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2023 Last-Minute Tax Strategies for Marriage, Kids, and Family

Here are strategies to consider as we come to the end of 2023.

1. Put Your Children on Your Payroll

If you have a child under the age of 18 and you operate your business as a Schedule C sole proprietor or as a spousal partnership, you need to consider having that child on you r payroll.

- First, neither you or your child would pa payroll taxes on the child's income
- Second, with a traditional IRA, the child can avoid all federal income taxes on up to $20,350 of earned income

If you operate your business as a corporation, you can still benefit by employing the child even though both your cooperation and your child suffer payroll taxes.

2. *Make Use of the 0 Percent Tax Bracket*

In the old days, you used this strategy with your college student. Today, this strategy does not work with the college student, because the kiddie tax now applies to students up to age 24.[8]

But this strategy is a good one, so ask yourself this question: Do I give money to my parents or other loved ones to make their lives more comfortable?

If the answer is yes, is your loved one in the 0 percent capital gains tax bracket? The 0 percent capital gains tax bracket applies to a single person with less than $44,625 in taxable income and to a married couple with less than $89,250 in taxable income.[9]

If the parent or other loved one is in the 0 percent capital gains tax bracket, you can get extra bang for your buck by giving this person appreciated stock rather than cash.

Example. You give Aunt Millie shares of stock with a fair market value of $20,000, for which you paid $2,000. Aunt Millie sells the stock and pays zero capital gains taxes. She now has $20,000 in after-tax cash to spend, which should take care of things for a while.

Had you sold the stock, you would have paid taxes of $4,284 in your tax bracket (23.8 percent x the $18,000 gain).

Of course, $3,000 of the $20,000 you gifted goes against your $12.92 million estate tax exemption if you are single.[10]

If you're married and you make the gift together, you each have a $17,000 gift-tax exclusion, for a total of
$34,000, and that eliminates the gift tax. But you must file a gift-tax return that shows the government you split the gift.

1 IRC Sections 3121(b)(3)(A); 3306(c)(5).
2 Rev. Proc. 2022-38.
3 IRC Section 219(b)(5)(A); Rev. Proc. 2022-38.
4 IRC Section 408A; Rev. Proc. 2022-38. For more, see How Are Roth IRA Withdrawals Taxed?
5 IRC Section 7703(a).
6 Pub. L. No. 115-97, Sections 11051(b)(1)(B) and (C); IRC Sections 71; 215.
7 IRC Section 163(h)(3)(F)(i)(II).
8 IRC Section 152(c)(3)(A)(ii).
9 Rev. Proc. 2022-38.
10 IRC Section 2503(b) and IRC Section 2010, both of which were adjusted for inflation by Rev. Proc. 2022-38.