

Tax year 2023 includes several significant tax law changes. Preparing complete and accurate federal and state income tax returns is a complicated matter for most taxpayers. As your tax advisor, I can help you navigate the complexities of the tax code and comply with the law.

## What's new for 2023?

### Home Energy Tax Credits

An annual tax credit up to \$1,200 is available if you make qualified energy improvements to your home (heat pumps qualify for a separate annual credit of up to \$2,000). Purchase and installation of items such as heat pumps, water heaters, heating and cooling systems, electrical panel upgrades, insulation, windows, and exterior doors may qualify for the credit. [Click here for more details.](#)

### Clean Vehicle Tax Credit

A credit up to \$7,500 is available for the purchase of a qualified plug-in electric vehicle. However, your modified adjusted gross income cannot exceed \$150,000 (Single or Married Filing Separately) or \$300,000 (Married Filing Jointly). Sticker price of the vehicle cannot exceed \$80,000 (SUV/Truck/Van) or \$55,000 (All others). A credit of up to \$4,000 is available for the purchase of a previously owned clean vehicle. [Confirm vehicle eligibility and credit amount here.](#) [Click here for more details.](#)

### Digital Assets & Virtual Currency

You must recognize any gain when you sell or exchange digital assets, such as virtual currency and non-fungible tokens (NFT), for cash, goods, services, or other digital assets. Taxpayers must track basis, gains, and losses.

### Form 1099-K

Sellers of goods or services via online platforms or who utilize online payment processors may receive Form 1099-K. The reported amount will be considered income and must be reported to the IRS. This provision was deferred until 2024, but some providers may still issue Forms 1099-K for 2023. [Click here for more details.](#)

### Inflation & Tax Brackets

Due to inflation, tax bracket ranges expanded, and standard deduction amounts increased.

### IRS Interest Rate

IRS interest rates increased to 8%. This can make a big difference if you owe a tax balance. Make timely estimated tax payments, as applicable. If you file an extension, you should pay any expected tax liability by 4/15/24 to minimize interest accrual.

### Required Minimum Distributions (RMD)

Taxpayers who reached age 73 in 2023 must take RMDs from certain retirement accounts. These distributions are generally taxable.

### 10-Year Rule for Inherited IRA

Distributions to most non-spouse beneficiaries are now generally required to be completed within ten years following the death of the original owner.

### No Age Limit for Traditional IRA Contributions

You can make contributions to a traditional IRA if you have earned income from wages or self-employment.

### Individual Tax Filing Deadline

File by **April 15, 2024**, or submit an extension. An extension allows additional time to file but does not provide for additional time to pay. If a tax balance is due, then a late payment penalty plus interest will accrue.

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### Beware of scams

The IRS will not call, email, or text you. If the IRS needs to contact a taxpayer, they will mail a letter. Text messages containing an IRS telephone number, website link, or QR code are likely to be scams.



## Tax Rates and Income Brackets

Individual income is taxed as either ordinary or capital gain, generally. At higher income levels, other taxes such as alternative minimum tax, additional Medicare tax, and net investment income tax may also apply.

### Ordinary Income Tax

Includes wages, salaries, certain retirement distributions, social security, unemployment, self-employment, rents, royalties, interest, short-term capital gains, and ordinary dividends.

This income is taxed at graduated rates, depending on filing status. Each bracket is filled prior to spilling to the next bracket.

*Example:* Single with \$75,000 taxable income. The tax rate is not a flat 22%. Instead, the first part is taxed at 10%, the next part at 12%, and the last part at 22%.

### Capital Gain Tax

Includes qualified dividends and the net gain from the sale of long-term capital assets (such as real estate, stocks, and personal-use and business-use assets) that are held for more than one year. Gain on the disposition of capital assets is taxed at different rates than ordinary income.

### Additional Medicare Tax

Employers are required to withhold an additional Medicare tax of 0.9% on wages greater than \$200,000. However, on the tax return, the tax is assessed only if modified adjusted gross income (MAGI) exceeds \$200,000 (Single) or \$250,000 (Married Filing Jointly). Depending on your income, you may see an excess Medicare tax withholding applied as a payment which reduces your tax.

### Net investment Income Tax (NIIT)

An additional 3.8% tax is assessed if you have investment income *and* your MAGI exceeds \$200,000 (Single) or \$250,000 (Married Filing Jointly). The NIIT is applied to interest, dividends, royalties, rental income, and net gain on certain investments.

**2023 Marginal Tax Rates**  
(applied to ordinary taxable income)

	Single	Married Filing Jointly
<b>10%</b>	0 to 11,000	0 to 22,000
<b>12%</b>	11,001 to 44,725	22,001 to 89,450
<b>22%</b>	44,726 to 95,375	89,451 to 190,750
<b>24%</b>	95,376 to 182,100	190,751 to 364,200
<b>32%</b>	182,101 to 231,250	364,201 to 462,500
<b>35%</b>	231,251 to 578,125	462,501 to 693,750
<b>37%</b>	Over 578,125	Over 693,750

**2023 Long-term Capital Gains Tax Rates**

	Single	Married Filing Jointly
<b>0%</b>	0 to 44,625	0 to 89,250
<b>15%</b>	44,626 to 492,300	89,251 to 553,850
<b>20%</b>	Over 492,300	Over 553,850

### Premium Tax Credit Repayment

If you received an advance tax credit or subsidy on your health insurance (Obamacare or healthcare.gov) and your income is higher than anticipated, then you may have to pay back the excess subsidy amount when you file your federal tax return.



## Standard Deduction

Taxpayers can claim a standard deduction based on filing status or they can itemize deductions, whichever is of greater benefit.

The combination of a higher standard deduction and the reduction or elimination of many itemized deductions means that many taxpayers who once benefited from itemizing may be better off taking the standard deduction.

### Standard Deduction

Filing Status	2023
Single	13,850
If over 65	15,700
Married Filing Jointly	27,700
If one spouse over 65	29,200
If both spouses over 65	30,700
Married Filing Separately	13,850
Head of Household	20,800

## Itemized Deductions

- Medical Expenses - Deduct qualified medical expenses above 7.5% of Adjusted Gross Income.
- State & Local income (or sales tax), property tax, and personal property tax. Capped at \$10,000 through 2026.
- Mortgage Interest, subject to limitations.
- Charitable Contributions (cash and non-cash), subject to limitations.

## Self-Employed Business Deductions

*(claimed on Schedule C or a business tax return)*

**Business Meals Deduction** - For 2023, business meal expenses reverted to 50% deductible.

**Entertainment** - Expenses other than meals are non-deductible expenses (No games or events).

**Standard Mileage Rate is \$0.655/mile.**

## Your Online IRS Account

The IRS continues to improve the taxpayer online account experience at [www.irs.gov](http://www.irs.gov). By creating a log in, you can:

- View tax payment amounts.
- See refunded amounts applied as a credit.
- Check tax balance amounts.
- Review and respond to certain tax notices.
- Request an Identify Protection PIN (IP PIN).
- Review and approve authorization forms, such as a power of attorney.

If you have not set up your IRS account, you can [create a login here](#). The identity verification process using ID.me is a little tricky. [This guide may be useful.](#)

As part of my 2023 tax filing process, I will ask clients to sign a limited Power of Attorney (Form 2848) that permits me to access your IRS transcripts. This is a helpful tool when searching for missing tax forms and payment information. It also allows me to speak to the IRS on your behalf if you receive tax notices that need to be resolved. Form 2848 does not permit me to sign your tax return or redirect your tax refund.

If you have an Online IRS Account, you will receive a notification from the IRS to review and electronically approve a Power of Attorney authorization request from me.

## 2023 Maximum Contribution Amounts

**401(k)** \$22,500, or \$30,000 if 50 or older.

**IRA** \$6,500, or \$7,500 if 50 or older.

**HSA** Self-only \$3,850, or \$4,850 if 55 or older.  
Family \$7,750, or \$8,750 if 55 or older.



## 2024 TAX UPDATES

Standard Deduction	
Filing Status	2024
Single	14,600
If over 65	16,550
Married Filing Jointly	29,200
If one spouse over 65	30,750
If both spouses over 65	32,300
Married Filing Separately	14,600
Head of Household	21,900

### 2024 Maximum Contribution Amounts

- 401(k)** \$23,000, or \$30,500 if 50 or older.
- IRA** \$7,000, or \$8,000 if 50 or older.
- HSA** Self-only \$4,150, or \$5,150 if 55 or older.  
Family \$8,300, or \$9,300 if 55 or older.

**Transfer Clean Vehicle Credit** - In 2024, you may transfer a Clean Vehicle Credit to the dealer, however MAGI limits will still apply.

**Form 1099-K** - The reporting threshold for online platforms and payment processors will be \$5,000.

**Social Security Cost of Living Adjustment: 3.2%**

**Standard Mileage Rate for Business: \$0.67**

**Beneficial Ownership Information (BOI) Report** - New anti-money laundering legislation requires businesses to provide identifying information about owners. Existing LLCs, S-corps, Partnerships and C-corps must file the BOI report by 1/1/2025. New companies formed after 1/1/2024 must file a BOI report within 90 days.

### Estimated Tax Payments

**2023** final payment due 01/16/24  
**2024** dates 4/15/24, 6/17/24, 9/16/24 & 1/15/25

## 2026 TAX CLIFF

Many of the tax law changes that went into effect in 2018 are scheduled to “sunset” on 12/31/2025. This includes reductions in tax rates, increases in standard deductions, and the 20% deduction on qualified business income.

Without additional legislation, tax rates will revert to 2017 levels. Taxpayers who have benefitted from the lower rates will certainly feel the impact. This is a big unknown looming in our near future.

**Let’s plan now for the next few years!**

## TAX PLANNING STRATEGIES

- Maximize 401(k) contribution and allocate a portion to a Roth option, if available.
- Maximize HSA contributions (and don’t use it).
- Donate appreciated assets.
- Structure your home improvements across tax years to maximize energy credits.
- Accelerate or defer income to maximize use of energy and vehicle credits.
- Convert Traditional IRA funds to Roth IRA.
- Leverage Tax Loss Harvesting.
- Utilize 0% Long-term Capital Gains Rate.
- Consider Qualified Charitable Distribution (QCD) if over 70½ and donating significant amounts.
- If self-employed, fund a Solo 401(k) or SEP.
- If over 65, beware of Income-Related Monthly Adjustment Amounts (IRMAA). Your 2025 Medicare rates will be based on 2023 income.
- Plan for your retirement account distributions.

**Everyone’s tax situation is different and minimizing tax requires proactive planning!**

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