

# 2023 Tax Planning

## Taxable Income Brackets for 2023 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	\$0 – \$22,000	\$0 – \$11,000
12%	\$22,001 – \$89,450	\$11,001 – \$44,725
22%	\$89,451 – \$190,750	\$44,726 – \$95,375
24%	\$190,751 – \$364,200	\$95,376 – \$182,100
32%	\$364,201 – \$462,500	\$182,101 – \$231,250
35%	\$462,501 – \$693,750	\$231,251 – \$578,125
37%*	Over \$693,750	Over \$578,125

\*The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income (those with MAGI over the thresholds of \$250,000 joint filers/\$200,000 single filers).

## 2023 Trust Tax Rates

Ordinary Income Tax		Capital Gain Rates	
10%	\$0 - \$2,900	0%	\$0 - \$3,000
24%	\$2,901 - \$10,550	15%	\$3,001 - \$14,650
35%	\$10,551 - \$14,450	20%	Over \$14,650
37%	Over \$14,450		

**Trust Tax Rates** – Distributions from inherited IRAs that exceed **\$14,450** and are made to and retained in discretionary trusts will be subject to the top 37% rate. After the SECURE Act, inherited IRA funds will have to be paid out to most of these trusts under the 10-year rule, accelerating trust taxes. Roth conversions during the IRA owner's life become more valuable if the IRA beneficiary is a trust.

## Qualified Business Income (QBI) Deduction

### 20% Deduction Phase-Out Ranges

\$364,200 - \$464,200 - Married Joint

\$182,100 - \$232,100 - Single

## Taxable Income Brackets for 2023 Long Term Capital Gains and Qualified Dividends Tax

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	\$0 – \$89,250	\$0 – \$44,625
15%*	\$89,251 – \$553,850	\$44,626 – \$492,300
20%**	Over \$553,850	Over \$492,300

\*The 15% rate is effectively 18.8% for those subject to the 3.8% Medicare surtax on net investment income.

\*\*The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income

## 2023 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate, Gift, GST Tax	\$12,920,000	40%

\*The estate and gift exemptions are portable. The unused amount can be transferred to a surviving spouse. The GST exemption is NOT portable.

**Annual Gift Tax Exclusion** **\$17,000**

## Standard Deductions

Married-Joint	\$27,700
Single	\$13,850
Head of Household	\$20,800

### Extra Standard Deduction for Age 65 or Blind

\$1,500 (married-joint)

\$1,850 (single)

## Qualified Charitable Distributions

Available only to IRA owners and IRA beneficiaries who are 70½ or older. The annual QCD limit is \$100,000 per IRA owner, **not** per IRA account. QCDs are more valuable due to the larger number of taxpayers that are using the increased standard deduction.

## Roth Conversion Planning Ideas

Roth conversions are permanent and work best for those who believe they will be subject to higher marginal tax rates in the future.

Roth conversions are not all or nothing. Consider a series of smaller annual conversions over time to spread out the income tax.

Timing Roth conversions for maximum tax efficiency:

Convert before RMDs begin. RMDs cannot be converted, so no conversion can be done until the RMD is withdrawn.

Avoid the impact of Roth conversions on Medicare IRMAA charges for Parts B and D based on income. Since Medicare has a 2-year lookback provision, consider conversions before age 63.

If a spouse died during the year, consider a Roth conversion for the surviving spouse since this may be the last year to take advantage of married-joint tax return rates. Include the conversion income on the final joint tax return.