

# 2023 tax planning guide

## Tax brackets for 2023

Married, filing jointly (%)	Single (%)
\$0–\$22,000 10.0	\$0–\$11,000 10.0
\$22,001–\$89,450 12.0	\$11,001–\$44,725 12.0
\$89,451–\$190,750 22.0	\$44,726–\$95,375 22.0
\$190,751–\$364,200 24.0	\$95,376–\$182,100 24.0
\$364,201–\$462,500 32.0	\$182,101–\$231,250 32.0
\$462,501–\$693,750 35.0	\$231,251–\$578,125 35.0
Over \$693,750 37.0	Over \$578,125 37.0
Married, filing separately (%)	Head of household (%)
\$0–\$11,000 10.0	\$0–\$15,700 10.0
\$11,001–\$44,725 12.0	\$15,701–\$59,850 12.0
\$44,726–\$95,375 22.0	\$59,851–\$95,350 22.0
\$95,376–\$182,100 24.0	\$95,351–\$182,100 24.0
\$182,101–\$231,250 32.0	\$182,101–\$231,250 32.0
\$231,251–\$346,875 35.0	\$231,251–\$578,100 35.0
Over \$346,875 37.0	Over \$578,100 37.0
Estates and trusts (%)	
\$0–\$2,900 10.0	
\$2,901–\$10,550 24.0	
\$10,551–\$14,450 35.0	
Over \$14,450 37.0	

## Long-term capital gains/qualified dividend rates

### 0.0% rate when taxable income is below:

Married, filing jointly	\$89,250
Married, filing separately	\$44,625
Head of household	\$59,750
Single	\$44,625
Estates and trusts	\$3,000

### 15.0% rate when taxable income is below:

Married, filing jointly	\$553,850
Married, filing separately	\$276,900
Head of household	\$523,050
Single	\$492,300
Estates and trusts	\$14,650

20.0% rate applies to higher taxable income amounts; 28.0% rate generally applies to capital gains on collectibles

### Standard deduction

Married, filing jointly	\$27,700
Married, filing separately	\$13,850
Single	\$13,850
Head of household	\$20,800
Blind or over 65: additional \$1,500 if married; \$1,850 if single or head of household	

### Capital loss limit

Married, filing jointly	\$3,000
Married, filing separately	\$1,500
Single	\$3,000

If your capital loss exceeds your capital gains

## Estate and gift tax

Transfer tax rate (maximum)	40%
Estate tax exemption	\$12,920,000
Gift tax exemption	\$12,920,000
Generation-skipping transfer exemption	\$12,920,000
Annual gift tax exclusion	\$17,000

## Education

### 529 education savings plans

529 plan contributions, per individual	\$17,000 per year before gift tax
529 plan contributions, per couple	\$34,000 per year before gift tax
Accelerate 5 years of gifting into 1 year per individual	\$85,000
Per couple	\$170,000

### Lifetime learning credits

Maximum credit	\$2,000
Phaseout—single	\$80,000–\$90,000 MAGI <sup>1</sup>
Phaseout—joint	\$160,000–\$180,000 MAGI <sup>1</sup>

### Coverdell education savings account

Contribution	\$2,000
Phaseout—single	\$95,000–\$110,000 MAGI <sup>1</sup>
Phaseout—joint	\$190,000–\$220,000 MAGI <sup>1</sup>

### Student loan interest

Deduction limit	\$2,500
Phaseout—single	\$75,000–\$90,000 MAGI <sup>1</sup>
Phaseout—joint	\$155,000–\$185,000 MAGI <sup>1</sup>

### Phaseout of tax-free savings bonds interest

Single	\$91,850–\$106,850 MAGI <sup>1</sup>
Joint	\$137,800–\$167,800 MAGI <sup>1</sup>

### American opportunity tax credit

Maximum credit	\$2,500
Phaseout—single	\$80,000–\$90,000 MAGI <sup>1</sup>
Phaseout—joint	\$160,000–\$180,000 MAGI <sup>1</sup>

## Kiddie tax

Earned income is taxed at single tax bracket rates. Unearned income in excess of \$2,500 is taxed at the rates of the child's parents.

## Retirement

### IRA and Roth IRA contributions

Under age 50	\$6,500
Aged 50 and over	\$7,500

### Phaseout for deducting IRA contributions

(for qualified plan participants only)

Married, filing jointly	\$116,000–\$136,000 MAGI <sup>1</sup>
Married, filing jointly <sup>2</sup>	\$218,000–\$228,000 MAGI <sup>1</sup>
Single or head of household	\$73,000–\$83,000 MAGI <sup>1</sup>

### Phaseout of Roth contribution eligibility

Married, filing jointly	\$218,000–\$228,000 MAGI <sup>1</sup>
Married, filing separately	\$0–\$10,000 MAGI <sup>1</sup>
Single	\$138,000–\$153,000 MAGI <sup>1</sup>

### SEP contribution

Up to 25% of compensation	Limit \$66,000
To participate in SEP	\$750

### SIMPLE elective deferral

Under age 50	\$15,500
Aged 50 and over	\$19,000

### Qualified plan contributions

401(k), 403(b), 457, and SARSEP	\$22,500
Aged 50 and over	\$30,000
Limit on additions to defined contribution plan	\$66,000
Benefit limit on defined benefit plan	\$265,000
Highly compensated employee makes	\$150,000
Annual compensation taken into account for qualified plans	\$330,000

<sup>1</sup> Modified adjusted gross income <sup>2</sup> Phaseout occurs when an IRA contributor isn't a participant in a qualified plan but the spouse is.

## Another year of rising inflation spurs more bracket adjustments for tax year 2023

The tax brackets on the front of this flyer for tax year 2023 apply to tax returns filed in early 2024, and the annual adjustments that the IRS made to these brackets are much higher than usual—around 7.1% for most brackets—because inflation sharply accelerated in 2022. For tax year 2022, the upward adjustments were around 3%, reflecting the more modest gains in inflation seen in 2021. Using formulas set by Congress, the IRS makes inflation adjustments for more than 60 tax provisions to address what's commonly known as bracket creep—rising prices pushing taxpayers into higher income brackets paying higher tax rates without a comparable increase in purchasing power. At the same time, inflation can erode the value of credits or deductions that can be used to limit tax bills.

While the bracket adjustments affect taxpayers across the income spectrum to varying degrees, changes to standard deductions apply to all taxpayers who choose not to itemize deductions. For tax year 2023, the standard deduction for married couples will increase to \$27,700, or \$1,800 higher than in the 2022 tax year; for single taxpayers and married individuals filing separately, it will rise to \$13,850, or an increase of \$900; and for heads of households, the standard deduction will be \$20,800, up \$1,400.

What's not changing are the basic income-tax rates that were set with the enactment of the Tax Cuts and Jobs Act of 2017, which set the lowest threshold at 10% and the highest at 37%.

## Required minimum distributions

The Uniform Lifetime Table can be used by all IRA owners, unless their sole beneficiary for the entire year is a spouse who is more than 10 years younger. Then the Joint Life Expectancy Table is used (see IRS Pub. 590-B), which could reduce the required minimum distribution (RMD). Taking into account changes in mortality rates, the IRS has updated both tables, effective for RMDs required for tax years beginning in 2022.

### Uniform Lifetime Table<sup>3</sup>

Age of account owner	Divisor	Age of account owner	Divisor	Age of account owner	Divisor
72	27.4	84	16.8	96	8.4
73	26.5	85	16.0	97	7.8
74	25.5	86	15.2	98	7.3
75	24.6	87	14.4	99	6.8
76	23.7	88	13.7	100	6.4
77	22.9	89	12.9	101	6.0
78	22.0	90	12.2	102	5.6
79	21.1	91	11.5	103	5.2
80	20.2	92	10.8	104	4.9
81	19.4	93	10.1	105	4.6
82	18.5	94	9.5	106	4.3
83	17.7	95	8.9	107	4.1

<sup>3</sup> The table progresses until the divisor becomes 2.0 for ages 120 and higher.

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