

## 2023 Tax Brackets and Rates

The income limits for all 2023 tax brackets and all filers will be adjusted for inflation and will be as follows (Table 1). There are seven federal income tax rates in 2023: 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent. The top marginal income tax rate of 37 percent will hit taxpayers with taxable income above \$539,900 for single filers and above \$693,750 for married couples filing jointly.

### 2023 Federal Income Tax Brackets and Rates for Single Filers, Married Couples Filing Jointly, and Heads of Households

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,000	\$0 to \$22,000	\$0 to \$15,700
12%	\$11,000 to \$44,725	\$22,000 to \$89,450	\$15,700 to \$59,850
22%	\$44,725 to \$95,375	\$89,450 to \$190,750	\$59,850 to \$95,350
24%	\$95,375 to \$182,100	\$190,750 to \$364,200	\$95,350 to \$182,100
32%	\$182,100 to \$231,250	\$364,200 to \$462,500	\$182,100 to \$231,250
35%	\$231,250 to \$578,125	\$462,500 to \$693,750	\$231,250 to \$578,100
37%	\$578,125 or more	\$693,750 or more	\$578,100 or more

*Source: Internal Revenue Service*

## Standard Deduction and Personal Exemption

The standard deduction will increase by \$900 for single filers and by \$1,800 for joint filers (Table 2).

The personal exemption for 2023 remains at \$0 (eliminating the personal exemption was part of the Tax Cuts and Jobs Act of 2017 (TCJA)).

### 2023 Standard Deduction

Filing Status	Deduction Amount
Single	\$13,850
Married Filing Jointly	\$27,700
Head of Household	\$20,800

*Source: Internal Revenue Service.*

## Alternative Minimum Tax (AMT)

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. This parallel tax income system requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI). To prevent low- and middle-income taxpayers from being subject to the AMT, taxpayers are allowed to exempt a significant amount of their income from AMTI. However, this exemption phases out for high-income taxpayers. The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2023 is \$81,300 for singles and \$126,500 for married couples filing jointly (Table 3).

### 2023 Alternative Minimum Tax (AMT) Exemptions

Filing Status	Exemption Amount
Unmarried Individuals	\$81,300
Married Filing Jointly	\$126,500

*Source: Internal Revenue Source*

In 2023, the 28 percent AMT rate applies to excess AMTI of \$220,700 for all taxpayers (\$110,350 for married couples filing separate returns).

AMT exemptions phase out at 25 cents per dollar earned once AMTI reaches \$578,150 for single filers and \$1,156,300 for married taxpayers filing jointly (Table 4).

### 2023 Alternative Minimum Tax (AMT) Exemption Phaseout Thresholds

Filing Status	Threshold
Unmarried Individuals	\$578,150
Married Filing Jointly	\$1,156,300

*Source: Internal Revenue Service.*

## Earned Income Tax Credit (EITC)

The maximum Earned Income Tax Credit (EITC) in 2023 for single and joint filers is \$560 if the filer has no children (Table 5). The maximum credit is \$3,995 for one child, \$6,604 for two children, and \$7,430 for three or more children.

### 2023 Earned Income Tax Credit (EITC) Parameters

Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	\$7,840	\$11,750	\$16,510	\$16,510
	Maximum Credit	\$600	\$3,995	\$6,604	\$7,430
	Phaseout Begins	\$9,800	\$21,560	\$21,560	\$21,560
	Phaseout Ends (Credit Equals Zero)	17,640	46,560	52,918	56,838
Married Filing Jointly	Income at Max Credit	\$7,840	\$11,750	\$16,510	\$16,510

<b>Filing Status</b>		<b>No Children</b>	<b>One Child</b>	<b>Two Children</b>	<b>Three or More Children</b>
	Maximum Credit	\$600	\$3,995	\$6,604	\$7,430
	Phaseout Begins	\$16,370	\$28,120	\$28,120	\$28,120
	Phaseout Ends (Credit Equals Zero)	24,210	53,120	59,478	63,398

*Source: Internal Revenue Service*

## Child Tax Credit

The maximum Child Tax Credit is \$2,000 per qualifying child and is not adjusted for inflation. The refundable portion of the Child Tax Credit is adjusted for inflation and will increase from \$1,500 to \$1,600 for 2023.

## Capital Gains Tax Rates & Brackets (Long-term Capital Gains)

Long-term capital gains are taxed use different brackets and rates than ordinary income (Table 6.)

### 2023 Capital Gains Tax Brackets

	<b>For Unmarried Individuals, Taxable Income Over</b>	<b>For Married Individuals Filing Joint Returns, Taxable Income Over</b>	<b>For Heads of Households, Taxable Income Over</b>
0%	\$0	\$0	\$0
15%	\$44,625	\$89,250	\$59,750
20%	\$492,300	\$553,850	\$523,050

*Source: Internal Revenue Service*

## Qualified Business Income Deduction (Sec. 199A)

The Tax Cuts and Jobs Act of 2017 (TCJA) includes a 20 percent deduction for pass-through businesses. Limits on the deduction begin phasing in for taxpayers with income above \$182,100 (or \$364,200 for joint filers) in 2023 (Table 7).

### 2023 Qualified Business Income Deduction Thresholds

<b>Filing Status</b>	<b>Threshold</b>
Unmarried Individuals	\$182,100
Married Filing Jointly	\$364,200

*Source: Internal Revenue Service*

## **Annual Exclusion for Gifts**

In 2023, the first \$17,000 of gifts to any person are excluded from tax, up from \$16,000. The exclusion is increased to \$175,000 from \$164,000 for gifts to spouses who are not citizens of the United States.