

TaxUpdate

2023 YEAR END NEWSLETTER

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Time to Get Organized

With the 2023 tax filing season right around the corner, here are ideas to help make processing this year's tax return as easy as ever.

Make a list

Create a list of expected tax documents. Do this now by reviewing the documents from last year. Then use the list to check off each one when it is received to ensure you have everything you need.

Check it twice

As soon as you receive a document take a look at it for errors. This is especially important for any 1099-Ks or investment forms (1099-B). Both are common sources of errors in reporting.

Find the naughty

Missing documents are the most common reason why processing a tax return gets delayed. So sort your documentation and look for any missing items. It may be a K-1 being delayed by a business or a missing tuition credit form.

Capture the nice

Review and keep all receipts to support possible deductions for medical expenses, contributions, childcare, and business expenses. Each can help reduce your taxable income.

What's New in 2023

Here are some key changes to the tax code for 2023.

Tax brackets and rates

The income brackets subject to tax are increasing by approximately 7 percent due to inflation. See 2023 brackets below.

Key changes

Increased age for required distributions. If you turn 72 in 2023 or later, you can keep money in a tax-deferred IRA or 401(k) for another 12 months to help the account continue growing before starting to withdraw funds. This retirement benefit is now available thanks to the required minimum distribution age being raised from age 72 to age 73.

Decreased penalty if required distributions aren't taken. The penalty for failing to take a required minimum distribution is reduced from 50% to 25%. If the correction is generally made within two years, the penalty is further reduced to 10%.

New tax credits

Tax credit for new clean vehicles. A credit up to \$7,500 is available if you (or your business) buy a new, qualified plug-in electric vehicle or fuel cell electric vehicle.

Your modified adjusted gross income must not exceed:

- \$300,000 for married couples filing jointly
- \$225,000 for heads of households
- \$150,000 for all other filers

Tax credit for used clean vehicles. A credit up to \$4,000 is available if you buy a previously owned, qualified plug-in electric vehicle or fuel cell vehicle, including cars and light trucks. In addition, your modified adjusted gross income (AGI) must not exceed:

- \$150,000 for married couples filing jointly
- \$112,500 for heads of households
- \$75,000 for all other filers

You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less.

Tax credit for energy efficient home improvements. An annual tax credit up to \$1,200 is available if you make qualified energy improvements to your home (biomass stoves and boilers have a separate annual credit limit of \$2,000).

Income Brackets for 2023 Tax Rates

Tax Rate	Single	Married Filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1 – 11,000	\$1 – 22,000	\$1 – 15,700	\$1 – 11,000
12%	11,001 – 44,725	22,001 – 89,450	15,701 – 59,850	11,001 – 44,725
22%	44,726 – 95,375	89,451 – 190,750	59,851 – 95,350	44,726 – 95,375
24%	95,376 – 182,100	190,751 – 364,200	95,351 – 182,100	95,376 – 182,100
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 – 578,100	231,251 – 346,875
37%	Over \$578,125	Over \$693,750	Over \$578,100	Over \$346,875