

TAX UPDATES (NOV 30, 2023, TAX SEMINAR)

INDIVIDUALS

Standard Deductions	<u>2022</u>	<u>2023</u>
Married Filing Jointly	25,900	27,700
Single	12,950	13,850
Head of Household	19,400	20,800
Married Filing Separately	12,950	13,850
Additional – blind or elderly		
Single & HOH	1,750	1,850
MFJ, QW, MFS	1,400	1,500
Claimed as dependent of another	1,150 or 400 + earned income (the greater)	1,250 or 400 + earned income (the greater)

2023 Child Tax Credit of \$2,000 per Child under Age 17

Phased out when AGI reaches \$400,000 MFJ filers, \$200,000 single filers. \$1,600 of the credit is refundable.

Credit for Other Dependents. Taxpayers with dependents who don't qualify for the Child Tax Credit may be able to claim the Credit for Other Dependents. They can claim this credit in addition to the Child and Dependent Care Credit and the Earned Income Credit.

Here's more information to help taxpayers determine whether they're eligible to claim the Credit for Other Dependents on their 2023 tax return.

The maximum credit amount is \$500 for each dependent who meets certain conditions. This credit can be claimed for:

- Dependents of any age, including those who are age 18 or older.
- Dependents who have Social Security numbers or Individual Taxpayer Identification numbers.
- Dependent parents or other qualifying relatives supported by the taxpayer.
- Dependents living with the taxpayer who aren't related to the taxpayer.
- The credit begins to phase out when the taxpayer's income is more than \$200,000. This phaseout begins for married couples filing a joint tax return at \$400,000.

Kiddie Tax applies to unearned income in excess of \$2,300 for 2023. Applies to children age 18 and under as well as full-time students under age 24 (unless the students provide more than half of their own support from earned income). Unearned income above the \$2,300 threshold will be taxed at the parent's marginal income tax rate.

Estimated Tax Payments

To avoid possible underpayment penalties, you are generally required to pay in through withholding or estimated tax payments the lesser of:

1. 100% of prior year tax liability or
2. 90% of current-year tax liability

2023 taxpayers with 2022 AGI greater than \$150,000 (\$75,000 for married filing separate) must pay the lesser of:

1. 110% of prior year tax liability, or
2. 90% of current-year tax liability

2023 estimated tax payments for individuals are due by:

- April 18, 2023 September 15, 2023
June 15, 2023 January 16, 2024

2023 Alternative Minimum Tax (AMT)

Tax Rate 26% to \$206,100
 28% over \$206,100

AMT Exemption Amount (Phased out for upper-bracket taxpayers)

	2023	Phase Out
Single/HOH	\$81,300	\$578,150 - \$903,350
Married Filing Jointly	\$126,500	\$1,156,300 - \$1,662,300
Married Filing Separately	\$63,250	\$ 578,150 - \$903,350

2023 Long-Term Capital Gains – Assets Held 12 Months or More

Tax Bracket/Rate	Taxable Income	
	Single	Married Filing Joint
0%	\$0 - \$44,625	\$0- \$89,250
15%	\$44,626 - \$492,300	\$89,251 - \$553,850
20%	\$492,301 +	\$553,851 +

2023 Short-Term Capital Gains – Assets Held less than 12 Months

Taxed at the same rates as the regular tax listed on the following page.

2023 Qualified Dividends

Taxed at the same rates as the Long-Term Capital Gains listed above.

Additional Medicare Tax - .9%

Additional tax on wages and self-employment income in excess of a specific Modified AGI:
Modified AGI thresholds:

\$250,000	MFJ
\$125,000	MFS
\$200,000	Single/HoH

Surtax on Net Investment Income – 3.8%

Interest, dividends, capital gains, annuities, royalties, rents and pass-through income from a passive business such as an S-Corp or Partnership.

Tax on the lower of

1. net investment income for the year; or
2. modified AGI over a certain threshold amount. (Same as for Additional Medicare Tax)

Taxable Social Security Benefits

Social security received is taxable if AGI, plus tax-exempt interest, plus half of social security received exceeds these base amounts.

The taxable amount is the lesser of:

1. % of the excess over the base amounts
2. % of benefit received

	<u>(50%)</u>	<u>(85%)</u>
Married Filing Jointly	\$32,001-\$44,000	\$44,001+
Single/Head of Household	\$25,001-\$34,000	\$34,001+
Married Filing Separately	\$0	\$0

2023 Individual Income Tax Rates

2023 Federal Income Tax Brackets and Rates for Single Filers, Married Couples Filing Jointly, and Heads of Households

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,000	\$0 to \$22,000	\$0 to \$15,700
12%	\$11,000 to \$44,725	\$22,000 to \$89,450	\$15,700 to \$59,850
22%	\$44,725 to \$95,375	\$89,450 to \$190,750	\$59,850 to \$95,350
24%	\$95,375 to \$182,100	\$190,750 to \$364,200	\$95,350 to \$182,100
32%	\$182,100 to \$231,250	\$364,200 to \$462,500	\$182,100 to \$231,250
35%	\$231,250 to \$578,125	\$462,500 to \$693,750	\$231,250 to \$578,100
37%	\$578,125 or more	\$693,750 or more	\$578,100 or more

Source: Internal Revenue Service

Education Credits and Deductions

American Opportunity Tax Credit (replaced Hope Credit)

Each of first four years, max of \$2,500 for 2023. 100% of the first \$2,000, 25% of the next \$2,000 on qualified tuition and course materials. 40% of the credit is refundable.

Phase-out begins: Joint returns \$160,000 AGI; Single return \$80,000 AGI

Lifetime Learning

\$2,000 max per year, 20% of up to \$10,000 qualified tuition for 2023.

Phase-out begins: Joint return \$160,000 AGI; Single return \$80,000 AGI

Student Loan Interest Deduction

Up to \$2,500, deduction phase-out begins if AGI over \$155,000-\$185,000 married, \$75,000-\$90,000 single

Standard Mileage Deduction

<u>Use</u>	<u>2023</u>
Business	\$.655 per mile
Charitable	\$.14 per mile
Medical/Moving	\$.22 per mile

Social Security Information

	<u>2022</u>	<u>2023</u>
Social Security Base	\$147,000	\$162,200
Medicare Base	Unlimited	Unlimited
Social Security Tax Rate (Employee)	6.20%	6.20%
Social Security Tax Rate (Self-Employed)	12.40%	12.40%
Medicare Tax Rate (Employee)	1.45%	1.45%
Medicare Tax Rate (Self-Employed)	2.90%	2.90%
Maximum Social Security Tax (Employee)	\$9,114	\$ 9,932
Maximum Social Security Tax (Self-Employed)	\$18,228	\$ 19,865
Earnings needed to earn one social security credit	\$1,510	\$ 1,640
Medicare Part B Premium:		<u>2023</u>
Per Month		\$ 164.90
Per Year		\$ 1,979
Maximum Annual Earned Income Limited:		\$ 21,240
Under full retirement age (lose \$1 for \$2)		
In the year you reach full retirement age (FRA)		\$ 56,520
(lose \$1 for \$3)		
Full retirement age or older	Unlimited	