ROBERTSON STEPHENS®

October 24, 2022 – Wealth Planning Commentary

Higher Tax Limits in 2023

Last week the IRS announced a 7% increase for income tax brackets and the standard deduction in 2023. The increases are designed to align income, after taxes, with the largest increase in the consumer price index (CPI) in four decades. Next year's limits are the largest increase since the tax brackets started adjusting automatically for inflation in 1985.

The income threshold, where the highest marginal tax rate of 37% begins to apply, increases from about $540K to 578k for single filers, and from 648k to 695K for MFJ. The standard deduction will rise from about 13k to 14k for single filers, and from 26k to 28k for married filing jointly.

Taxpayers with taxable income near a marginal tax bracket may want to defer income until next year or accelerate deductions to the current year, if possible. The Social Security Administration increased the payroll tax maximum limit from $147k to 160k. The limit is the amount of earned income that is subject to the 6.2% tax for Social Security benefits. Not great news for high earners, but the increase is in line with other inflation-driven tax changes.

The estate, lifetime gift, and generation-skipping transfer tax (GSTT) tax exclusion increases from $12.06mm to $12.92mm for an individual and a married couple's exclusion increases from $24.12 to $25.84. The annual gift exclusion, the amount a taxpayer can gift to one person each year without filing a gift tax return, will increase from $16k to $17k.

Last week the IRS also released the new retirement plan contribution limits for 2023:

- Employees may defer up to $22,500 to a 401(K) and the catch-up contribution for those over age 50 is $7,500.
- Total employer, employee, and after-tax contributions limits will increase from $61,000 to $66,000 and $73,500 with the 2023 catch-up.

Please connect with your Wealth manager to understand how the IRS changes impact your Wealth Plan and what opportunities may be available.

End-of-Year Planning Reminders:

- **Annual Exclusion** –$16,000 a person or $32,000 per couple may be gifted to an individual tax-free. If you are gifting to an irrevocable trust, remember to draft and execute the Crummey letters.
- **Required Minimum Distributions (RMD)** – Confirm that you have taken the RMD from your retirement accounts, if applicable.
- **IRAs Inherited after January 1, 2020** – Beneficiaries that are subject to the 10-Year rule are not required to take a RMD this year. The proposed IRS RMD rules for these accounts are likely to pass soon but will not be enforced until 2023.