



2023 Federal Tax Update

Presented by
InvestCloud

Version 1.0
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Revision History

Date	Revision	Author	Description
December 1 st , 2022	1.0	InvestCloud: Brian Chapman	Creation of initial document

Version 1.0 Revision Highlights (v23):

2023 Annual Inflation Updates

- Standard deduction updates
- Social Security annual updates
- Gift exclusion
- Estate exemption updates
- Pension and contribution limit updates
- Tax bracket updates
- Long-term care
 - Per Diem amount
 - Limitation on premium deduction
- AMT threshold and exemption updates
- Qualified Business Income deduction updates

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Part A – Glossary

1. Glossary of Terms

The following is an explanation of the terms used in this document.

Term/Acronym	Description
Desktop	Windows-based application
Online/Offline	Browser-based application
AMT	Alternative Minimum Tax

Part B – Executive Summary

2. Introduction and Scope

This document outlines the necessary changes that have been updated as part of the 2023 US federal updates. This document covers legislative changes in the following areas for both the average income tax and detailed income tax methods:

Average Tax Method

- i. Federal income tax brackets
- ii. Social Security wage base
- iii. Inflation
- iv. Standard deduction
- v. Personal exemptions
- vi. Planning Assistant tests
- vii. Poverty Update
- viii. Report Updates

Detailed Tax Method

- i. Federal income tax brackets
- ii. Social Security wage base
- iii. Inflation
- iv. Standard deduction
- v. Personal exemption
- vi. AMT Line numbers
- vii. Help Updates

3. Related Documents

3.1 References

- A. <https://www.ssa.gov/oact/cola/cbb.html>
- B. <https://www.ssa.gov/OACT/COLA/bendpoints.html>
- C. <https://www.irs.gov/pub/irs-drop/n-22-55.pdf>
- D. <https://www.irs.gov/pub/irs-drop/rp-22-38.pdf>

4. Version Application

Check all that apply:	
Calculators:	<input type="checkbox"/>
Forecaster	<input checked="" type="checkbox"/>
Assessment:	
Online:	<input checked="" type="checkbox"/>
Offline:	<input checked="" type="checkbox"/>
Desktop:	<input checked="" type="checkbox"/>
USA:	<input checked="" type="checkbox"/>
CDN:	<input type="checkbox"/>

5. Project Contacts

- Brian Chapman, Business Analyst

Part C – Functional Requirements

6. Functionality

6.1. Tax Items in both Average and Detailed

6.1.1. Standard deduction:

<https://www.irs.gov/pub/irs-drop/rp-22-38.pdf>

6.1.1.1. The Standard Deduction amounts are increased as of January 1, 2023.

The increases are scheduled to sunset on Dec 31 2025. On January 1 2026, we will revert to the 2017 value (indexed).

Filing Status	Regular Deduction	Add'l: 65 + or blind
Single	\$13,850	\$1,850
MFJ	\$27,700	\$1,500
MFS	\$13,850	\$1,500
HOH	\$20,800	\$1,850

6.1.1.2. For tax years beginning in 2024, the standard deduction amount for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of \$1,250 or the sum of \$400 and the individuals earned income. This is for your return if you are claimed as a dependent by someone else and is relatively unimportant for the case. (This is not supported in the software).

6.1.2. Personal exemptions

6.1.2.1. As per the Tax Cuts and Jobs Act of 2017, Personal Exemptions are eliminated.

The elimination is scheduled to sunset Dec 31 2025. On January 1 2026, we will revert to the 2017 value (indexed).

6.1.3. Itemized Deduction Phase-outs

6.1.3.1. As per the Tax Cuts and Jobs Act of 2017, The Itemized Deduction (Pease Limitations) are eliminated.

The elimination is scheduled to sunset Dec 31 2025. On January 1 2026, we will revert to the 2017 value (indexed).

6.1.4. Social Security

6.1.4.1. The Social security wage base for 2023 is \$160,200 (2022 was \$147,000).

A. <https://www.ssa.gov/oact/cola/cbb.html>

B. Future maximum earnings (projected wage base) from 2022 OASDI Trustees Report are shown in column 5 of table below.

6.1.4.2. Intermediate Cost-of-Living increases 2021 – 2031

Calendar year	Cost-of-living benefit increase %	Average wage index (AWI)		Contribution and benefit base	Retirement earnings test exempt amount	
		Amount	Increase %		Under NRA	At NRA
Intermediate:	(Cost projections)					
2021	5.9	\$58,743	5.6	\$142,800	\$18,960	\$50,250
2022	3.8	\$62,583	6.5	\$147,000	\$19,560	\$51,960
2023	2.5	\$65,572	4.8	\$155,100	\$20,640	\$54,840
2024	2.4	\$68,372	4.3	\$165,300	\$21,960	\$58,440
2025	2.4	\$71,148	4.1	\$173,400	\$23,040	\$61,200
2026	2.4	\$73,981	4.0	\$180,600	\$24,000	\$63,840
2027	2.4	\$76,858	3.9	\$188,100	\$24,960	\$66,360
2028	2.4	\$79,761	3.8	\$195,600	\$25,920	\$69,000
2029	2.4	\$82,703	3.7	\$203,100	\$27,000	\$71,760
2030	2.4	\$85,713	3.6	\$210,600	\$27,960	\$74,400

6.1.4.3. <https://www.ssa.gov/OACT/TR/2022/tr2022.pdf>

6.1.4.4. <https://www.ssa.gov/news/press/factsheets/colafacts2022.pdf>

6.1.4.5. Earnings Test Exempt Amounts for 2023: Lower (at Normal Retirement Age (“NRA”): \$21,240; Higher (at NRA): \$56,520

A. <https://www.ssa.gov/oact/cola/rtea.html>

6.1.4.6. Benefit Formula “bend points” for 2023 are (<https://www.ssa.gov/OACT/COLA/bendpoints.html>):

- A. Dollar amounts in Primary Insurance Amount (PIA) formula:
 - i. First: \$1,115 (2022 value was \$1,024).
 - ii. Second: \$6,721 (2022 value was \$6,172).
- B. Dollar amounts in maximum family benefit formula:
 - i. First: \$1,425 (2022 value was \$1,308).
 - ii. Second: \$2,056 (2022 value was \$1,899).
 - iii. Third: \$2,682 (2022 value was \$2,463).

6.1.5. Annual Gift Exclusion

6.1.5.1. 2023 amount is increased to \$17,000 (2022 amount was \$16,000).

6.1.6. GSTT Exemption

6.1.6.1. The GSTT exemption for decedents dying or gifts made after December 31, 2013 is equal to the basic exclusion amount for estate tax purposes.

6.1.6.2. The GSTT rate for transfers made after 2011 is equal to the highest estate and gift tax rate in effect for such year (35% for 2012 and 40% for 2013+).

- A. The Estate Exemption is increased for 2023 to \$12,920,000.
- B. The increase is scheduled to sunset Dec 31 2025. On January 1 2026, we will revert to the 2017 value (indexed)

GSTT		
Year	Exemption	
2009	\$3,500,000	Same as applicable exclusion.
2010	\$5,000,000	Same as applicable exclusion.
2011	\$5,000,000	Same as applicable exclusion.
2012	\$5,120,000	Same as applicable exclusion.
2013	\$5,250,000	Same as applicable exclusion.
2014	\$5,340,000	Same as applicable exclusion.
2015	\$5,430,000	indexed after
2016	\$5,450,000	indexed after
2017	\$5,490,000	Indexed, Same as applicable exclusion.
2018	\$11,180,000	Indexed, Same as applicable exclusion.

GSTT		
Year	Exemption	
2019	\$11,400,000	Indexed, Same as applicable exclusion.
2020	\$11,580,000	Indexed, Same as applicable exclusion.
2021	\$11,700,000	Indexed, Same as applicable exclusion.
2022	\$12,060,000	Indexed, Same as applicable exclusion.
2023	\$12,920,000	Indexed, Same as applicable exclusion.

Flat tax equal to maximum estate tax rate

Source for Annual Gift Exclusion and GSTT: <https://www.irs.gov/pub/irs-drop/rp-22-38.pdf>

6.1.7. Pension & Contribution Limits

Item	2023	2022	2021	2020
402(g) – exclusion for elective deferrals for 401(k), 403(b), and most 457 plans	\$22,500	\$20,500	\$19,500	\$19,500
415(c) – defined contribution plan limit (including SEP & Keogh Plans)	\$66,000	\$61,600	\$58,000	\$57,000
414(v) – for catch up contributions to 401(k), 403(b), and most 457 plans.	\$7,500	\$6,500	\$6,500	\$6,500
Annual Compensation limit under section 401(a)(17) (includes SEP)	\$330,000	\$305,000	\$290,000	\$285,000
Annual defined benefit contribution limit 415(b)(1)(A))[1]	\$265,000	\$245,000	\$230,000	\$230,000
IRA contribution base limit 219(b)(5)(A)	\$6,500	\$6,000	\$6,000	\$6,000
IRA contribution catch-up limit	\$1,000	\$1,000	\$1,000	\$1,000
HSA single coverage base limit	\$3,850	\$3,650	\$3,600	\$3,550
HSA family coverage base limit	\$7,750	\$7,300	\$7,200	\$7,100
HSA contribution catch-up limit	\$1,000	\$1,000	\$1,000	\$1,000

1 Used in some custom Planning Assistant tests

IRA contribution limit for active participation 219(g)(3) MFJ	Start: More than \$116,000	End: Less than \$136,000
IRA contribution limit for active participation 219(g)(3) Single/HoH	Start: More than \$73,000	End: Less than \$83,000
IRA contribution limit for active participation for either the active or non-active participant spouse (Detailed Tax only) 219(g)(3) MFS	Start: More than \$0	End: Less than \$10,000
IRA contribution limit for non-active participation with active spouse MFJ	Start: More than \$218,000	End: Less than \$228,000
Roth IRA contribution limit (phase out limit) for MFJ	Start: More than \$218,000	End: Less than \$228,000
Roth IRA contribution limit (phase out limit) for Single	Start: More than \$138,000	End: Less than \$153,000
Roth IRA contribution limit (phase out limit) for MFS	Maximum \$10,000	

Note: Starting in 2007, these values have been indexed by inflation.

<https://www.irs.gov/pub/irs-drop/n-22-55.pdf>

<https://www.irs.gov/pub/irs-drop/rp-22-24.pdf>

6.1.8. Inflation Rate

6.1.8.1. The inflation rate is used for the inflation rate graph in **Assumptions**. All versions have tables and graphs to show inflation.

6.1.8.2. Values to use:

Year	Inflation
2021	4.75%
2020	1.24%
2019	1.81%
2018	2.44%
2017	2.13%
2016	1.26%
2015	0.12%
2014	1.62%
2013	1.47%

References

<http://www.inflation.eu/inflation-rates/united-states/historic-inflation/cpi-inflation-united-states.aspx>

Use the average inflation United States (CPI) – by year

6.1.9. Life expectancy graph updates

6.1.9.1. The most recently updated life expectancy tables are from 2019 (verified Dec 2022):

Period Life Table, 2019						
Exact age	Male			Female		
	Death probability ^a	Number of lives ^b	Life expectancy	Death probability ^a	Number of lives ^b	Life expectancy
0	0.006304	100,000	75.97	0.005229	100,000	80.96
1	0.000426	99,370	75.45	0.000342	99,477	80.39
2	0.000290	99,327	74.48	0.000209	99,443	79.42
3	0.000229	99,298	73.50	0.000162	99,422	78.43
4	0.000162	99,276	72.52	0.000143	99,406	77.45
5	0.000146	99,260	71.53	0.000125	99,392	76.46
6	0.000136	99,232	70.54	0.000113	99,379	75.47
7	0.000127	99,222	69.55	0.000104	99,368	74.47
8	0.000115	99,219	68.56	0.000097	99,358	73.48
9	0.000103	99,208	67.57	0.000093	99,348	72.49
10	0.000097	99,197	66.57	0.000092	99,339	71.50
11	0.000109	99,188	65.58	0.000098	99,330	70.50
12	0.000151	99,177	64.59	0.000113	99,320	69.51
13	0.000232	99,162	63.60	0.000138	99,309	68.52
14	0.000320	99,139	62.61	0.000172	99,295	67.53
15	0.000465	99,105	61.63	0.000211	99,278	66.54
16	0.000588	99,059	60.66	0.000251	99,257	65.55
17	0.000720	99,001	59.70	0.000293	99,232	64.57
18	0.000858	98,929	58.74	0.000336	99,203	63.59
19	0.000999	98,845	57.79	0.000379	99,170	62.61
20	0.001146	98,746	56.85	0.000425	99,132	61.63
21	0.001288	98,633	55.91	0.000472	99,090	60.66
22	0.001407	98,506	54.98	0.000515	99,044	59.69
23	0.001494	98,367	54.06	0.000551	98,993	58.72
24	0.001556	98,220	53.14	0.000582	98,938	57.75

Period Life Table, 2019						
Exact age	Male			Female		
	Death probability ^a	Number of lives ^b	Life expectancy	Death probability ^a	Number of lives ^b	Life expectancy
25	0.001610	98,067	52.22	0.000612	98,880	56.78
26	0.001665	97,910	51.31	0.000646	98,820	55.82
27	0.001717	97,746	50.39	0.000684	98,756	54.85
28	0.001767	97,579	49.48	0.000729	98,689	53.89
29	0.001817	97,406	48.56	0.000779	98,617	52.93
30	0.001865	97,229	47.65	0.000883	98,540	51.97
31	0.001911	97,048	46.74	0.000887	98,458	51.01
32	0.001960	96,862	45.83	0.000939	98,370	50.06
33	0.002014	96,672	44.92	0.000988	98,278	49.10
34	0.002071	96,478	44.01	0.001034	98,181	48.15
35	0.002138	96,278	43.10	0.001085	98,079	47.20
36	0.002211	96,072	42.19	0.001143	97,973	46.25
37	0.002277	95,860	41.28	0.001205	97,861	45.30
38	0.002342	95,641	40.37	0.001271	97,743	44.36
39	0.002405	95,417	39.47	0.001345	97,619	43.41
40	0.002482	95,188	38.56	0.001429	97,488	42.47
41	0.002583	94,951	37.65	0.001524	97,348	41.53
42	0.002710	94,706	36.75	0.001630	97,200	40.59
43	0.002870	94,450	35.85	0.001748	97,042	39.66
44	0.003064	94,178	34.95	0.001881	96,872	38.73
45	0.003285	93,890	34.06	0.002029	96,690	37.80
46	0.003538	93,581	33.17	0.002195	96,494	36.88
47	0.003834	93,250	32.28	0.002386	96,282	35.96
48	0.004178	92,893	31.41	0.002605	96,052	35.04
49	0.004569	92,505	30.54	0.002851	95,802	34.13
50	0.004997	92,082	29.67	0.003118	95,529	33.23
51	0.005462	91,622	28.82	0.003403	95,231	32.33
52	0.005971	91,122	27.98	0.003714	94,907	31.44
53	0.006526	90,577	27.14	0.004052	94,554	30.55
54	0.007125	89,986	26.32	0.004415	94,171	29.68
55	0.007766	89,345	25.50	0.004813	93,755	28.81

Period Life Table, 2019						
Exact age	Male			Female		
	Death probability ^a	Number of lives ^b	Life expectancy	Death probability ^a	Number of lives ^b	Life expectancy
56	0.008445	88,651	24.70	0.005233	93,304	27.94
57	0.009156	87,903	23.90	0.005647	92,816	27.09
58	0.009897	87,098	23.12	0.006043	92,292	26.24
59	0.010671	86,236	22.34	0.006441	91,734	25.39
60	0.011519	85,316	21.58	0.006886	91,143	24.56
61	0.012419	84,333	20.83	0.007358	90,515	23.72
62	0.013307	83,286	20.08	0.007931	89,846	22.90
63	0.014164	82,177	19.35	0.008508	89,134	22.07
64	0.015032	81,013	18.62	0.009142	88,375	21.26
65	0.016013	79,795	17.89	0.009874	87,568	20.45
66	0.017138	78,518	17.18	0.010717	86,703	19.65
67	0.018362	77,172	16.47	0.011660	85,774	18.86
68	0.019693	75,755	15.77	0.012711	84,774	18.07
69	0.021174	74,263	15.07	0.013894	83,696	17.30
70	0.022889	72,691	14.39	0.015285	82,533	16.54
71	0.024869	71,027	13.71	0.016878	81,272	15.79
72	0.027095	69,261	13.05	0.018607	79,900	15.05
73	0.029587	67,384	12.40	0.020466	78,413	14.32
74	0.032394	65,390	11.76	0.022522	76,809	13.61
75	0.035668	63,272	11.14	0.024929	75,079	12.92
76	0.039396	61,015	10.53	0.027729	73,207	12.23
77	0.043453	58,611	9.94	0.030855	71,177	11.57
78	0.047826	56,065	9.37	0.034321	68,981	10.92
79	0.052649	53,383	8.82	0.038211	66,613	10.29
80	0.058206	50,573	8.28	0.042771	64,068	9.68
81	0.064581	47,629	7.76	0.047992	61,328	9.09
82	0.071657	44,553	7.26	0.053678	58,385	8.52
83	0.079465	41,361	6.79	0.059810	55,251	7.98
84	0.088141	38,074	6.33	0.066584	51,946	7.45
85	0.097854	34,718	5.89	0.074258	48,487	6.95
86	0.108747	31,321	5.48	0.083053	44,887	6.47

Period Life Table, 2019						
Exact age	Male			Female		
	Death probability ^a	Number of lives ^b	Life expectancy	Death probability ^a	Number of lives ^b	Life expectancy
87	0.120919	27,915	5.08	0.093123	41,159	6.01
88	0.134425	24,539	4.71	0.104540	37,326	5.57
89	0.149273	21,241	4.37	0.117305	33,424	5.16
90	0.165452	18,070	4.05	0.131392	29,503	4.78
91	0.182935	15,080	3.75	0.146753	25,627	4.43
92	0.201679	12,322	3.48	0.163331	21,866	4.11
93	0.221637	9,837	3.23	0.181064	18,294	3.81
94	0.242747	7,656	3.01	0.199886	14,982	3.55
95	0.263672	5,798	2.81	0.218908	11,987	3.31
96	0.284014	4,269	2.64	0.237815	9,363	3.09
97	0.303355	3,057	2.49	0.256265	7,136	2.90
98	0.321268	2,129	2.36	0.273894	5,308	2.73
99	0.337332	1,496	2.24	0.290328	3,854	2.58
100	0.354198	958	2.12	0.307747	2,735	2.42
101	0.371908	619	2.01	0.326212	1,893	2.28
102	0.390503	388	1.90	0.345785	1,276	2.14
103	0.410029	237	1.80	0.366532	835	2.01
104	0.430530	140	1.70	0.388524	529	1.88
105	0.452057	80	1.60	0.411835	323	1.76
106	0.474659	44	1.51	0.436546	190	1.65
107	0.498392	23	1.42	0.462738	107	1.54
108	0.523312	11	1.34	0.490503	58	1.44
109	0.549478	5	1.26	0.519933	29	1.34
110	0.576951	2	1.18	0.551129	14	1.24
111	0.605799	1	1.10	0.584196	6	1.15
112	0.636089	0	1.03	0.619248	3	1.06
113	0.667893	0	0.96	0.656403	1	0.98
114	0.701288	0	0.90	0.695787	0	0.91
115	0.736353	0	0.84	0.736353	0	0.84
116	0.773170	0	0.78	0.773170	0	0.78
117	0.811829	0	0.72	0.811829	0	0.72

Period Life Table, 2019						
Exact age	Male			Female		
	Death probability ^a	Number of lives ^b	Life expectancy	Death probability ^a	Number of lives ^b	Life expectancy
118	0.852420	0	0.66	0.852420	0	0.66
119	0.895041	0	0.61	0.895041	0	0.61

^aProbability of dying within one year

^bNumber of survivors out of 100,000 born alive.

Note: The period life expectancy at a given age for 2017 represents the average number of years of life remaining if a group of persons at that age were to experience the mortality rates for 2017 over the course of their remaining life

<https://www.ssa.gov/oact/STATS/table4c6.html>

6.1.10. Poverty Guidelines

6.1.10.1. The poverty updates are used for social security calculations and state income tax calculations.

6.1.10.2. 2022 poverty Guideline updates:

- A. Federal poverty threshold base: \$13,590
- B. Federal poverty threshold per additional exemption: \$4,720

Note: there are separate poverty guidelines for Alaska and Hawaii; however, these values are not currently supported by NaviPlan by InvestCloud.

- C. <https://aspe.hhs.gov/poverty-guidelines>

6.2 Federal Tax Brackets - Average Tax Method

Single			Head of Household		
Start of Tax Bracket	End of Tax Bracket	Average Tax Rate	Start of Tax Bracket	End of Tax Bracket	Average Tax Rate
\$0	\$11,000	10.00%	\$0	\$15,700	10.00%
\$11,001	\$44,725	11.51%	\$15,701	\$59,850	11.48%
\$44,726	\$95,375	17.08%	\$59,851	\$95,350	15.39%
\$95,376	\$182,100	20.38%	\$95,351	\$182,100	19.49%
\$182,101	\$231,250	22.85%	\$182,101	\$231,250	22.15%
\$231,251	\$578,125	30.14%	\$231,251	\$578,100	29.86%
\$578,126	\$1,156,252	33.57%	\$578,101	\$1,156,202	33.43%
Married - Filing Separately			Married - Filing Jointly		
Start of Tax Bracket	End of Tax Bracket	Average Tax Rate	Start of Tax Bracket	End of Tax Bracket	Average Tax Rate
\$0	\$11,000	10.00%	\$0	\$22,000	10.00%
\$11,001	\$44,725	11.51%	\$22,001	\$89,450	11.51%
\$44,726	\$95,375	17.08%	\$89,451	\$190,750	17.08%
\$95,376	\$182,100	20.38%	\$190,751	\$364,200	20.38%
\$182,101	\$231,250	22.85%	\$364,201	\$462,500	22.85%
\$231,251	\$346,875	26.90%	\$462,501	\$693,750	26.90%
\$346,876	\$693,752	31.95%	\$693,751	\$1,387,502	31.95%

6.3. Federal Tax Brackets - Detailed Tax Method

Single			Head of Household		
Start of Tax Bracket	End of Tax Bracket	Marginal Tax Rate	Start of Tax Bracket	End of Tax Bracket	Marginal Tax Rate
\$0	\$11,000	10.0%	\$0	\$15,700	10.0%
\$11,001	\$44,725	12.0%	\$15,701	\$59,850	12.0%
\$44,726	\$95,375	22.0%	\$59,851	\$95,350	22.0%
\$95,376	\$182,100	24.0%	\$95,351	\$182,100	24.0%
\$182,101	\$231,250	32.0%	\$182,101	\$231,250	32.0%
\$231,251	\$578,125	35.0%	\$231,251	\$578,100	35.0%
\$578,126	\$1,156,252	37.0%	\$578,101	\$1,156,202	37.0%

Married - Filing Separately			Married - Filing Jointly		
Start of Tax Bracket	End of Tax Bracket	Marginal Tax Rate	Start of Tax Bracket	End of Tax Bracket	Marginal Tax Rate
\$0	\$11,000	10.0%	\$0	\$22,000	10.0%
\$11,001	\$44,725	12.0%	\$22,001	\$89,450	12.0%
\$44,726	\$95,375	22.0%	\$89,451	\$190,750	22.0%
\$95,376	\$182,100	24.0%	\$190,751	\$364,200	24.0%
\$182,101	\$231,250	32.0%	\$364,201	\$462,500	32.0%
\$231,251	\$346,875	35.0%	\$462,501	\$693,750	35.0%
\$346,876	\$693,752	37.0%	\$693,751	\$1,387,502	37.0%

6.3.2. Child and Family Tax Credit Earned Income Threshold

- A. 2023 child tax credit: \$2,000
 - i. Of this, \$1,400 would be refundable, with the refundable portion indexed to inflation.
 - ii. Applicable only to dependents < age 17
- B. The phase-out begins at \$200,000 (MFS, Single, HoH) and \$400,000 (MFJ) in AGI (not indexed)

Filing status	Full Credit	Partial Credit	Phased out - No Credit
Single	\$0 - \$200,000	\$200,001 - \$240,000	\$240,001 +
Married Filing Jointly	\$0 - \$400,000	\$400,001 - \$440,000	\$440,001 +
Head of Household	\$0 - \$200,000	\$200,001 - \$240,000	\$240,001 +
Married Filing Separately	\$0 - \$200,000	\$200,001 - \$240,000	\$240,001 +

- i. The phase-out is \$50 for each \$1,000 by which your MAGI exceeds the threshold amount. This is rounded down to the next lowest multiple of \$100.
- ii. The Refundable portion is applicable where the tax liability exceeds the credit. To claim the credit the taxpayer must have earned income of at least \$2,500. For

purposes of the new Child Tax Credit, the refundable portion is equal to 15% of your earned income which exceeds \$2,500 up to the maximum credit of \$1,400.

- iii. Example: Earned income is \$10,000 and you have 1 dependent. So you are entitled to \$2,000. But at \$10k, you would not owe any income tax. With the refundable piece of the credit, you can pocket up to \$1,125 since $\$10,000 \text{ less } \$2,500 \times 15\% = \$1,125$.

6.3.2.2. Family Tax Credit

- A. In the reports, this will be referred to as the Qualifying Dependent Credit
 - i. All dependents ineligible for the child tax credit are eligible for a new \$500 per-person family tax credit
 - ii. It is subject to the same income phase-out rule as the Child Tax Credit
 - iii. The Qualifying Dependent Credit is applicable to dependents > 17 (where Permanently is selected for Keep Dependent in Plan(s) (Dependent Details) is selected

6.3.2.3. The adjustment is scheduled to sunset Dec 31 2025. On January 1 2026, we will revert to the 2017 value (not indexed).

6.3.3. Coverdell Educational Savings Accounts:

6.3.3.1. ATRA permanently extended enhancements to Coverdell education savings accounts. This includes a \$2,000 maximum contribution amount and treatment of elementary and secondary school expenses as well as postsecondary expenses as qualified expenditures.

- A. <https://www.irs.gov/taxtopics/tc310>

6.3.4. Child and Dependent Care Credit:

6.3.4.1. The American Taxpayer Relief Act permanently extended enhancements to the child and dependent care credit. The current 35% credit rate is made permanent along with the \$3,000 cap on expenses for one qualifying individual and the \$6,000 cap on expenses for two or more qualifying individuals. These figures are not adjusted for inflation.

6.3.4.2. Expenses qualifying for the child and dependent care credit must be reduced by the amount of any dependent care benefits provided by the taxpayer's employer that are excluded from gross income.

<https://www.irs.gov/taxtopics/tc602.html>

6.3.5. Other Credits

6.3.5.1. All other current credits can be modeled in NaviPlan by InvestCloud under 'Enter Financial Data' > 'Tax Details'. There are options for above and below-the-line deductions as well as refundable or non-refundable tax credits. All credits can be included in the income tax details report in this fashion, although particular details or restrictions will not be included in this entry manner.

6.3.6. Long-term Care

6.3.6.1. Limits on premiums for 2023:

Limitation on Premiums	
Age	Limitation
40 or less	\$480
41-50	\$890
51-60	\$1,790
61-70	\$4,770
Over 70	\$5,960

<https://www.irs.gov/pub/irs-drop/rp-20-45.pdf>

6.3.6.2. Per-diem Limit for 2023 is **\$420** (2022 was \$390)

6.3.7. Kiddie Tax

6.3.7.1. Children will pay tax at their own income tax rate on unearned income they receive above the threshold. Any amount above the threshold is taxed at their parents' highest income tax rate as long as it is higher than the child's tax rate.

Threshold: \$1,250 (2023)

6.3.7.2. Note: Earned income for dependents is not supported in NaviPlan by InvestCloud, only unearned income on Non-Qualified and UTMA.

6.3.7.3. Note: Support for the Kiddie tax will be included in a future version of NaviPlan by InvestCloud (is not supported as of v23).

6.3.7.4. The adjustment to the Kiddie Tax is scheduled to sunset Dec 31 2025. On January 1 2026, we will revert to the 2017 value (not indexed).

- A. This was sunset in the SECURE Act of 2019 – this act reinstated the kiddie tax as it was before 2018.

6.3.8. AMT Carry forward Line numbers

AMT Carry forward credit for Client 1 and 2:

AMT Carryforward Credit for test

Form 8801 from last year's taxes (2021)	
AMT Minimum Tax Credit Carryforward (last line of Part II)	\$0
Form 6251 from last year's taxes (2021)	
Sum of lines 1 and 2e	\$0
Sum of lines 2b, 2c, 2d, 2g, and 2h	\$0
Line 10	\$0
Alternative Minimum Tax Payable (line 11)	\$0
Schedule D (1040) Worksheet from last year's taxes (2021)	
Line 14	\$0
Schedule D (1040) from last year's taxes (2021)	
Line 15	\$0
Line 16	\$0
Line 19	\$0

6.3.9. AMT exemption amount

<https://www.irs.gov/pub/irs-drop/rp-20-45.pdf>

AMT Exemption Schedule

Year	MFJ	Single/HOH	MFS	Estate and Trusts
2014	\$82,100	\$52,800	\$41,050	
2015	\$83,400	\$53,600	\$41,700	
2016	\$83,800	\$53,900	\$41,900	
2017	\$84,500	\$54,300	\$42,250	
2018	\$109,400	\$70,300	\$54,700	\$24,600
2019	\$111,700	\$71,700	\$55,850	\$25,000
2020	\$113,400	\$72,900	\$56,700	\$25,400
2021	\$114,600	\$73,600	\$57,300	\$25,700
2022	\$118,100	\$75,900	\$59,050	\$26,500
2023	\$126,500	\$81,300	\$63,250	\$28,400

6.3.9.1. AMT Exemption phase-out ranges for 2023 are:

- A. Single/HH: \$578,150
- B. MFJ: \$1,156,300
- C. MFS: \$578,150
- D. Estates and Trusts: \$94,600

The lower range of the phase out is not indexed for inflation. Since the upper range is tied to the exemption, which is indexed for inflation, that number is indexed. The calculation of the upper range is: (exemption/.25) + lower end of range. For MFJ in 2021: (114,600/.25) + 1,047,200 = \$1,505,600

6.3.9.2. The AMT has 2 tax rates: 26% and 28%

AMT Low-rate threshold values for 2023 are (known as the 28% tax on the IRS site):

- i. Single/HH: \$220,700
- ii. MFJ: \$220,700
- iii. MFS: \$110,350

6.3.10. Qualified Business Deduction

The Tax Cuts and Jobs Act (TCJA) of 2017 introduced a “Qualified Business Income” (QBI) deduction for pass-through entities that will effectively permit pass-through businesses to be taxed on only 80% of their income.

6.3.10.1. The threshold and phased-in amount can be seen in the table below:

Year	Threshold Amount		
	MFJ	MFS	Single, HOH
2018	\$315,000	\$157,500	\$157,500
2019	\$321,400	\$160,700	\$160,700
2020	\$326,600	\$163,300	\$163,300
2021	\$329,800	\$164,925	\$164,900
2022	\$340,100	\$170,050	\$170,050
2023	\$364,200	\$182,100	\$182,100

Part D – Reports

7. Modifications to Reports & Graphs

The reports in bold are the ones that have been updated for 2023:

Legacy Reports

- Asset Allocation Overview
- Credit Shelter Trusts
- Estate Planning Overview
- Family Limited Partnership
- Gifting
- Planning for Non-Traditional Couples
- Retirement Overview
- Tax Considerations (Legacy)
- Tax Considerations (Client Reports)