Gifts: For tax year 2022, the IRS permits an individual to gift up to $16,000 ($32,000 for a married couple) to an unlimited number of individuals, without the donor having to use any of his or her $12,060,000 (for tax year 2022) lifetime gift exclusion or paying any gift tax.

3. For tax year 2022, a non-grantor trust reaches the top 37% tax bracket at $13,450 of taxable income.
4. The election is permitted under IRC Section 663(b).
5. The Appendix includes charts containing the tax brackets and other important tax information for tax years 2022 and 2023.

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Annual Exclusion Gifts (Continued): A married couple that has a taxable estate could therefore save $12,800[6] in federal estate taxes for every individual they gift $32,000 to each year. Electing to front load 5-years' worth of annual exclusion gifts in funding a 529 plan (up to $80,000 per donee or $160,000 per donee for a married couple), is another great way for taxpayers to reduce their taxable estates, without the donor having to use any of his/her lifetime gift exclusion. On top of the gifted money no longer being included in the taxpayer's estate, the appreciation on those gifted assets is also not subject to estate tax in the donor's estate.

For tax year 2023, the annual exclusion amount will be increased to $17,000 per person ($34,000 for a married couple). As a result, married taxpayers could give $32,000 in December and another $34,000 in January to the same individual without using any lifetime gift exclusion or paying any gift tax.

Use of Lifetime Gift Exemption: Similar to the inflation adjustment to the income tax brackets for 2023, the applicable exclusion amount for gift, estate and generation-skipping transfer tax purposes also received a substantial increase for 2023. For tax year 2023, the applicable exclusion amount increases from $12,060,000 per person ($24,120,000 for a married couple) to $12,920,000 per person ($25,840,000 for a married couple)[7]. This increase could save a married couple up to $688,000 in federal estate tax[8].

Taxpayers implementing year-end 2022 gifting should also consider making strategic gifts in early January 2023 to use their additional exclusion amounts. This is particularly true for gifts that require a qualified appraisal, with one appraisal potentially being used for both the year-end 2022 gifts and the early 2023 gifts.

Wealth Transfer Planning in a High Interest Rate Environment: The current rising interest rate environment also presents opportunities for some advanced wealth transfer strategies. Namely, Qualified Personal Residence Trusts (QPRTs) and Charitable Remainder Trusts (CRTs).

IRS Interest Rates Generally: Each month, the Internal Revenue Service publishes short-, mid- and long-term rates (the Applicable Federal Rates, or AFRs) and the Section 7520 rate. The AFRs reflect the minimum interest rate that must be charged for loans between related parties. The Section 7520 rate, which is equal to 120% of the mid-term AFR, is used when implementing several estate planning techniques and the effectiveness of these techniques will change when this rate changes[9].

Qualified Personal Residence Trusts: A QPRT is an estate planning technique that involves creating an irrevocable trust that is established to reduce the gift and estate tax liability of a donor by transferring a personal residence out of his/her taxable estate. The QPRT lasts for a term of years, during which the grantor continues to use the residence as his or her own. After the initial QPRT term, the residence passes to the designated remainder beneficiaries.

6. Assumes a 40% federal estate tax rate and assumes no further appreciation on the gifted amount.
7. The current increased exclusion amounts are scheduled to sunset to $5,000,000 (adjusted for inflation) on January 1, 2026.
8. Assumes a 40% federal estate tax rate and assumes no further appreciation on the gifted amount.
9. Generally, the rate that will apply to a specific strategy is the rate in effect on the date the strategy is effectuated. Charitable remainder trusts and charitable lead trusts are exceptions to the general rule and the IRS permits the use of the current rate or the rates from the prior 2 months when implementing these strategies.

Qualified Personal Residence Trusts (Continued): For gift tax purposes, the initial transfer to the QPRT is a taxable gift equal to the value of the remainder interest that passes to the remainder beneficiaries. This is calculated using the Section 7520 rate in effect at the time of the initial transfer to the QPRT, as well as the QPRT term and the then current fair market value of the residence. The higher the Section 7520 rate, the higher the value of the grantor's right to use the residence as his or her own during the QPRT term, and the lower the value of the gift of the future remainder interest. So as the Section 7520 rate increases, the taxable gift decreases, making the QPRT a more attractive strategy with higher interest rates.

Charitable Remainder Trusts: A CRT is an estate planning technique that involves creating an irrevocable trust where the donor (or his/her designated individual beneficiaries) retain the right to receive an income stream from the trust for a term of years (or their life/lives). At the end of retained income term, the remaining assets are distributed to a designated charitable beneficiary.

Upon creation and funding of the trust, the donor receives an income tax charitable deduction equal to the present value of the remainder interest that passes to the designated charitable beneficiary. This is also calculated using the Section 7520 rate in effect at the time of the funding of the CRT (or the Section 7520 rate for one of the prior 2 months if those rates result in a better result for the donor and the donor so chooses). The higher the Section 7520 rate, the higher the value of the charitable remainder interest. So as the Section 7520 rate increases, the donor's income tax charitable deduction increases, making a CRT a potentially more attractive strategy with higher interest rates.

Business Income Tax Planning

Phase Out of 100% Bonus Depreciation: Businesses that purchase capital assets are allowed to deduct the decline in value of the assets over their useful lives. Certain provisions of the Tax Code enable taxpayers to accelerate recovery of the cost of certain items acquired for business use, rather than having to depreciate those costs over several years. Bonus depreciation is one accelerated recovery method currently available under the Tax Code. Bonus depreciation is a tax incentive that allows a business to accelerate depreciation and immediately deduct a large percentage of the purchase price of certain eligible assets[10]. The deduction percentage has generally been 100% since the beginning of 2018 when the Tax Cut and Jobs Act (the "TCJA") became effective. Under the TCJA, the 100% deduction percentage gradually sunsets with the first sunset to an 80% deduction percentage taking effect on January 1, 2023. As a result, for a business to take advantage of the current 100% bonus depreciation percentage, they must acquire and place in service eligible assets by December 31, 2022.

Takeaways

As another tumultuous year comes to an end and many suffer from "tax policy and planning fatigue," we encourage clients to reach out to their Private Advisors to continue the discussion and determine if any of the strategies discussed in this piece are right for them. A little extra planning now, could potentially pay big dividends in April and in the future.

10. Generally, assets that have a useful life of 20 year or less including computer systems, software, certain vehicles, certain aircraft, machinery, equipment, office furniture and "qualified improvement property." It does not, however, include buildings themselves as they have useful lives of 27.5 years (residential) and 39 years (commercial).

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2022 Tax Rate Schedule

Taxable Income Over	Taxable Income Not Over	Base Amount of Tax($)	Plus	Marginal Tax Rate	Of the Amount Over ($)
Single					
$ -	$ 10,275.00	$ -	+	10%	$ -
$ 10,275.00	$ 41,775.00	$ 1,027.50	+	12%	$ 10,275.00
$ 41,775.00	$ 89,075.00	$ 4,807.50	+	22%	$ 41,775.00
$ 89,075.00	$ 170,050.00	$ 15,213.50	+	24%	$ 89,075.00
$ 170,050.00	$ 215,950.00	$ 34,647.50	+	32%	$ 170,050.00
$ 215,950.00	$ 539,900.00	$ 49,335.50	+	35%	$ 215,950.00
$ 539,900.00		$ 162,718.00	+	37%	$ 539,900.00
Head of Household					
$ -	$ 14,650.00	$ -	+	10%	$ -
$ 14,650.00	$ 55,900.00	$ 1,465.00	+	12%	$ 14,650.00
$ 55,900.00	$ 89,050.00	$ 6,415.00	+	22%	$ 55,900.00
$ 89,050.00	$ 170,050.00	$ 13,708.00	+	24%	$ 89,050.00
$ 170,050.00	$ 215,950.00	$ 33,148.00	+	32%	$ 170,050.00
$ 215,950.00	$ 539,900.00	$ 47,836.00	+	35%	$ 215,950.00
$ 539,900.00		$ 161,218.50	+	37%	$ 539,900.00
Married Filing Jointly and Surviving Spouses					
$ -	$ 20,550.00	$ -	+	10%	$ -
$ 20,550.00	$ 83,550.00	$ 2,055.00	+	12%	$ 20,550.00
$ 83,550.00	$ 178,150.00	$ 9,615.00	+	22%	$ 83,550.00
$ 178,150.00	$ 340,100.00	$ 30,427.00	+	24%	$ 178,150.00
$ 340,100.00	$ 431,900.00	$ 69,295.00	+	32%	$ 340,100.00
$ 431,900.00	$ 647,850.00	$ 98,671.00	+	35%	$ 431,900.00
$ 647,850.00		$ 174,253.50	+	37%	$ 647,850.00
Married Filing Separately					
$ -	$ 10,275.00	$ -	+	10%	$ -
$ 10,275.00	$ 41,775.00	$ 1,027.50	+	12%	$ 10,275.00
$ 41,775.00	$ 89,075.00	$ 4,807.50	+	22%	$ 41,775.00
$ 89,075.00	$ 170,050.00	$ 15,213.50	+	24%	$ 89,075.00
$ 170,050.00	$ 215,950.00	$ 34,647.50	+	32%	$ 170,050.00
$ 215,950.00	$ 323,925.00	$ 49,335.50	+	35%	$ 215,950.00
$ 323,925.00		$ 87,126.75	+	37%	$ 323,925.00
Estates and Trusts					
$ -	$ 2,750.00	$ -	+	10%	$ -
$ 2,750.00	$ 9,850.00	$ 275.00	+	24%	$ 2,750.00
$ 9,850.00	$ 13,450.00	$ 1,979.00	+	35%	$ 9,850.00
$ 13,450.00		$ 3,239.00	+	37%	$ 13,450.00

Kiddie Tax: for individuals under 17 years of age, unearned income over $2,300 for 2022 is generally taxed using the parent's marginal tax rate

Tax Rates on Long-Term Capital Gains and Qualified Dividends Taxable Income

LTCG Tax	Single Filers	Married Filing Jointly	Head of Household	Married Filing Separately
0%	$0-$41,675	$0 - $83,350	$0 - $55,800	$0 - $41,675
15%	$41,675 - $459,750	$83,350 - $517,200	$55,800 - $488,500	$41,675 - $258,600
20%	$459,750 or more	$517,200 or more	$488,500 or more	$258,600 or more

Net Investment Income Tax

3.8% tax on the lesser of: (1) Net Investment Income, or (2) MAGI in excess of $200,000 for single filers or head of households, $250,000 for married couples filing jointly, and $125,000 for married couples filing separately.

Standard Deductions & Personal Exemption

Filing Status	Standard Deduction	Personal Exemption	Phaseouts Begin at AGI of:
Single	$ 12,950.00	N/A	N/A
Head of Household	$ 19,400.00	N/A	N/A
Married Filing jointly and qualifying widow(er)s	$ 25,900.00	N/A	N/A
Married, filing separately	$ 12,950.00	N/A	N/A
Dependent filing own return*	$ 1,150.00	N/A	N/A
Additional Deductions for Non-Itemizers			
Blind or over 65 Married Filing Jointly		Add $1,400	
Blind or over 65 and unmarried and not a surviving spouse		Add $1,750	

**For taxable years beginning in 2022, the standard deduction for individuals claimed as a dependent by another taxpayer cannot exceed the greater of (1) $1,150, or (2) the sum of $400 and the individual's earned income*

Alternative Minimum Tax

Filing Status	Exemption Amounts and Phaseouts
Single	$75,900 / $539,900
Married, filing jointly or surviving spouses	$118,100 / $1,079,800
Married, filing separately	$59,050 / $539,900
Estates and Trusts	$26,500/ $88,300

AMT Tax Rates	Married Filing Separately	All Others
26% tax rate applies to income at or below: 28% tax rate applies to income over:	$103,050.00	$206,100.00

Child Tax Credit

Credit	Maximum Credit	Income Phaseouts Begin At AGI Of:
Child Tax Credit*	$2,000 per qualifying Child	$400,000 married filing jointly $200,000 all others
Enhanced Child Tax Credit* (as proposed in the Build Back Better Act)	$3,000 per qualifying Child (ages 6-17) $3,600 per qualifying Child (ages 5 and under)	$150,000 married filing jointly $112,500 heads of household $75,000 all others

*Subject to eligibility requirements

Gift and Estate Tax Exclusions and Credits

Gift tax annual exclusion	$16,000
Estate, gift & generation skipping tax exclusion amount (per taxpayer)	$12,060,000
Exclusion on gifts to non-citizen spouse	$164,000
Maximum estate, gift & generation skipping tax rate	40%

Charitable Giving Vehicle	Direct Giving	Private Grant Making Foundation	Charitable Gift Annuity	Charitable Remainder Trust	Charitable Lead Trust (Grantor)
Charitable Deduction Amount	Value of property transferred	Value of property transferred	Limited to value of contribution minus payments to donor	Limited to the discounted value of the property transferred to the charity in the future	Limited to present value of payments made to the charity if donor is taxed on trust income
AGI Limitation (Cash Gifts)	60%	30%	60%	(60% or 30% depending on named charity)	30%
AGI Limitation (Appreciated Property)	30%	20%	30%	(30% or 20% depending on named charity	20%
Value of Appreciated Property	Fair Market Value	Adjusted Basis*	Fair Market Value	Depends on Charity Named	Adjusted Basis*
Carry-Over	5 Years	5 Years	5 Years	5 Years	5 Years

***** *"Qualified Appreciated Stock" is valued at Fair Market Value*

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Traditional IRA Deductibility Limits

The contribution limit for Traditional IRAs is $6,000; the catch-up at age 50+ is an additional $1,000

Filing Status	Modified AGI	Contribution
Single/HOH covered by a plan	$68,000 or Less	Fully Deductible
	$68,001 - $77,999	Partially Deductible
	$78,000 or More	Not Deductible
Married Filing Jointly and spouse is covered by a plan at work	$109,000 or Less	Fully Deductible
	$109,001 - $128,999	Partially Deductible
	$129,000 or More	Not Deductible
Married Filing Jointly and spouse is not covered by a plan at work	$204,000 or Less	Fully Deductible
	$204,001 - $213,999	Partially Deductible
	$214,000 or More	Not Deductible
Married, Filing Separately	Less than $10,000	Partially Deductible
	$10,000 or More	Not Deductible

If not covered by a plan, single, HOH and married filing jointly (both spouses not covered by a plan) tax filers are able to take a full deduction on their IRA contribution *If spouses did not live together at any time during the year, their filing status is considered Single for purposes of IRA deductions.

ROTH IRA Contribution Limits

The contribution limit for ROTH IRAs is $6,000; the catch-up at age 50+ is an additional $1,000

Filing Status	Modified AGI	Max Annual Contribution
Single/HOH	$128,999 or Less	Fully Eligible
	$129,000 - $143,999	Partially Eligible
	$144,000 or More	Not Eligible
Married Filing Jointly	$203,999 or Less	Fully Eligible
	$204,000 - $213,999	Partially Eligible
	$214,000 or More	Not Eligible
Married, Filing Separately	$ -	Fully Eligible
	$0 - $9,999	Partially Eligible
	$10,000 or More	Not Eligible

Other Retirement Plans Contribution Limits

Plan Type	Contribution Limit	Catch-Up (50+)	Income Restrictions on Contributions
SEP IRA	The lesser of 25% of compensation (to a maximum of $305,000) or $61,000	N/A	No limit
SIMPLE IRA	$14,000	$3,000	No limit except for the 2% non-elective contributions capped at $305,000
Defined Benefit Plan	$245,000	N/A	Income limit defined by plan document
401(K)	$20,500	$6,500	No income limit for employee contributions. The employee compensation limit for calculating employer contributions and annual additions is $305,000
403(b), 457(b), Roth 401(k)	$20,500	$6,500	Annual contributions may not exceed annual compensation

Health Savings Accounts*

Annual Limit	Maximum Contribution
Individuals	$ 3,650.00
Families	$ 7,300.00
Catch-up for 55 and older	$ 1,000.00

*HSAs are only available for taxpayers enrolled in high-deductible health plans.

Retirement Earnings Exempt Amounts for Social Security Purposes

Before Full Retirement Age (FRA)	$19,560
During the year in which FRA is reached	$51,960
After FRA	No Limit

Education Credits & Deductions

Credit/Deduction	Max Credit/Deduction	Income Phaseouts at AGI of:
American Opportunity Tax Credit/Hope	$2,500	$160,000 - $180,000 joint
		$80,000 - $90,000 all others
Lifetime Learning Credit	$2,000	$119,000 - $139,000 joint
		$59,000 - $69,000 all others
Savings bond interest tax-free if used for education	Deduction limited to amount of qualified expenses	$124,800 - $154,800 joint
		$83,200 - $98,200 all others

Social Security

Filing Status	Provisional Income	Amount of SS Subject to Tax
Single, HOH, qualifying widow(er), married filing separately and living apart from spouse	Under $25,000	0
	$25,000 - $34,000	Up to 50%
	Over $34,000	Up to 85%
Married Filing Jointly	Under $32,000	0
	$32,000 - $44,000	Up to 50%
	Over $44,000	Up to 85%
Married, filing separately & living w/ spouse	Over $0	Up to 85%

FICA

SS Tax Paid on Income	Percentage Withheld	Maximum Tax Payable
Employer pays	6.2%	$ 9,114.00
Employee pays	6.2%	$ 9,114.00
Self-employed pays	12.4%	$ 18,228.00

Medicare Tax

SS Tax Paid on Income	Percentage Withheld
Employer pays	1.45%
Employee pays	1.45% + 0.9% on income over $200,000 (single) or $250,000 (joint)
Self-employed pays	2.90% + 0.9% on income over $200,000 (single) or $250,000 (joint)

Reduction of Social Security Benefits Before Full Retirement Age

	Percentage of Social Security Benefits	
Age When Benefits Begin	FRA 66*	FRA 67*
62	75.0%	70.0%
63	80.0%	75.0%
64	86.7%	80.0%
65	93.3%	86.7%
66	100.0%	93.3%
67	100.0%	100.0%

*Full retirement age (FRA) determined by year of birth

Deductibility of Long-Term Care Premiums on Qualified Policies

Attained Age Before Close of Tax Year	Amount of LTC Premiums that Qualify as Medical Expenses
40 or Less	$450
41 to 50	$850
51 to 60	$1,690
61 to 70	$4,520
Over 70	$5,640

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Single					
$ -	$ 11,000.00	$ -	+	10%	$ -
$ 11,000.00	$ 44,725.00	$ 1,100.00	+	12%	$ 11,000.00
$ 44,725.00	$ 95,375.00	$ 5,147.00	+	22%	$ 44,725.00
$ 95,375.00	$ 182,100.00	$ 16,290.00	+	24%	$ 95,375.00
$ 182,100.00	$ 231,250.00	$ 37,104.00	+	32%	$ 182,100.00
$ 231,250.00	$ 578,125.00	$ 52,832.00	+	35%	$ 231,250.00
$ 578,125.00		$ 174,238.25	+	37%	$ 578,125.00
Heads of Household					
$ -	$ 15,700.00	$ -	+	10%	$ -
$ 15,700.00	$ 59,850.00	$ 1,570.00	+	12%	$ 15,700.00
$ 59,850.00	$ 95,350.00	$ 6,868.00	+	22%	$ 59,850.00
$ 95,350.00	$ 182,100.00	$ 14,678.00	+	24%	$ 95,350.00
$ 182,100.00	$ 231,250.00	$ 35,498.00	+	32%	$ 182,100.00
$ 231,250.00	$ 578,100.00	$ 51,226.00	+	35%	$ 231,250.00
$ 578,100.00		$ 172,623.50	+	37%	$ 578,100.00
Married Filing Jointly and Surviving Spouses					
$ -	$ 22,000.00	$ -	+	10%	$ -
$ 22,000.00	$ 89,450.00	$ 2,200.00	+	12%	$ 22,000.00
$ 89,450.00	$ 190,750.00	$ 10,294.00	+	22%	$ 89,450.00
$ 190,750.00	$ 364,200.00	$ 32,580.00	+	24%	$ 190,750.00
$ 364,200.00	$ 462,500.00	$ 74,208.00	+	32%	$ 364,200.00
$ 462,500.00	$ 693,750.00	$ 105,664.00	+	35%	$ 462,500.00
$ 693,750.00		$ 186,601.50	+	37%	$ 693,750.00
Married Filing Separately					
$ -	$ 11,000.00	$ -	+	10%	$ -
$ 11,000.00	$ 44,725.00	$ 1,100.00	+	12%	$ 11,000.00
$ 44,725.00	$ 95,375.00	$ 5,147.00	+	22%	$ 44,725.00
$ 95,375.00	$ 182,100.00	$ 16,290.00	+	24%	$ 95,375.00
$ 182,100.00	$ 231,250.00	$ 37,104.00	+	32%	$ 182,100.00
$ 231,250.00	$ 346,875.00	$ 52,832.00	+	35%	$ 231,250.00
$ 346,875.00		$ 93,300.75	+	37%	$ 346,875.00
Estates and Trusts					
$ -	$ 2,900.00	$ -	+	10%	$ -
$ 2,900.00	$ 10,550.00	$ 290.00	+	24%	$ 2,900.00
$ 10,550.00	$ 14,450.00	$ 2,126.00	+	35%	$ 10,550.00
$ 14,450.00		$ 3,491.00	+	37%	$ 14,450.00

Kiddie Tax: for individuals under 18 years of age, unearned income over $2,500 for 2023 is generally taxed using the parent's marginal tax rate

Tax Rates on Long-Term Capital Gains and Qualified Dividends Taxable Income

LTCG Tax	Single Filers	Married Filing Jointly	Head of Household	Married Filing Separately
0%	$0 - $44,625	$0 - $89,250	$0 - $59,750	$0 - $44,625
15%	$44,625 - $492,300	$89,250 - $553,850	$59,750 - $523,050	$44,625 - $276,900
20%	$492,300 or more	$553,850 or more	$523,050 or more	$276,900 or more

Net Investment Income Tax

3.8% tax on the lesser of: (1) Net Investment Income, or (2) MAGI in excess of $200,000 for single filers or head of households, $250,000 for married couples filing jointly, and $125,000 for married couples filing separately.

Standard Deductions & Personal Exemption

Filing Status	Standard Deduction	Personal Exemption	Phaseouts Begin at AGI of:
Single	$ 13,850.00	N/A	N/A
Head of Household	$ 20,800.00	N/A	N/A
Married Filing jointly and qualifying widow(er)s	$ 27,700.00	N/A	N/A
Married, filing separately	$ 13,850.00	N/A	N/A
Dependent filing own return*	$ 1,250.00	N/A	N/A
Additional Deductions for Non-Itemizers			
Blind or over 65 Married Filing Jointly			Add $1,500
Blind or over 65 and unmarried and not a surviving spouse			Add $1,850

**For taxable year 2023, the standard deduction for individuals claimed as a dependent by another taxpayer cannot exceed the greater of (1) $1,250, or (2) the sum of $400 and the individual's earned income*

Alternative Minimum Tax

Filing Status		Exemption Amounts and Phaseouts
Single		$81,300 / $578,150
Married, filing jointly or surviving spouses		$126,500 / $1,156,300
Married, filing separately		$63,250 / $578,150
Estates and Trusts		$28,400/ $94,600
AMT Tax Rates	Married Filing Separately	All Others
26% tax rate applies to income at or below: / 28% tax rate applies to income over:	$110,350.00	$220,700.00

Child Tax Credit

Credit	Maximum Credit	Income Phaseouts Begin At AGI Of:
Child Tax Credit*	$2,000 per qualifying Child	$400,000 married filing jointly $200,000 all others

**Subject to eligibility requirements*

Gift and Estate Tax Exclusions and Credits

Gift tax annual exclusion	$17,000
Estate, gift & generation skipping tax exclusion amount (per taxpayer)	$12,920,000
Exclusion on gifts to non-citizen spouse	$175,000
Maximum estate, gift & generation skipping tax rate	40%

Charitable Giving Vehicle	Direct Giving	Private Grant Making Foundation	Charitable Gift Annuity	Charitable Remainder Trust	Charitable Lead Trust (Grantor)
Charitable Deduction Amount	Value of property transferred	Value of property transferred	Limited to value of contribution minus payments to donor	Limited to the discounted value of the property transferred to the charity in the future	Limited to present value of payments made to the charity if donor is taxed on trust income
AGI Limitation (Cash Gifts)	60%	30%	60%	(60% or 30% depending on named charity)	30%
AGI Limitation (Appreciated Property)	30%	20%	30%	(30% or 20% depending on named charity)	20%
Value of Appreciated Property	Fair Market Value	Adjusted Basis*	Fair Market Value	Depends on Charity Named	Adjusted Basis*
Carry-Over	5 Years	5 Years	5 Years	5 Years	5 Years

** "Qualified Appreciated Stock" is valued at Fair Market Value*

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Tax Tables 2023 Edition

Traditional IRA Deductibility Limits

The contribution limit for Traditional IRAs is $6,500; the catch-up at age 50+ is an additional $1,000

Filing Status	Modified AGI	Contribution
Single/HOH covered by a plan	$73,000 or Less	Fully Deductible
	$73,001 - $82,999	Partially Deductible
	$83,000 or More	Not Deductible
Married Filing Jointly and the contributor is covered by a plan at work	$116,000 or Less	Fully Deductible
	$116,001 - $135,999	Partially Deductible
	$136,000 or More	Not Deductible
Married Filing Jointly and the contributor is not covered by a plan at work	$218,000 or Less	Fully Deductible
	$218,001 - $227,999	Partially Deductible
	$228,000 or More	Not Deductible
Married, Filing Separately	Less than $10,000	Partially Deductible
	$10,000 or More	Not Deductible

*If not covered by a plan, single, HOH and married filing jointly (both spouses not covered by a plan) tax filers are able to take a full deduction on their IRA contribution *If spouses did not live together at any time during the year, their filing status is considered Single for purposes of IRA deductions.*

ROTH IRA Contribution Limits

The contribution limit for ROTH IRAs is $6,500; the catch-up at age 50+ is an additional $1,000

Filing Status	Modified AGI	Max Annual Contribution
Single/HOH	$137,999 or Less	Fully Eligible
	$138,000 - $152,999	Partially Eligible
	$153,000 or More	Not Eligible
Married Filing Jointly	$217,999 or Less	Fully Eligible
	$218,000 - $227,999	Partially Eligible
	$228,000 or More	Not Eligible
Married, Filing Separately	$ -	Fully Eligible
	$0 - $9,999	Partially Eligible
	$10,000 or More	Not Eligible

Other Retirement Plans Contribution Limits

Plan Type	Contribution Limit	Catch-Up (50+)	Income Restrictions on Contributions
SEP IRA	The lesser of 25% of compensation (to a maximum of $330,000) or $66,000	N/A	No limit
SIMPLE IRA	$15,500	$3,500	No limit except for the 2% non-elective contributions capped at $330,000
Defined Benefit Plan	$265,000	N/A	Income limit defined by plan document
401(K)	$22,500	$7,500	No income limit for employee contributions. The employee compensation limit for calculating employer contributions and annual additions is $330,000
403(b), 457(b), Roth 401(k)	$22,500	$7,500	Annual contributions may not exceed annual compensation

Health Savings Accounts*

Annual Limit	Maximum Contribution
Individuals	$ 3,850.00
Families	$ 7,750.00
Catch-up for 55 and older	$ 1,000.00

**HSAs are only available for taxpayers enrolled in high-deductible health plans.*

Retirement Earnings Exempt Amounts for Social Security Purposes

Before Full Retirement Age (FRA)	$21,240
During the year in which FRA is reached	$56,520
After FRA	No Limit

Education Credits & Deductions

Credit/Deduction	Max Credit/Deduction	Income Phaseouts at AGI of:
American Opportunity Tax Credit/Hope	$2,500	$160,000 - $180,000 joint
		$80,000 - $90,000 all others
Lifetime Learning Credit	$2,000	$160,000 - $180,000 joint
		$80,000 - $90,000 all others
Savings bond interest tax-free if used for education	Deduction limited to amount of qualified expenses	$137,800 - $167,800 joint
		$91,850 - $106,850 all others

Social Security

Filing Status	Provisional Income	Amount of SS Subject to Tax
Single, HOH, qualifying widow(er), married filing separately and living apart from spouse	Under $25,000	0
	$25,000 - $34,000	Up to 50%
	Over $34,000	Up to 85%
Married Filing Jointly	Under $32,000	0
	$32,000 - $44,000	Up to 50%
	Over $44,000	Up to 85%
Married, filing separately & living w/ spouse	Over $0	Up to 85%

FICA

SS Tax Paid on Income	Percentage Withheld	Maximum Tax Payable
Employer pays	6.2%	$ 9,932.40
Employee pays	6.2%	$ 9,932.40
Self-employed pays	12.4%	$ 19,864.80

Medicare Tax

SS Tax Paid on Income	Percentage Withheld
Employer pays	1.45%
Employee pays	1.45% + 0.9% on income over $200,000 (single) or $250,000 (joint)
Self-employed pays	2.90% + 0.9% on income over $200,000 (single) or $250,000 (joint)

Reduction of Social Security Benefits Before Full Retirement Age

	Percentage of Social Security Benefits	
Age When Benefits Begin	FRA 66*	FRA 67*
62	75.0%	70.0%
63	80.0%	75.0%
64	86.7%	80.0%
65	93.3%	86.7%
66	100.0%	93.3%
67	100.0%	100.0%

**Full retirement age (FRA) determined by year of birth*

Deductibility of Long-Term Care Premiums on Qualified Policies

Attained Age Before Close of Tax Year	Amount of LTC Premiums that Qualify as Medical Expenses
40 or Less	$480
41 to 50	$890
51 to 60	$1,790
61 to 70	$4,770
Over 70	$5,960

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