

Newsletter

What's New for 2023 US Taxes

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Sourced from the Internal Revenue Service and Social Security Administration

Income Taxes

Income tax rates are based on tax filing status. Different filing statuses have different tax rates. For example, a single person with no dependents will pay a different income tax rate than a married couple with two children. Additionally, tax deductions and credits can reduce an individual's taxable income, resulting in lower taxes.



Filing Status	Taxable Income	Tax Rate
Married/Joint/ Qualifying Widowers	\$0-22,000	\$0+10%
	\$22,001-89,450	\$2,200+12%
	\$89,451-190,750	\$10,294+22%
	\$190,751-364,200	\$32,580+24%
	\$364,201-462,500	\$74,208+32%
	\$462,501-693,750	\$105,664+35%
	\$693,751+	\$186,601.50+37%
Single	\$0-11,000	\$0+10%
	\$11,001-44,725	\$1,100+12%
	\$44,726-95,375	\$5,147+22%
	\$95,376-182,100	\$16,290+24%
	\$182,101-231,250	\$37,104+32%
	\$231,251-578,125	\$52,832+35%
	\$578,126+	\$174,238.15+37%

More information about the different tax rates can be found on our website at:

<https://shahcpaus.com/resources/tax-rates/>

Standard Deductions

Standard deductions are a flat amount of money that the taxpayer can subtract from their taxable income and use to reduce their tax liability. This is used when taxpayers do not itemize their deductions. Standard deductions are typically set by the government and are available to all taxpayers regardless of their income or filing status.

Filing Status	Annual	Additional if 65+ or Blind
Single	\$23,850	\$1,850
Married/Joint/Qualifying Widowers	\$27,700	\$1,500

<https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2023>

Child Tax Credit

For those with qualifying children under the age of 17, a \$2,000 tax credit will be applied. This is not applicable to those whose AGI exceeds \$400,000 when filing as married/jointly or \$200,000 for other filing statuses. \$1,600 is refundable.

There is a \$500 nonrefundable credit for those with qualified dependents who are not children. Like the Child Tax Credit, there are AGI phaseouts.

Mortgage Interest

Interest on mortgages up to \$750,000 for those filing as single and \$375,000 for those filing as married/separately is available for deduction. However, if the home was under agreement for purchase before 12/15/2017 to be purchased before 1/1/2018 and the purchase closed by 4/1/2018, it is grandfathered under the prior limits of \$1,000,000 if single and \$500,000 if married/separately. Home equity loan interest is deductible when the loan is used to improve the residence.

Traditional & Roth IRAs

A Traditional IRA is an Individual Retirement Account that is funded with pre-tax dollars. Contributions to a Traditional IRA are tax-deductible in the year they are made, and the money within the account grows tax-deferred until it is withdrawn. Withdrawals from a Traditional IRA are subject to income tax.

Filing Status	Coverage by Retirement Plan	Modified AGI for 2023	Deductibility
Single	No	Any Amount	Full
	Yes	73,000 or less	Full
	Yes	73,001-82,999	Partial
	Yes	83,000 or more	None
Married/Jointly	Neither are covered	Any Amount	Full
	Both are covered	116,000 or less 116,001-135,999 136,000 or more	Full Partial None
Married/Jointly	Yes, but spouse is not covered	116,000 or less	Full
		116,001-135,999	Partial
		136,000 or more	None
Married/Jointly	No, but the spouse is covered	218,000 or less	Full
		218,001-227,999	Partial
		228,000 or more	None

More information about Traditional IRA Tax Deductions can be found at:

<https://www.irs.gov/retirement-plans/ira-deduction-limits>

On the other hand, a Roth IRA is an Individual Retirement Account that is funded with after-tax dollars.

Contributions to a Roth IRA are not tax-deductible in the year they are made, but the money within the account grows tax-free. Withdrawals from a Roth IRA are not subject to income tax. Like the traditional IRA, the maximum contributions are the same, but phaseouts do apply once modified AGI reaches \$138,000-152,999 if single or \$218,000-227,999 if married/filing jointly.



Social Security

Social Security is a form of income for those who have reached the full retirement age is 66 (born from 1943-1954), but the full retirement age increases gradually if you were born after 1955 until it reaches 67. For anyone born 1960 or later, full retirement benefits are payable at age 67. See: <https://www.ssa.gov/oact/progdata/nra.html>

➤ Tax Rates for Benefits on Amounts of AGI

When modified AGI reaches \$32,001-44,000 for married/joint filers or \$25,001-34,000 for single filers, up to 50% of Social Security benefits are subject to tax, and up to 85% is subject to tax once the limits are exceeded.

➤ Earnings before Reduction

Once earnings reach \$21,240 for those under the full retirement age, \$1 is withheld for every \$2 above the limit. However, once someone reaches full retirement age, there are no limitations on earnings.

During the year that one reaches full retirement age, but before the month that they do reach full retirement age, there is an annual limit of \$56,520 before \$1 is withheld for every \$3 above the limit.

➤ Compensation Subject to FICA Taxes

For contributions to OASDI (Social Security), there is a yearly maximum of \$160,200 that is subject to FICA taxes, however, with HI (Medicare) there are no limitations.

Those who are self-employed have a combined 15.3% tax rate (OASDI and HI) and a combined rate of 7.65% tax rate for employees. An additional 0.9% is imposed on those whose income is above \$200,000 for those who file as single or qualifying widowers and \$250,000 if filing married/jointly.

Tax Rates on Gifts

Annually, an individual may be excluded from \$17,000 in gift taxes or \$34,000 if married. Combined, during one's lifetime, there is an exclusion of \$12,920,000. Find more information on gift taxes at:

<https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes>

Amount of Gift	Tax Amount
0-10,000	0+18%
10,001-20,000	1,800+20%
20,001-40,000	3,800+22%
40,001-60,000	8,200+24%
60,001-80,000	13,000+26%
80,001-100,000	18,200+28%
100,001-150,000	23,800+30%
150,001-250,000	38,800+32%
250,001-500,000	70,800+34%
500,001-750,000	155,800+37%
750,001-1,000,000	248,300+39%
1,000,001	345,800+40%

AMT Exemptions

Alternative Minimum Taxable Income (AMT) has a phase-out limit of \$578,150 for those who file as single and \$1,156,300 for those who file as married/qualifying widowers. The AMT income rate increases from 26% to 28% for those over \$220,700. The AMT exemption starts at \$81,300 for those filing as single and \$126,500 for those filing as married/qualifying widowers.



Taxes on Corporations and Other Businesses

C-Corporations are subject to a 21% tax rate. Meanwhile, individuals who are a part of a S Corporation, partnership, and sole proprietorship may deduct 20% of their QBI (Qualified Business Income) once it's reduced by net capital gain and qualified dividends.

- A deduction is typically unavailable for Specified Service Trade or Business (SSTB) if the taxable income is over \$232,200 for those filing single and \$464,200 if filing as married/joint. The deduction is also subject to a phaseout unless taxable income is equal to or below \$182,100 for those filing as single or \$364,200 for those filing as married/joint.
- The deduction is limited to the lesser of 20% of QBI OR the greater of either 50% of W2 wages for each business or 25% of W2 wages for each business plus 2.5% of the unadjusted basis of qualified property when taxable income surpasses \$232,100 when filing single or \$464,200 when filing as married/jointly. This limitation is not applicable to those whose taxable income is at or below \$182,100 when filing single or \$364,200 when filing as married/jointly

Employer and Self-Employed Retirement Plan Limits

There are numerous retirement plans to participate in. Most of them are offered through an employer to help secure your future while working. Like other accounts, there are contribution limits seen below.

To find out more about these retirement plans, you can visit:

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits>

Maximum Elective Deferral to Retirement Plans, E.G. 401 (k) or 403 (b)	\$22,500
Catch-Up Contribution Limit for 401 (k), 403 (b), and certain 457 Plans	\$7,500
Maximum Elective Deferral to SIMPLE Plans	\$15,500
Catch-Up Contribution limit for SIMPLE Plans	\$3,500
Maximum Elective deferral to 457 Plans of Government and Tax-Exempt Employers	\$22,500
Limit on Annual Additions to Defined Contribution Plans	\$66,000
Annual Compensation Threshold requiring SEP Contributions	\$750
Limit on Annual Additions to SEP Plans	\$66,000
Maximum Annual Compensation Considered for Contributions	\$330,000
Annual Benefit Limit under Defined Benefit Plans	\$265,000
Limitation Used in Definition of Highly Compensated Employee	\$150,000
Health Flexible Spending Account Maximum Salary Reduction Contribution	\$3,050

Capital Gains and Dividends

When the modified AGI (adjusted gross income) is over \$200,000 (single) or \$250,000 (married, jointly, or qualified widower), an additional 3.8% federal net investment income tax will apply. It will also apply to those with a trust or estate over \$14,450.

Single	Married/Jointly/Qualifying Widower	Tax Rate
\$0-44,625	\$0-\$89,250	0%
Over \$44,625 but Not Over \$492,300	Over \$89,250 but less than \$553,850	15%
\$492,300	Over \$553,850	20%

Source: <https://www.irs.gov/taxtopics/tc404>

Contact Us

Tax time can be a challenging time of year. There are numerous deductions, limitations, phase outs, credits, and more to take into consideration. That is why it is important to have a qualified accountant to help you navigate your return and plan.

Contact Kislay Shah today for a consultation at kislay@shahcpaus.com or call 646-328-1326.

Visit us at <https://shahcpaus.com>