

2023 Tax Digest

Presented by: **Wayne McCullough, LUTCF**
Regional Brokerage Manager

Prepared for: **Valued Clients**

Social Security/Medicare

OASDI - Earnings Base		\$160,200
Rate		6.20% Employer/6.20% Employee
Employer/Employee Maximum Tax Each		\$9,932.40 Employer/\$9,932.40 Employee
Self-Employed Maximum Tax		12.40%/\$19,864.80
HI (Medicare) Rate	1.45% of all earned income (employer and employee/2.9% if self-employed) plus an additional 0.9% on earned income in excess of \$200,00 single/\$250,000 married paid by employee only	
Cost of Living Benefit Increase		8.7%
Quarter of Coverage Earnings		\$1,640
Normal Retirement Age (NRA) - 1957 year of birth		66 and 6 months
Earnings Test - Retired under NRA all of 2023		\$21,240
Reach NRA during 2023		\$56,520

Health Savings Accounts

Coverage	Minimum Deductible	Maximum Annual Contribution	Maximum Out-of-Pocket
Self-Only	\$1,500	\$3,850	\$7,500
Family	\$3,000	\$7,750	\$15,000

Retirement Plan Contribution/Benefit Limits

Defined Benefit Plans		\$265,000 maximum benefit
Defined Contribution Plans		\$66,000 or 100% of compensation maximum contribution
Elective Deferral Limit for 401(k) Plans, SAR-SEPs and TSAs		\$22,500
Catch-up for 401(k) Plans, SAR-SEPs and TSAs (age 50 or older)		\$7,500
Elective Deferral Limit for SIMPLE IRAs and SIMPLE 401(k) Plans		\$15,500
Catch-up for SIMPLE IRAs and SIMPLE 401(k) Plans (age 50 or older)		\$3,500
Elective Deferral Limit for 457 Plans		\$20,500
Minimum Compensation Amount for SEPs		\$750
Maximum Compensation for Qualified Plans, SEPs, TSAs, VEBAs		\$330,000
Highly Compensated Employee Definition Limit		\$150,000
ESOP Payout Limits		\$265,000/\$1,330,000
Contribution Limit for IRAs (Traditional and Roth)		\$6,500
Catch-up for IRAs (Traditional and Roth) (age 50 or older)		\$1,000

Eligible Long-Term Care Insurance Amounts

Attained Age in 2023	Limitation on Deductible Premiums
40 or less	
41 to 50	\$480
51 to 60	\$890
61 to 70	\$1,790
More than 70	\$4,770
Per Diem Tax-Free Benefit Limitation	\$5,960
	\$420

Estate, Gift and Generation-Skipping Transfer (GST) Taxes

Top Tax Rate		40%
Annual Gift and GST Exclusion		\$17,000
Estate and Gift Tax Unified Credit/Unified Credit Equivalent		\$5,113,800/\$12,920,000
Estate Tax Deferral (Closely-Held Businesses)		\$700,000
Special Use Valuation Limitation		\$1,310,000
Qualified Conservation Easement Exclusion Limitation		\$500,000
GST Exemption/Exemption Equivalent		\$5,113,800/\$12,920,000

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Income Tax Rates, Deductions and Credits

Tax Rates

Ordinary Income Tax Rates	10%, 12%, 22%, 24%, 32%, 35%, 37%
Capital Gains/Dividend Tax Rates	0% (income up to \$44,625 single, \$89,250 married), 15% (income between \$44,625-\$492,300 single, \$89,250-\$553,850 married), 20% (above \$492,300 single, \$553,850 married)
Medicare Contribution Tax	3.8% on unearned or net investment income above MAGI of \$200,000 single/\$250,000 married
Alternative Minimum Tax Exemption	\$81,300 single and head of household/\$126,500 married

Standard Deduction

Joint Returns and Surviving Spouses	\$27,700
Heads of Household	\$20,800
Single Taxpayers	\$13,850
Married Filing Separately	\$13,850
Age 65 and Older or Blind - Single or Head of Household	Additional \$1,850
Age 65 and Older or Blind - All Others	Additional \$1,500 each

Child/Dependent Tax Credit

Child Credit Amount	\$2,000 for each qualifying child under age 17
Refundable Amount	Up to \$1,600 per qualifying child
Qualifying Dependent Credit Amount	\$500 per qualifying dependent other than qualifying children (e.g., a dependent parent)
Credit Phaseout	Begins to phase out at AGI in excess of \$400,000 married joint filers/\$200,000 all others

Pass-through Business Deduction

Pass-through business owners who pay tax on business income on their individual tax returns (sole proprietors, partners and shareholders of S-corporations, LLCs and limited partnerships) may be entitled to a deduction equal to the **lesser** of 20% of their allocable share of business income or 50% of the owner's share of W-2 wages paid by the business. **Alternatively**, the deduction is equal to 25% of the owner's share of W-2 wages paid by the business **PLUS** 2.5% of the owner's share of the unadjusted basis (original purchase price) of the property used in the production of income. Begins to phase out at \$364,200 married joint filers/\$182,100 all others.

Education Deductions/Credits

American Opportunity Tax Credit Amount/Phaseouts:

100% of first \$2,000 of tuition and related college expenses	\$2,000
25% of next \$2,000	\$500
Maximum Credit	\$2,500
Phaseouts	\$160,000 - \$180,000 married joint filers; \$80,000 - \$90,000 all others

Lifetime Learning Credit Amount/Phaseouts:

Amount	20% of the first \$10,000 of qualified tuition and fees (\$2,000 maximum)
Phaseouts	\$160,000 - \$180,000 married joint filers; \$80,000 - \$90,000 all others

Student Loan Interest Deduction/Phaseouts:

Amount	\$2,500
Phaseouts	\$155,000 - \$185,000 married joint filers; \$75,000 - \$90,000 all others

Education Savings Account Deduction/Phaseouts:

Amount	\$2,000 per beneficiary
Phaseouts	Reduces to zero for AGIs between \$190,000 - \$220,000 for married joint filers; \$95,000 - \$110,000 all others

2023 Federal Income Tax Rates for Individuals

Unmarried Individuals

If Taxable Income Is Over	But Not Over	The Tax Is	Plus	Of the Amount Over
\$ 0	\$ 11,000	\$ 0	10%	\$ 0
11,000	44,725	1,100.00	12%	11,000
44,725	95,375	5,147.00	22%	44,725
95,375	182,100	16,290.00	24%	95,375
182,100	231,250	37,104.00	32%	182,100
231,250	578,125	52,832	35%	231,250
578,125	-----	174,238.25	37%	578,125

Standard Deduction: \$13,850 (\$15,700 if age 65 or older)

Child Tax Credit: \$2,000 for each child under age 17; refundable portion is \$1,600; begins to phase out for unmarried taxpayers with adjusted gross income in excess of \$200,000

Dependent Tax Credit: \$500 for each non-child dependent; begins to phase out for unmarried taxpayers with adjusted gross income in excess of \$200,000

Married/Joint Returns and Surviving Spouses

If Taxable Income Is Over	But Not Over	The Tax Is	Plus	Of the Amount Over
\$ 0	\$ 22,000	\$ 0	10%	\$ 0
22,000	89,450	2,200.00	12%	22,000
89,450	190,750	10,294.00	22%	89,450
190,750	364,200	32,580.00	24%	190,750
364,200	462,500	74,208.00	32%	364,200
462,500	693,750	105,664.00	35%	462,500
693,750	-----	186,601.50	37%	693,750

Standard Deduction: \$27,700 (\$29,200 if one spouse is age 65 or older; \$30,700 if both are)

Child Tax Credit: \$2,000 for each child under age 17; refundable portion is \$1,600; begins to phase out for married/joint return and surviving spouse taxpayers with adjusted gross income in excess of \$400,000

Dependent Tax Credit: \$500 for each non-child dependent; begins to phase out for married/joint return and surviving spouse taxpayers with adjusted gross income in excess of \$400,000

Heads of Households

If Taxable Income Is Over	But Not Over	The Tax Is	Plus	Of the Amount Over
\$ 0	\$ 15,700	\$ 0	10%	\$ 0
15,700	59,850	1,570.00	12%	15,700
59,850	95,350	6,868.00	22%	59,850
95,350	182,100	14,678.00	24%	95,350
182,100	231,250	35,498.00	32%	182,100
231,250	578,100	51,226.00	35%	231,250
578,100	-----	172,623.50	37%	578,100

Standard Deduction: \$20,800 (\$22,300 if age 65 or older)

Child Tax Credit: \$2,000 for each child under age 17; refundable portion is \$1,600; begins to phase out for head-of-household taxpayers with adjusted gross income in excess of \$200,000

Dependent Tax Credit: \$500 for each non-child dependent; begins to phase out for head-of-household taxpayers with adjusted gross income in excess of \$200,000