

# 2023 Federal Tax Provisions



## Federal Income Tax Brackets<sup>1</sup>

Marginal Tax Rate	Single Filers	Head of Household	Married Filing Jointly	Trusts and Estates <sup>2</sup>
10%	0 – 11,000	0 – 15,700	0 – 22,000	0 – 2,900
12%	11,000 – 44,725	15,700 – 59,850	22,000 – 89,450	
22%	44,725 – 95,375	59,850 – 95,350	89,450 – 190,750	
24%	95,375 – 182,100	95,350 – 182,100	190,750 – 364,200	2,900 – 10,550
32%	182,100 – 231,250	182,100 – 231,250	364,200 – 462,500	
35%	231,250 – 578,125	231,250 – 578,100	462,500 – 693,750	10,550 – 14,450
37%	578,125 +	578,100 +	693,750 +	14,450 +

## Alternative Minimum Tax (AMT)<sup>1</sup>

	AMT Exemption	AMT Exemption Phaseout
Single and Head of Household	81,300	578,150
Married Filing Jointly	126,500	1,156,300

The AMT exemption is reduced by \$0.25 for each dollar that a taxpayer's Alternative Minimum Taxable Income (AMTI) exceeds the phase-out threshold

## Long-Term Capital Gains Tax Rates<sup>1</sup>

Taxable Income:	
0%	< 44,625 Single 59,750 Head of Household 89,250 Married Filing Jointly
15%	between 44,625 – 492,300 Single 59,750 – 523,050 Head of Household 89,250 – 553,850 Married Filing Jointly
20%	> 492,300 Single 523,050 Head of Household 553,850 Married Filing Jointly

<sup>1</sup> Source: The Tax Foundation – “2023 Tax Brackets” (October 18, 2022)

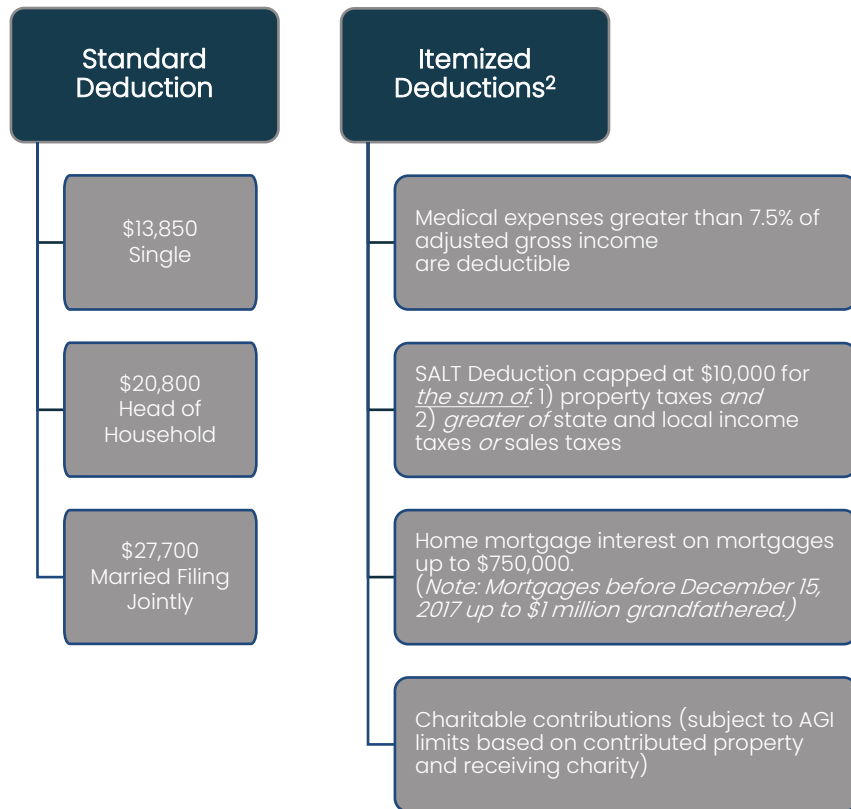
<sup>2</sup> Source: Putnam Investments – “2023 tax rates, schedules, and contribution limits”

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## Standard Deduction vs. Itemized Deductions<sup>1</sup>

Taxpayers may take the greater of the standard deduction or total itemized deductions



<sup>1</sup>Source: The Tax Foundation – “2023 Tax Brackets” (October 18, 2022)

<sup>2</sup>Source: Putnam Investments – “2023 tax rates, schedules, and contribution limits”

## “Must Know” Healthcare Taxes<sup>2</sup>



### Net Investment Income Tax (NIIT):

**3.8%** On the *lesser of* net investment income *or* Modified AGI above threshold:  
 \$ 200,000 for Single/Head of Household  
 \$ 250,000 for Married Filing Jointly  
 \$ 125,000 for Married Filing Separately

*Note: These threshold amounts are not indexed for inflation.*

Investment income includes, but is not limited to:

- Interest
- Dividends
- Capital Gains
- Rental/Royalty Income
- Taxable Portion of Non-Qualified Annuity Payments
- Business Income from Financial Trading
- Passive Activities

### Medicare Surtax:

**0.9%** On *earned* income above:  
 \$ 200,000 for Single  
 \$ 250,000 for Married Filing Jointly  
 \$ 125,000 for Married Filing Separately

*Note: These threshold amounts are not indexed for inflation.*

# State Tax Provisions



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States with individual income taxes

1

States which only tax dividends and interest (New Hampshire)

1

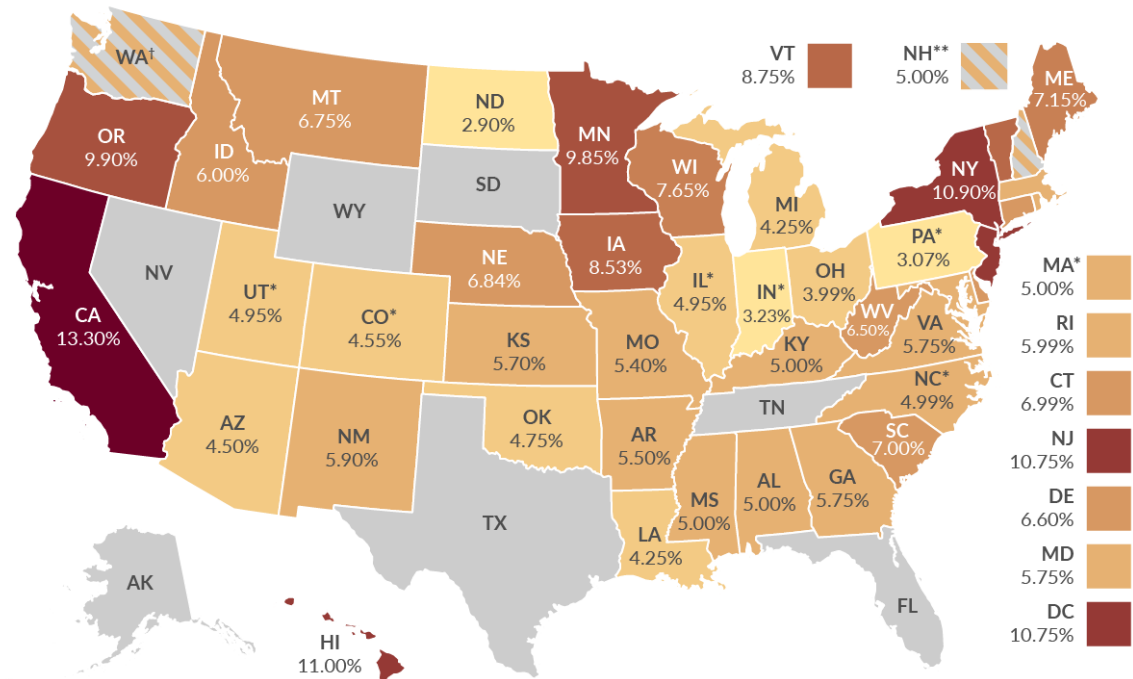
States which only tax capital gains (Washington)

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States with no individual income tax (Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Wyoming)

## How High Are Individual Income Tax Rates in Your State?

Top Marginal State Individual Income Tax Rates (as of January 1, 2022)



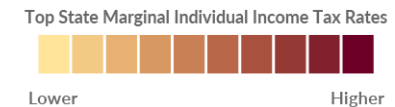
Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included. Missouri's top marginal rate will be reduced to 5.3% if certain revenue triggers are met.

(\*) State has a flat income tax.

(\*\*) State only taxes interest and dividends income.

(†) State only taxes capital gains income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.

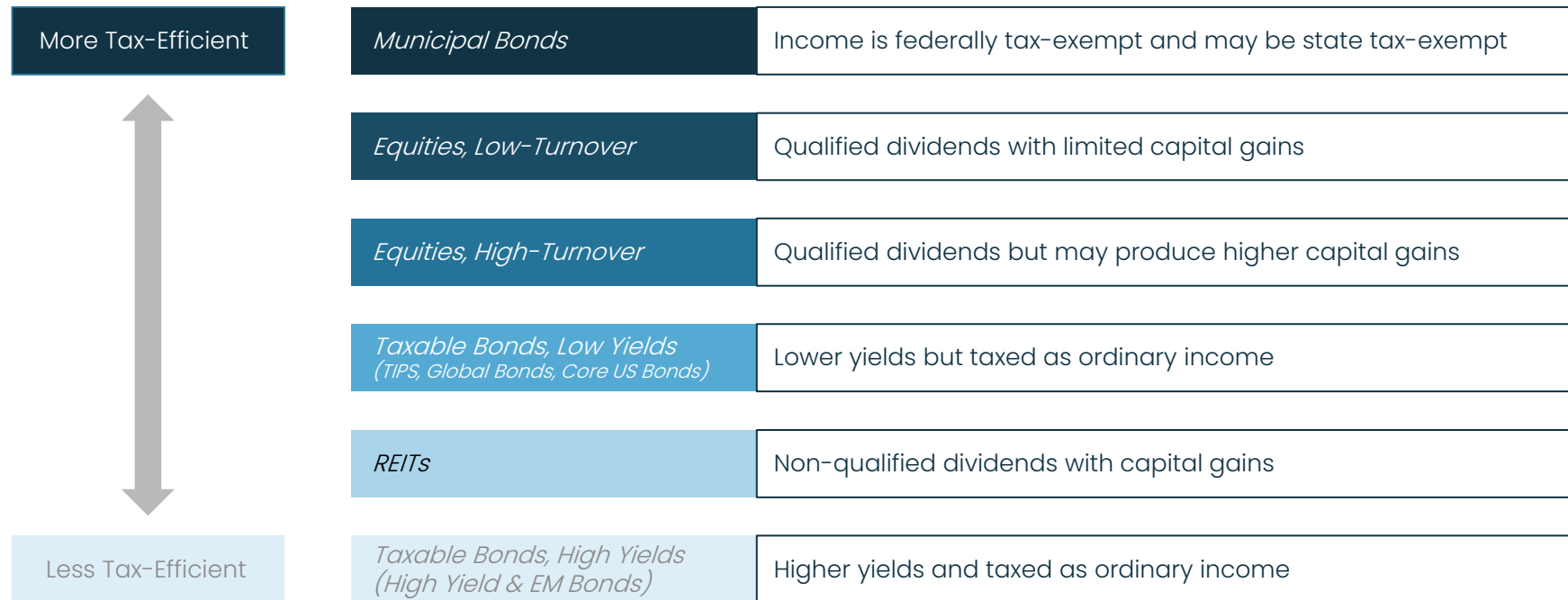


# Tax Efficiency of Investments



## Planning Tip

- The taxation of portfolio income varies by asset class. Taxable bond and REIT income is taxed unfavorably at ordinary income rates, while equity dividends are taxed favorably at lower qualified dividend rates.
- An investor who has a combination of taxable accounts, Traditional 401(k)/IRAs and Roth 401(k)/Roth IRAs can optimize a portfolio's allocation to minimize tax drag, thereby enhancing long-term after-tax returns.



*Asset classes/investments such as broad real assets, hedge funds, etc. may be harder to quantify for tax efficiency.*

# Tax Planning Checklist



## What we are doing to help clients

1. Tax-Aware Investing/Asset Placement
2. Tax-Efficient Securities and Active Management Considerations
3. Tax Loss Harvesting/Thoughtful Rebalancing
4. Tax-Aware Recognition of Capital Gains
5. Capital Gain Dividend Distribution Analysis



## How your tax advisor can help

1. Recognition and Timing of Income
2. Timing and Target Amount for Charitable Gifts
3. Evaluating the Potential Benefits of a Roth Conversion
4. Review Estimated Tax Withholding
5. AMT Considerations
6. Manage State and Local Income Tax Deductions
7. Review Property Tax Deductions
8. Additional State Tax Considerations



## Areas where we can offer perspective

1. **Evaluating and Minimizing Capital Gain Implications** amid a portfolio repositioning considering factors such as potential step-ups in cost basis, asset placement, etc.
2. **Evaluating Family Gifting Strategies** according to desired gifting goals and, once determined, coordinating the gifting transfers.
3. **Gifting Long-Term Appreciated Securities** rather than cash for charitable contributions, which avoids capital gains taxes on the appreciated securities.
4. **Charitably Gifting the Required Minimum Distribution of an IRA**, which avoids the IRA distribution being treated as taxable income.
5. **Weighing the Differences between a Lump Sum Option or Annuity** income stream for Defined Benefit Plan or Cash Balance Pensions.
6. **Evaluating Tax Bracket Breakpoints and Stock Volatility** when minimizing single stock concentrations.
7. **Reviewing Social Security** income options.



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