

## 2022 & 2023 IMPORTANT TAX CHANGES

\* **INCOME TAXES:** In 2023, the rates will remain the same as compared to 2022 but the income amounts have been adjusted for inflation.

### 2022 Tax Rates & Tax Brackets

Tax Rate	Single	Married Filing Joint	Married Filing Separate	Head of Household
10%	Under \$10,275	Under \$20,500	Under \$10,275	Under \$14,650
12%	\$10,276 to \$41,775	\$20,501 to \$83,550	\$10,276 to \$41,775	\$14,651 to \$55,900
22%	\$41,776 to \$89,075	\$83,551 to \$178,150	\$41,776 to \$89,075	\$55,901 to \$89,050
24%	\$89,076 to \$170,050	\$178,151 to \$340,100	\$89,076 to \$170,050	\$89,051 to \$170,050
32%	\$170,051 to \$215,950	\$340,101 to \$431,900	\$170,051 to \$215,950	\$170,051 to \$215,950
35%	\$215,951 to \$539,900	\$431,901 to \$647,850	\$215,951 to \$323,925	\$215,951 to \$539,900
37%	Over \$539,900	Over \$647,850	Over \$323,925	Over \$539,900

### 2023 Tax Rates & Tax Brackets

Tax Rate	Single	Married Filing Joint	Married Filing Separate	Head of Household
10%	Under \$11,000	Under \$22,000	Under \$11,000	Under \$15,700
12%	\$11,001 to \$44,725	\$22,001 to \$89,450	\$11,001 to \$44,725	\$15,701 to \$59,850
22%	\$44,726 to \$95,375	\$89,451 to \$190,750	\$44,726 to \$95,375	\$59,851 to \$95,350
24%	\$95,376 to \$182,100	\$190,751 to \$364,200	\$95,376 to \$182,100	\$95,351 to \$182,100
32%	\$182,101 to \$231,250	\$364,201 to \$462,500	\$182,101 to \$231,250	\$182,101 to \$231,250
35%	\$231,251 to \$578,125	\$462,501 to \$693,750	\$231,251 to \$346,875	\$231,251 to \$578,100
37%	Over \$578,125	Over \$693,750	Over \$346,875	Over \$578,100

\* **INFLATION REDUCTION ACT:** The Inflation Reduction Act (IRA '22) was passed into law late 2022 and contained numerous green energy credit provisions, including extended credits for clean energy vehicles (new and used) and energy-efficient home improvements. However, there are many more limitations for these credits, including income limitations and manufacturer's suggested retail price (MSRP) limitations in the case of the Clean Vehicle Credit.

\* **AFFORDABLE CARE ACT:** The IRS has issued new regulations that may allow more taxpayers to claim subsidies for purchasing health insurance through a state insurance exchange. These subsidies are also known as Premium Tax Credit.

\* **MORTGAGE INTEREST:** Interest on home acquisition indebtedness is limit to \$750,000 on home acquisition indebtedness. Home equity debt is NOT deductible starting 2018. Acquisition debt incurred before Dec. 15, 2017 is grandfathered up to \$1 million. However, under California tax law, the acquisition debt remains at \$1 million and home equity debit is still deductible.

\* **CAPITAL GAINS DIVIDENDS TAXES:** In 2021, the tax rates for long term capital gains will remain unchanged at 15% for most individuals. Most of those in the 10% and 12% brackets can still take advantage of the 0% long-term capital gains rate. Qualified dividends will also be taxed at these rates. Short term capital gains will be taxed at ordinary income rates.

\* **401(k), 403(b), AND MOST PLANS:** In 2023, the contribution limit into 401(k), 403(b), most 457, and the Thrift Savings Plan remains the same at \$22,500. The catch-up contribution limit will increase to \$7,500 for those over 50 years old, giving a total contribution amount of \$30,000.

\* **IRA CONTRIBUTIONS:** In 2023, individuals that have a workplace retirement plan can take an IRA deduction if they are single with a modified adjusted income (MAGI) of under \$83,000 or married with a MAGI of under \$136,000. For individuals who do not have a workplace retirement plan but their spouse does, an IRA deduction is available if their MAGI is under \$228,000. The IRA contribution limit will increase to \$6,500 with a catch-up of \$1,000 for those over 50 years old. For taxable years beginning after December 31, 2019, the SECURE Act removed the age restrictions for taxpayers to contribute to a traditional IRA.

\* **ROTH IRA CONTRIBUTIONS:** In 2023, the Roth IRA income limitations increased to \$153,000 to individuals and \$228,000 for married couples. The contribution amount will increase to \$6,500 with a \$1,000 catch-up for those over 50 years old. If you don't qualify for a Roth IRA, you may consider converting an IRA to a Roth IRA. Conversions, however need to be done by December 31, NOT April 15th. "Backdoor Roths" are still available.

\* **QUALIFIED BUSINESS INCOME DEDUCTION:** Starting 2018, individual taxpayers general may deduction up to 20% of their domestic "qualified business income". For 2022, the deduction is phased out starting at \$340,100 for married joint filers, \$182,100 for single, head of household and married filing separate individuals. Income from "specified service trades or businesses" is not eligible for the deduction when taxable income is at or above the phase out ceiling.

\* **RESIDENTIAL ENERGY EFFICIENT PROPERTY CREDIT:** In 2022, solar property credit on your personal use properties (primary residence, vacation home) is reinstated to 30% for property installed after December 31, 2021 through the end of 2032.

\* **CLEAN VEHICLE CREDIT:** The IRA '22 replaces the New Qualified Plug-In Electric Drive Motor Vehicles Credit with the Clean Vehicle Credit. The revised credit may be claimed for vehicles placed in service after 2022 that have a MSRP below specified levels and by taxpayers below specified AGI levels. The maximum amount of credit is \$7,500 per qualified vehicle or \$3,750 if it does not meet the requirements.

\* **SECTION 179 EXPENSE DEDUCTION:** For 2023, the 179 expensing for small businesses is increased to \$1,160,000 and increases the phase-out threshold to \$2,890,000. Note that Bonus Depreciation will decrease to 80% after 2022.

\* **STANDARD MILEAGE RATES:** In 2022 standard mileage rates are as follows: 1/2022 – 6/2022 58.5 cents and 7/2022 – 12/2022 62.5 cents per business miles, 1/2022 – 6/2022 18 cents and 7/2022 – 12/2022 22 cents per medical mile, and 14 cents per charitable miles. The 2023 rates have not been published at the time of writing this letter.

\* **QCDs and CHARITABLE CONTRIBUTIONS:** With the increased standard deductions, it might be a good idea to setup a qualified charitable contribution (QCD) instead of making an after tax charitable contribution. QCDs can be setup with your IRA custodian. The limitation for QCDs is \$100,000 a year. You will not get a tax deduction on the QCD but you will not need to recognize it as income either. For noncash donations, please make your best attempt at estimating the fair market values of the goods you donate to any charitable organization. For donations over \$500, you should know how it was obtained and at what cost. In the case of large items, you may need to obtain an appraisal. A blank slip from the organization no longer suffices. Stocks that have appreciated in value also make good contributions as you do not have to recognize the gain but get to deduct the fair market value of the donation.