

## ADVISOR'S BULLETIN

### WHAT'S IN THIS MONTH'S NEWSLETTER

#### Key 2023 Pension, Employee Benefit, and Tax Numbers

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#### A MESSAGE FROM MICHAEL W. LAGOS, CFP®

Dear Strategic Advisor:

A number of figures used in the estate, financial, employee benefit, and income-tax planning fields are subject to change or indexed for inflation. *The numbers presented in this issue are current at the time of its publication. These figures (and discussions thereof) do not take into consideration any proposed or pending legislation.*

Many of the annual adjustments to the numbers on these charts are based on the federal cost-of-living index. Because the federal cost-of-living index for the quarter ended September 30, 2022, is much higher than the cost-of-living index for the quarters ended September 30 for the preceding year, some of the limits for 2023 are significantly higher than those for 2022.

Although many proposals to change federal income, estate and gift tax rules were floated during 2022, to date there has been no substantial new tax legislation scheduled to become effective in 2023.

Unless otherwise indicated, all section references are to the Internal Revenue Code.

Regards,  
Michael W. Lagos, CFP®

The Advisor's Bulletin is provided by LAGOS WEALTH ADVISORS AND LAGOS FINANCIAL & INSURANCE SERVICES, INC. It is intended to serve as a resource for the advisors which we are associated with.

Recent developments in estate, business, and insurance planning are outlined for your reference. Should you wish to receive additional information related to financial planning, estate planning, insurance planning, or investment management, please do

## Key 2023 Pension, Employee Benefit, and Tax Numbers

### PENSION BENEFIT GUARANTY CORPORATION

	2022	2023
Maximum Monthly Guaranteed Benefit	\$6,205	<b>\$6,750</b>
Flat Premium Rate	\$88	<b>\$96</b>

The maximum monthly benefit above reflects a single, straight life at age 65 payout.

### IMPORTANT COLAs and SCHEDULED INCREASES

	2021	2022	2023
<b>Limit for Defined Benefit Plans</b> Sec. 415(b)(1)(A). Maximum yearly benefit allowed is the lesser of 100% of the average highest 3 years' compensation or the indicated figure. Reductions apply for plans with pre-65 normal retirement ages and for participants with less than 10 years of service.	\$230,000	\$245,000	<b>\$265,000</b> (Indexed in \$5,000 Increments)
<b>Limit for Defined Contribution Plans</b> Sec. 415(c)(1)(A). Maximum annual addition is lesser of these numbers.	\$58,000 or 100% of Compensation	\$61,000 or 100% of Compensation	<b>\$66,000 or 100%</b> of Compensation (Indexed in \$1,000 Increments)

## IMPORTANT COLAs and SCHEDULED INCREASES

	2021	2022	2023
<b>Definition of Key Employee in Top-Heavy Plan</b> Sec. 416(i)(1)(A)(i). A key employee is one who, during the prior year, was either (a) an officer with compensation in excess of the listed figure; (b) a 5% owner; or (c) a 1% owner with compensation over \$150,000. Family Attribution rules apply in determining if a person is a 5% owner.	\$185,000	\$200,000	<b>\$215,000</b> (Indexed in \$5,000 Increments)
<b>Annual Limit on Includible Compensation</b> Secs. 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii). This is the maximum amount of compensation that can be taken into account when determining an individual contribution to or benefit under a qualified retirement plan.	\$290,000	\$305,000	<b>\$330,000</b> (Indexed in \$5,000 Increments)
<b>Highly Compensated Employee</b> Sec. 414(q)(1)(B). A highly compensated employee is one who, during the prior year, was either (a) a 5% owner; or (b) had compensation above the <i>listed figure</i> . The dollar limitation under Sec. 416(i)(1)(A)(i) concerning definition of Key Employee in top-heavy plan for <b>2023</b> is <b>\$215,000</b> .	\$130,000	\$135,000	<b>\$150,000</b> (Indexed in \$5,000 Increments)
<b>Exclusion for Elective Deferrals for a 401(k), 403(b), SARSEP, or Thrift Savings Plan</b> Sec. 402(g). The indicated figure is the maximum salary reduction a participant can make.	\$19,500	\$20,500	<b>\$22,500</b> (Indexed in \$500 Increments)
<b>Age Based Catchup for a 401(k), 403(b), SARSEP, or Thrift Savings Plan under Sec. 414(v)(2)(B)(i) for plan participants age 50 or over.</b>	\$6,500	\$6,500	<b>\$7,500</b>

## IMPORTANT COLAs and SCHEDULED INCREASES

	2021	2022	2023
<b>Maximum Elective Deferrals for a SIMPLE Plan</b> Sec. 408(p)(2)(E). This is the maximum salary reduction a participant can take under a SIMPLE IRA or SIMPLE 401(k).	\$13,500	\$14,000	<b>\$15,500</b> (Indexed in \$500 Increments)
<b>Maximum 457 Salary Reduction</b> Sec. 457(e)(15). Maximum deferral to nonqualified plans of state and local government and tax-exempt orgs.	\$19,500	\$20,500	<b>\$22,500</b> (Indexed in \$500 Increments)
<b>Part-time Employee Floor for a SEP</b> Sec. 408(k)(2)(C). Employees who earn over the indicated limits must be included in a SEP if they are otherwise eligible.	\$650	\$650	<b>\$750</b> (Indexed in \$50 Increments)
<b>ESOP Maximum Amount</b> Sec. 409(o)(1)(C)(ii). Determining lengthening of 5-year distribution period.	\$230,000/ \$1,165,000	\$245,000/ \$1,230,000	<b>\$265,000/ \$1,330,000</b> (Indexed in \$5,000 Increments)
<b>Deductible, Nondeductible, and Roth IRA Contribution Limits</b> Sec. 219(b)(1)(A). This is the limit on how much can be contributed to an IRA.	\$6,000	\$6,000	<b>\$6,500</b> (Indexed in \$500 Increments)
<b>IRA Catch-up Provision for Individuals 50 or Older by Year End</b> Sec. 219(a)(5)(B). This is the amount that can be contributed for those 50 and older by year end. The <b>catchup is \$1,000 in 2023</b> . The listed number is the total amount that can be contributed.	\$7,000	\$7,000	<b>\$7,500</b> (Indexed in \$500 Increments)

## 2023 IRA PHASEOUT LIMITS FOR ACTIVE PARTICIPANTS IN A QUALIFIED PLAN Modified Adjusted Gross Income (MAGI)

<i>Filing Status</i>	<i>Phaseout of Deduction</i>	2021	2022	2023
Married filing jointly	Begins	\$105,000	\$109,000	<b>\$116,000</b>
	Ends (i.e., no deduction)	\$125,000	\$129,000	<b>\$136,000</b>
Single and HOH	Begins	\$66,000	\$68,000	<b>\$73,000</b>
	Ends	\$76,000	\$78,000	<b>\$83,000</b>
Married filing separately	Begins	\$0	\$0	<b>\$0</b>
	Ends	\$10,000	\$10,000	<b>\$10,000</b>
Nonparticipant spouse	Begins	\$198,000	\$204,000	<b>\$218,000</b>
	Ends	\$208,000	\$214,000	<b>\$228,000</b>

**What this means:** If a single-filing taxpayer participates in a qualified plan at work and earns less than \$73,000 in 2023, he may use the full \$6,500 IRA deduction. Once he earns more than \$73,000, his deduction is phased out until he reaches \$83,000, at which point he would no longer be entitled to an IRA deduction.

<i>Filing Status</i>	<i>Phaseout of Contribution</i>	2021	2022	2023
Married filing jointly	Begins	\$198,000	\$204,000	<b>\$218,000</b>
	Ends (i.e., no contribution)	\$208,000	\$214,000	<b>\$228,000</b>
Single and HOH	Begins	\$125,000	\$129,000	<b>\$138,000</b>
	Ends	\$140,000	\$144,000	<b>\$153,000</b>
Married filing separately	Begins	\$0	\$0	<b>\$0</b>
	Ends	\$10,000	\$10,000	<b>\$10,000</b>

**What this means:** If a single-filing taxpayer has MAGI of less than \$138,000 in 2023, he may still contribute to a Roth IRA. Once MAGI is more than \$138,000, the amount he may contribute decreases until his income reaches \$153,000, at which point he would no longer be entitled to make a contribution.

## Qualified Longevity Annuity Contract

SECURE Act 2.0, enacted in December 2022, made some major changes to QLAC rules. In 2022 QLAC contributions were limited to the lesser of \$145,000 or 25 percent of the account balance. SECURE Act 2.0 removes the 25 percent limitation. In 2023 QLAC contributions will be limited to \$200,000.

## 2023 SOCIAL SECURITY TAX RATES

	2021	2022	2023
<b>Social Security Tax Rate</b> These are the percentages the employer and employee are each taxed for Social Security purposes.	7.65% for employees  7.65% for employers	7.65% for employees  7.65% for employers	<b>7.65% for employees</b>  <b>7.65% for employers</b>
<b>Social Security Tax Rate (Self-Employed)</b> This is the percentage at which a self-employed individual is taxed for Social Security purposes. 12.4% is for Social Security while 2.9% is for Medicare.	15.3%	15.3%	<b>15.3%</b>
<b>Taxable Wage Base (Contribution and Benefit)</b> This “earned income ceiling” is the maximum amount of covered earnings on which Social Security OASDI taxes is paid.	\$142,800	\$147,000	<b>\$160,200</b>
<b>Medicare Special Wage Base</b> This is the maximum amount of covered earnings on which Social Security hospital insurance taxes are paid.	No Limit	No Limit	<b>No Limit</b>

**Note:** The 7.65 percent employee rate is imposed on the taxable wage base of \$160,200 in 2023. Earnings in excess of the FICA wage base are assessed on only the Medicare portion of FICA. **In 2023, the employee and employer portions of the Medicare assessment are both 1.45 percent.** For **self-employed taxpayers**, the combined tax is **2.9 percent**.

**High earners pay an additional 0.9 percent of Medicare tax on earnings in excess of the following thresholds:**

	Threshold Amount
Married Filing Jointly	\$250,000
Married Filing Separately	\$125,000
Other Taxpayers	\$200,000

The 0.9 percent additional tax **applies only to the employee contribution to Medicare**. For **self-employed taxpayers over the threshold**, the combined Medicare tax in **2023 is 3.8 percent**

## 2023 MEDICARE PREMIUMS

	2021	2022	2023
<b>Medicare Part B</b>			
Monthly Premium	\$148.50	\$170.10	<b>\$164.90</b>
Deductible	\$203	\$233	<b>\$226</b>
<b>Medicare Part A</b>			
Monthly Premium	\$471	\$499	<b>\$506</b>
Deductible	\$1,484	\$1,556	<b>\$1,600</b>

### Medicare Part B

Medicare Part B enrollees with higher incomes also pay higher Part B premiums based on their incomes. The income-related Part B premiums for 2023 decreased to **\$230.80, \$329.70, \$428.60, \$527.50, or \$560.50** depending on the extent to which an individual beneficiary's income exceeds \$97,000 (or a married couple's income exceeds \$194,000).

The highest premium rates are only paid by the less than 1 percent of beneficiaries whose incomes are over \$500,000 (or \$750,000 for a married couple). A beneficiary who pays the highest income-related premium in **2023** would pay **\$6,726** per year in Part B premiums.

### Medicare Part A

Medicare Part A is paid only by individuals who are not otherwise eligible for premium-free hospital insurance and have fewer than 40 quarters of Medicare-covered employment.

The Part A deductible is the beneficiary's only cost for up to 60 days of Medicare-covered inpatient hospital care in a benefit period. Beneficiaries must pay an additional **\$400** per day for days 61 through 90 in **2023**, and **\$800** per day for hospital stays beyond the ninetieth day for lifetime reserve days. The daily co-insurance for the twenty-first through one hundredth day in a skilled nursing facility will be **\$200** in **2023**.

## 2023 SOCIAL SECURITY QUALIFICATION

	2021	2022	2023
<b>Social Security Quarterly Earnings</b> (minimum of 40 quarters required)	\$1,470	\$1,510	<b>\$1,640</b>

## 2023 SOCIAL SECURITY BENEFITS

<b>Maximum Monthly Benefit (at full retirement age)</b>	<b>\$3,627 per Month (Age 66)</b>
<b>Retirement Earnings Test Exempt Amount (under FRA)</b> One dollar in benefits will be withheld for every two dollars in earnings above the limit prior to reaching FRA.	<b>\$21,240 per Year</b> <b>(\$1,770 per Month)</b>
<b>Retirement Earnings Test Exempt Amount for Months Prior to FRA</b> One dollar in benefits will be withheld for every three dollars in earnings above the limit, but only for earnings before the month the taxpayer reaches FRA. There is no annual earnings limit for those who continue to work after reaching their FRA.	<b>\$56,520 per Year</b> <b>(\$4,710 per Month)</b>
<b>Substantial Gainful Activity Threshold Limits</b>	
Nonblind	<b>\$1,470 per Month</b>
Blind	<b>\$2,460 per Month</b>
<b>SSI Federal Payment Amounts</b>	
Individuals	<b>\$914 per Month</b>
Couples	<b>\$1,371 per Month</b>
<b>SSI Resources Limits</b>	
Individual	<b>\$2,000</b>
Couple	<b>\$3,000</b>
<b>SSI Student Exclusion</b>	
Monthly	<b>\$2,220</b>
Annually	<b>\$8,950</b>
<b>Trial Work Period (TWP)</b>	<b>\$1,050 per Month</b>

**Full Retirement Age (FRA):** For retirees born between 1943 and 1954, FRA is 66. For those born after 1954 but before 1960, FRA gradually increases to age 67. For those born in 1960 and later, FRA is 67.

**Substantial Gainful Activity:** To be eligible for disability benefits, a person must be unable to engage in substantial gainful activity, meaning he may not earn more than a certain monthly amount.



## 2023 INCOME TAX RATE SCHEDULES

### BUSINESS INCOME TAX RATES

#### C CORPORATION INCOME TAX RATES

Entity	Tax
Corporations	21% Flat Rate

**Note:** Qualified Personal Services Corporations also pay the flat rate of 21 percent on all taxable income.

#### PASS-THROUGH BUSINESSES

The Tax Cut and Jobs Act creates a 20 percent business income deduction for businesses taxed as pass-through entities, including S corporations, partnerships, and proprietorships, if certain conditions are met. The full deduction is available for all pass-through businesses where taxable income is less than \$182,100 for a single taxpayer or \$364,200 for taxpayers filing joint returns.

The deduction may be limited or eliminated where taxable income is above the thresholds, depending on type of business, owner's compensation, and depreciable business property.

	Business Is Not a Specified Service	Business Is a Specified Service
<b>Taxable income less than or equal to \$182,100 (single) or \$364,200 (joint)</b>	W-2 wage/basis limitations do not apply. Eligible for 20% deduction.	W-2 wage/basis limitations do not apply. Eligible for 20% deduction.
<b>Taxable income greater than \$182,100 (single) or \$364,200 (joint) but less than \$232,100 (single) or \$464,200 (joint)</b>	W-2 wage/basis limitations are phased in over the \$50,000/\$100,000 range.	Applicable percentage of specified service income is eligible and W-2 wage/basis limitations are phased in over the \$50,000/\$100,000 range.
<b>Taxable income greater than \$232,100 (single) or \$464,200 (joint)</b>	W-2 wage/basis limitations apply in full	Specified service income not eligible.

## ESTATES AND TRUSTS

Taxable Income	Tax
Not over <b>\$2,900</b>	<b>10%</b> of the taxable income
Over <b>\$2,900</b> but not over <b>\$10,550</b>	<b>\$290</b> plus <b>24%</b> of the excess over <b>\$2,900</b>
Over <b>\$10,550</b> but not over <b>\$14,450</b>	<b>\$2,126</b> plus <b>35%</b> of the excess over <b>\$10,550</b>
Over <b>\$14,450</b>	<b>\$3,491</b> plus <b>37%</b> of the excess over <b>\$14,450</b>

## 2023 PERSONAL INCOME TAX RATE SCHEDULES

### MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES

Taxable Income	Tax
Not over <b>\$22,000</b>	<b>10%</b> of the taxable income
Over <b>\$22,000</b> but not over <b>\$89,450</b>	<b>\$2,200</b> plus <b>12%</b> of the excess over <b>\$22,000</b>
Over <b>\$89,450</b> but not over <b>\$190,750</b>	<b>\$10,294</b> plus <b>22%</b> of the excess over <b>\$89,450</b>
Over <b>\$190,750</b> but not over <b>\$364,200</b>	<b>\$32,580</b> plus <b>24%</b> of the excess over <b>\$190,750</b>
Over <b>\$364,200</b> but not over <b>\$462,500</b>	<b>\$74,208</b> plus <b>32%</b> of the excess over <b>\$364,200</b>
Over <b>\$462,500</b> but not over <b>\$693,750</b>	<b>\$105,664</b> plus <b>35%</b> of the excess over <b>\$462,500</b>
Over <b>\$693,750</b>	<b>\$186,601.50</b> plus <b>37%</b> of the excess over <b>\$693,750</b>

## HEADS OF HOUSEHOLDS

Taxable Income	Tax
Not over <b>\$15,700</b>	10% of the taxable income
Over <b>\$15,700</b> but not over <b>\$59,850</b>	<b>\$1,570</b> plus 12% of the excess over <b>\$15,700</b>
Over <b>\$59,850</b> but not over <b>\$95,350</b>	<b>\$6,868</b> plus 22% of the excess over <b>\$59,850</b>
Over <b>\$95,350</b> but not over <b>\$182,100</b>	<b>\$14,678</b> plus 24% of the excess over <b>\$95,350</b>
Over <b>\$182,100</b> but not over <b>\$231,250</b>	<b>\$35,498</b> plus 32% of the excess over <b>\$182,100</b>
Over <b>\$231,250</b> but not over <b>\$578,100</b>	<b>\$51,226</b> plus 35% of the excess over <b>\$231,250</b>
Over <b>\$578,100</b>	<b>\$172,623.50</b> plus 37% of the excess over <b>\$578,100</b>

## UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSE AND HEADS OF HOUSEHOLDS)

Taxable Income	Tax
Not over <b>\$11,000</b>	10% of the taxable income
Over <b>\$11,000</b> but not over <b>\$44,725</b>	<b>\$1,100</b> plus 12% of the excess over <b>\$11,000</b>
Over <b>\$44,725</b> but not over <b>\$95,375</b>	<b>\$5,147</b> plus 22% of the excess over <b>\$44,725</b>
Over <b>\$95,375</b> but not over <b>\$182,100</b>	<b>\$16,290</b> plus 24% of the excess over <b>\$95,375</b>
Over <b>\$182,100</b> but not over <b>\$231,250</b>	<b>\$37,104</b> plus 32% of the excess over <b>\$182,100</b>
Over <b>\$231,250</b> but not over <b>\$578,125</b>	<b>\$52,832</b> plus 35% of the excess over <b>\$231,250</b>
Over <b>\$578,125</b>	<b>\$174,238.25</b> plus 37% of the excess over <b>\$578,125</b>

## MARRIED INDIVIDUALS FILING SEPARATE RETURNS

Taxable Income	Tax
Not over <b>\$11,000</b>	10% of the taxable income
Over <b>\$11,000</b> but not over <b>\$44,725</b>	<b>\$1,100</b> plus 12% of the excess over <b>\$11,000</b>
Over <b>\$44,725</b> but not over <b>\$95,375</b>	<b>\$5,147</b> plus 22% of the excess over <b>\$44,725</b>
Over <b>\$95,375</b> but not over <b>\$182,100</b>	<b>\$16,290</b> plus 24% of the excess over <b>\$95,375</b>
Over <b>\$182,100</b> but not over <b>\$231,250</b>	<b>\$37,104</b> plus 32% of the excess over <b>\$182,100</b>
Over <b>\$231,250</b> but not over <b>\$346,875</b>	<b>\$52,832</b> plus 35% of the excess over <b>\$231,250</b>
Over <b>\$346,875</b>	<b>\$93,300.75</b> plus 37% of the excess over <b>\$346,875</b>

## 2023 QUALIFIED DIVIDEND AND CAPITAL GAINS TAX RATES

Long-term Capital Gains and Qualified Dividend Rates	2023
Taxable income below \$44,625 for single filers and married filing separate, joint filers below \$89,250, head of household filers below \$59,750, and estates below \$3,000	<b>0%</b>
Taxable income between \$44,625 and \$492,300 for single filers, between \$44,625 and \$276,900 for married filing separate, between \$89,250 and \$553,850 for joint filers, between \$59,750 and \$523,050 for head of household filers and between \$3,000 and \$14,650 for estates	<b>15%</b>
Taxable income at or above \$492,300 for single filers, at or above \$276,900 for married filing separate, at or above \$553,850 for joint filers, at or above \$523,050 for head of household filers, and at or above \$14,650 for estates	<b>20%</b>

**Note:** Because of the 3.8 percent Medicare surtax (discussed immediately following), the effective capital gains rates for taxpayers can reach up to 23.8 percent for taxpayers in the 37 percent income tax bracket, and 18.8 percent for certain taxpayers in lower brackets.

## 2023 MEDICARE SURTAX

**Note:** A 3.8 percent surtax applies to the lesser of net investment income or modified adjusted gross income in excess of the following threshold amounts (dependent on filing status).

Filing Status	2022	2023
Married individuals filing jointly	\$250,000	<b>\$250,000</b>
Married filing separately	\$125,000	<b>\$125,000</b>
Individual taxpayers	\$200,000	<b>\$200,000</b>

## 2023 KIDDIE TAX

**Note:** The Tax Cuts and Jobs Act of 2017 changed the “kiddie tax.” Prior to the TCJA the kiddie tax brought a portion of a child’s unearned income into their parents’ respective tax brackets. The TCJA revamped the “kiddie tax” rules by subjecting a portion of the child’s unearned income to the trust tax brackets. The SECURE Act repealed the TCJA rules and restored the tax at the parent’s rates.

<b>Net Unearned Income</b>	<b>2022</b>	<b>2023</b>
Net unearned income subject to the kiddie tax equals unearned income minus the greater of <i>this amount</i> , or	\$2,200	<b>\$2,500</b>
The child’s itemized deductions (if applicable) plus <i>this amount</i> .	\$1,150	<b>\$1,250</b>
<b>Eligibility for Parental Election</b>		
For parents to elect to include the child’s income on their return, the child’s gross income from interest and dividends must exceed <i>this amount</i> ; and	\$1,150	<b>\$1,250</b>
Be less than <i>this amount</i> .	\$11,500	<b>\$12,500</b>
<b>Impact of Parental Election</b>		
Parents who elect to include the child’s income on their return must include in their gross income the child’s gross income minus <i>this amount</i> ; and	\$2,200	<b>\$2,500</b>
Must add to their tax the lesser of <i>this amount</i> ; or	\$115	<b>\$125</b>
10% of the excess of the child’s gross income over <i>this amount</i> .	\$1,150	<b>\$1,250</b>
<b>Alternative Minimum Tax Exemption Amount</b>		
The AMT exemption for a child subject to the kiddie tax is limited to the sum of the child’s earned income plus <i>this amount</i> .	\$8,200	<b>\$8,800</b>

**Note:** *Unearned income* generally means anything other than wages, salaries, professional fees, or any other amounts received as compensation for personal services actually rendered.

## 2023 STANDARD DEDUCTION

Basic Standard Deduction	2022	2023
Married individuals filing joint returns and surviving spouses	\$25,900	\$27,700
Heads of household	\$19,400	\$20,800
Unmarried individuals (other than surviving spouses and heads of households)	\$12,950	\$13,850
Married individuals filing separate returns	\$12,950	\$13,850
<b>Additional standard deduction for the aged and the blind</b>		
Unmarried and not surviving spouses	\$1,750	\$1,850
All others	\$1,400	\$1,500
<b>Dependents:</b> The standard deduction for a person claimed as a dependent by another is limited to greater of—		
(a) Earned income plus <i>this amount</i> ; or	\$400	\$400
(b) <i>This amount</i> .	\$1,150	\$1,250

## 2023 ITEMIZED MEDICAL DEDUCTION THRESHOLD

**Note:** Prior to the TCJA, taxpayers younger than age 65 had to have medical expenses in excess of 10 per cent of their AGI in order to deduct. For 2023, the threshold for the medical expense deduction is 7.5 per cent for taxpayers of all ages.

	2022	2023
<b>Threshold amount:</b> Used in computing the refundable portion of the child credit (this amount is subtracted from earned income; if there is an excess, a percentage of it is added to the overall credit limitation for purposes of computing a hypothetical credit which is used to compute the refundable portion of the child credit). Sec. 24(d)(1)(B)(i).	\$1,500	\$1,600
<b>Adoption Credit (Sec. 23)</b>		
Adoption credit for child with special needs	\$14,890	\$15,950
Adoption credit for qualified adoption expenses of other children	\$14,890	\$15,950
Phaseout of adoption credit begins with modified AGI of	\$223,410	\$239,230
Complete phaseout of adoption credit with modified AGI of	\$263,410	\$279,230
Exclusion from income in connection with employer-provided assistance in the adoption of child with special needs (Sec. 132)	\$14,890	\$15,950
Exclusion from income for qualified adoption expenses in connection with employer-provided assistance in the adoption of other children	\$14,890	\$15,950
Phaseout of exclusion begins with modified AGI of	\$223,410	\$239,230
Complete phaseout of exclusion with modified AGI of	\$263,410	\$279,230

## 2023 EARNED INCOME CREDIT

<b>Earned Income Credit (Sec. 32)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Credit denied if investment income exceeds	\$3,650	\$10,300	<b>\$11,000</b>
<b>Taxpayers with Three or More Children</b>			
Earned income amount	\$14,950	\$15,410	<b>\$16,510</b>
Maximum credit amount	\$6,728	\$6,935	<b>\$7,430</b>
Threshold phase-out amount: joint returns	\$25,470	\$26,260	<b>\$28,120</b>
Threshold phase-out amount: other returns	\$19,520	\$20,130	<b>\$21,560</b>
Completed phase-out amount: joint returns	\$57,414	\$59,187	<b>\$63,398</b>
Completed phase-out amount: other returns	\$51,464	\$53,057	<b>\$56,838</b>
<b>Taxpayers with Two Children</b>			
Earned income amount	\$14,950	\$15,410	<b>\$16,510</b>
Maximum credit amount	\$5,980	\$6,164	<b>\$6,604</b>
Threshold phase-out amount: joint returns	\$25,470	\$26,260	<b>\$28,120</b>
Threshold phase-out amount: other returns	\$19,520	\$20,130	<b>\$21,560</b>
Completed phase-out amount: joint returns	\$53,865	\$55,529	<b>\$59,478</b>
Completed phase-out amount: other returns	\$47,915	\$49,399	<b>\$52,918</b>
<b>Taxpayers with One Child</b>			
Earned income amount	\$10,640	\$10,980	<b>\$11,750</b>
Maximum credit amount	\$3,618	\$3,733	<b>\$3,995</b>
Threshold phase-out amount: joint returns	\$25,470	\$26,260	<b>\$28,120</b>
Threshold phase-out amount: other returns	\$19,520	\$20,130	<b>\$21,560</b>
Completed phase-out amount: joint returns	\$48,108	\$49,622	<b>\$53,120</b>
Completed phase-out amount: other returns	\$42,158	\$43,492	<b>\$46,560</b>
<b>Taxpayers with No Children</b>			
Earned income amount	\$7,100	\$7,320	<b>\$7,840</b>
Maximum credit amount	\$543	\$560	<b>\$600</b>
Threshold phase-out amount: joint returns	\$14,820	\$15,290	<b>\$16,370</b>
Threshold phase-out amount: other returns	\$8,880	\$9,160	<b>\$9,800</b>
Completed phase-out amount: joint returns	\$21,920	\$22,610	<b>\$24,210</b>
Completed phase-out amount: other returns	\$15,980	\$16,480	<b>\$17,640</b>

## 2023 SAVINGS BOND EXCLUSION

Limitation on exclusion of income from U.S. savings bonds for taxpayers who pay qualified higher education expenses (Sec. 135)	2022	2023
Married individuals filing joint returns and surviving spouses—threshold amount for beginning phaseout	\$128,650	<b>\$137,800</b>
Exemption fully phased out	\$158,650	<b>\$167,800</b>
All others—threshold amount for beginning phaseout	\$85,800	<b>\$91,850</b>
Exemption fully phased out	\$100,800	<b>\$106,850</b>

## 2023 EDUCATION CREDITS AND DEDUCTIONS

	2022	2023
Hope Scholarship credit is 100% for qualified expenses up to:	\$2,000	<b>\$2,000</b>
Hope credit is 25% for qualified expenses up to the next:	\$2,000	<b>\$2,000</b>
<b>Phase-out Floor for Lifetime Learning Credits</b>		
Joint returns	\$160,000	<b>\$160,000</b>
All other returns	\$80,000	<b>\$80,000</b>
<b>Phase-out Floor for Hope Scholarship Credit</b>		
Joint returns	\$160,000	<b>\$160,000</b>
All other returns	\$80,000	<b>\$80,000</b>
<b>Maximum Interest Deduction for education loans (Sec. 221)</b>		
<i>Married filing jointly</i>	\$2,500	<b>\$2,500</b>
Reduction begins when adjusted gross income exceeds	\$145,000	<b>\$155,000</b>
Complete elimination of deduction when AGI exceeds	\$175,000	<b>\$185,000</b>
<i>All other taxpayers</i>	\$2,500	<b>\$2,500</b>
Reduction begins when adjusted gross income exceeds	\$70,000	<b>\$75,000</b>
Complete elimination of deduction when AGI exceeds	\$85,000	<b>\$90,000</b>

## 2023 SECTION 179 EXPENSE LIMITS

	2021	2022	2023
Limitation on aggregate cost of Sec. 179 property that taxpayer may elect to expense	\$1,00,000	\$1,080,000	<b>\$1,160,000</b>
Reduction for Sec. 179 property in excess of this amount	\$2,620,000	\$2,700,000	<b>\$2,890,000</b>



## 2023 AUTOMOBILE MILEAGE RATES (CENTS PER MILE)

Purpose	2021	2022	2023
Standard business use rate	56	58.5	65.5
Charitable use rate	14	14	14
Medical use rate	16	18	22
Moving expense rate	16	18	22

## 2023 GIFT AND ESTATE PLANNING AMOUNTS

	2022	2023
Annual Gift Tax Exclusion (Sec. 2503)	\$16,000	<b>\$17,000</b>
Basic Exclusion Amount for Unified Credit (Sec. 2010)	\$12,060,000	<b>\$12,920,000</b>
Dollar Amount Used to Compute "2%" Portion of Estate Tax Payable in Installments Calculation (Sec. 6601(j))	\$1,640,000	<b>\$1,750,000</b>
Special Use Qualified Real Property Value Reduction Limit (Sec. 2032A)	\$1,230,000	<b>\$1,310,000</b>
Super Exclusion for Present Interest Gifts from Citizen to Noncitizen Spouses (Secs. 2503 & 2523(i)(2))	\$164,000	<b>\$175,000</b>
Notice of Large Gifts from Foreign Persons (Sec. 6039F) Gifts and bequests received from foreign persons exceeding this amount must be reported.	\$17,339	<b>\$18,567</b>

## 2023 TRANSPORTATION BENEFITS

Qualified Transportation	2022	2023
Monthly exclusion limit for the aggregate of commuter highway vehicle transportation and transit pass	\$280	<b>\$300</b>
Monthly exclusion limit for qualified parking	\$280	<b>\$300</b>
Passenger Air Transportation Excise Tax Sec. 4261(b). On amounts paid for each domestic segment of taxable transportation by air.	\$4.50	<b>\$4.80</b>
Passenger Air Transportation Excise Tax Sec. 4261(c). On amounts paid for international air transportation that begins or ends within the United States (other than Alaska or Hawaii).	\$19.70	<b>\$21.10</b>
Passenger Air Transportation Excise Tax Sec. 4261(c)(3). On domestic segments that begin or end in Alaska or Hawaii	\$9.90	<b>\$10.60</b>

## 2023 INSUBSTANTIAL BENEFITS—CHARITABLE CONTRIBUTIONS

	2022	2023
Unrelated Trade or Business Exception for Low-cost Articles	\$11.70	<b>\$12.50</b>
Donor benefit reporting <b>not required</b> if three conditions are met:		
(1) Gift to charity is worth at least	\$58.50	<b>\$62.50</b>
(2) Charity distributes free article not ordered by donor which costs charity no more than	\$11.70	<b>\$12.50</b>
(3) Benefit received by donor is no more than the lesser of 2% of donor's contribution, or this amount	\$117	<b>\$125</b>

**Note:** Rev. Proc. 90-12, 1990-1 CB 471 provides: "These guidelines describe a safe harbor; depending on the facts in each case, benefits received in connection with contributions may be 'insubstantial' even if they do not meet these guidelines."

**Note:** A donor must have a written receipt in hand to claim a charitable deduction of **\$250** or more. That receipt must be in the donor's possession *before* the due date for filing his/her income tax return (plus any extensions). If the gift to charity is over **\$75**, and the donor received or became entitled to a tangible benefit, the charity must inform the donor that the deduction is limited to the excess of any money and value of other property received over the value of the goods and services the charity provides. The charity must also provide a good faith estimate of the value of such goods and/or services.

## 2023 FOREIGN EARNED INCOME

	2022	2023
Limitation under Sec. 911(b)(2)(D)(i)	\$112,000	<b>\$120,000</b>

## 2023 LOBBYING

	2022	2023
Annual per person, family, or entity dues limitation to qualify for the reporting exception under Sec. 6033(e)(3) (and Sec. 5.05 of Rev. Proc. 98-19, 1998-1 C.B. 547) for certain exempt organizations with nondeductible lobbying expenses.	\$124	<b>\$132</b>

## 2023 MEDICAL SAVINGS ACCOUNTS

	2022	2023
<b>Self-Only Coverage</b>		
Annual deductible is not less than	\$2,450	<b>\$2,650</b>
Annual deductible is not more than	\$3,700	<b>\$3,950</b>
Annual out-of-pocket expenses (other than premiums) for covered benefits does not exceed	\$4,950	<b>\$5,300</b>
<b>Family Coverage</b>		
Annual deductible is not less than	\$4,950	<b>\$5,300</b>
Annual deductible is not more than	\$7,400	<b>\$7,900</b>
Annual out-of-pocket expenses (other than premiums) for covered benefits does not exceed	\$9,050	<b>\$9,650</b>

## 2023 HEALTH SAVINGS ACCOUNTS

	2022	2023
<b>Individual Coverage</b>		
Monthly contribution limitation is 1/12 of the lesser of the annual deductible or	\$3,650	<b>\$3,850</b>
High-deductible health plan deductible is not less than	\$1,400	<b>\$1,500</b>
High-deductible health plan limit on annual out-of-pocket expenses (other than premiums)	\$7,050	<b>\$7,500</b>
<b>Family Coverage</b>		
Monthly contribution limitation is 1/12 of the lesser of the annual deductible or	\$7,300	<b>\$7,750</b>
High-deductible health plan deductible is not less than	\$2,800	<b>\$3,000</b>
High-deductible health plan limit on annual out-of-pocket expenses (other than premiums)	\$14,100	<b>\$15,000</b>
<b>Additional Contributions for Individuals Age 55 and Older</b>	\$1,000	<b>\$1,000</b>

## 2023 PERSONAL PENALTY FOR FAILURE TO MAINTAIN HEALTH INSURANCE

The Affordable Care Act imposes a penalty on taxpayers that can afford health insurance but do not purchase it. The penalty is calculated as a percentage of income or on a per-person basis. Uninsured taxpayers are penalized whichever amount is higher. In 2023, the penalty is zero.

## 2023 LONG-TERM CARE INSURANCE

	2022	2023
Per-diem limitation for periodic payments received under qualified long-term care insurance contract or life insurance contract periodic payments treated as paid by reason of death of chronically ill individual under Sec. 7702B(d)(4).	\$390	<b>\$420</b>

**Note:** The per-diem limitation for periodic payments received under a qualified long-term care insurance or life insurance contract is the amount the insured may exclude from gross income. Sec. 7702B(d)(4); 101 (a).

## 2023 DEDUCTIBLE LONG-TERM CARE PREMIUMS

Attained Age before the Close of the Taxable Year	2022	2023
40 or younger	\$450	<b>\$480</b>
Older than 40 but not older than 50	\$850	<b>\$890</b>
Older than 50 but not older than 60	\$1,690	<b>\$1,790</b>
Older than 60 but not older than 70	\$4,510	<b>\$4,770</b>
Older than 70	\$5,640	<b>\$5,960</b>

## 2023 EXPATRIATION

**Note:** A *covered expatriate* is subject to U.S. federal income tax on the net unrealized gain in his or her property as if the property had been sold for its fair market value on the day before the expatriation or termination of U.S. residency. Sec. 877A.

The expatriation tax applies if:	2022	2023
(1) The individual's average annual net income tax for the 5-year period preceding the citizenship loss exceeds this amount; <i>or</i>	\$178,000	<b>\$190,000</b>
(2) The individual's net worth on the date of the citizenship loss equals or exceeds this amount	\$2,000,000	<b>\$2,000,000</b>
<b>Income Reduction:</b> A covered expatriate's gross income is reduced by <i>this amount</i> .	\$767,000	<b>\$821,000</b>



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## **IN THIS ISSUE OF ADVISOR'S BULLETIN**

### **Key 2023 Pension, Employee Benefit, and Tax Numbers**

#### ***Building Protecting and Perpetuating Family Wealth***

LWA strives to develop and maintain sound financial plans designed to achieve our client's wealth accumulation, preservation and transfer objectives, with the goal of preserving their wealth for multiple generations. We provide these services in a confidential and consultative manner, building life-long relationships based upon education, trust, communication and service.

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