BRIAN PRZYSTUP & ASSOCIATES, LLC

International Tax Consultants

Specializing in Aviation, Real Estate & Corporate

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Dear Tax Client:

Enclosed you will find your new Tax Organizer for 2023. Please make sure your organizer is complete and all requested material is provided. Only complete the sections that apply to your tax situation. The use of debit/credit cards, canceled checks and auto logs relating to your profession is the best Audit trail a Taxpayer can

keep. Listed below are some changes and updates from the I.R.S. for the year ending 2023.

- **Increase in standard deduction and personal exemptions.**
- **Increase in child tax credit and earned income credit.**
- **Educators deduction restored for one more year.**
- **Capital gains and dividend tax rates remain at 0%, 15%, and 20%.**
- **Interest income taxed at ordinary income tax bracket.**
- **Additional tax credits, deductions extension for members of the U.S. Armed Forces & Reservists.**
- **Sales tax deductions for states with no state income tax.** (i.e. food, clothing, automobiles, anything you pay sales tax on)
- **Foreign Earned Income Exclusion increased to $ 120,000.**
- **Gift Tax Exclusions increased to $17,000.**
- **S-Corps will receive a QBI 20%tax incentive on all net profit: 20% Tax decrease on your net income.**
- **Refunds 24/7 Online: www.irs.gov Or call 1-800-829-1040.**
- **Education credits have increased and tuition and fees deductions have been extended until 12/31/2023**

- **Disaster Tax Relief for hurricane affected areas. All Penalties & interests are Waived.**
- **AMT Relief was signed into law by President Obama, helping approximately 25 million taxpayers from paying additional income taxes.**
- **All Corporate owners and officers must be on payroll (W-2) starting January 2024.**
- **Standard Business Auto Mileage Rates for 2023.**
  - 65.5 cents
  - 22 cents from medical and moving
  - 14 cents for charitable
- **Mortgage interest credit for qualifying taxpayers.**
- **Qualified mortgage insurance premiums are now deductible.**

- Mortgage Relief Bill

Foreclosure or short sale on their principal Residence. A 1099-C will be issued. Program ends 12/31/16. **It has been Extended to 12/31/2016.No longer in effect for 2017**

Relief + consideration will be given on short Sales and deed in lieu transactions for Investments + rental properties.

If you meet the Insolvency Test, then your Transactions MAY NOT be a taxable event! INSOLVENCY FORM MUST BE FILLED OUT!!

- **The IRS is not waiving and/or abating any penalties.**
- **CREW MEMBER DISCOUNT**
- **FREE REVIEW of last 3 years !**
- **BONUS DEPRECIATION continues indefinitely for new autos of all Business owners and Self employed Sub contractors.**

- **THIS IS MANDATORY: U.S. Citizens with foreign bank accounts holding more than $10,000 must fill out form 90-22.1 FBAR PUB 54 under U.S. Treasury / IRS Tax code.**
- **New law: ANY U.S. citizen that is currently holding any assets over $50,000 in any other country must declare them on form 8938.**
- **If anyone wants an EXTENSION please email or call us before March 1, 2024.**

Important Dates & Deadlines

- **2023 Personal / Individual 1040 Return due 4/15/2024**
- **2023 Business / Corporate Returns – LLC, LLP, Sub S Corp, PA & PCs due 03/15/2024**
- **2023–1099 Self Employed Estimated Tax due 01/15/2024 Return due 04/15/2024**
- **Extensions (Personal/individual) 1040 Return due 10/15/2024 With penalty & interest**
- **Extensions (Business/Corporate) Business Return due 09/15/2024**
- **All 1099s for contract labor and Self employed individuals us be Issued by 01/31/2024**
- **FBARS due 04/15/2024**

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You may email me any time with tax questions that may arise during the course of the year. For your convenience, you may mail, drop off your records at any time. Phone interviews are also available. Attached is a Direct Deposit form. Please follow the instructions carefully.

Do not send original documents when mailing, overnighting or courier service.

Must have ALL documents before sending. **NO PIECE MAIL** or fax one item and FedEx the other

Payment is due when services rendered.

Wishing all of you, your families and our troops a safe, Healthy and Prosperous New Year.

Sincerely,

Brian Przystup

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<u>TO ALL CREW MEMBERS WHO QUALIFY UNDER TO – DOT GUIDELINES</u>

As of 1/1/2018 , **<u>ALL</u>** crew members deductions were discontinued under the new trump Tax Act of 2017. However, If it does get reinstated (bill pending in congress), we will notify you on any updates. There are conflicting bills & and hearings but nothing proposed yet.

To be continued.

<u>TO ALL CLIENTS:</u>

Brian Przystup & Associates are not responsible for any original documents. We ask as every year that you **SEND COPIES NOT ORIGINALS**. For your security and identity theft issues. We are here to protect your confidentiality and identity .

Thank you for your understanding.

Brian Przystup

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IMPORTANT DATES AND INFORMATION

Note: Extensions will be filed ONLY for Clients that request them at least **15 days before the deadlines**. Clients must call to request extensions. Brian will not be responsible for any late penalties for filing late. Below are due dates for personal and Business tax returns. If an extension was filed, you must provide your ALL TAX DOCUMENTS in 1 PKG ! at least 3 weeks before the deadline.

1.- Personal Taxes are due on April 15th.

If you don't file by this date, you will have to pay 3 penalties:

- FAILURE TO FILE (If extension was not received by 04/15)
- FAILURE TO PAY (This is if you owe money to the IRS) 1099 tax liability is due 01/15
- INTEREST, Failure to Pay Interest. Extension was filed but no payment was made.

*Extension ONLY waive the FAILURE TO FILE PENALTY.

Extensions for personal returns are due on October 15th. Clients must provide tax documents at least 2 weeks before the deadline.

2.- Business Taxes are due on March 15th.

If you don't file by this date, You will have to pay penalties:

- FAILURE TO FILE (If extension was not received by 03/15)
- FAILURE TO PAY (This is if you owe money to the IRS) 1099 liability is due 01/15
- INTEREST, Failure to Pay Interest. Extension was filed but no payment was made.
- LATE FILING PENALTY $ 195 per shareholder per month.

Extensions for Business returns are due on September 15th. Clients must provide business tax documents at least 3 weeks before the deadline.

- **NOTE:** Most States require to file an annual report. Ex **: in Florida** you need to renew you company every year before **May 1st**. (The state of Florida annual report is $150 for Corporations, $ 138.50 for an LLC and $500 for an LLP). Renew a Corporation after May 1st will cost $150 + $400 (penalty) = $550. Renew LLC after May 1st is $138.75 + 400 = $538.75. All Companies not renewed by the third week of September will be dissolved. Reinstate fees for Corporation are $ 600 + $150 (annual report) = $750. Reinstate fees for LLC are $100 + $138.75 (annual report) = $ 238.75

Failure to file Penalties, Failure to pay penalties, and Interest will be assessed by the IRS if not filed in timely manner. Then, you will receive IRS letters. Any Client requesting waive + abatement letters will be charged $150.0 per letter.

You MUST request Extensions for personal and business returns. You MUST request annual report renewals. No exemptions !

PENALTIES AND INTEREST

All tax liability for W-2 and Sub Chapter S-Corps are due 3/15/2024

If no extension is filed you will be assessed a **Failure to File, Failure to pay Penalty and Interest.**

All tax liability for 1099 self employed individuals are due 1/15/2024. Tax return is due 4/15/2024.

EXTENSIONS DO NOT EXTEND MONIES DUE TO IRS. Monies due to IRS should be paid with extension before 4/15/2024.

All Corporate Business Returns 1120, 1120S, 1065, 1041 are all due on 3/15/2024. If extended due date is 9/15/2024.

All 1040 personal tax returns are due 4/15/2020 If extended due date is 10/15/2019.

AGAIN, All tax liabilities are due by due dates of 1/15/2024 and 4/15/2024 and should be paid with extension if filing an extension.

Please call office for any extensions needed.

Failure to file Penalties, Failure to Pay Penalties, and Interest will be assessed if not file in a timely manner.

Any Client requesting waive + abatement letters will be charged $150 per letter.

We will not be responsible, if you don't not request any and all extensions by email.

Inflation Reduction Act (IRA) of 2022 Summary

On Aug. 16, 2022, President Biden signed into law H.R. 5376 – *Inflation Reduction Act (IRA) of 2022*. In general, this legislation provides incentives for investment in domestic energy production and manufacturing and the reduction of carbon emissions by roughly 40% by 2030. The bill will also finally allow Medicare to negotiate for prescription drug prices and contains the following key tax provisions.

Individual provisions:

Affordable Care Act Subsidies (Section 12001)

A refundable premium tax credit (PTC) is available to individuals and families who are enrolled in insurance on the marketplace and who are not eligible for other qualifying coverage (CHIP, Medicare, etc.) or affordable employer-sponsored plans providing minimum coverage [§36B(a)].

The PTC is generally available to individuals whose household income is between 100% and 400% of the federal poverty line. The *American Rescue Plan* (ARPA) removed the 400% FPL limitation for marketplace purchased health insurance premium assistance for 2021 and 2022 and substituted a provision of limiting healthcare costs to not more than 8.5% of the family household income for marketplace purchased health coverage only. The *IRA of 2022* extends this provision through Dec. 31, 2025.

Clean Energy and Efficiency Incentives for Individuals (Section 13301)

Individual taxpayers were allowed credits for specified nonbusiness energy property expenditures [§25C(a)]. The credit applied to property placed in service before Jan. 1, 2022, in the taxpayer's principal residence and was subject to a lifetime limit.

The IRA of 2022 renamed the credit to energy efficient home improvement credit and extended the credit to include property placed in service before Jan. 1, 2033. In addition, the IRA of 2022 increases the credit amount to 30% (previously 10%) of the sum of the amount paid or incurred by the taxpayer for qualified energy improvements installed during the year and the amount of the amount of the residential energy property expenditures paid or incurred by the taxpayer during that year. Furthermore, the lifetime limit no longer applies. Instead, the annual limit is $1,200 with specific limitations including the cost of installation on the amount of the credit that can be claimed for windows, skylights and other energy improvements ($600 annual total), doors ($250 for one, $500 for more than one), and $2,000 (for installations after December 21, 2022) for specified heat pumps, heat pump water heaters, and biomass stoves and boilers.

In addition to the increased credit amount, roofs were removed as a building envelope component, where air sealing insulation, including air sealing material or system, was added. Improvements to or replacements of a panelboard, sub-panelboard, branch circuits or feeders are now included as qualified energy property as long as requirements are met.

The IRA of 2022 further expands the credit to homes located in the U.S. as long as the taxpayer uses that property as a residence. In other words, if a taxpayer makes energy efficient improvements on a second home, those expenses are eligible for the credit under §25C.

Residential Clean Energy Credit (Section 13302)

Individuals were allowed the residential energy efficient property (REEP) credit for solar electric, solar hot water, fuel cell, small wind energy, geothermal heat pump and biomass fuel property installed in homes in years before 2024 [§§ 25D(a) and 25D(h)]. The credit amount was:

- 26% for property placed in service after Dec. 31, 2019, and before Jan. 1, 2023
- 22% for property placed in service after Dec. 31, 2022, and before Jan. 1. 2024

The IRA of 2022 extended the credit plus increased the credit amount to the following:

- 30% for property placed in service after Dec. 31, 2019, and before Jan. 1, 2033
- 26% for property placed in service after Dec. 31, 2032, and before Jan. 1, 2034
- 22% for property placed in service after Dec. 31, 2033, and before Jan. 1, 2035

These provisions generally apply to expenditures made after Dec. 31, 2021.

Clean Vehicle Credit (Section 13401)

A taxpayer could claim a credit for each new qualified plug drive motor vehicle (NQPEDMV) placed in service during the tax year [§30D]. The amount of the credit was $7,500. The credit phases out in the second quarter after a manufacturer sells 200,000 vehicles. Tesla and GM were the only manufacturers where the phase-out applies.

The IRA of 2022 renamed the credit to the clean vehicle credit and eliminated the number of vehicles (manufacture sales) for vehicles sold after Dec. 31, 2022. The credit for new qualified vehicles can be as high as $7,500. A qualified vehicle must have final assembly in North America (this includes specifications on the manufacturing and assembly of the battery) meet critical mineral requirements and have a minimum battery capacity of seven kilowatt-hours. In addition, the manufacturer's suggested retail price (MSRP) for vans, SUVs, and trucks cannot exceed $80,000 and for any other vehicle $55,000. A list of eligible vehicles is available on the U.S. Department of Energy website.

Unlike the prior credit, the clean vehicle credit is limited by the taxpayer's MAGI. The threshold amounts are $300,000 (MFJ or QW), $225,000 (HOH) and $150,000 for all others.

Beginning in 2024, a taxpayer can "transfer" the credit to the dealer. The dealer then in turn reduces the purchase price of the vehicle. Essentially, this is the equivalent of a rebate.

Credit for Previously Owned Clean Vehicles (Section 13402)

The IRA of 2022 adds a credit for taxpayers who purchase a previously owned clean vehicle after Dec. 31, 2022, and before Jan. 1, 2033 (§25E). The credit is the lesser of $4,000 or 30% of the vehicle's sales price. The sales price is limited to $25,000 and the transaction must be through a dealer. An MAGI limitation also applies for a previously owned clean vehicle. The threshold amounts are $150,000 (MFJ or QW), $112,500 (HOH) and $75,000 for all others.

A previously owned vehicle must meet the following:

- A motor vehicle with a model year that is at least two years earlier than the calendar year when the taxpayer acquires it
- The original use started with a person other than the taxpayer
- Acquired in qualified sale
- Meets the requirements applicable to vehicles eligible for the clean vehicle credit for new vehicles

It should be noted a dependent of another taxpayer is not eligible for this credit.

Credit for Commercially Owned Vehicles (Section 13403)

IRA of 2022 adds the qualified commercial clean vehicles credit (§45W). The credit per vehicle is the lesser of:

- 15% of the vehicle's basis (30% for vehicles not powered by a gas or diesel engine), or
- The incremental cost of the vehicle over the cost of a comparable vehicle powered by gas or diesel only

The IRS will provide guidance regarding the determination of the incremental cost.

The maximum credit for vehicles with a gross rating of < 14,000 pounds is $7,500 and $40,000 for heavier vehicles.

State and Local Tax Limitation (SALT) extended through 2026 (Sections 13903 & 13904)

The *Tax Cuts and Jobs Act (TCJA) of 2017* added the SALT limitation for taxpayers who deduct state and local taxpayers on their personal returns. The limitation is $10,000 ($5,000 for MFS). This provision was set to expire at the end of 2025. The IRA of 2022 added another year to this provision, thus extending the limitation through 2026.

The effective date is taxable years beginning after Dec. 31, 2022.

Business provisions:

Excess Business Losses (EBLs) of noncorporate taxpayers extended through 2028 (Section 13903)

The TCJA of 2017 added a limitation on business losses for noncorporate taxpayers under §461 for tax years through 2025. EBLs are losses in excess of a limitation based on the taxpayer's filing status. The ARPA further extended these provisions through 2026. The IRA of 2022 further extended the EBL limitation through 2028.

The effective date is taxable years beginning after Dec. 31, 2026.

Other tax provisions:

- 15% corporate alternative minimum tax
- 1% excise tax on corporate stock repurchases
- Updates the energy efficiency requirements for claiming the deduction for installing certain energy-saving systems
- Extends the tax credit available to contractors for building and selling qualifying energy-efficient new homes through 2032

For more information regarding these provisions and others, review the bill.

TAX FOUNDATION

November 10, 2021

2022 Tax Brackets

Erica York

On a yearly basis the Internal Revenue Service (IRS) adjusts more than 60 tax provisions for inflation to prevent what is called "bracket creep." Bracket creep occurs when people are pushed into higher income tax brackets or have reduced value from credits and deductions due to inflation, instead of any increase in real income.

The IRS used to use the Consumer Price Index (CPI) as a measure of inflation prior to 2018.[1] However, with the Tax Cuts and Jobs Act of 2017 (TCJA), the IRS now uses the Chained Consumer Price Index (C-CPI) to adjust income thresholds, deduction amounts, and credit values accordingly.[2]

The new inflation adjustments are for tax year 2022, for which taxpayers will file tax returns in early 2023. Note that the Tax Foundation is a 501(c)(3) educational nonprofit and cannot answer specific questions about your tax situation or assist in the tax filing process.

2022 Federal Income Tax Brackets and Rates

In 2022, the income limits for all tax brackets and all filers will be adjusted for inflation and will be as follows (Table 1). There are seven federal income tax rates in 2022: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent. The top marginal income tax rate of 37 percent will hit taxpayers with taxable income above $539,900 for single filers and above $647,850 for married couples filing jointly.

2022 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 $10,275	$0 to $20,550	$0 to $14,650
12%	$10,275 to $41,775	$20,550 to $83,550	$14,650 to $55,900
22%	$41,775 to $89,075	$83,550 to $178,150	$55,900 to $89,050
24%	$89,075 to $170,050	$178,150 to $340,100	$89,050 to $170,050
32%	$170,050 to $215,950	$340,100 to $431,900	$170,050 to $215,950
35%	$215,950 to $539,900	$431,900 to $647,850	$215,950 to $539,900
37%	$539,900 or more	$647,850 or more	$539,900 or more
Source: Internal Revenue Service			

Standard Deduction and Personal Exemption

The standard deduction will increase by $400 for single filers and by $800 for joint filers (Table 2).

The personal exemption for 2022 remains at $0 (eliminating the personal exemption was part of the Tax Cuts and Jobs Act of 2017 (TCJA).

2022 Standard Deduction

Filing Status	Deduction Amount
Single	$12,950
Married Filing Jointly	$25,900
Head of Household	$19,400
Source: Internal Revenue Source	

Alternative Minimum Tax (AMT)

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. This parallel tax income system requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI). To prevent low- and middle-income taxpayers from being subject to the AMT, taxpayers are allowed to exempt a significant amount of their income from AMTI. However, this exemption phases out for high-income taxpayers. The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2022 is $75,900 for singles and $118,100 for married couples filing jointly (Table 3).

2022 Alternative Minimum Tax (AMT) Exemptions

Filing Status	Exemption Amount
Unmarried Individuals	$75,900
Married Filing Jointly	$118,100
Source: Internal Revenue Source	

In 2022, the 28 percent AMT rate applies to excess AMTI of $206,100 for all taxpayers ($103,050 for married couples filing separate returns).

AMT exemptions phase out at 25 cents per dollar earned once AMTI reaches $539,900 for single filers and $1,079,800 for married taxpayers filing jointly (Table 4).

2022 Alternative Minimum Tax (AMT) Exemption Phaseout Thresholds

Filing Status	Threshold
Unmarried Individuals	$539,900
Married Filing Jointly	$1,079,800
Source: Internal Revenue Source	

Earned Income Tax Credit (EITC)

The maximum Earned Income Tax Credit (EITC) in 2022 for single and joint filers is $560 if the filer has no children (Table 5). The maximum credit is $3,733 for one child, $6,164 for two children, and $6,935 for three or more children.

2022 Earned Income Tax Credit (EITC) Parameters

Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	$7,320	$10,980	$15,410	$15,410
	Maximum Credit	$560	$3,733	$6,164	$6,935
	Phaseout Begins	$9,160	$20,130	$20,130	$20,130
	Phaseout Ends (Credit Equals Zero)	$16,480	$43,492	$49,399	$53,057
Married Filing Jointly	Income at Max Credit	$7,320	$10,980	$15,410	$15,410
	Maximum Credit	$560	$3,733	$6,164	$6,935
	Phaseout Begins	$15,920	$26,260	$26,260	$26,260
	Phaseout Ends (Credit Equals Zero)	$22,610	$49,622	$55,529	$59,187
Source: Internal Revenue Service					

Child Tax Credit

The maximum Child Tax Credit is $2,000 per qualifying child and is not adjusted for inflation. The refundable portion of the Child Tax Credit is adjusted for inflation and will increase from $1,400 to $1,500 for 2022.

Capital Gains Tax Rates & Brackets (Long-term Capital Gains)

Long-term capital gains are taxed using different brackets and rates than ordinary income.

2022 Capital Gains Tax Brackets

	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
0%	$0	$0	$0
15%	$41,675	$83,350	$55,800
20%	$459,750	$517,200	$488,500
Source: Internal Revenue Service			

Qualified Business Income Deduction (Sec. 199A)

The Tax Cuts and Jobs Act of 2017 (TCJA) includes a 20 percent deduction for pass-through businesses. Limits on the deduction begin phasing in for taxpayers with income above $170,050 (or $340,100 for joint filers) in 2022 (Table 7).

2022 Qualified Business Income Deduction Thresholds

Filing Status	Threshold
Unmarried Individuals	$170,050
Married Filing Jointly	$340,100
Source: Internal Revenue Service	

Annual Exclusion for Gifts

In 2022, the first $16,000 of gifts to any person are excluded from tax, up from $15,000. The exclusion is increased to $164,000 from $159,000 for gifts to spouses who are not citizens of the United States.

[1] Internal Revenue Service, "Revenue Procedure 2020-45," https://www.irs.gov/pub/irs-drop/rp-20-45.pdf.

[2] Robert Cage, John Greenlees, and Patrick Jackman, "Introducing the Chained Consumer Price Index," U.S. Bureau of Labor Statistics, May 2003, https://www.bls.gov/cpi/additional-resources/chained-cpi-introduction.pdf.

TAX FOUNDATION

October 18, 2022

2023 Tax Brackets

Alex Durante

On a yearly basis the Internal Revenue Service (IRS) adjusts more than 60 tax provisions for inflation to prevent what is called "bracket creep." Bracket creep occurs when people are pushed into higher income tax brackets or have reduced value from credits and deductions due to inflation, instead of any increase in real income.

The IRS used to use the Consumer Price Index (CPI) as a measure of inflation prior to 2018. However, with the Tax Cuts and Jobs Act of 2017 (TCJA), the IRS now uses the Chained Consumer Price Index (C-CPI) to adjust income thresholds, deduction amounts, and credit values accordingly.

The new inflation adjustments are for tax year 2023, for which taxpayers will file tax returns in early 2024. Note that the Tax Foundation is a 501(c)(3) educational nonprofit and cannot answer specific questions about your tax situation or assist in the tax filing process.

2023 Tax Brackets and Rates

In 2023, the income limits for all tax brackets and all filers will be adjusted for inflation and will be as follows (Table 1). There are seven federal income tax rates in 2023: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent. The top marginal income tax rate of 37 percent will hit taxpayers with taxable income above $539,900 for single filers and above $693,750 for married couples filing jointly.

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			

Standard Deduction and Personal Exemption

The standard deduction will increase by $900 for single filers and by $1,800 for joint filers (Table 2).

The personal exemption for 2023 remains at $0 (eliminating the personal exemption was part of the Tax Cuts and Jobs Act of 2017 (TCJA).

2023 Standard Deduction

Filing Status	Deduction Amount
Single	$13,850
Married Filing Jointly	$27,700
Head of Household	$20,800
Source: Internal Revenue Service.	

Alternative Minimum Tax (AMT)

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. This parallel tax income system requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI). To prevent low- and middle-income taxpayers from being subject to the AMT, taxpayers are allowed to exempt a significant amount of their income from AMTI. However, this exemption phases out for high-income taxpayers. The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2023 is $81,300 for singles and $126,500 for married couples filing jointly (Table 3).

2023 Alternative Minimum Tax (AMT) Exemptions

Filing Status	Exemption Amount
Unmarried Individuals	$81,300
Married Filing Jointly	$126,500
Source: Internal Revenue Source	

In 2023, the 28 percent AMT rate applies to excess AMTI of $220,700 for all taxpayers ($110,350 for married couples filing separate returns).

AMT exemptions phase out at 25 cents per dollar earned once AMTI reaches $578,150 for single filers and $1,156,300 for married taxpayers filing jointly (Table 4).

2023 Alternative Minimum Tax (AMT) Exemption Phaseout Thresholds

Filing Status	Threshold
Unmarried Individuals	$578,150
Married Filing Jointly	$1,156,300
Source: Internal Revenue Service.	

Earned Income Tax Credit (EITC)

The maximum Earned Income Tax Credit (EITC) in 2023 for single and joint filers is $560 if the filer has no children (Table 5). The maximum credit is $3,995 for one child, $6,604 for two children, and $7,430 for three or more children.

2023 Earned Income Tax Credit (EITC) Parameters

Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	$7,840	$11,750	$16,510	$16,510
	Maximum Credit	$600	$3,995	$6,604	$7,430
	Phaseout Begins	$9,800	$21,560	$21,560	$21,560
	Phaseout Ends (Credit Equals Zero)	17,640	46,560	52,918	56,838
Married Filing Jointly	Income at Max Credit	$7,840	$11,750	$16,510	$16,510
	Maximum Credit	$600	$3,995	$6,604	$7,430
	Phaseout Begins	$16,370	$28,120	$28,120	$28,120
	Phaseout Ends (Credit Equals Zero)	24,210	53,120	59,478	63,398
Source: Internal Revenue Service					

Child Tax Credit

The maximum Child Tax Credit is $2,000 per qualifying child and is not adjusted for inflation. The refundable portion of the Child Tax Credit is adjusted for inflation and will increase from $1,500 to $1,600 for 2023.

Capital Gains Tax Rates & Brackets (Long-term Capital Gains)

Long-term capital gains are taxed use different brackets and rates than ordinary income (Table 6.)

2023 Capital Gains Tax Brackets

	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
0%	$0	$0	$0
15%	$44,625	$89,250	$59,750
20%	$492,300	$553,850	$523,050
Source: Internal Revenue Service			

Qualified Business Income Deduction (Sec. 199A)

The Tax Cuts and Jobs Act of 2017 (TCJA) includes a 20 percent deduction for pass-through businesses. Limits on the deduction begin phasing in for taxpayers with income above $182,100 (or $364,200 for joint filers) in 2023 (Table 7).

2023 Qualified Business Income Deduction Thresholds

Filing Status	Threshold
Unmarried Individuals	$182,100
Married Filing Jointly	$364,200
Source: Internal Revenue Service	

Annual Exclusion for Gifts

In 2023, the first $17,000 of gifts to any person are excluded from tax, up from $16,000. The exclusion is increased to $175,000 from $164,000 for gifts to spouses who are not citizens of the United States.

Related Resources

- 2022 Tax Brackets
- 2021 Tax Brackets
- Who Pays Federal Income Taxes?
- Social Security Cost-of-Living Adjustments
- Inflation Is Surging, So Are Federal Tax Collections

2023-2024 Tax Brackets and Federal Income Tax Rates

There are seven federal income tax brackets for 2023 and 2024. Your tax rate is determined by your income and tax filing status.

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Updated Dec 6, 2023
Reviewed by Lei Han

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There are seven federal income tax rates in 2023 and 2024: 10%, 12%, 22%, 24%, 32%, 35% and 37%. Your taxable income and filing status determine which rates apply to you.

The U.S. federal tax rates will remain the same until 2025 as a result of the Tax Cuts and Jobs Act of 2017, but the income thresholds that inform the tax brackets are generally adjusted each year to reflect the rate of inflation[1].

These adjustments can help prevent taxpayers from ending up in a higher tax bracket as their cost of living rises, often called "bracket creep." The tax bracket adjustments can also lower taxes for those whose compensation has not kept up with inflation.

2023 tax brackets and federal income tax rates

Tax brackets 2023 (taxes due April 15, 2024)

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	$0 to $11,000.	$0 to $22,000.	$0 to $11,000.	$0 to $15,700.
12%	$11,001 to $44,725.	$22,001 to $89,450.	$11,001 to $44,725.	$15,701 to $59,850.
22%	$44,726 to $95,375.	$89,451 to $190,750.	$44,726 to $95,375.	$59,851 to $95,350.
24%	$95,376 to $182,100.	$190,751 to $364,200.	$95,376 to $182,100.	$95,351 to $182,100.
32%	$182,101 to $231,250.	$364,201 to $462,500.	$182,101 to $231,250.	$182,101 to $231,250.
35%	$231,251 to $578,125.	$462,501 to $693,750.	$231,251 to $346,875.	$231,251 to $578,100.
37%	$578,126 or more.	$693,751 or more.	$346,876 or more.	$578,101 or more.

Source: IRS[2].

Federal income tax returns for 2023 are due by April 15, 2024, or October 15, 2024, with a tax extension. There are seven tax rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%.

The income thresholds for the 2023 tax brackets were adjusted significantly — up about 7% — from 2022 due to record-high inflation. This means that some people might be in a lower tax bracket than they were previously. Learn more about the 2023 tax rates and taxes owed for each status across taxable income brackets below:

- Single
- Married filing jointly
- Married filing separately
- Head of household

2023 tax brackets: single filers

2023 tax brackets: married filing jointly

2023 tax brackets: married filing separately

2023 tax brackets: head of household

» Learn more: How to track the status of your refund

2024 tax brackets and federal income tax rates

Tax brackets 2024 (taxes due April 2025)

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	$0 to $11,600.	$0 to $23,200.	$0 to $11,600.	$0 to $16,550.
12%	$11,601 to $47,150.	$23,201 to $94,300.	$11,601 to $47,150.	$16,551 to $63,100.
22%	$47,151 to $100,525.	$94,301 to $201,050.	$47,151 to $100,525.	$63,101 to $100,500.
24%	$100,526 to $191,950.	$201,051 to $383,900.	$100,526 to $191,950.	$100,501 to $191,950.
32%	$191,951 to $243,725.	$383,901 to $487,450.	$191,951 to $243,725.	$191,951 to $243,700.
35%	$243,726 to $609,350.	$487,451 to $731,200.	$243,726 to $365,600.	$243,701 to $609,350.
37%	$609,351 or more.	$731,201 or more.	$365,601 or more.	$609,350 or more.

Source: IRS[3].

The IRS recently released updated 2024 tax brackets that can help you plan ahead for 2025.

Each 2024 tax bracket will see a roughly 5.4% shift upward from 2023, which means taxpayers whose salaries haven't kept up with inflation might be able to shelter more income from higher tax rates next year. The 2024 tax rates, which range from 10% to 37%, remain the same as in previous years.

» MORE: IRS announces 2024 tax changes, updated standard deduction

Learn more about the 2024 tax rates and taxes owed for each status across taxable income brackets:

- Single
- Married filing jointly
- Married filing separately
- Head of household

2024 tax brackets: single filers

2024 tax brackets: married filing jointly

2024 tax brackets: married filing separately

2024 tax brackets: head of household

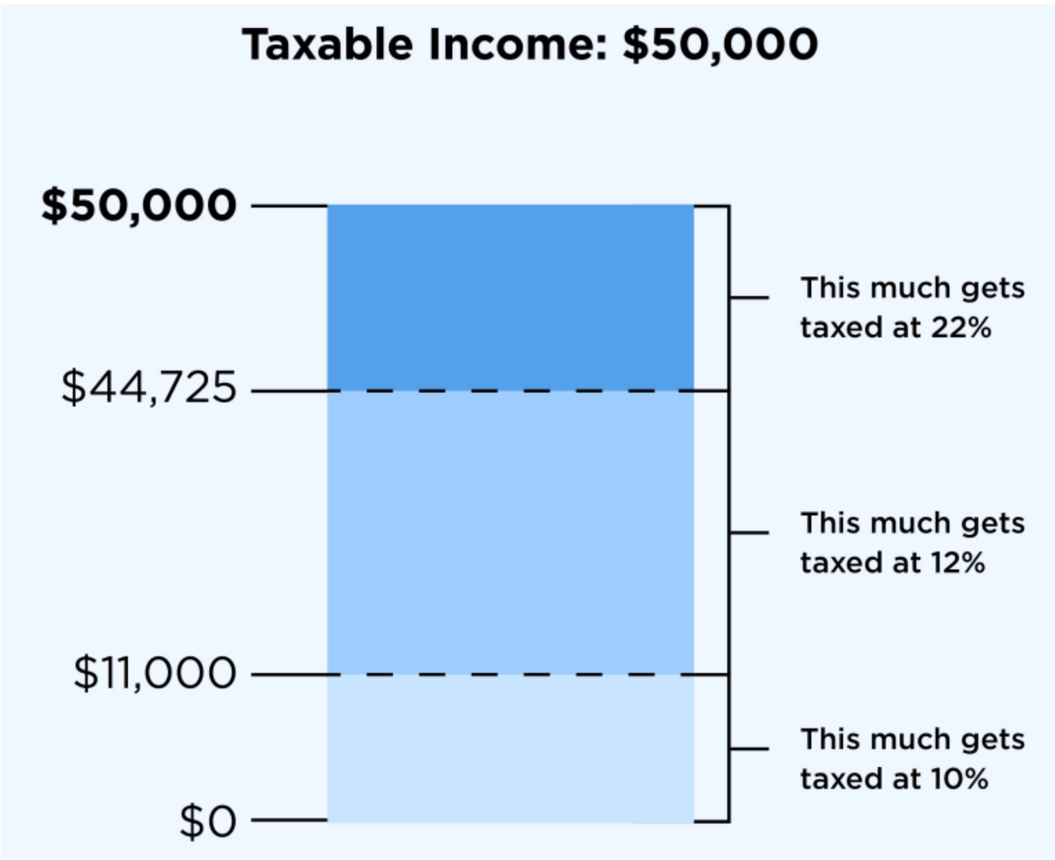
How income tax brackets work

1. Federal income tax rates are progressive

The U.S. has a progressive tax system. Broadly, this means that the government decides how much tax you owe by dividing your taxable income into chunks — also known as tax brackets — and each chunk gets taxed at the corresponding tax rate. The highest tax rate, the marginal rate, applies to only a portion of your income.

The progressive tax system also means that people with higher taxable incomes are subject to higher federal income tax rates, and people with lower taxable incomes are subject to lower federal income tax rates. The beauty of tax brackets is that no matter which bracket you're in, you won't pay that tax rate on your entire income.

Example: If you had $50,000 of taxable income, you'd pay 10% on that first $11,000 and 12% on the chunk of income between $11,001 and $44,725. And then you'd pay 22% on the rest because some of your $50,000 of taxable income falls into the 22% tax bracket. The total bill would be about $6,300 — about 13% of your taxable income, even though you're in the 22% bracket. That 13% is your effective tax rate.



2. State income taxes may work differently than federal income taxes

States may handle taxes differently than the federal government. Your state might have different brackets, or it might altogether use a different system. Colorado, for example, levies a flat income tax rate of 4.4% on taxable income, and some states, such as Wyoming, don't levy a state income tax at all.

» MORE: Income tax rates and brackets by state

What is a marginal tax rate?

The marginal tax rate is the tax rate paid on your last dollar of taxable income. This typically equates to your highest tax bracket.

For example, if you're a single filer in 2023 with $35,000 of taxable income, you would be in the 12% tax bracket. If your taxable income went up by $1, you would pay 12% on that extra dollar, too.

If you had $45,000 of taxable income, however, most of it would still fall within the 12% bracket, but the last few hundred dollars would land in the 22% tax bracket. Your marginal tax rate would then be 22%.

What is an effective tax rate?

The percentage of your taxable income that you pay in taxes is called your effective tax rate. To determine your effective tax rate, divide your total tax owed (line 16) on Form 1040 by your total taxable income (line 15).