

TENNESSEN ACCOUNTING & TAX SERVICE, INC.

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**2022-2023 INDIVIDUAL
TAX CHANGE MEMO**

STANDARD DEDUCTION -	<u>Single</u>	<u>Age 65+</u>	<u>Married</u>	<u>Both 65+</u>
2022	12,950	14,350	25,900	28,700
2023	13,850	15,250	27,700	30,500

PERSONAL EXEMPTION- Personal exemption remains at \$0.

CHILD TAX CREDIT- For the 2022 tax year, the Child Tax Credit is worth \$2,000 per qualifying dependent child (under 17) if your modified adjusted gross income is \$400,000 or below if married filing jointly, or \$200,000 or below for all other filers. **Advance payments were not issued for tax year 2022.**

2022 TAX RATES/BRACKETS – After deducting the standard/itemized deductions, these rates apply:

	SINGLE	MARRIED FILING JOINT
10%	-- 10,275	--20,550
12%	10,276 – 41,755	20,501 – 83,550
22%	41,776 – 89,075	83,551 – 178,150
24%	89,076 – 170,050	178,151 – 340,100
32%	170,051 – 215,950	340,101 – 431,900
35%	215,951 – 539,900	431,901 – 647,850
37%	539,901 +	647,851 +

2023 TAX RATES/BRACKETS – After deducting the standard/itemized deductions, these rates apply:

	SINGLE	MARRIED FILING JOINT
10%	-- 11,000	-- 22,000
12%	11,001 – 44,725	22,001 – 89,450
22%	44,726 – 95,375	89,451 - 190,750
24%	95,376 – 182,100	190,751 - 364,200
32%	183,101 - 231,250	364,201 – 462,500
35%	231,251 – 578,125	462,501 – 693,750
37%	578,126 +	693,751 +

2022 LONG TERM CAPITAL GAIN RATES & QUALIFIED DIVIDEND INCOME

	SINGLE	MARRIED FILING JOINT
0%	-- 41,675	-- 83,350
15%	41,676 - 459,750	83,351 - 517,200
20%	459,751 +	517,201 +

2023 LONG TERM CAPITAL GAIN RATES & QUALIFIED DIVIDEND INCOME

	SINGLE	MARRIED FILING JOINT
0%	-- 44,625	-- 89,250
15%	44,626 - 492,300	89,251 - 553,850
20%	492,301 +	553,851+

ADDITIONAL MEDICARE TAX ON WAGES – The 0.9% additional Medicare tax applies to wages over the following levels: Single \$200,000 and Married Filing Joint \$250,000.

NET INVESTMENT INCOME TAX – The 3.8% tax applies to net investment income once your modified adjusted income exceeds: Single \$200,000 and Married Filing Joint \$250,000.

TRADITIONAL AND ROTH IRAS – For 2022, the annual contribution limit is \$6,000. Taxpayers who are 50 and over are allowed an additional catch-up contribution of \$1,000; for a total maximum contribution of \$7,000. For 2023, the

annual contribution is \$6,500. Taxpayers who are 50 and over are allowed an additional catch-up contribution of \$1,000; for a total maximum contribution of \$7,500.

ROLLOVER LIMITATION – For non-direct rollovers you are allowed one rollover per 12-month period. Please contact our office for any questions regarding rollovers and your taxes.

ELECTIVE DEFERRALS (ex: 401k Plans) – For 2022, the maximum deferrals for 401k and similar plans is \$20,500. For 2023, the maximum deferrals for 401k and similar plans is \$22,500. For 2022 the catch-up contribution for employees 50 & older will be \$6,500. For 2023, the catch-up contribution is \$7,500.

SIMPLE PLANS – For 2022, the maximum deferral is \$14,000. For 2023, the maximum deferral is \$15,500. For 2022 taxpayers over 50 may contribute an additional \$3,000. For 2023 taxpayers over 50 may contribute an additional \$3,500.

GIFT TAX EXCLUSION – For 2022 the annual gift tax exclusion is \$16,000 per person. For 2023 the amount is \$17,000.

STANDARD MILEAGE RATES – For the first six months of 2022, the business standard mileage rate was 58.5 cents per mile. For the last six months of 2022, the business standard mileage rate was 62.5 cents per mile. The medical and moving rates were 18 cents per mile for the first six months of 2022 and 22 cents for the last six months of 2022. The charitable rate for 2022 was 14 cents per mile. For 2023, the business standard mileage rate is 65.5 cents. For medical and moving, the rate is 22 cents per mile. The charitable rate is 14 cents per mile.

SOCIAL SECURITY BENEFITS – For 2023, taxpayers under full retirement age can earn a maximum \$21,240 per year without losing benefits. In the year they reach full retirement age, they can earn a maximum of \$56,520 without losing benefits. Once you hit full retirement age, no benefits will be withheld if you continue working.

WI SECTION 529 SAVINGS PLANS – Any taxpayer can contribute to an account for a designated beneficiary. The maximum deduction on the Wisconsin return per beneficiary is \$3,860. You can carry forward to future years the remaining nondeductible contribution. Please note, if contribution is made by a divorced spouse or someone filing Married Filing Separate, you may only take half of the allowed deduction (\$1,930). For more information, visit: [529.wi.gov](https://www.wisconsin.gov/529) or contact your tax preparer.

WI IDENTITY PROTECTION PIN – The WI IP Pin is available to any Wisconsin individual income tax or homestead credit customer. It may not be requested for a dependent who is not filing their own tax return. The purpose is to prevent unauthorized persons from filing a return using your personal information. If you requested a WI IP Pin and do not include it on your WI return, your return may be rejected and your refund may be delayed. Go to revenue.wi.gov and search for WI IP Pin.

FEDERAL IDENTITY PROTECTION PIN (IP PIN) – A six digit number that prevents someone else from filing a tax return using your Social Security number. The IP Pin is only known to you and the IRS. If you are a confirmed victim of tax-related identity theft and your tax account issue has been resolved, you'll receive a CP01A Notice with your new IP Pin each year. You may get an IP Pin to proactively protect yourself from tax-related identity theft. Please note that you will have to pass an identity verification process. Spouses and dependents are eligible for IP Pins as well. Please go to the website [irs.gov](https://www.irs.gov) and search for IP Pin.

FEDERAL ELECTRIC VEHICLE CREDITS - <https://www.irs.gov/credits-deductions/manufacturers-and-models-for-new-qualified-clean-vehicles-purchased-in-2023-or-after> Please visit the website to see if you purchased a vehicle that qualifies. Please note that according to the IRS, the vehicles that appear on the list do not automatically qualify. The vehicle must also: have undergone final assembly in North America, not exceed the MSRP of \$80,000 for vans, SUVs, pickup trucks, \$55,000 for other vehicles.

REPORTING RULES WILL CHANGE FOR FORM 1099-K IN 2023 – Taxpayers will receive form 1099-K, payment card and third party network transactions by January 31, 2024. If they received third party payments in tax year 2023 for goods & services that exceeded \$600.

THE SECURE ACT 2.0 KEY TAKEAWAYS

- The age to start taking RMDs increases to age 73 in 2023 and to 75 in 2033.

- The penalty for failing to take an RMD will decrease to 25% of the RMD amount, from 50% currently, and 10% if corrected in a timely manner.
- Starting in 2024, RMDs will no longer be required from Roth accounts in employer retirement plans.
- Catch-up contributions will increase in 2025 for 401k, 403b, governmental plans and IRA account holders.
- Defined contribution retirement plans will be able to add an emergency savings account associated with a Roth account.