

2023 INDIVIDUAL INCOME TAX SUMMARY

1. Deductions

Standard Deductions:

Single	\$13,850	Head of Household	\$20,800
Married	\$27,700	Married filing separately	\$13,850

Extra for >65 or Blind:

Single/ Head of Household	\$1,850 each
Married/ Qualifying widow	\$1,500 each

Credit for other dependents: \$500 non-refundable credit for dependents other than qualifying child

2. Filing Requirement for Single Dependents

- Unearned Income only > \$1,250
- Earned Income > \$13,850
- Gross Income was more than the larger of
 - \$1,250 or
 - Earn income (up to \$13,850) plus \$400

3. Dividend and Long-Term Capital Gain Rate:

	S	MFJ	HH	MFS
0%	<\$44,625	<\$89,250	<\$59,750	<\$44,625
15%	\$44,626-492,300	\$89,251 – 553,850	\$59,751 – 523,050	\$44,626 – 276,900
20%	>\$492,301	>\$553,851	>\$523,051	>\$276,901

- The surviving spouses have two years to sell primary home and still qualify for the \$500,000 exclusion.
- The taxpayers cannot claim the full amount of exclusion for selling their primary residence if there is non-residence use after 1/1/09. The taxable portion is allocated to the non-residence use period over total holding period of the property.
- There is question about transactions in digital assets needed to answer in front page.

4. Additional Medicare Tax:

- Form 8959 - 0.9% on the wages/self-employment income exceeding \$200,000 S, \$250,000 MFJ and \$125,000 MFS.
- Form 8960 - 3.8% on the lesser of Net Investment Income or MAGI over \$200,000 S, \$250,000 MFJ and \$125,000 MFS.

5. Standard Mileage Rates: Business: 65.50 cents a mile Charity: 14 cents a mile. Medical Care: 22 cents a mile

6. Meals deduction go back to 50%.

7. Depreciation

- Max. Sec 179 deduction is \$1.16M, the limit is reduced if the assets value exceeds \$2.89M.

8. Home Office Deduction Simplified Method: \$5 per square feet for the qualified business area, up to 300 square feet.

9. Student Loan Interest Deduction, up to \$2,500

- Phase out range MAGI \$155,000 –185,000 for MFJ.
- MAGI \$75,000 – 90,000 for single, HH, or qualifying widow.

10. Educator Expenses Deduction

- Max \$300
- Taxpayer should be a kindergarten through grade 12 teacher in a school for at least 900 hours during a school year.
- Qualified expenses include ordinary and necessary expenses paid in connection with books, supplies and other material used in the classroom. It is limited to \$300 per person.

11. Foreign earned income exclusion

- Exclusion amount \$120,000 max.(\$126,500 in 2024)
- The amount of qualified housing expenses is limited to \$36,000 but it will be adjusted in according to the living standard of the foreign countries.
- The tax on the non-excluded income will use the tax rates that would have applied without claiming the exclusion.

12. Foreign Accounts and Assets

- Need to file the Form 114 if at any time during the year the value in foreign accounts exceed \$10,000. the due date is 4/15 with extension allowed for six months.
- All Form 114 needed to file online.
- Need to file the Form 8938 if the total assets in foreign countries over \$50,000 at the end of year or \$75,000 at any time during the year for S; \$100,000/\$150,000 MFJ. \$200,000/\$300,000 S and \$400,000/\$600,000 MFJ if taxpayer live in overseas. Don't need to file if the taxpayer not required to file income tax return.
- Corporations, partnership and trusts which are formed to hold directly or indirectly foreign financial assets must file Form 8938 if total assets exceeds \$50,000 at the end of year or \$75,000 at any time during the year.
- Need to file the following forms for foreign company if owing more than 10%
 - Form 8865 – Income for foreign partnerships
 - Form 8992 – Income for controlled foreign corporation

13. Social Security Benefits

- If half of social security benefit and other income is more than \$25,000 S / \$32,000 MFJ, part of the benefits will be taxable:
 - Up to 50% \$25,000-\$34,000 S / \$32,000 - \$44,000 MFJ,
 - 85% if over \$34,000 S / \$44,000 MFJ.

14. Pension Limits

- IRA contribution limitation:
 - 2023 \$6,500 + \$1,000 (if Age 50 or older)
 - 2024 \$7,000 + \$1,000 (if Age 50 or older)
- Max. employee 401K contribution limit:
 - 2023 \$22,500 + \$6,500 (if Age 50 or older)
 - 2024 \$23,000 + \$6,500 (if Age 50 or older)
- Max. annual defined contribution and max. SEP contribution:
 - 2023 \$66,000 (\$69,000 - 2024)
- Simple IRA – max. pretax employee contribution:
 - 2023 \$15,500 + \$3,000 (if Age 50 or older)
 - 2024 \$16,000 + \$3,000 (if Age 50 or older)

15. Roth IRA Conversion & Contribution: Form 8606

- Phase out range for Roth IRA
 - \$218,000 - \$228,000 (\$230,000 - \$240,000 in 2024) MFJ
 - \$0 - \$10,000 MFS – lived together
 - \$138,000 - \$153,000 (\$146,000 - \$161,000 in 2024) S, HH, MFS

16. Phase out range for IRA

Under retirement plan	S/HH	Income \$73,000 - \$83,000 (\$77,000 - \$87,000 in 2024)
	MFJ	Income \$116,000 - \$136,000 (\$123,000 – \$143,000 in 2024)
	MFS	Income \$ 0 - \$10,000
No retirement plan but		
Your spouse has	MFJ	Income \$218,000 - \$228,000 (\$230,000 - \$240,000 in 2024)
	MFS	Income \$ 0 - \$10,000

17. Coverdell Education Savings Accounts

- \$2,000 per child per family
- Phase-out range: \$95,000 - \$110,000 (\$190,000 - \$220,000 for joint)
- Must be contributed before 4/15 of the following year.
- Qualified Edu. Exp. include certain elementary and secondary school expenses.
- Family member is expanded to include first cousins of the designated beneficiary.

18. 529 Plan

- Qualified expenses included tuition paid for elementary school, secondary public, private or religious school which is limited to \$10,000 per year.
- Can now be used to repay up to \$10,000 in student loans starting 2020.

22. Itemized Deductions

- No Phase out
- Medicine buy without a prescription is not deductible. The threshold for the medical expenses will be 7.5% of AGI. PPE is also medical expenses.
- State and local taxes deduction limited to \$10,000 and \$5,000 for MFS.
- For the mortgage setup after 1/1/2018, the interest deduction only allowed to the indebtedness of \$750k, and no deduction for interest on home equity loan if the amount is not used in home improvement or acquisition.
- No mortgage insurance premiums deduction starting 2022.
- A distribution from IRA account directly to a qualified charitable organization is nontaxable if the taxpayer is at least age 70 ½, Max \$100,000.
- No deduction for job-related expenses and other misc. deductions that subject to 2% AGI limit.
- No deduction for casualty loss unless it is declared as disaster relief.

23. Qualified Business Income Deduction – Form 8995

Determination of QBI Deduction:

$$= (\text{QBI} \times 20\%) - [(\text{QBI} \times 20\%) - \text{W-2 wage limitation}] \times \text{Phase-In} \%$$

Qualified Business Income (QBI) – Income connected to the trade or business, not include:

- Investment-related items of income, gain, deduction and loss
- Any amount paid by S-Corp for reasonable compensation of a taxpayer
- Any guaranteed payment by partnership to a taxpayer for services rendered
- Any amount paid by partnership to a taxpayer acting other than in his capacity as a partner for services

W-2 Wages Limitation

Threshold Amounts and Phase-in

- \$340,100 - \$440,100 for MFJ,
- \$170,050 - \$220,050 for all others

Limitation is greater of

- (1) 50% of the W2 wages, or
- (2) 25% of the W2 wages + 2.5% of the unadjusted basis of depreciable qualified property

$$\text{Phase-In} \% = (\text{Taxable Income} - \text{Threshold Amount}) / 100,000, \text{ max } 100\%$$

Specified Service Exclusion

- Threshold amounts: \$340,100 MFJ, \$170,050 others
- Income related to the services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services and investing management is excluded from QBI in percentage.
- Applicable percentage = $[1 - (\text{Taxable Income} - \text{Threshold Amount}) / 100,000]$

Combined QBI Deduction Amount=

Total of QBI Deduction Amount from all activities – 20% NOL C/F + 20% (REIT Div and PTP Income)

Determination of Taxpayer's Deduction:

Sum of:

- (1) Lesser of (A) Combined QBI Deduction or (B) 20% $[\text{Taxable Income} - (\text{Cap Gain} + \text{Q Div})]$
- (2) Lesser of (A) 20% Q Div or Taxable Income – Cap Gain

24. Tax on Investment Income of Child under 18:

- First \$1,250 not subject to tax.
- Second \$1,250 is taxed on 10%
- The balance is taxed on parent's rate.

25. Adoption Credit – Form 8839

- Taxpayers could take a tax credit up to \$15,950 for qualifying expenses paid to adopt a eligible child, the amount is phased out if MAGI is between \$239,230 - \$279,230.

26. Credit for Elderly or Disabled

	AGI Limit:	OR	Nontaxable SS and pension limit:
Single, Head of Household	\$17,500		\$ 5,000

Married - one eligible	20,000	5,000
Married - both eligible	25,000	7,500
Married - filing separately	12,500	3,750

27. Child Care Credit

- Qualified exp. is \$3,000 for one qualifying child and \$6,000 for two or more.
- 35% of qualified exp if AGI < \$15,000; reduced by 1% for each \$2,000 increased in AGI over \$15,000; 20% for AGI > \$43,000.
- The credit is no longer allowed against the AMT.
- Nontaxable compensation is no longer included in earned income to figure the credit.
- Max dependent FSA goes back to \$5,000 for 2023.

28. Child Tax Credit

- Max \$2,000 per child under age 17 at the end of 2023.
- Max \$1,600 refundable for 2023
- Phase out for MAGI > \$400,000 for MFJ; > \$200,000 for others.

29. EIC

- Tax Preparers need to file Due Diligence Checklist Form 8867 with all EITC claims.
- Investment income should be less than \$11,000.
- Earned income no longer includes nontaxable employee compensation.
- It is figured using AGI instead of MAGI.
- It will be also affected by the filing status of taxpayers.
- Income ranges:

No Child	Income: \$1 - \$17,640 (\$24,210 MFJ)
1 Child	Income: \$1 - \$46,560 (\$53,120 MFJ)
2 Children	Income: \$1 - \$52,918 (\$59,478 MFJ)
3 or more	Income: \$1 - \$56,838 (\$63,398 MFJ)

30. Education Credits – Form 8863

Taxpayers could claim an education credit in the same year in which they receive a distribution from a Coverdell education savings account or a qualified tuition program, however, the expenses cannot take both benefit.

American Opportunity Credit (Max \$2,500 per student) (permanently extended)

- 40% of the credit may be refundable
- 100% of 1st \$2,000 & 25% of the next \$2,000 per student
- First 4 yrs of postsecondary education at least half time, tuition & fees as well as books, supplies and equipment do not need to be purchased from the institution. (not room and board, insurance, medical, nonacademic fees, and any course involving sports and hobbies)
- Available only for 4 tax years per each eligible student.
- Phase out range MAGI 160,000 – 180,000 joint return
- Phase out range MAGI 80,000 – 90,000 single return

Lifetime Learning Cr. (Max \$2,000):

- 20% on tuition & fees (not books, room or board)
- Eligible expenses increased to maximum \$10,000 per return.
- Phase out range MAGI \$160,000 – \$180,000 joint return.
- Phase out range MAGI \$80,000 – \$90,000 single return.
- All years of postsecondary education.

31. Retirement Savings Contribution Credit – Form 8880

- Amount of credit will be up to \$1,000 (\$2,000 MFJ) for making eligible contributions to an IRA or employer-sponsored retirement plan.
- To qualify, the taxpayer should meet the following conditions:
 - AGI < \$36,500 S; < \$54,750 HH; < \$73,000 MFJ.
 - Not a dependent of another person.
 - Age 18 or older.
 - Not a full-time student during at least 7 calendar months of a year.
- The amount of credit is calculated by using the filing status, AGI and amount of eligible contributions (Contributions – Distributions).

32. EV Credits

- Max \$7,500 nonrefundable AGI limit: \$150,000 S, \$225,000 HH, \$300,000 MFJ
- Could transfer to the dealer to lower the purchase price starting 2024

33. Alternative Minimum Tax – Form 6251

- Exemption increased to \$126,500 MFJ; \$81,300 S; \$63,250 MFS.
- Phase-out threshold increased to \$1,156,300 MFJ, \$578,150 for all others.

34. Premium Tax Credit – Form 8962

- Enrolled in health insurance through the Marketplace and the household income is between 100% and 400% of the federal poverty line.

IF your Family Size was . . .	Poverty line for states except Alaska and Hawaii
1	\$13,590
2	\$18,310
3	\$23,030
4	\$27,750
5	\$32,470
6	\$37,190
7	\$41,910
8	\$46,630

- Taxpayer should receive the Form 1095-A from the Marketplace for the premium paid and credit advance in each month.
- If advance payments exceed the allowable credit, taxpayer need to pay back the excess, but there is a limit on the required repayment.

Income to poverty line	Repayment limit	
	for a filing status of Single	for any other filing status
Less than 200	\$350	\$700
At least 200 but less than 300	\$900	\$1,800
At least 300 but less than 400	\$1,500	\$3,000
400 or more	No limit	

36. Estimated Tax Safe Harbor

- For 2023, if 2022 AGI > \$150,000 (\$75,000 MFS), you will have to pay the smaller of 90% of your expected tax for 2023 or 110% of the 2022 tax.

37. Social Security Summary:

- Full retirement age (FRA) is 66 for those born in 1954, add two more month for each year after 1955 until age 67 for those born 1960 and later.

	<u>2023</u>	<u>2024</u>
FICA Limit	\$160,200	\$168,600
Earnings for a credit	1,640	1,860
Earnings (2:1) < FRA	21,240	22,320
Earnings (3:1) yr reach FRA	56,520	59,520
Month reaching FRA and after	no reducing	no reducing

38. Gift and Estate Taxes:

- Annual gift tax exclusion is \$17,000 in 2023; \$18,000 in 2024.
- If the donor’s spouse is not a US citizen, the annual exclusion will be \$175,000.
- The life time exclusion amount for gifts made and estate who died in 2023 is \$12.92M (\$13.61M - 2024).
- The estate tax exemption are portable, a surviving spouse could elect to take advantage of the unused portion of the estate tax exclusion of the predeceased spouse, max \$12.92M. Form 706 of predeceased spouse needed to file to make the election. The Generation-skipping transfer tax exemption is not portable.
- Recipients of gifts of \$100,000 from foreigners, or \$10,000 from foreign corporations required to report under Form 3520.

39. Need to input the driver license/State ID of taxpayer and spouse in order to efile. If not, the return may be rejected or processing time increased.

40. Form W-2 verification code – If there is 16-character verification code shown on the W-2, it needed to be input if using e-filing.

41. New Rules on Retirement Accounts

- The age at which individual must begin taking Required Minimum Distribution (RMD) from retirement account is age 72 for 2022. The RMD Age will be 73 starting 1/1/2023 and remain, jump to 75 in 2033.
- Individual could contribute to IRA as long as there is earned income, regardless of age.
- For retirement account that is inherited in 2020 and beyond, the beneficiary must distribute the assets within 10 years. There are exceptions for spouses, minor children, disabled individual and people less than 10 years younger than the decedent.
- New parents can withdraw up to \$5,000 from the retirement account to pay for birth or adoption without early withdrawing penalty.
- No RMD for Roth IRA and Roth 401(k)

42. 2023 Tax Rate:

Tax rate	Single filers	Married filing jointly or qualifying widow/widower	Married filing separately	Head of household
10%	Up to \$11,000	Up to \$22,000	Up to \$11,000	Up to \$15,700
12%	\$11,000 - \$44,725	\$22,000 - \$89,450	\$11,000 - \$44,725	\$15,700 - \$59,850
22%	\$44,725 - \$95,375	\$89,450 - \$190,750	\$44,725 - \$95,375	\$59,850 - \$95,350
24%	\$95,375 - \$182,100	\$190,750 - \$364,200	\$95,375 - \$182,100	\$95,350 - \$182,100
32%	\$182,100 - \$231,250	\$364,200 - \$462,500	\$182,100 - \$231,250	\$182,100 - \$231,250
35%	\$231,250 - \$578,125	\$462,500 - \$693,750	\$231,250 - \$346,875	\$231,250 - \$578,100
37%	\$578,125 or more	\$693,750 or more	\$346,875 or more	\$578,100 or more

2023 NYS TAX SUMMARY

1. Schedule IT-558
 - For adjustments due to decoupling from the IRC after 2/1/20, i.e. CARES Act.
 - NYS and NYC PTET for the partners of partnership and S Corp which elects to pay.
2. Standard Deduction:

Single	\$8,000	Head of Household	\$11,200
Married	\$16,050	Married filing separately	\$8,000
Claimed as dependent		\$3,100	
3. Real Property Relief Credit – IT-229
 - Based on the real estate taxes paid exceed 6% of AGI
 - The credit must over \$250, but max at \$350
 - Gross income < \$250,000
4. Empire State Child Credit – IT-213
 - For qualifying child under 4 years old.
 - Federal AGI <\$55,000 MFS, <\$75,000 S/HH, <\$110,000 MFJ
 - 33% on Federal child tax credit or \$100 per qualifying child
5. NYS Child and Dependent Care Credit
 - the qualifying expenses limits increased to \$7,500 for three kids, \$8,500 for four and \$9,000 for five or more.
6. Estate Tax Exemption: \$6.58M for 2023, \$6.94M for 2024

2023 NYS Individual Income Tax Rate:

Tax rate	Single filers & Married filing separately	Married filing jointly or qualifying widow/widower	Head of household
4%	Up to \$8,500	Up to \$17,150	Up to \$12,800
4.5%	\$8,501 - \$11,700	\$17,151 - \$23,600	\$12,801 - \$17,650
5.25%	\$11,701 - \$13,900	\$23,601 - \$27,900	\$17,651 - \$20,900
5.5%	\$13,901 - \$80,650	\$27,901 - \$161,550	\$20,901 - \$107,650
6%	\$80,651 - \$215,400	\$161,551 - \$323,200	\$107,651 - \$269,300
6.85%	\$215,401 - \$1,077,550	\$323,201 - \$2,155,350	\$269,301 - \$1,616,450
9.65%	\$1,077,551 - \$5,000,000	\$2,155,351 - \$5,000,000	\$1,616,451 - \$5,000,000
10.30%	\$5,000,000 - 25,000,000	\$5,000,000 - \$25,000,000	\$5,000,000 - \$25,000,000
10.90%	\$25,000,000 or more	\$25,000,000 or more	\$25,000,000 or more

2023 NYC Individual Income Tax Rate:

Tax rate	Single filers & Married filing separately	Married filing jointly or qualifying widow/widower	Head of household
3.078%	Up to \$12,000	Up to \$21,600	Up to \$14,400
3.762%	\$12,000 - \$25,000	\$21,600 - \$45,000	\$14,400 - \$30,000
3.819%	\$25,000 - \$50,000	\$45,000 - \$90,000	\$30,000 - \$60,000
3.876%	\$50,000 or more	\$90,000 or more	\$60,000 or more

2023 NYC School Tax Credit (rate reduction amount, in addition to fixed amount):

Tax rate	Single filers & Married filing separately	Married filing jointly or qualifying widow/widower	Head of household
0.171%	Up to \$12,000	Up to \$21,600	Up to \$14,400
0.228%	\$12,000 - \$500,000	\$21,600 - \$500,000	\$14,400 - \$500,000

2023 BUSINESS TAX SUMMARY

1. Corporation Tax Rate – 21%
2. Beneficial ownership information
 - Report to Department of Treasury’s FinCEN starting 2024,
 - Must file before 12/31/24 for existing company, within 90 days for new company.
 - Need to provide name, birthday, address and ID issued by state or passport of each shareholder.
3. Deduction of Business Interest
 - Interest expenses limited to 30% of adjusted taxable income for the years after 2017.
 - Interest expenses limited to 50% of adjusted taxable income only for the years 2019 & 2020.
 - Real property trades and small business with gross receipts less than 25M is exempted for the limitation.
 - Disallowed interest may be carried forward indefinitely.
4. Section 179
 - Increased to 1.16M, phase-out threshold from 2.89M
 - Expands to the investments to the nonresidential real property, such as roofs, heating, ventilation and air-conditioning property, fire protection and alarm systems, and security systems.
5. Bonus Depreciation
 - Sept 27 2017 to 2022 – 100%, 2023 – 80%, 2024 – 60%, 2025 – 40%, 2026 – 20%
6. Depreciation
 - Qualified improvement property assigned 15-year recovery period and qualified for bonus depreciation .
 - Depreciation caps for passenger automobiles increased.
7. NOL
 - NOL arising in 2018 – 2020 could be carried back 5 years and carry forward indefinitely.
 - NOL arising after 2020 is limited to 80% of taxable income, no carry back and carry forward indefinitely.
8. Meals and Entertainment
 - Entertainment is no longer deductible after 12/31/17
 - 50% deductions for meals but needs to adjust in state level.
 - 100% deduction for recreational and social activities for Federal and State.
9. Transportation Fringe Benefit – Disallow benefits include transportation in connection with travel between the employee’s residence and place of employment, any transit passes and qualified parking.
10. Dividends-Received Deduction – 50% if own <20%, 65% if own >20%

Minimum Tax for Companies

- Fixed dollar minimum tax rates will depend on the receipts of the companies located in NY, NYC and NJ:

<u>Receipts</u>	<u>NYC Corp & NYS ‘C’ Corp</u>	<u>NY S Corp</u>	<u>NY IT-204-LL</u>	<u>NJ Corp</u>
< \$100,000	\$ 25	\$ 25	\$ 25	\$ 500
\$ 100,001 - \$ 250,000	75	50	50	750
\$ 250,001 - \$ 500,000	175	175	175	1,000
\$ 500,001 - \$ 1,000,000	500	300	500	1,500
\$1,000,001 - \$ 5,000,000	1,500	1,000	1,500 ^a	2,000
\$5,000,001 - \$25,000,000	3,500	3,000	3,000 ^a	2,000
\$25M - \$50M	5,000	4,500	4,500 ^a	2,000
\$50M - \$100M	10,000	4,500	4,500 ^a	2,000
\$100M - \$250M	20,000	4,500	4,500 ^a	2,000
\$250M - \$500M	50,000	4,500	4,500 ^a	2,000
\$500M - \$1B	100,000	4,500	4,500 ^a	2,000
➤ \$1B	200,000	4,500	4,500 ^a	2,000

- a. \$25 for the LLC that are disregarded entities; it also apply to regular partnership with receipts \$1M and above.