

Federal Income Tax Brackets & Rates

The New 2023 Federal Income Tax Brackets & Rates

Federal income tax brackets and rates for 2023 are shown below.

	Single	Married, Filing Jointly or Qualifying Widow	Married Filing Separately	Head of Household	Trusts & Estates
10%	\$0 - \$11,000	\$0 - \$22,000	\$0 - \$11,000	\$0 - \$15,700	\$0 - \$2,900
12%	\$11,001 - \$44,725	\$22,001 - \$89,450	\$11,001 - \$44,725	\$15,700 - \$59,850	—
22%	\$44,726 - \$95,375	\$89,451 - \$190,750	\$44,726 - \$95,375	\$59,851 - \$95,350	—
24%	\$95,376 - \$182,100	\$190,751 - \$364,200	\$95,376 - \$182,100	\$95,351 - \$182,100	\$2,901 - \$10,550
32%	\$182,101 - \$231,250	\$364,201 - \$462,500	\$182,101 - \$231,250	\$182,101 - \$231,250	—
35%	\$231,251 - \$578,125	\$462,501 - \$693,750	\$231,251 - \$346,785	\$231,251 - \$578,100	\$10,551 - \$14,450
37%	\$578,126 or more	\$693,751 or more	\$346,786 or more	\$578,101 or more	\$14,451 or more

Medicare Part B Premiums for 2023

Medicare Part B premiums are determined by your income **modified adjusted gross income (MAGI)** that is reported on your IRS tax return from two years prior. If your income is higher than certain limits, then the Income Related Monthly Adjustment Amount (IRMAA) will apply as detailed in the table below. The amount shown is per month, per person.

Single	Married, Filing Jointly or Qualifying Widow	Married Filing Separately	Medicare Premiums
\$0 - \$97,000	\$0 - \$194,000	\$0 - \$97,000	\$164.90
\$97,001 - \$123,000	\$194,001 - \$246,000	—	\$230.80
\$123,001 - \$153,000	\$246,001 - \$306,000	—	\$329.70
\$153,001 - \$183,000	\$306,001 - \$366,000	—	\$428.60
\$183,001 - \$500,000	\$366,001 - \$750,000	\$97,001 - \$403,000	\$527.50
\$500,000 or more	\$750,000 or more	\$403,000 or more	\$560.50

The New 2023 Federal Income Tax Bracket & Rates for Capital Gains

Capital gains are taxed at different rates from ordinary income. For example, while there are seven tax brackets for ordinary income, ranging from 10% to 37%, there are three for capital gains, ranging from 0%, 15% and 20%.

This is a major advantage for anyone who has substantial capital gains income. The capital gains tax rate is considerably lower than the tax rate on a comparable amount of ordinary income.

Just as is the case with the income brackets for ordinary income, the income brackets for capital gains have also increased from 2022.

	Single	Married, Filing Jointly or Qualifying Widow	Married Filing Separately	Head of Household	Trusts & Estates
0%	\$0 - \$44,625	\$0 - \$89,250	\$0 - \$44,625	\$0 - \$59,750	\$0 - \$3,000
15%	\$44,626 - \$492,300	\$89,251 - \$553,850	\$44,626 - \$276,900	\$59,751 - \$523,050	\$3,001 - \$14,650
20%	\$492,301 or more	\$553,851 or more	\$276,901 or more	\$523,051 or more	\$14,651 or more

The Standard Deduction for 2023

As you probably know – or you'll find out when you file your 2022 tax return – personal exemptions were eliminated under the Tax Cut and Jobs Act (TCJA) in 2017. The \$4,050 you could claim up until 2017 for yourself, your spouse and any eligible dependents is now history, although, TCJA is set to expire after 2025, so we could see the previous rules return.

In its place, the standard deduction was increased substantially. That will work out well for singles and couples with no dependents, but it could be a negative for anyone with dependents because the value of the personal exemption may have been greater than the increase in the standard deduction.

Like other numbers in the tax code, the standard deduction will increase for 2023. Here's how that will look:

	2022	2023
Single	\$12,950	\$13,850
Married, Filing Jointly & Qualifying Widow	\$25,900	\$27,700
Head of Household	\$19,400	\$20,800
Married Individuals Filing Separate	\$12,950	\$13,850

Other Tax Numbers Changing in 2023

199A Qualified Business Income Deduction. Having begun in the 2018 tax year, TCJA provides business owners with a 20% deduction against qualified business income. It's officially referred to as the Section 199A deduction, and it applies to qualified business income attributable to a business owner of a pass-through entity like an S-Corporation or partnership.

There are income limits, which, depending on your type of business, could impact your ability to take the deduction. The income thresholds for 2022 and 2023 are as follows:

	2022	2023
Single	\$170,050	\$182,100
Married, Filing Jointly	\$340,100	\$364,200
All Other Returns	\$170,050	\$182,100

Alternative Minimum Tax (AMT)

The AMT was created in the 1960s to impose taxes on taxpayers who claim an excessive amount of tax preferences. It provides a second set of tax rates that will be imposed if their taxes calculated under this alternative method is greater than the taxes imposed under the normal calculation.

The tax code provides an income exemption to the AMT, below which the tax will not apply. There is also an income phase-out beyond which the exemption no longer applies. Both are indexed for inflation. The income exemption figures are as follows:

	2022	2023
Single	\$75,900	\$81,300
Married, Filing Jointly & Qualifying Widow	\$118,100	\$126,500
Married, Filing Separately	\$59,050	\$63,250
Trusts & Estates	\$26,500	\$28,400

Retirement Contributions and Benefit Limits

A number of retirement related contribution amounts and benefit calculation limits will change for 2023.

	2022	2023
415 limits – DC plan	\$61,000	\$66,000
415 limits – DB plan	\$245,000	\$265,000
Maximum Includible Compensation	\$305,000	\$330,000
Social Security Taxable Wage Basis	\$147,000	\$160,200
HCE Pay	\$135,000	\$150,000
Key EE: Officer	\$200,000	\$215,000
Key EE: 1% Owner	\$150,000	\$150,000
SEP Minimum Compensation	\$650	\$750
Maximum Elective Contributions For 401(k), 403(b), 457(b)	\$20,500	\$22,500
“Catch-up contribution”	\$6,500	\$7,500
Simple 401(k)	\$14,000	\$15,500
“Catch-up contribution”	\$3,000	\$3,500
IRA Contribution	\$6,000	\$6,500
“Catch-up contribution”	\$1,000	\$1,000
SEP-IRA	25% of compensation or \$61,000, whichever is less	25% of compensation or \$66,000, whichever is less

Estate Planning

The lifetime gift and estate tax exemption is scheduled to increase from \$12.06 million in 2022 to \$12.92 million in 2023. The annual gift tax exclusion will increase from \$16,000 in 2022 to \$17,000 in 2023.

Social Security Changes for 2023

Maximum Taxable Earnings	2022	2023
Social Security (OASDI only)	\$147,000	\$160,200
Quarter of Coverage	\$1,510	\$1,640
Retirement Earnings Test Exempt Amounts Under Full Retirement Age	\$19,560/year (\$1,630/month) \$1 in benefits will be withheld for every \$2 in earnings above the limit	\$21,240/year (\$1,770/month) \$1 in benefits will be withheld for every \$2 in earnings above the limit
Retirement Earnings Test Exempt Amounts at Full Retirement Age	\$51,960/year (\$4,330/month) Applies only to earnings for months prior to attaining full retirement age. \$1 in benefits will be withheld for every \$3 in earnings above the limit.	\$56,520/year (\$4,710/month) Applies only to earnings for months prior to attaining full retirement age. \$1 in benefits will be withheld for every \$3 in earnings above the limit.
Maximum Social Security Benefit if Retiring at Full Retirement Age	\$3,345/month	\$3,627/month

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Health Savings Accounts

	2022	2023
HSA Contribution Limit	Self only: \$3,650/year Family: \$7,300/year	Self only: \$3,850/year Family: \$7,750/year
High Deductible Health Plan (HDHP) Minimum Deductible	Self only: \$1,400/year Family: \$2,800/year	Self only: \$1,500/year Family: \$3,000/year
HDHP Maximum Out-of-Pocket Amounts	Self only: \$7,050/year Family: \$14,100/year	Self only: \$7,500/year Family: \$15,000/year
Health FSA Contribution	\$2,850	\$3,050/year with maximum carryover of \$610

Sources:

- Revenue Procedure 2022-38, IRS Notice IR-2022-55, <https://www.irs.gov/pub/irs-drop/rp-22-38.pdf>
<https://www.irs.gov/pub/irs-drop/n-22-55.pdf>
- Social Security Changes - COLA Fact Sheet (ssa.gov)
- Rev. Proc. 2022-24, RP-2022-24 (irs.gov)
- IRS provides tax inflation adjustments for tax year 2023 | Internal Revenue Service
- Rev. Proc. 2022-38, Part III Administrative, Procedural, and Miscellaneous, 26 CFR 601.602 (irs.gov)

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