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IRS ANNUAL INFLATION ADJUSTMENTS THOUGHT LEADERSHIP PERSPECTIVES

BY ERIONA HOWARD, CPA, EA, MST

THE IRS RECENTLY ANNOUNCED ANNUAL INFLATION ADJUSTMENTS TO SEVERAL TAX PROVISIONS FOR TAX YEAR 2023. THESE CHANGES ARE APPLICABLE TO RETURNS THAT WILL BE FILED IN YEAR 2024.

It is important to know how changes in the tax rates and taxable income thresholds affect your personal situation. The most notable changes are listed below for single and married filing jointly filers and estates and trusts, in comparison to tax year 2022.

INDIVIDUAL FEDERAL TAX RATES

Tax Rate	2022 Taxable Income	2023 Taxable Income
Single		
10%	\$10,275 or less	\$11,000 or less
12%	in excess of \$10,275	in excess of \$11,000
22%	in excess of \$41,775	in excess of \$44,725
24%	in excess of \$89,075	in excess of \$95,375
32%	in excess of \$170,050	in excess of \$182,100
35%	in excess of \$215,950	in excess of \$231,250
37%	in excess of \$539,900	in excess of \$578,125
Married Filing Jointly and Surviving Spouses		
10%	\$20,550 or less	\$22,000 or less
12%	in excess of \$20,550	in excess of \$22,000
22%	in excess of \$83,550	in excess of \$89,450
24%	in excess of \$178,150	in excess of \$190,750
32%	in excess of \$340,100	in excess of \$364,200
35%	in excess of \$431,900	in excess of \$462,500
37%	in excess of \$647,850	in excess of \$693,750

ESTATES AND TRUSTS FEDERAL TAX RATES

Tax Rate	2022 Taxable Income	2023 Taxable Income
10%	\$2,750 or less	\$2,900 or less
24%	in excess of \$2,750	in excess of \$2,900
35%	in excess of \$9,850	in excess of \$10,550
37%	in excess of \$13,450	in excess of \$14,450

STANDARD DEDUCTION, SOCIAL SECURITY, AND GIFT EXCLUSIONS

The standard deduction, annual gift exclusion, and lifetime gift and estate exclusion amounts all increase in 2023, as reflected below. The Social Security Administration (SSA) also announced similar inflation adjusted amounts to the maximum social security wages and tax.

STANDARD DEDUCTION

	2022	2023
Single/Married Filing Separately	\$12,950	\$13,850
Married Filing Jointly	\$25,900	\$27,700

SOCIAL SECURITY TAX

	2022	2023
Maximum Wages	\$147,000	\$160,200
Maximum Employee Tax (6.2%)	\$9,114	\$9,932.40
Maximum Self-Employed Tax (12.4%)	\$18,228	\$19,864.80

GIFT EXCLUSIONS

	2022	2023
Annual Gift Exclusion	\$16,000	\$17,000
Lifetime Gift/Estate Exclusion	\$12,060,000	\$12,920,000

LONG-TERM CAPITAL GAINS AND QUALIFIED DIVIDENDS TAX RATES BY TAXABLE INCOME (2022 & 2023)

The long-term capital gains and qualified dividends taxable income thresholds are also increased from 2022. In 2023 those thresholds increase by \$2,950 to \$44,625 for single filers (\$89,250 for married filing jointly filers).

The single taxpayer's long-term capital gains and qualified dividends income can escape taxation entirely at a 0% tax rate if taxable income is below the \$44,625 threshold (\$89,250 for married filing jointly filers).

On the other hand, estates and trusts are subject to a 15% tax on long-term capital gains and qualified dividends after taxable income reaches just \$3,000 in 2023, up \$200 from 2022.

LONG-TERM CAPITAL GAINS AND QUALIFIED DIVIDENDS TAX RATES BY TAXABLE INCOME

2022			
	0%	15%	20%
Single	under \$41,675	\$41,675 - \$459,750	\$459,750+
Married Filing Jointly	under \$83,350	\$83,350 - \$517,200	\$517,200+
Estates and Trusts	under \$2,800	\$2,800 - \$13,700	\$13,700+

2023			
	0%	15%	20%
Single	under \$44,625	\$44,625 - \$492,300	\$492,300+
Married Filing Jointly	under \$89,250	\$89,250 - \$553,850	\$553,850+
Estates and Trusts	under \$3,000	\$3,000 - \$14,650	\$14,650+

ADDITIONAL ADJUSTMENTS FOR 2023 TAX YEAR WORTH MENTIONING

- The Flexible Spending Arrangement (FSA) amount increases by \$200 to \$3,050. For cafeteria plans that allow carryover amounts, the maximum carryover amount increases by \$40 to \$610.
- The Health Savings Account (HSA) contribution amount increases by \$200 (self-coverage) and \$450 (family coverage) to \$3,850 and \$7,750, respectively.
- The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government’s Thrift Savings Plan increases by \$2,000 to \$22,500 and the catch-up contribution limit for employees age 50 and over increases to \$7,500, up from \$6,500.
- The Defined Contribution Plan limit increases by \$5,000 to \$66,000.
- The limit on annual IRA contributions increases by \$500 to \$6,500; however, the IRA catch-up contribution limit for individuals age 50 and over remains the same at \$1,000.
- The income threshold for Sec.199A, Qualified Business Income, increases by \$12,050 for single filers, to \$182,100 in 2023 (\$364,200 for married filing jointly filers).
- The foreign earned income inclusion amount increases by \$8,000 to \$120,000.

[Rev. Proc. 2022-38](#) and [Notice 2022-55](#) provide further details about these annual adjustments.

IT IS IMPORTANT TO KNOW HOW THESE CHANGES IN THE TAX RATES AND TAXABLE INCOME THRESHOLDS AFFECT YOU. IF YOU WOULD LIKE TO KNOW MORE, PLEASE CONTACT A MEMBER OF YOUR FAIRMAN GROUP FAMILY OFFICE SERVICE TEAM TODAY.

ABOUT FAIRMAN GROUP FAMILY OFFICE

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