

NOVEMBER 2022

# Annual federal limits relating to tax and financial planning 2023

The tax information provided in this guide is a high-level summary of certain tax rules. The rules described below are highly complex and exceptions may apply. In using this guide, you should confirm with a tax advisor whether and how the rules noted below apply to your particular circumstances.

## Income, Retirement, Estate, Gift and Generation-Skipping Transfer (GST) Limits

### QUALIFIED PLANS

Elective deferrals: 401(k), 403(b), 457(b) & SAR-SEPs	\$22,500
<i>Elective deferral catch-up contribution (50 or over at any time in 2023)</i>	\$7,500
Defined contribution limit: 415(c)(1)(A)	\$66,000
Defined benefit limit: 415(b)(1)(A)	\$265,000
SIMPLE plans: 408(p)(2)(E)	\$15,500
<i>SIMPLE plan catch-up contribution (50 or over at any time in 2023)</i>	\$3,500
Maximum compensation: 401(a)(17), 404(l), 408(k)(3)(C), & 408(k)(6)(D)(ii)	\$330,000
Highly compensated employee threshold: 414(q)(1)(B)	\$150,000
Key employee (top-heavy plan): 416(i)(1)(A)(i)	\$215,000
Compensation threshold for SEP participation: 408(k)(2)(C)	\$750
IRA or Roth IRA contribution limit	\$6,500
<i>IRA or Roth IRA catch-up contribution (50 or over at any time in 2023)</i>	\$1,000

### TRADITIONAL IRA DEDUCTION PHASE-OUT

#### Active employer plan participants<sup>1</sup>

Single or head of household	\$73,000 – \$83,000
Married filing jointly	\$116,000 – \$136,000
Married filing separately	\$0 – \$10,000

#### Non-active employer plan participants<sup>1</sup>

Married – joint (taxpayer's spouse participates)	\$218,000 – \$228,000
Married filing separately (taxpayer's spouse participates)	\$0 – \$10,000

### ROTH IRA CONTRIBUTION PHASE-OUT<sup>1</sup>

Single or head of household	\$138,000 – \$153,000
Married filing jointly	\$218,000 – \$228,000
Married filing separately	\$0 – \$10,000

### COVERDELL EDUCATION SAVINGS ACCOUNT ANNUAL CONTRIBUTION (PER BENEFICIARY)

Coverdell Education Savings Account annual contribution	\$2,000
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### COVERDELL EDUCATION SAVINGS ACCOUNT PHASE-OUT<sup>1</sup>

Phase-out for married filing jointly	\$190,000 – \$220,000
Phase-out for other	\$95,000 – \$110,000

### EE BONDS FOR EDUCATION — PHASE-OUT OF EXCLUSION<sup>1</sup>

Married filing jointly	\$137,800 – \$167,800
All others	\$91,850 – \$106,850

### ESTATE, GIFT & GST TAX

Annual gift tax exclusion	\$17,000
Annual non-US citizen spouse gift tax exclusion	\$175,000
Estate/generation skipping/lifetime gift exemption	\$12,920,000
Maximum marginal transfer tax rates	40%

### REPORTING LEVELS —

#### FOREIGN GIFTS RECEIVED BY US PERSON (§6039F)

From NRA or foreign estate (see IRS Notice 97-34)	\$100,000
From foreign corporation or partnership	\$18,567

### SOCIAL SECURITY (PAYROLL TAXES)

SS taxable wage base	\$160,200
SS tax rate (OASDI & HI) – employee <sup>2</sup>	6.2% / 1.45% / 0.9%
SS tax rate (OASDI & HI) – self employed <sup>3</sup>	12.4% / 2.9% / 0.9%
Earnings required for a quarter of coverage	\$1,640
Max monthly benefit at full retirement age	\$3,627

### INCOME TAX EXEMPTIONS AND DEDUCTIONS

Personal exemption amount <sup>4</sup>	N/A
Standard deduction <sup>4</sup>	
Married filing jointly.....	\$27,700
Head of household.....	\$20,800
Single and married filing separately.....	\$13,850
Individual who may be claimed as dependent of another <sup>5</sup> .....	Greater of \$1,250 or earned income + \$400 but not more than \$13,850
Elderly or blind additional deduction	
Single or head of household and not a surviving spouse.....	\$1,850
Married (joint or separate, per spouse).....	\$1,500
Foreign earned income exclusion	\$120,000

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## Income, Retirement, Estate, Gift and Generation-Skipping Transfer (GST) Limits (continued)

### MAXIMUM MARGINAL ORDINARY INCOME TAX RATE

Maximum marginal ordinary income tax rate	37%
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### MAXIMUM ALTERNATIVE MINIMUM TAX RATE

Maximum alternative minimum tax rate <sup>6</sup>	28%
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### ALTERNATIVE MINIMUM TAX (AMT)

	Exemption	Phase-out <sup>7</sup>
Single & head of household	\$81,300	\$578,150–\$903,350
Married filing jointly & surviving spouse	\$126,500	\$1,156,300–\$1,662,300
Married filing separately	\$63,250	\$578,150–\$831,150
Trusts & estates	\$28,400	\$94,600–\$208,200
Child subject to kiddie tax (but not more than \$8,800 + child's earned income)	\$81,300	\$578,150–\$903,350

### QBI TAXABLE INCOME THRESHOLD PHASE-OUT: IRC §199A(B)(3)(B)

Married filing jointly & surviving spouse	\$364,200–\$464,200
Single & head of household	\$182,100–\$232,100
Married filing separately	\$182,100–\$232,100

Capital gains rate applicable to the extent a taxpayer's taxable income does not exceed the indicated amounts:

FILING STATUS	0% at or below	15% at or below	20% if over
Married filing jointly	\$89,250	\$553,850	\$553,850
Head of household	\$59,750	\$523,050	\$523,050
Single	\$44,625	\$492,300	\$492,300
Married filing separately	\$44,625	\$276,900	\$276,900
Estates and trusts	\$3,000	\$14,650	\$14,650

### INVESTMENT SURTAX OF 3.8% MAY APPLY AFTER MAGI EXCEEDS<sup>8</sup>

Single, head of household	\$200,000
Married filing jointly or qualifying widow(er)	\$250,000
Married filing separately	\$125,000
Estates and trusts	\$14,450

## Social Security, Medicare and Other Benefit Limits

### SOCIAL SECURITY BENEFITS

Benefits reduction threshold for earned income <sup>9</sup>	
<i>Before year of full retirement age (\$1 for \$2) – annual</i> .....	\$21,240
<i>Year of full retirement age (\$1 for \$3) – pro-rated</i> .....	\$56,520
<i>Month of full retirement age and thereafter</i> .....	\$0
Social security cost-of-living adjustment	8.7%

### MEDICAL SAVINGS ACCOUNT (ARCHER MSA-§220<sup>10</sup>)

HDHP-min annual deductible – self/family	\$2,650/\$5,300
HDHP-max annual deductible – self/family	\$3,950/\$7,900
Max annual out-of-pocket – self/family	\$5,300/\$9,650
Max annual deductible contribution – self/family	\$2,567.50/\$5,925

### HEALTH SAVINGS ACCOUNT (HSA-§223)

HDHP-min annual deductible – self/family	\$1,500/\$3,000
HDHP-max annual out-of-pocket – self/family	\$7,500/\$15,000
Max annual contribution – self/family	\$3,850/\$7,750
Catch up contribution (turn age 55 or older during calendar year)	\$1,000

### MEDICARE — PREMIUMS

Monthly premium: Part A <sup>11</sup>	\$278–\$506
Monthly premium: Part B <sup>12</sup>	\$164.90–\$560.50
Monthly premium: Part D <sup>13</sup>	\$12.20–\$76.40

### LTC PER DIEM LIMIT ON TAX-FREE BENEFITS (§7702B)

LTC per diem limit on tax-free benefits (§7702B)	\$420
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### LIMIT ON LTC PREMIUM INCLUDIBLE AS “MEDICAL CARE”

Age 40 or less	\$480
More than 40 but not more than 50	\$890
More than 50 but not more than 60	\$1,790
More than 60 but not more than 70	\$4,770
More than 70	\$5,960

### MEDICARE — BENEFITS

Part A	
<i>First 60 days – patient pays a deductible</i> .....	\$1,600
<i>Next 30 days – patient pays per day</i> .....	\$400
<i>Maximum of an additional 60 days (per day) (lifetime reserve days)</i> .....	\$800
Skilled nursing benefits	
<i>First 20 days – patient pays per day</i> .....	\$0
<i>Next 80 days – patient pays per day</i> .....	\$200
<i>Over 100 days – patient pays per day</i> .....	All costs
Part B	
<i>Deductible (per year)</i> .....	\$226
<i>Co-insurance</i> .....	20%

- <sup>1</sup> Phase out begins if modified adjusted gross income ("MAGI") exceeds the lower number. Complete phase-out is reached when MAGI exceeds the upper number.
- <sup>2</sup> This consists of as many as three parts: 6.2% for Old-Age, Survivors, and Disability Insurance, 1.45% for Hospital Insurance, and a Medicare surtax of 0.9%. The first part (6.2%) applies only to the \$160,200 wage base; the second part (1.45%) applies to every dollar of wages; the third part (0.9%) applies to all wages above the following thresholds: \$250,000 (married filing jointly), \$200,000 (single and head of household), \$125,000 (married filing separately).
- <sup>3</sup> This consists of as many as three parts: 12.4% for Old-Age, Survivors, and Disability Insurance, 2.9% for Hospital Insurance, and a Medicare surtax of 0.9%. The first part (12.4%) applies only to the \$160,200 self-employment base; the second part (2.9%) applies to every dollar of self-employment income; the third part (0.9%) applies to all self-employment income above the following thresholds: \$250,000 (married filing jointly), \$200,000 (single and head of household), \$125,000 (married filing separately).
- <sup>4</sup> The personal exemption has been effectively combined with the standard deduction for tax years 2018 through 2025.
- <sup>5</sup> A child subject to the kiddie tax will not be subject to tax on the first \$1,250 of unearned income; will be taxed on the next \$1,250 of unearned income at his or her own tax rate; and any additional unearned income taxed at the parent's top marginal tax rate.
- <sup>6</sup> A lower AMT tax rate of 26% applies to married individuals filing separately with alternative minimum taxable income less than \$110,350 and \$220,700 for all others (married filing jointly, single, head of household, surviving spouse, estates and trusts).
- <sup>7</sup> The AMT exemption is reduced by 25% of AMTI in excess of the lower amount indicated until the higher amount is reached.
- <sup>8</sup> Surtax Rate of 3.8% applies to the lesser of (1) net investment income; or (2) MAGI in excess of the amounts shown.
- <sup>9</sup> Full retirement age is 65 for those born in 1937 or earlier and age 67 for those born in 1960 or later. If you were born in between 1937 and 1960, full retirement age is between age 65 and 67 per Social Security rules. See <http://www.ssa.gov/retire2/retirechart.htm>.
- <sup>10</sup> Archer MSAs were discontinued, so that generally no new Archer MSAs can be established after 2007, but Archer MSAs created before then may continue with the limitations indicated. For taxpayers with an HDHP deductible below the annual maximum (\$3,950 and \$7,900 for self and family, respectively), the maximum annual contribution will be 65% (self) or 75% (family) of the taxpayer's annual deductible under the individual's HDHP coverage.
- <sup>11</sup> Most do not pay this premium for Part A. For details, see <http://www.medicare.gov/your-medicare-costs/>.
- <sup>12</sup> Married couples filing jointly with 2021 modified AGI up to \$194,000 (singles and married persons filing separately up to \$97,000) pay \$164.90 monthly (down from \$170.10 last year), while those with higher incomes pay gradually higher premiums up to a maximum of \$560.50 monthly for married filing jointly with income \$750,000 and above (singles \$500,000 and above and married filing separately \$403,000 and above).
- <sup>13</sup> In addition to whatever monthly plan premium you pay to your chosen Part D coverage provider, if your MAGI is above a certain limit, you may pay a Part D income-related monthly adjustment amount. Married couples filing jointly with annual MAGI above \$194,000 (singles and married persons filing separately above \$97,000) will pay an additional income-related adjustment (\$12.20 for singles and married filing jointly, and \$70.00 for those married filing separately), while those with higher MAGIs pay gradually higher additional premiums up to a maximum of \$76.40 monthly for married filing jointly with MAGI \$750,000 and above (singles \$500,000 and above, and married filing separately \$403,000 and above).

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