



2023 TAX AND FINANCIAL PLANNING INFORMATION

An overview of important changes, rates, rules and deadlines to assist your 2023 tax planning.

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This piece contains tax and financial planning information as of February 15, 2023.

THE IMPORTANCE OF TAX PLANNING

This guide provides an overview of tax rates, credits, deductions and related considerations that may apply to you.

Tax planning should not be done in isolation, but instead should be integrated with your total financial plan. By developing and implementing strategies to help lessen or shift current and future tax liabilities, you can improve your prospects of meeting long and short-term goals.

Keep in mind that tax laws are often complex and frequently change. Consequently, you should consult your tax, legal and financial advisors before making investment and tax decisions.

2023 TAX RATES

Taxable income is income after all deductions, including either itemized deductions or the standard deduction.

Standard deduction – single and married filing separately \$13,850; head of household \$20,800; joint \$27,700; Dependent cannot exceed the greater of \$1,250 or \$400 + earned income.

Extra deduction if blind or over 65 – single \$1,850; head of household \$1,850; all others \$1,500.

2023 Ordinary Income Tax Rates

SINGLE	
If taxable income is:	Your tax is:
Not over \$11,000	10% of taxable income
Over \$11,000 – \$44,725	\$1,100 + 12% of the excess over \$11,000
Over \$44,725 – \$95,375	\$5,147 + 22% of the excess over \$44,725
Over \$95,375 – \$182,100	\$16,290 + 24% of the excess over \$95,375
Over \$182,100 – \$231,250	\$37,104 + 32% of the excess over \$182,100
Over \$231,250 – \$578,125	\$52,832 + 35% of the excess over \$231,250
Over \$578,125	\$174,238.25 + 37% of the excess over \$578,125

MARRIED FILING JOINTLY/SURVIVING SPOUSE	
If taxable income is:	Your tax is:
Not over \$22,000	10% of taxable income
Over \$22,000 – \$89,450	\$2,200 + 12% of the excess over \$22,000
Over \$89,450 – \$190,750	\$10,294 + 22% of the excess over \$89,450
Over \$190,750 – \$364,200	\$32,580 + 24% of the excess over \$190,750
Over \$364,200 – \$462,500	\$74,208 + 32% of the excess over \$364,200
Over \$462,500 – \$693,750	\$105,664 + 35% of the excess over \$462,500
Over \$693,750	\$186,601.50 + 37% of the excess over \$693,750

HEAD OF HOUSEHOLD	
If taxable income is:	Your tax is:
Not over \$15,700	10% of taxable income
Over \$15,700 – \$59,850	\$1,570 + 12% of the excess over \$15,700
Over \$59,850 – \$95,350	\$6,868 + 22% of the excess over \$59,850
Over \$95,350 – \$182,100	\$14,678 + 24% of the excess over \$95,350
Over \$182,100 – \$231,250	\$35,498 + 32% of the excess over \$182,100
Over \$231,250 – \$578,100	\$51,226 + 35% of the excess over \$231,250
Over \$578,100	\$172,623.50 + 37% of the excess over \$578,100

MARRIED FILING SEPARATELY	
If taxable income is:	Your tax is:
Not over \$11,000	10% of taxable income
Over \$11,000 – \$44,725	\$1,100 + 12% of the excess over \$11,000
Over \$44,725 – \$95,375	\$5,147 + 22% of the excess over \$44,725
Over \$95,375 – \$182,100	\$16,290 + 24% of the excess over \$95,375
Over \$182,100 – \$231,250	\$37,104 + 32% of the excess over \$182,100
Over \$231,250 – \$346,875	\$52,832 + 35% of the excess over \$231,250
Over \$346,875	\$93,300.75 + 37% of the excess over \$346,875

2023 Alternative Minimum Tax Rates

ALTERNATIVE MINIMUM TAX (AMT) RATES		
FILING STATUS	ALTERNATIVE MINIMUM TAXABLE INCOME	AMT RATE
Single, married filing jointly, and head of household	\$0 - \$220,700	26%
	\$220,701 or more	28%
Married filing separately	\$0 – \$110,350	26%
	\$110,351 or more	28%

ALTERNATIVE MINIMUM TAX EXEMPTION		
FILING STATUS	AMT EXEMPTION AMOUNT	AMT EXEMPTION PHASEOUT THRESHOLD
Single filers and head of household	\$81,300	\$578,150
Married filing jointly and surviving spouses	\$126,500	\$1,156,300
Married filing separately	\$63,250	\$578,150

2023 CAPITAL GAINS RATES

Short-term capital gains: Assets held for one year or less are taxed at an individual's ordinary tax rate.

Long-term capital gains: Assets held for more than one year are taxed at favorable rates outlined in the chart below.

Determine your capital gain bracket by adding your net long-term capital gains and/or qualified dividends to your other taxable ordinary income.

Long-Term capital gains rate	Single	Married filing jointly	Married filing separately	Head of household	Trusts and 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%	Over \$492,300	Over \$553,850	Over \$276,900	Over \$523,050	Over \$14,650

Long-term capital gains will stack on top of ordinary income and short-term capital gains when determining which rate to use.

NETTING PROCESS

1. Determine whether you have a net short-term or net long-term capital gain or loss.
2. Net your short-term gains and short-term losses to determine a net short term position for the year.
3. Net your long-term gains and long-term losses to determine a net long term position for the year.
4. If you have the same position (long-term gain and long-term loss for example) for each holding period they are reported separately on Schedule D.

5. If one holding period results in a gain and the other in a loss, they are then netted against each other.
6. For gains, you must pay tax on all gains each year. For losses, you may only deduct up to \$3,000 of excess losses against ordinary income per year.
7. Carry over any remaining losses to future tax years.



A note about wash sales

Selling a security at a loss and purchasing another “substantially identical” security – within 30 days before or after the sale date – triggers what the IRS considers a **wash sale**, an action that disallows the loss deduction. The IRS looks at all of your accounts to determine whether a wash sale has occurred, so selling the stock at a loss in a taxable account and buying it within that 61-day window in your 401(k) or IRA will trigger a wash sale.

SALE DATE



MEDICARE TAX

Higher-income taxpayers are subject to two additional Medicare taxes – an additional 0.9% Medicare payroll tax and a 3.8% Medicare surtax on net investment income.

3.8% SURTAX ON UNEARNED INCOME

The 3.8% surtax on “unearned income” applies to individuals, trusts and estates. “Unearned income” is defined as investment income such as income from interest, dividends, annuities, royalties, capital gains and other passive income.

Two conditions must be met for the 3.8% surtax to apply. First, the taxpayer must have investment income, and second, the taxpayer’s modified adjusted gross income (MAGI) must exceed the limits below, which are not indexed for inflation.

FILING STATUS	3.8% SURTAX APPLIES TO THE LESSER OF:	
Married filing jointly	Investment income	MAGI minus \$250,000
Married filing separately	Investment income	MAGI minus \$125,000
All others	Investment income	MAGI minus \$200,000

For purposes of the 3.8% surtax, the MAGI limitation is simply the taxpayer's adjusted gross income (AGI) plus any excluded net foreign income. AGI can be found on the first page of a taxpayer's form 1040 (Line 11 on 2022 returns).

If those two conditions are met, then the 3.8% surtax applies to the amount of the net investment income, or if smaller, the difference between the taxpayer's MAGI and the thresholds listed above. For example, if a single taxpayer has \$10,000 of dividend income and MAGI of \$205,000, then the 3.8% surtax applies to \$5,000. If the same taxpayer had MAGI of \$211,000, the 3.8% surtax would apply to \$10,000.

The 3.8% surtax does not apply to distributions from tax-favored retirement plans such as IRAs or qualified plans, although distributions from tax-favored retirement plans may increase a taxpayer's MAGI over the limits discussed above and thereby potentially expose net investment income to the 3.8% surtax. In general terms, the 3.8% surtax does not apply to active trades or businesses conducted by a sole proprietor, S corporation or partnership, or to the gains and losses on the sale of active trades or businesses. However, working capital is not treated as being part of an active trade or business for purposes of the 3.8% surtax.

0.9% TAX ON WAGES

An additional 0.9% Medicare tax is imposed on wages of employees and on earnings of self-employed individuals. The 0.9% Medicare tax applies to wages and self-employment earnings above the limits below, which are not indexed for inflation:

- \$250,000 for taxpayers filing jointly
- \$125,000 for married taxpayers filing separately
- \$200,000 for other taxpayers

The 0.9% Medicare tax applies to employees, but not to employers. For joint filers, the tax applies to the spouses' combined wages. For self-employed individuals, the 0.9% tax is not deductible.

RETIREMENT

INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)

Taxpayers, including spouses, may each contribute \$6,500 (\$7,500 if age 50 or older) to a traditional or Roth IRA provided they have enough taxable compensation to support the contributed amount.

TRADITIONAL IRAs

In addition to the earned income requirement, the ability to make a deductible contribution to a traditional IRA is also dictated by your tax filing status, MAGI, and whether or not you or your spouse is covered by an employer retirement plan. If neither is covered by an employer plan, the full \$6,500 contribution can be deducted, regardless of MAGI. If either spouse is covered by an employer plan, phaseouts will apply to how much can be deducted. If a taxpayer is above the MAGI phaseout limit, he or she may still make the contribution, but will not be able to deduct it on their tax return. There is no age cap on making contributions to a traditional IRA.

TRADITIONAL IRA CHART

TRADITIONAL IRA: DEDUCTIBILITY OF CONTRIBUTIONS (2023)		
Status	Modified adjusted gross income	Deduction allowed
Single filers and head of household	\$0 – \$73,000	\$6,500 maximum
	\$73,001 – \$83,000	Partial
	More than \$83,000	None
Married filing jointly and surviving spouses **	\$0 – \$116,000	\$6,500 maximum
	\$116,001 – \$136,000	Partial
	More than \$136,000	None
Married non-covered spouses*	\$0 – \$218,000	\$6,500 maximum
	\$218,001 – \$228,000	Partial
	More than \$228,000	None

* Applies to individuals whose spouses are covered by a workplace plan but who are not covered themselves.

** Applies to people covered under an employer retirement plan.

ROTH IRAs

Contributions made to a Roth IRA are not deductible, unlike contributions made to a traditional IRA, and there is no age restriction on making contributions. An individual may contribute up to \$6,500 to the Roth IRA, provided they have earned income to support the contribution, subject to income phaseout limits.

ROTH IRA: ELIGIBILITY OF CONTRIBUTIONS (2023)		
Status	Modified adjusted Gross income	Contribution
Single filers and head of household	\$0 – \$138,000	\$6,500 maximum
	\$138,001 – \$153,000	Partial
	\$153,000	None
Married filing jointly and surviving spouses	\$0 – \$218,000	\$6,500 maximum
	\$218,001 – \$228,000	Partial
	More than \$228,000	None

CATCH-UP CONTRIBUTIONS

If you have either a traditional or Roth IRA and are age 50 or older during the tax year, an additional \$1,000 may be contributed.

TRADITIONAL & ROTH IRA CONTRIBUTIONS (2023)	
Individual maximum contribution	Catch-up contribution if age 50 or older
\$6,500	\$1,000
401(k), 403(b), 457 AND SARSEP CONTRIBUTIONS (2023)	
Employee maximum deferral contribution	Catch-up contribution if age 50 or older
\$22,500	\$7,500
SIMPLE IRA CONTRIBUTION & SIMPLE 401(k) CONTRIBUTIONS (2023)	
Employee maximum deferral contribution	Catch-up contribution if age 50 or older
\$15,500	\$3,500

2023 Individual annual limit (Section 415 for defined contribution plans): \$66,000

2023 Maximum compensation limit: \$330,000

2023 Key employee limit: \$215,000 for officers; \$150,000 for more than 1% owners; any compensation for a 5% owner of the employer

Highly compensated employee limit: \$150,000
(when 2023 is the lookback year)

IRA ROLLOVERS

Retirement plan and IRA funds can be transferred through a rollover. Rollovers can be done via an indirect rollover, direct rollover, or a trustee-to-trustee transfer. An indirect rollover occurs when a check is made out to the account owner who receives those funds. They then have 60 days from receipt to redeposit those funds without incurring any negative tax consequences. Indirect rollovers between IRAs can be completed once every 365 days. A direct rollover and trustee-to-trustee transfer move money directly from one retirement account to another.

There are no annual limits to the number of direct rollovers or trustee-to-trustee transfers.

IRS RULES FOR LATE 60-DAY ROLLOVERS

When redepositing funds from your IRA, Roth IRA or other plan, individuals receive a check and have a 60-day period in which to roll over those funds into a new IRA, 401(k) or other qualified retirement account.

Under Revenue Procedure 2020-46 (released in October 2020), individuals who miss the 60-day rollover period can self-certify that they qualify for a waiver, so long as they meet a few criteria:

1. There is no prior denial by the IRS for a waiver.
2. The late rollover must be attributed to one of the 12 reasons listed in the form provided by the IRS in Revenue Procedure 2020-46.
3. The funds must be redeposited into an IRA account “as soon as practical after the reason or reasons no longer prevent the taxpayer from making the contribution.” This guideline does include a 30-day safe harbor window.

AFTER-TAX 401(K) TO ROTH IRA

If you have after-tax dollars in a plan and are able to take a rollover eligible distribution, you may direct those after-tax dollars to a Roth IRA as a tax-free transaction. There are two critical elements to the distributions. First, you must tell the plan administrator how you are allocating the pre-tax and after-tax dollars beforehand. Second, any distribution from a 401(k) plan must include a proportionate amount of pre-tax and after-tax dollars. The benefits of moving after-tax dollars to a Roth IRA (or Roth 401(k) if available) is that any earnings will be considered part of the Roth balance. Earnings associated with an after-tax contribution that are left in a 401(k) are considered pre-tax.

If those after-tax contributions grow inside a Roth IRA instead, the growth is potentially tax-free.

2023 SOCIAL SECURITY

Maximum monthly benefit for retirees at full retirement age (FRA) in 2023 is \$3,627.

If an individual files for Social Security prior to FRA, they are subject to the earnings test. Benefits will be withheld until full retirement age, when benefits are increased permanently to account for withheld benefits.

For those under full retirement age for the entire year: \$21,240*

For months before reaching full retirement age in the year full retirement age will be reached: \$56,520**

Beginning with month reaching full retirement age: No reduction in benefit associated with earnings

SOCIAL SECURITY TAXATION THRESHOLDS		
	Up to 50% taxed	Up to 85% taxed
Single	\$25,000 – \$34,000	More than \$34,000
Married Filing Jointly	\$32,000 – \$44,000	More than \$44,000

Taxation is based on combined income, which is defined as AGI + nontaxable interest + 1/2 Social Security Benefits

Taxable wage base: \$160,200

REQUIRED MINIMUM DISTRIBUTIONS

Most IRA owners will use the following uniform life table to calculate required minimum distributions (RMDs). There is an exception when a spousal beneficiary is more than 10 years younger than the participant on January 1. In this case, a different table is used.

* If your earnings exceed this, then \$1 of benefits is withheld for every \$2 you earn above \$21,240

** If your earnings exceed this, then \$1 of benefits is withheld for every \$3 you earn above \$56,520

To calculate your RMD, first find the age you will turn in 2023 and the corresponding applicable divisor. Then divide the prior year-end balance of your IRA account by the divisor.

Note that the IRS updated the life expectancy tables used to calculate RMDs for IRA/qualified plan account owners and beneficiaries that take distributions over their life expectancy to reflect changes to the RMD age in the original SECURE Act. The updated tables are generally applicable for distributions after 2021. The current life tables can be found at <https://www.govinfo.gov/content/pkg/FR-2020-11-12/pdf/2020-24723.pdf> and in IRS Publication 590-B.

As an example, using the uniform life table, if you are 82 in 2023, your applicable divisor is 18.5. If the balance in your IRA as of December 31, 2022, was \$235,000, divide that amount by 18.5. The result is \$12,702.70. This is the amount of your RMD for the current year.

Uniform Life Table

AGE	APPLICABLE DIVISOR	AGE	APPLICABLE DIVISOR	AGE	APPLICABLE DIVISOR
72	27.4	89	12.9	106	4.3
73	26.5	90	12.2	107	4.1
74	25.5	91	11.5	108	3.9
75	24.6	92	10.8	109	3.7
76	23.7	93	10.1	110	3.5
77	22.9	94	9.5	111	3.4
78	22	95	8.9	112	3.3
79	21.1	96	8.4	113	3.1
80	20.2	97	7.8	114	3
81	19.4	98	7.3	115	2.9
82	18.5	99	6.8	116	2.8
83	17.7	100	6.4	117	2.7
84	16.8	101	6	118	2.5
85	16	102	5.6	119	2.3
86	15.2	103	5.2	120+	2
87	14.4	104	4.9		
88	13.7	105	4.6		

RMD DEADLINES

The original SECURE Act and SECURE Act 2.0 both changed the age for which RMDs must begin for traditional IRAs and other qualified plans. IRA owners born between July 1, 1949 and December 31, 1950 must begin taking RMDs for the year they turn 72. Individuals born between 1951 and 1959 must begin taking RMDs for the year they turn 73. Individuals who are born in 1960 and later have an RMD start age of 75. However, there is no RMD requirement for owners of Roth IRAs. For IRAs, the RMD deadline is December 31 each year. For the first year you have to take an RMD, you have until April 1 of the following year to take it. This April 1st deadline is called the required beginning date.

If you are still working, you can generally delay your RMDs from your current employer's 401(k) or other employer-based retirement plans until the year you retire (a delay is not available if you own 5% or more of the company). This is known as the still working exception and is retirement plan specific. Check with your plan administrator to see if you may delay. For all subsequent years, distributions must be made annually by December 31.

Note that after 2023, RMDs will not be required from *Roth* 401(k) accounts.

Beginning in 2020 pursuant to changes made by the original SECURE Act, when an IRA account owner dies, most nonspousal beneficiaries lose the ability to stretch distributions over their life expectancy. Rather, they will have to fully distribute the beneficiary IRA by December 31 of the 10-year anniversary of death. Where the death occurs prior to the required beginning date for distributions, there are no annual distribution requirements, only that the account is totally distributed by December 31 of the 10th year. For example, if a father passes away in July of 2023 and names his adult son as beneficiary, the son would have until December 31, 2033 to fully distribute the account.

However, under proposed regulations that will not apply before 2023, the IRS interprets the 10-year rule to require annual distributions to the beneficiary if the employee died after their required beginning date, beginning in the first calendar year after the calendar year of the employee's death. Because this is a change from the distribution rules in place before the SECURE Act, the IRS has issued transition guidance for 2021 and 2022 in Notice 2022-53.

There are several exceptions to the 10-year rule for IRA beneficiaries known as eligible designated beneficiaries. They may still take distributions over their life expectancy (stretch):

- spouses
- disabled or chronically ill individuals (as defined by the IRS)
- beneficiaries that are not more than 10 years younger than the deceased account owner

Minor children of the deceased account owner can also take RMDs using their single life expectancy until they reach the age of majority (the proposed regulations further define age of majority as the age of 21) and then they will have to start the 10-year clock.

HEALTH SAVINGS ACCOUNTS (HSAs)

Created as part of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and rapidly growing in popularity, health savings accounts (HSAs) are a tax-advantaged way for individuals to save for health care expenses.

Eligibility

- Anyone with a High Deductible Health Plan (HDHP), including a qualifying Marketplace plan, that only covers preventive services before the deductible. For

plan year 2023, the minimum deductible for an HDHP is \$1,500 for an individual and \$3,000 for a family.

- There are no income limits affecting eligibility.
- The HSA belongs to the individual not the employer.
- An HSA can be set up with any qualified trustee or custodian.
- Earned income is not a requirement. As long as an individual has not enrolled in Medicare Part A or B, they are eligible and may contribute to an HSA. Once an individual enrolls in Medicare, they may no longer contribute to an HSA.
- There is also a requirement that they not have any other health coverage or an FSA, and they can't be claimed as a tax dependent on anyone else's tax return. See IRS Publication 969 for full requirements.

Contributions

- In 2023, individuals can contribute \$3,850 to an HSA and families can contribute \$7,750.
- An individual age 55 or older can contribute an additional \$1,000 catch-up contribution each year.
- If a spouse is also 55, they can contribute an additional \$1,000 to their respective HSA.
- Anyone can make a contribution to an HSA on another person's behalf and, per IRS HSA rules, the account holder is the one who claims the deduction.
- There are no limits on the amount that can be carried forward each year.
- For eligible individuals, HSAs are the only type of tax-preferenced investment account that enjoys the benefits of tax-deductible contributions, tax-deferred growth of earnings and tax-free distributions (for qualified medical expenses).

2023 ESTATE, GIFT AND GST TAX

ESTATE, GIFT AND GENERATION SKIPPING TAX	
Gift and estate tax applicable exclusion amount	\$12,920,000
GST tax exemption	\$12,920,000
Annual gift tax exclusion amount	\$17,000
Non-citizen spouse annual exclusion	\$175,000
Unified credit amount	\$5,113,800

The annual gift
tax exclusion

\$17,000



allows married couples to gift a combined \$34,000

NON-GRANTOR TRUSTS AND ESTATES INCOME TAX RATES	
If taxable income is:	Your tax is:
Not over \$2,900	10% of taxable income
Over \$2,900 to \$10,550	\$290 + 24% of the excess over \$2,900
Over \$10,550 to \$14,450	\$2,126 + 35% of the excess over \$10,550
Over \$14,450	\$3,491 + 37% of the excess over \$14,450

ESTATE AND GIFT TAX RATES				
Taxable gift/estate			Percentage	Of amount
Over	Not over	Pay	On excess	Above
\$0	\$10,000	\$0	18%	\$0
\$10,000	\$20,000	\$1,800	20%	\$10,000
\$20,000	\$40,000	\$3,800	22%	\$20,000
\$40,000	\$60,000	\$8,200	24%	\$40,000
\$60,000	\$80,000	\$13,000	26%	\$60,000
\$80,000	\$100,000	\$18,200	28%	\$80,000
\$100,000	\$150,000	\$23,800	30%	\$100,000
\$150,000	\$250,000	\$38,800	32%	\$150,000
\$250,000	\$500,000	\$70,800	34%	\$250,000
\$500,000	\$750,000	\$155,800	37%	\$500,000
\$750,000	\$1,000,000	\$248,300	39%	\$750,000
\$1,000,000		\$345,800	40%	\$1,000,000

EDUCATION

CONTRIBUTION AMOUNTS TO COVERDELL

\$2,000 per beneficiary. This amount is phased out from \$190,000 to \$220,000 MAGI for married couples filing jointly, and \$95,000 to \$110,000 MAGI for single filers.

GIFTS TO 529 PLANS

For 2023, gifts can be front-loaded up to \$85,000 (5 years x \$17,000 annual exclusion) per individual or \$170,000 for married couples who split gifts. Front-loading uses the annual gift tax exclusion for the current year and the next four years (for a total of five years).

The use of 529 plans can cover expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school. Check with your state of residence to see if it conforms to the Federal Tax Code on qualified tuition expenses for K-12. These expenses for a single beneficiary during any taxable year should not exceed \$10,000 incurred during that year.

AMERICAN OPPORTUNITY CREDIT

Up to 100% of the first \$2,000, and 25% of the next \$2,000, for a total of \$2,500 maximum credit per eligible student per year, with reduction for MAGI between \$80,000 and \$90,000 for single filers, and \$160,000 and \$180,000 for joint filers.

LIFETIME LEARNING CREDIT

Increased under the Consolidated Appropriations Act, up to 20% of the first \$10,000 (per taxpayer) of qualified expenses can be paid in 2023 with reduction for MAGI from \$80,000 to \$90,000 for single filers and \$160,000 to \$180,000 for joint filers.

STUDENT LOAN TAX RELIEF

For student loans forgiven or cancelled between January 1, 2021, and December 31, 2025, discharged amounts are not included in taxable income.

STUDENT LOAN INTEREST DEDUCTION

For 2023, \$2,500 “above-the-line” deduction, with reduction for MAGI from \$75,000 to \$90,000 for single filers and \$155,000 to \$185,000 for married filing jointly.

MODIFIED AGI – U.S. SAVINGS BOND

Interest exclusion

For 2023, the phaseout range for taxpayers to exclude income from U.S. savings bonds used to pay qualified higher education expenses is \$91,850 to \$106,850 for single filers and \$137,800 to \$167,800 for married filing jointly. In addition to MAGI thresholds, to qualify for the interest exclusion, bond purchasers must be age 24 or older and bonds must be titled in their name (or their spouse’s name). A bond bought by a parent and issued in the name of a child under age 24 does not qualify for the interest exclusion. Proceeds must be used for qualified postsecondary education expenses of the taxpayer, the taxpayer’s spouse or the taxpayer’s dependent.

2023 KIDDIE TAX RULES

Kiddie Tax refers to investment and unearned income tax for minor children and some dependent children. It requires the unearned income of a child or young adult be taxed at the child’s parents’ marginal tax rate once the unearned income exceeds \$2,500. Under the Kiddie Tax rules, the first \$1,250 in unearned income is not subject to tax. The next \$1,250 of unearned income is taxed at the child’s rate. Then, any unearned income of more than \$2,500 is taxed at the parents’ marginal tax rate. The Kiddie Tax rules apply to unearned income of the following:

- A child age 17 or under at the end of the tax year
- An individual who is 18 (at the end of the tax year) whose earned income (excluding scholarships, if a full-time student) does not exceed half of his or her support costs during the year
- A 19- to 23-year-old full-time student whose earned income (excluding scholarships) does not exceed half of his or her support during the year (a student is considered full time if he or she is a full-time student during any part of at least five months during the year)

Please note, your child would not be subject to the Kiddie Tax if:

- He or she only had earned income
- He or she is not required to file because their income is below the filing threshold
- He or she is filing jointly

CHILD AND DEPENDENT CARE TAX CREDIT

For 2023, the child and dependent care credit is equal to 35% of qualified expenses, up to a limit, for taxpayers with an AGI of \$15,000 or less. The credit percentage is reduced by one percentage point for every \$2,000, or fraction thereof, in excess of \$15,000 until the credit percentage reaches 20% for AGIs above \$43,000. The amount of creditable child and dependent care expenses is capped at \$3,000 for taxpayers with one qualifying individual, or \$6,000 for taxpayers with two or more qualifying individuals. The credit is not refundable.

CHILD TAX CREDIT

Taxpayers may claim a partially refundable tax credit of up to \$2,000 per qualifying child. A qualifying child must be the taxpayer's qualifying child for purposes of the dependency exemption, and also must be under age 17 at the end of the calendar year in which the taxpayer's tax year begins.

The \$2,000 per child credit is reduced by \$50 for each \$1,000, or fraction thereof, by which the taxpayers MAGI exceeds \$200,000, or \$400,000 for married taxpayers filing jointly. For 2023, up to \$1,600 of the \$2,000 is refundable, subject to limitations based on the amount of earned income and the number of qualifying children.

BUSINESS

CORPORATE TAX RATES

Flat 21%

STANDARD MILEAGE RATE

65.5 cents per mile

CHARITABLE MILEAGE RATE

14 cents per mile

CONSIDERATIONS

PRESENT VALUE OF A LUMP SUM

What if you know you will need \$10,000 accumulated 10 years from now? How much money do you need to invest today at an average interest rate of 8% to obtain your goal? Looking at the table below, go to 10 years and then across to 8%. You see that \$0.463 invested today at 8% should yield \$1 in 10 years. Since you want \$10,000, multiply \$0.463 by \$10,000 to arrive at \$4,630.

YEARS	5%	6%	8%	10%	12%
10	.614	.558	.463	.386	.322
20	.377	.312	.215	.149	.104
30	.231	.174	.099	.057	.033
40	.142	.097	.046	.022	.011

FUTURE VALUE OF A LUMP SUM

If you invest \$10,000 at an interest rate of 8%, how much will your investment be worth in 10 years? By referring

to the table, you find that \$1 invested today at 8% would grow to \$2.159 in 10 years. Since you invested \$10,000, multiply \$2.159 by \$10,000, giving you \$21,590.

YEARS	5%	6%	8%	10%	12%
10	1.629	1.791	2.159	2.594	3.106
20	2.653	3.207	4.661	6.727	9.646
30	4.322	5.743	10.063	17.449	29.960
40	7.040	10.286	21.725	45.259	93.051

PRESENT VALUE OF A SERIES OF ANNUAL PAYMENTS

How much money would you need to invest today at an interest rate of 8% to provide \$10,000 per year for 10 years? Looking at the chart below, to receive \$1 per year for 10 years at 8%, you would need to invest \$6.710. Multiply that figure by \$10,000 to get \$67,100, the amount that you would need to invest.

YEARS	5%	6%	8%	10%	12%
10	7.722	7.360	6.710	6.145	5.650
20	12.462	11.470	9.818	8.514	7.469
30	15.372	13.765	11.258	9.427	8.055
40	17.159	15.046	11.925	9.779	8.244

FUTURE VALUE OF A SERIES OF ANNUAL PAYMENTS

If you deposit \$5,000 in an annuity at the end of each year for 10 years at an 8% interest rate, you would have \$72,435 (\$5,000 x \$14.487) in your account at the end of the 10th year.

YEARS	5%	6%	8%	10%	12%
10	12.578	13.181	14.487	15.937	17.549
20	33.066	36.786	45.762	57.275	72.052
30	66.439	79.058	113.283	164.494	241.333
40	120.800	154.762	259.057	442.593	767.091

TAXABLE EQUIVALENT YIELDS

Taxable equivalent yield is the return that is required on a taxable investment to make it equal to the return on a tax-exempt investment. The taxable equivalent yield is commonly used when evaluating municipal bond returns.

TAX EXEMPT YIELDS	TAX BRACKET						
	10%	12%	22%	24%	32%	35%	37%
1.00%	1.11%	1.14%	1.28%	1.32%	1.47%	1.54%	1.59%
1.50%	1.67%	1.70%	1.92%	1.97%	2.21%	2.31%	2.38%
2.00%	2.22%	2.27%	2.56%	2.63%	2.94%	3.08%	3.17%
2.50%	2.78%	2.84%	3.21%	3.29%	3.68%	3.85%	3.97%
3.00%	3.33%	3.41%	3.85%	3.95%	4.41%	4.62%	4.76%
3.50%	3.89%	3.98%	4.49%	4.61%	5.15%	5.38%	5.56%
4.00%	4.44%	4.55%	5.13%	5.26%	5.88%	6.15%	6.35%
4.50%	5.00%	5.11%	5.77%	5.92%	6.62%	6.92%	7.14%
5.00%	5.56%	5.68%	6.41%	6.58%	7.35%	7.69%	7.94%
5.50%	6.11%	6.25%	7.05%	7.24%	8.09%	8.46%	8.73%
6.00%	6.67%	6.82%	7.69%	7.89%	8.82%	9.23%	9.52%
6.50%	7.22%	7.39%	8.33%	8.55%	9.56%	10.00%	10.32%
7.00%	7.78%	7.95%	8.97%	9.21%	10.29%	10.77%	11.11%
7.50%	8.33%	8.52%	9.62%	9.87%	11.03%	11.54%	11.90%

These are hypothetical illustrations and are not intended to reflect the actual performance of any particular security. Actual investor results will vary. Investments involve risk and you may incur a profit or a loss.

IMPORTANT DEADLINES

TAX DEADLINES

April 18, 2023, for 2022 returns

October 16, 2023, for extensions

2023 QUARTERLY TAX PAYMENT DEADLINES

2023 first quarter payment due April 18, 2023

2023 second quarter payment due June 15, 2023

2023 third quarter payment due September 15, 2023

2023 fourth quarter payment due January 16, 2024

CORPORATE RETURN DEADLINE

April 18, 2023 for calendar year C corporation returns.

March 15, 2023, for calendar year partnership and S-corporation returns

LOCK IN GAINS/LOSSES, MAKE CONTRIBUTIONS TO 529 PLANS, GIFT

December 31, 2023

DEADLINE FOR ESTABLISHING A SIMPLE IRA

October 1, 2023*

You can set up a SIMPLE IRA plan effective on any date from January 1 through October 1 of a year, provided you did not previously maintain a SIMPLE IRA plan. This requirement does not apply if you are a new employer that comes into existence after October 1 of the year

* Deadline does not apply to new businesses/employers that are established after October 1st.

the SIMPLE IRA plan is set up and you set up a SIMPLE IRA plan as soon as administratively feasible after your business comes into existence. If you previously maintained a SIMPLE IRA plan, you can set up a SIMPLE IRA plan effective only on January 1 of a year. A SIMPLE IRA plan cannot have an effective date that is before the date you actually adopt the plan.

DEADLINE FOR ESTABLISHING A QUALIFIED PLAN

The deadline for filing the employer's 2023 tax return (including extensions). Beginning in 2023, a sole proprietor who is the only employee of his trade or business can make elective deferrals for the initial plan year until the time for filing his tax return (not including extensions).

LIFE WELL PLANNED.

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