7 Questions to Ask Your CPA Before Year-End

Kelly L. Olczak, CFP®
Managing Partner, Private Wealth Manager
LynnLeigh & Company

1160 PITTSFORD VICTOR RD STE A
PITTSFORD, NY 145343825

585-623-5982

kelly@lynnleighco.com
www.lynnleighco.com

–Debra Taylor, CPA/PFS, JD, CDFA

Given the complex tax situation many high-income earners face, start tax planning in the fall while there is still time to make adjustments. These seven questions can help you spot problem areas and better understand the services you may need.

Although tax season is still months away, tax management should begin in the fall—especially for high-income earners facing the 3.8% net investment income tax, AMT, and other taxes.

Below are seven questions that can help you open a discussion with your CPA and your financial professional about next year's tax bill. Have the discussion early in the fall so you still have time to make adjustments if necessary.

1. Can I limit my exposure to the 3.8% Medicare surcharge tax?

The 3.8% Medicare surcharge applies to net investment income of singles with modified adjusted gross income (MAGI) over $200,000 and couples over $250,000. The threshold for separate filers is $125,000. (MAGI is adjusted gross income (AGI) plus some deductions added back in for tax-free foreign income, IRA contributions, student loan interest, etc.) The tax is due on the smaller of net investment income (interest, dividends, annuities, gains, passive income, and royalties) or the excess of MAGI over the thresholds.

If you think there may be some exposure, review with your financial professionals the tax efficiency of the portfolio holdings, perhaps moving less efficient investments into tax-deferred accounts, and capitalizing on tax loss harvesting.

Other ideas include using municipal bonds to help avoid the surtax, since interest is tax-free, and/or taking capital losses to offset any other gains you may have. You may also want to consider an installment sale to spread out a large gain if that keeps your AGI below the thresholds. If real estate is involved, a like-kind exchange will also defer the gain.

2. Can I maximize the tax break using a Flex Plan for child care costs?

You can still claim the dependent care credit to the extent that your expenses are greater than the amount you pay through your flexible spending account (FSA).

The maximum dependent care costs funded through an FSA are $5,000, but the credit applies to as much as $6,000 of eligible expenses for filers with two or more children under age 13. In that case, you should run the first $5,000 of dependent care cost through the FSA, and the next $1,000 would be eligible for the credit on Form 2441.

For most filers, taking the dependent care credit will save an extra $200 in taxes. Of course, no credit is allowed for any child care costs that are paid via the flex plan.

3. What if my school-age child went to summer camp?

Costs related to a child's summer camp qualify for the dependent care credit. So if a you sent your child to any special day camps this summer (i.e., sports, computers, math, theatre, and study), don't forget this break.

However, the costs of summer school and tutoring programs aren't eligible for the credit. They are treated as education, not care. The other rules for the credit aren't affected: the child must be under 13 and expenses must be incurred so that parents can work.

4. How should I handle an inherited IRA?

If you inherited an IRA last year, a tax planning deadline is looming. The IRA's beneficiaries are set for September 30th of the year following the death of the IRA owner. Typically, non-spouse heirs must take distributions from inherited IRAs within 10 years of the owner's death, unless one or more of the beneficiaries of the account are not individuals.

With non-individual beneficiaries, the IRA has to be cleaned out within five years for all beneficiaries, which is generally a negative because it denies tax-deferred growth to the beneficiaries for that extra five years, or longer for certain beneficiaries. The issue occurs when the owner names a charity or college as one of the beneficiaries.

Redeeming a non-individual IRA interest by September 30th can pay dividends. If the charity, school, etc., is paid off by that time, the remaining individual beneficiaries can take distributions for ten years, enjoying more tax-free buildup inside the IRA.

5. How can I optimize the earnings on my children?

Optimize a child's summer job by contributing to a Roth IRA. The child can contribute up to $6,500 as long as he has earned income of $6,500 or more. The parents can make the contribution for the child, although the parent's pay-in counts towards the $17,000 annual gift tax exclusion.

What difference does this make? A parent's generosity can provide a nice nest egg. A $6,000 contribution to a 16-year-old's Roth that earns 7% each year will grow to $165,000 at age 65 and $231,000 at age 70. If the child works for a couple of summers and contributions are made annually, the future balance of the account will be much more significant. And remember, all qualified withdrawals are tax-free!

6. How can I use the 0% rate on long-term gains?

If your taxable income without long-term gains is below $44,625 for singles or $89,250 for married couples filing jointly, profits on the sales of assets owned over a year are tax-free until the gains push you above those thresholds. You will be taxed 15% on those gains, and if your income rises above $492,300 for singles or $553,850 for married couples you will be taxed at a 20% rate.

If part of the gain is taxed at 0% and the rest at 15%, claiming more deductions or making a deductible IRA contribution gives you two tax breaks: 1) claiming the deduction saves on income tax and 2) it allows more capital gains to be taxed at the 0% rate.

However, taking more tax-free gains raises the adjusted gross income, which can cause more of your Social Security benefits to be taxable. In addition, your state income tax bill may jump, since many states tax gains as ordinary income.

7. How can I donate most effectively?

One way to turbo-charge donations to charity is by giving away appreciated assets, such as stocks. The appreciation escapes the capital gains tax and you will get a deduction for the full value in most cases, as long as you've owned the asset for longer than a year.

Charitable deductions are normally limited to 60% of your Adjusted Gross Income.

The right assets to donate

Do not donate any assets that have declined in value. If you do, the capital loss is wasted. From a tax point of view, you're better off selling the asset and donating the proceeds. This also applies if you plan to make a gift to a person. If you give an asset that has diminished in value, you are then unable to sell the asset and deduct the loss.

Consider a charitable lead annuity trust

A charitable lead annuity trust is a trust that pays an annuity to a charity for a set term. Then, what's left goes to the donor or other beneficiaries. Although interest rates may increase, the donor still gets a nice up-front write-off. That deduction can be used to offset income generated from a Roth IRA conversion, such as letting the donor experience a full lifetime of tax-free withdrawals from the Roth.

Sustainable non-cash donations

If you fail to substantiate property donations, you can lose the write-off. For example, a veterinarian donated over $100,000 of fossils to a charity, and although he did attach Form 8283 to his tax return and received letters from the charity acknowledging the gifts, the fossils were not appraised properly as they were not seen by a qualified expert, which is mandatory when claiming a deduction over $5,000 for non-cash donations.

The taxpayer also failed to obtain a contemporaneous written acknowledgement from the organization stating that he received nothing of value in return for his gift. As a result, the tax court upheld the IRS determination to disallow the deduction.

Understanding tax laws isn't easy, especially since the laws change constantly and are often tricky. Attempting to take advantage of the benefits can be a confusing process. Though there are some great tips and explanations above, seek the assistance of a tax professional whenever you have any questions about your tax situation.

Debra Taylor, CPA/PFS, JD, CDFA, writes on tax and retirement planning for Horsesmouth, an independent organization providing insight into the critical issues facing financial professionals and their clients.

The Medicare Surtax & the Additional Medicare Tax: What is it? Will you pay it? Ways to reduce your tax liability

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–Charles Sherry, M. Sc.

Here is what you need to know to navigate the 3.8% surtax on unearned investment income and the 0.9% additional tax on wages.

The Affordable Care Act (ACA) was designed to make health insurance more affordable, expand coverage, expand Medicaid, and help lower the overall cost of health care. The law was enacted in 2010.

One major source of revenue imposed by the ACA is centered around two new Medicare taxes that may affect high income earners:

- **The Net Investment Income Tax.** A 3.8% surtax on unearned investment income
- **The Additional Medicare Tax.** An additional 0.9% Medicare tax levied on wages

Net Investment Income Tax

First, let's review the surtax on unearned income that took effect on January 1, 2013.

The Net Investment Income Tax (NIIT) is imposed by section 1411 of the Internal Revenue Code. The NIIT applies at a rate of 3.8% to certain net investment income of individuals, estates and trusts that have income above the statutory threshold amounts.

The tax is applied against the lesser of the taxpayer's net investment income or modified adjusted gross income (MAGI) in excess of the threshold amounts.

The income levels are shown in the following table. Keep in mind that the 3.8% surtax is in addition to ordinary income taxes and any alternative minimum tax.

NIIT Surtax Thresholds

Filing status	Threshold
Single, head of household	$200,000
Married filing jointly, qualifying widow(er) with a child	$250,000
Married filing separately	$125,000

Source: IRS: Find out if Net Investment Income Tax applies to you

These thresholds are not indexed to inflation.

Income subject to surtax

The tax introduced another layer of complexity into the tax code, but how it is applied will become clearer in the examples offered below. For now, let's look at which types of income are subject to the tax, and which are not.

- Unearned income will be subject to the tax. In general, income includes, but is not limited to:
  - » Interest
  - » Dividends
  - » Rent
  - » Nonqualified annuities
  - » Royalties
  - » Net capital gains
  - » A passive activity—i.e., income from businesses in which the taxpayer does not actively participate
  - » A trade or business of trading in financial instruments or commodities
- In addition, the net gain from property held for investment, including the taxable portion of a gain from selling a personal residence that is above the $500,000/$250,000 exclusion, is subject to the NIIT. Any profit below the exclusion is exempt from the surtax.
- Most trusts and estates will also be subject to the NIIT on investment income, with the threshold based on the level of taxable income that puts the entity into the highest tax bracket.

Indexing to inflation puts the threshold in 2021 at $13,050. Above that level, the entity is subject to the 3.8% tax on investment income that isn't paid out to beneficiaries or heirs. Trusts not subject to the 3.8% surtax include:

- Trusts that are exempt from income taxes imposed by Subtitle A of the Internal Revenue Code, such as charitable trusts and qualified retirement plan trusts exempt from tax under IRC section 501, and Charitable Remainder Trusts exempt from tax under IRC section 664.
- A trust or decedent's estate in which all of the unexpired interests are devoted to one or more of the purposes described in section 170(c)(2)(B).
- Trusts that are classified as "grantor trusts" under IRC sections 671-679.
- Trusts that are not classified as "trusts" for federal income tax purposes such as Real Estate Investment Trusts and Common Trust Funds.
- Electing Alaska Native Settlement Trusts.
- Perpetual Care (Cemetery) Trusts.

Income not subject to the surtax

There are exclusions from the NITT. These include:

- Tax-exempt interest
- Any of the above sources of unearned income (taxable interest, dividends, capital gains, rents, etc.) as long as the taxpayer is actively engaged in the trade or business.
- Income from a business or activity the taxpayer is actively engaged in.
- Distributions from an IRA, a Roth IRA, qualified plans, 409A deferred compensation plans, and employer plans. But be careful. Distributions from a traditional IRA or a qualified plan are counted as MAGI, which could expose some or all investment income to the 3.8% surtax.
- A gain on the sale of a principal residence that is excluded from income (up to $250,000 for single taxpayers; $500,000 for a married couple).
- Gain on the sale of "qualified small business stock" that is excluded from income.
- Cash value that increases in life insurance
- Social Security benefits
- Wages
- Unemployment compensation
- Alimony
- Alaska Permanent Fund Dividends

Note: The NIIT does not apply to income from the sale of an interest in an S corporation, limited liability company or partnership, if the shareholder materially participates in the business.

Surtax examples

- Tom is single, earns $120,000, and has dividends and capital gains of $40,000. His MAGI of $160,000 is below the threshold of $200,000. Tom avoids the 3.8% surtax.
- Noah and Tina, married filing jointly, have wages of $240,000 and net investment income of $40,000 (MAGI of $280,000). The 3.8% surtax applies to $30,000.

Remember, the additional tax on investment income applies to the lesser of:

- The $40,000 in investment income or
- The $30,000 excess over the threshold of $250,000 for joint returns
  - » Sharon is single, has net investment income of $250,000, and no other income. The 3.8% surtax would apply to $50,000 of her income.

The additional tax on investment income applies to the lesser of:

- The $250,000 in investment income or
- The $50,000 excess over the threshold of $200,000 for single returns
  - » David and Wilma, married filing jointly, have combined salaries of $500,000 and $75,000 in investment income (MAGI of $575,000). The 3.8% surtax applies to the $75,000.

The additional tax on investment income applies to the lesser of:

- The $75,000 in investment income or
- The $325,000 excess over the threshold
  - » Mark and Linda, married filing jointly, have combined salaries of $325,000 and sell their home for a profit of $550,000. The first $500,000 of the gain is excluded, but the final $50,000 isn't. This puts MAGI at $375,000. The 3.8% surtax applies to $50,000.

The additional tax on investment income applies to the lesser of:

- The $50,000 in investment income (gain on the sale in excess of the $500,000 exclusion) or
- The $125,000 excess over the threshold
  - » Cindy, single, has a salary of $185,000 and net investment income of $15,000, giving her a MAGI of $200,000. The surtax does not apply.

However, if Cindy takes a distribution of $30,000 from her traditional IRA, her new MAGI is $230,000. She does not pay the 3.8% surtax on the IRA distribution, but the IRA distribution pushes her above the threshold. She pays the surtax on $15,000.

The additional tax on investment income would apply to the lesser of:

- The $15,000 in investment income or
- The $30,000 excess over the threshold

Medicare Tax and the Additional Medicare Tax

As a part of the FICA payroll tax, which includes the tax on wages for Social Security, an employer will withhold 1.45% of an employee's income in a calendar year. The employer also matches the contribution at a rate of 1.45%, or a total of 2.90% of earnings.

Employers are required to withhold an additional 0.9% in taxes on income above $200,000, which helps fund the ACA. There is no employer match for the Additional Medicare Tax. Like the NIIT, the Additional Medicare Tax went into effect in 2013. Like the NIIT, the Additional Medicare Tax thresholds are not indexed to inflation.

The 0.9% Additional Medicare Tax applies to Medicare wages, self-employment income, and railroad retirement (RRTA) compensation that exceeds the following threshold amounts based on filing status:

- $250,000 for married filing jointly;
- $125,000 for married filing separately; and
- $200,000 for all other taxpayers.

Tips are subject to the Additional Medicare Tax.

An employer must withhold the Additional Medicare Tax from wages and Railroad Retirement Tax Act (RRTA) compensation it pays to an individual in excess of $200,000 in a calendar year without regard to the individual's filing status or compensation paid by another employer.

Additional Medicare Tax examples

Jim earns $210,000 and his wife, Jeanie, consults part-time, is self-employed, and earns $35,000. Jim's employer must withhold the additional 0.9% tax on $10,000, even though, as a couple, they are below the $250,000 threshold. When Jim and Jeanie file, they will claim a credit for any withholding of the Additional Medicare Tax against the total tax liability shown on the individual income tax return (Form 1040).

Conversely, if Tom has wages of $100,000 and his wife Sally earns $200,000, neither employer will withhold the additional 0.9% Medicare tax. When they file, the couple must pay the tax on the $50,000 above the threshold of $250,000 for married filing jointly. They should either make estimated tax payments and/or request additional income tax withholding using Form W-4, Employee's Withholding Certificate.

Also be aware of this item: the value of taxable wages not paid in cash, such as noncash fringe benefits, will be subject to the 0.9% tax, if, in combination with other wages, they exceed the individual's applicable threshold.

In general, self-employed individuals are allowed an income tax deduction on one half of self-employment taxes paid. However, the law does not allow a deduction for any portion of the additional 0.9% tax.

Minimizing the bite from the 3.8% surtax

The NIIT is subject to the estimated tax provisions. Individuals, estates, and trusts that expect to be subject to the tax should adjust their income tax withholding or estimated payments in order to avoid underpayment penalties.

That said, as you evaluate the various approaches below, keep in mind that tax consequences alone should not be the driving force behind of any these strategies. Time horizon, riskiness of a security, suitability, how a security may fit into your overall strategy, and more should be considered.

1. Bulk up on tax-exempt interest. Consider tax-exempt municipals in lieu of other income-producing securities.

2. Minimize exposure to dividend-paying stocks. The American Tax Relief Act of 2012 (ATRA) and the health care bill raised the tax on dividends for high-income taxpayers from 15% to 23.8%. It may make sense to have your financial professional look to other income-producing securities or assets that have a greater potential for capital appreciation, as the NIIT will not be paid unless a gain is recognized.

3. Increase contributions to tax-deferred retirement plans. Maximize the contributions to IRAs, 401(k) s, or 403(b)s. Consider setting up a SEP-IRA or an individual 401(k) for self-employed clients. These plans have more beneficial contribution limits.

4. Defer taxes. Whenever possible, place investments that generate unearned income into tax-deferred accounts.

5. Factor in retirement withdrawals. Qualified withdrawals from a Roth IRA or Roth 401(k) are not included in MAGI and would not risk exposing investment income to the surtax.

   Consider converting a traditional IRA into a Roth. Or, if your employer allows it, convert your traditional 401(k) into a Roth 401(k). But be aware that a Roth conversion is a taxable event, will add to MAGI, and may increase your exposure to the surtax.

6. Time the income. Can you spread income payments over several years, minimizing or eliminating the impact of the tax? Multiyear payments should be balanced. The financial stability of your employer must also be taken into consideration.

7. Can passive income be converted to salary from an actively managed entity? Some of the income might be subjected to the 0.9% tax, but it may reduce the 3.8% surtax.

8. Consider installment sales. Installment sales could defer income over several years and keep the seller under the MAGI limit or minimize the surtax.

9. Use college savings accounts. Save for education using Section 529 plans. Dividends and income generated under the umbrella of a college saving plans would not be subject to the NIIT.
10. Make greater use of charitable trusts. Consider charitable remainder trusts to defer recognition of income, and non-grantor charitable lead trusts that shift income away from the grantor to the trust.
11. Plan for trust distributions. Given the low threshold for trusts and estates, one planning consideration might be to distribute investment income to the beneficiaries if their higher thresholds would result in less tax. It goes without saying that such distributions must be consistent with the terms of the trust and the trustee's fiduciary duties.

The bottom line

This maze of complexity will create an extra level of frustration for many high-income investors. It's unlikely the levies can be completely avoided, but with prudent planning, you can face the next tax season armed with knowledge that eliminates unwanted surprises.

For additional information and before making any final decisions, please consult a tax advisor in addition to your regular financial professional.

Charles Sherry, M.Sc., is an award-winning financial journalist and Horsesmouth writer. Horsesmouth is an independent organization providing unique, insight into the most critical issues facing financial professionals and their clients. Horsesmouth was founded in 1996 and is located in New York City.

KEY FINANCIAL DATA 2023

Kelly L. Olczak, CFP®
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2023 Tax Rate Schedule

Taxable income ($)	Base amount of tax ($)	Plus	Marginal tax rate	Of the amount over ($)
Single				
0 to 11,000		+	10.0	
11,001 to 44,725	1,100.00	+	12.0	11,000.00
44,726 to 95,375	5,147.00	+	22.0	44,725.00
95,376 to 182,100	16,290.00	+	24.0	95,375.00
182,101 to 231,250	37,104.00	+	32.0	182,100.00
231,251 to 578,125	52,832.00	+	35.0	231,250.00
Over 578,125	174,238.25	+	37.0	578,125.00
Married filing jointly and surviving spouses				
0 to 22,000		+	10.0	
22,001 to 89,450	2,200.00	+	12.0	22,000.00
89,451 to 190,750	10,294.00	+	22.0	89,450.00
190,751 to 364,200	32,580.00	+	24.0	190,750.00
364,201 to 462,500	74,208.00	+	32.0	364,200.00
462,501 to 693,750	105,664.00	+	35.0	462,500.00
Over 693,750	186,601.50	+	37.0	693,750.00
Head of household				
0 to 15,700		+	10.0	
15,701 to 59,850	1,570.00	+	12.0	15,700.00
59,851 to 95,350	6,868.00	+	22.0	59,850.00
95,351 to 182,100	14,678.00	+	24.0	95,350.00
182,101 to 231,250	35,498.00	+	32.0	182,100.00
231,251 to 578,100	51,226.00	+	35.0	231,250.00
Over 578,100	172,623.50	+	37.0	578,100.00
Married filing separately				
0 to 11,000		+	10.0	
11,001 to 44,725	1,100.00	+	12.0	11,000.00
44,726 to 95,375	5,147.00	+	22.0	44,725.00
95,376 to 182,100	16,290.00	+	24.0	95,375.00
182,101 to 231,250	37,104.00	+	32.0	182,100.00
231,251 to 346,875	52,832.00	+	35.0	231,250.00
Over 346,875	93,300.75	+	37.0	346,875.00
Estates and trusts				
0 to 2,900		+	10.0	
2,901 to 10,550	290.00	+	24.0	2,900.00
10,551 to 14,450	2,126.00	+	35.0	10,550.00
Over 14,450	3,491.00	+	37.0	14,450.00

Standard Deductions & Child Tax Credit

Filing status	Standard deduction
Married, filing jointly and qualifying widow(er)s	$27,700
Single or married, filing separately	$13,850
Head of household	$20,800
Dependent filing own tax return	$1,250*
Additional deductions for non-itemizers	
Blind or over 65	Add $1,500
Blind or over 65, unmarried & not a surviving spouse	Add $1,850
Child Tax Credit	
Credit per child under 17	$2,000 ($1,600 refundable)
Income phaseouts begin at AGI of:	$400,000 joint, $200,000 all other

Tax Rates on Long-Term Capital Gains and Qualified Dividends

If taxable income falls below $44,625 (single/married-filing separately), $89,250 (joint), $59,750 (head of household), $3,000 (estates)	0%
If taxable income falls at or above $44,625 (single/married-filing separately), $89,250 (joint), $59,750 (head of household), $3,000 (estates)	15%
If income falls at or above $492,300 (single), $276,900 (married-filing separately), $553,850 (joint), $523,050 (head of household), $14,650 (estates)	20%

3.8% Tax on Lesser of Net Investment Income or Excess of MAGI Over

Married, filing jointly	$250,000
Single	$200,000
Married, filing separately	$125,000

Exemption Amounts for Alternative Minimum Tax**

Married, filing jointly or surviving spouses	$126,500
Single	$81,300
Married, filing separately	$63,250
Estates and trusts	$28,400
28% tax rate applies to income over:	
Married, filing separately	$110,350
All others	$220,700
Exemption amounts phase out at:	
Married, filing jointly or surviving spouses	$1,156,300
Single and married, filing separately	$578,150
Estates and trusts	$94,600

Gift and Estate Tax Exclusions and Credits

Maximum estate, gift & GST rates	40%
Estate, gift & GST exclusions	$12,920,000
Gift tax annual exclusion	$17,000
Exclusion on gifts to non-citizen spouse	$175,000

Education Credits, Deductions, and Distributions

Credit/Deduction/ Account	Maximum credit/ deduction/ distribution	Income phaseouts begin at AGI of:
American Opportunity Tax Credit/Hope	$2,500 credit	$160,000 joint $80,000 all others
Lifetime learning credit	$2,000 credit	$160,000 joint $80,000 all others
Savings bond interest tax-free if used for education	Deduction limited to amount of qualified expenses	$137,800 joint $91,850 all others
Coverdell	$2,000 maximum; not deductible	$190,000 joint $95,000 all others
529 plan (K-12)	$10,000 distribution	None
529 plan (Higher Ed.) †	Distribution limited to amount of qualified expenses	None

Tax Deadlines

- January 17 – 4th installment of the previous year's estimated taxes due
- April 18 – Tax filing deadline, or request extension to Oct. 16. 1st installment of 2023 taxes due. Last day to file amended return for 2019. Last day to contribute to: Roth or traditional IRA for 2022; HSA for 2022; Keogh or SEP for 2022 (unless tax filing deadline has been extended).
- June 15 – 2nd installment of estimated taxes due
- September 15 – 3rd installment of estimated taxes due
- October 16 – Tax returns due for those who requested an extension. Last day to contribute to SEP or Keogh for 2022 if extension was filed.
- December 31 – Last day to: 1) pay expenses for itemized deductions; 2) complete transactions for capital gains or losses; 3) establish a Keogh plan for 2023; 4) establish and fund a solo 401(k) for 2022; 5) complete 2023 contributions to employer-sponsored 401(k) plans; 6) correct excess contributions to IRAs and qualified plans to avoid penalty.

* Greater of $1,250 or $400 plus the individual's earned income.
** Indexed for inflation and scheduled to sunset at the end of 2025.
† $10,000 lifetime 529 distribution can be applied to student loan debt.

Check with your financial professional for updates.

Retirement Plan Contribution Limits

Annual compensation used to determine contribution for most plans	$330,000
Defined-contribution plans, basic limit	$66,000
Defined-benefit plans, basic limit	$265,000
401(k), 403(b), 457(b), Roth 401(k) plans elective deferrals	$22,500
Catch-up provision for individuals 50 and over, 401(k), 403(b), 457(b), Roth 401(k) plans	$7,500
SIMPLE plans, elective deferral limit	$15,500
SIMPLE plans, catch-up contribution for individuals 50 and over	$3,500

Individual Retirement Accounts

IRA type	Contribu-tion limit	Catch-up at 50+	Income limits
Traditional nondeductible	$6,500	$1,000	None
Traditional deductible	$6,500	$1,000	If covered by a plan: $116,000 - $136,000 joint $73,000 - $83,000 single, HOH 0 - $10,000 married filing separately If one spouse is covered by a plan: $218,000 - $228,000 joint
Roth	$6,500	$1,000	$218,000 - $228,000 joint $138,000 - $153,000 single & HOH 0 - $10,000 married filing separately
Roth conversion			No income limit

Health Savings Accounts

Annual limit	Maximum deductible contribution	Expense limits (deductibles and co-pays)	Minimum annual deductible
Individuals	$3,850	$7,500	$1,500
Families	$7,750	$15,000	$3,000
Catch-up for 55 and older	$1,000		

Deductibility of Long-Term Care Premiums on Qualified Policies

Attained age before close of tax year	Amount of LTC premiums that qualify as medical expenses in 2023
40 or less	$480
41 to 50	$890
51 to 60	$1,790
61 to 70	$4,770
Over 70	$5,960

Medicare Deductibles

Part B deductible	$226.00
Part A (inpatient services) deductible for first 60 days of hospitalization	$1,600.00
Part A deductible for days 61-90 of hospitalization	$400.00/day
Part A deductible for more than 90 days of hospitalization	$800.00/day

Social Security

Benefits

Estimated maximum monthly benefit if turning full retirement age (66) in 2023	$3,627
Retirement earnings exempt amounts	$21,240 under FRA $56,250 during year reach FRA No limit after FRA

Tax on Social Security benefits: income brackets

Filing status	Provisional income*	Amount of Social Security subject to tax
Married filing jointly	Under $32,000 $32,000-$44,000 Over $44,000	0 up to 50% up to 85%
Single, head of household, qualifying widow(er), married filing separately and living apart from spouse	Under $25,000 $25,000-$34,000 Over $34,000	0 up to 50% up to 85%
Married filing separately and living with spouse	Over 0	up to 85%

Tax (FICA)

SS tax paid on income up to $160,200	% withheld	Maximum tax payable
Employer pays	6.2%	$9,932.40
Employee pays	6.2%	$9,932.40
Self-employed pays	12.4%	$19,864.80

Medicare tax

Employer pays	1.45%	varies per income
Employee pays	1.45% plus 0.9% on income over $200,000 (single) or $250,000 (joint)	varies per income
Self-employed pays	2.90% plus 0.9% on income over $200,000 (single) or $250,000 (joint)	varies per income

*Provisional income = adjusted gross income (not incl. Social Security) + tax-exempt interest + 50% of Social Security benefit

Medicare Premiums

2021 MAGI single	2021 MAGI joint	Part B Premium	Part D income adjustment
$97,000 or less	$194,000 or less	$164.90	$0
97,001-123,000	194,001-246,000	$230.80	$12.20
123,001-153,000	246,001-306,000	$329.70	$31.50
153,001-183,000	306,001-366,000	$428.60	$50.70
183,001-500,000	366,001-750,000	$527.50	$70.00
Above 500,000	Above 750,000	$560.50	$76.40

Uniform Lifetime Table (partial)

Age of IRA owner or plan participant	Life expectancy (in years)	Age of IRA owner or plan participant	Life expectancy (in years)
73	26.5	89	12.9
74	25.5	90	12.2
75	24.6	91	11.5
76	23.7	92	10.8
77	22.9	93	10.1
78	22.0	94	9.5
79	21.1	95	8.9
80	20.2	96	8.4
81	19.4	97	7.8
82	18.5	98	7.3
83	17.7	99	6.8
84	16.8	100	6.4
85	16.0	101	6.0
86	15.2	102	5.6
87	14.4	103	5.2
88	13.7	104	4.9

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