[**www.bandrtax.com**](http://www.bandrtax.com) **Tax Updates**

Tax Rate

**Taxable Income**

|  |  |  |
| --- | --- | --- |
| Married Filing Jointly **Taxable Income** | | |
| 0 | 20,550 | 10% |
| 20,551 | 83,550 | 12% |
| 83,551 | 178,150 | 22% |
| 178,151 | 340,100 | 24% |
| 340,101 | 431,900 | 32% |
| 431,901 | 647,850 | 35% |
| 647,851 |  | 37% |

|  |  |  |
| --- | --- | --- |
| Single **Taxable Income** | | |
| 0 | 10,275 | 10% |
| 10,276 | 41,775 | 12% |
| 41,776 | 89,075 | 22% |
| 89,076 | 170,050 | 24% |
| 170,051 | 215,950 | 32% |
| 215,951 | 539,900 | 35% |
| 539,901 |  | 37% |

|  |  |  |
| --- | --- | --- |
| Married Filing Separately **Taxable Income** | | |
| 0 | 10,275 | 10% |
| 10,276 | 41,775 | 12% |
| 41,776 | 89,075 | 22% |
| 89,076 | 170,050 | 24% |
| 170,051 | 215,950 | 32% |
| 215,951 | 323,925 | 35% |
| 323,926 |  | 37% |

|  |  |  |
| --- | --- | --- |
| Head of Household **Taxable Income** | | |
| 0 | 14,650 | 10% |
| 14,651 | 55,900 | 12% |
| 55,901 | 89,050 | 22% |
| 89,051 | 170,050 | 24% |
| 170,051 | 215,950 | 32% |
| 215,951 | 539,900 | 35% |
| 539,900 |  | 37% |

IL Filing Requirement

**> 2425**

Standard Deduction & Filing Requirement

|  |  |
| --- | --- |
| Married Filing Jointly | **Filing Req.** |
| **Both < age 65** | **25,900** |
| One > age 65 (+1,400) | 27,300 |
| Both > age 65 (+2,800) | 28,700 |
| Single |  |
| **< age 65** | **12,950** |
| > age 65 (+1,750) | 14,700 |
| Married Filing Separately |  |
| **< age 65** | **5** |
| > age 65 | 5 |
| Head of Household |  |
| **< age 65** | **19,400** |
| > age 65 (+1,750) | 21,150 |
|  |  |
| Self-Employment Income (Net) | **> 400**  **Must file** |

MFS Lost Benefit:

|  |  |
| --- | --- |
| **Potential Benefit:**  State tax savings (when one spouse lives in high-tax state and the other spouse lives in very-low-tax state)  Medical expenses deduction (when medical expenses if over 7.5% of one spouse AGI)  Child credit (when joint AGI is too high to be qualified for child credit --- but beware of the higher tax bracket the high-income spouse will be facing if MFS) | **Lost Benefit:**  - Earned income credit  - Child and dependent care expenses credit  - Education credits (AOTC and LLC)  - Student loan interest deduction  - Capital loss deduction limit is $1,500 (instead of $3,000)  - Your rental loss allowance limit is $12,500 (instead of $25,000).  - If your spouse itemizes deductions, you can’t claim the standard deduction. |

Filing Requirement for Children

**AGI**

|  |  |
| --- | --- |
| Earned Income Only | 12,950 |
| Unearned Income Only | 1,150 |
| Has both Earned Income and Unearned Income | Earned Income (upto 12,550)  Unearned Income as soon as >400 |

Children Unearned Income Tax Rate

|  |  |
| --- | --- |
| 0 - 1,150 | 0% |
| 1,151 – 2,300 | Child’s own tax rate |
| > 2,300 | Parent’s tax rate – Kiddie Tax |

Kiddie Tax

|  |  |
| --- | --- |
| < 18 | Always apply |
| = 18 | Earned Income < 50% of his support? |
| 19-23 | Full time student? Earned Income < 50% of his support? |
| > 23 | Never apply |

Child Care Credit

< 13 Year Old; Both Parents Working

Summer Camp Included

**1 Child Expense: up to $3000**

**2+ Children: up to 6000**

**(also if Employer dependent benefit > $3000 / $6000, no more Credit)**

**AGI:**

|  |  |
| --- | --- |
| <15000 | 35% |
| 15000-25000 | 34% - 30% |
| 25000-35000 | 30% - 25% |
| 35000-43000 | 25% - 20% |
| >43000 | 20% |

Earned Income Credit

**AGI**

**– Dependent is younger than TP**

**- Dependent is under 19 (or 24 Full Time Student)**

**- Or disabled**

**- Not Married Filing Separately**

**- No Foreign Income**

**- Investment Income < 10,300**

0 Children --- $560 Max

**- TP Must between 25 – 65 Years Old**

|  |  |  |
| --- | --- | --- |
|  | 0 Children | Peak |
| MFJ | < 22,610 | 7,300-15,300 |
| Single, HOH | < 16,480 | 7,300-9,200 |

1 Child --- $3733 max

|  |  |  |
| --- | --- | --- |
|  | 1 Child | Peak |
| MFJ | < 49,622 | 10,950-26,300 |
| Single, HOH | < 43,492 | 10,950-20,150 |

2 Children --- $6164 max

|  |  |  |
| --- | --- | --- |
|  | 2 Children | Peak |
| MFJ | < 55,529 | 15,400-26,300 |
| Single, HOH | < 49,399 | 15,400-20,150 |

3 Children --- $6935 max

|  |  |  |
| --- | --- | --- |
|  | 3 Children | Peak |
| MFJ | < 59,187 | 15,400-26,300 |
| Single, HOH | < 53,057 | 15,400-20,150 |

Education Credit

**MAGI\* =** AGI + Foreign Income Exclusion

1040NR not qualified

|  |  |  |
| --- | --- | --- |
|  | AOTC (up to 2,500)  (2,000 for 2,000 then 500 for 2,000-4,000) | LLC (20% of Tuition up to 10K Tuition) |
| 1098T? | 1098-T Required | 1098-T Required |
| Degree? | Must be pursuing a degree | Courses for job skills qualified |
| Enrollment? | at least part time for one semester | one course OK |
| Books/Material? | Tuition, Fees, and Books/Material | Tuition, Fees |
| MFJ | **AGI\*** < 160K  160K-180K (5% decrease per 1K) | **AGI\*** < 160K  160K-180K (5% decrease per 1K) |
| Single/HOH | **AGI\*** <80K  80K-90K (10% decrease per 1K) | **AGI\*** <80K  80K-90K (10% decrease per 1K) |
| MFS | NO | NO |

Student Loan Interest:

**MAGI\* =** AGI + Foreign Income Exclusion

Single/HOH 85K-100K; MFJ: 145K-175K

LT Capital Gain

**Taxable Income**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 0% | 15% | 20% |
| MFJ | 0-83,350 | 83,351-517,200 | 517,200- |
| Single | 0-41,675 | 41,676-459,750 | 459,751- |
| MFS | 0-41,675 | 41,676-258,600 | 258,601- |
| HOH | 0-55,800 | 55,801-488,500 | 488,501- |

3.8% Net Investment Income Tax (NIIT) & 0.9% Additional Medicare Tax

(Medicare Tax 2.9% + 0.9% = 3.8%)

**NIIT MAGI\* =** AGI + Foreign Income Exclusion

**Medicare Wages** = W2 Box 5 & Sch. SE

|  |  |
| --- | --- |
| MFJ | > 250K |
| Single / HOH | > 200K |
| MFS | > 125K |

Rental Loss Deduction Limitation

**MAGI\* =** AGI + Foreign Income Exclusion

**Single or MFJ**

|  |  |  |
| --- | --- | --- |
| < 100,000 | 100,000 – 150,000 | >150,000 |
| 25,000 | 500 Less / 1K | None |

MFS

|  |  |  |
| --- | --- | --- |
| < 50,000 | 50,000 – 75,000 | >75,000 |
| 12,500 | 500 Less / 1K | None |

Mileage Deduction

|  |  |  |
| --- | --- | --- |
| Jan-Jun | Jul-Dec | Average |
| 58.5 ₵ | 62.5 ₵ | 60.5 ₵ |

QBI

Sum of:

Schedule C + Schedule E (Rental) + K1 (QBI Screen) - Carried QBI Loss

**Taxable Income**

|  |  |  |  |
| --- | --- | --- | --- |
| Single, HOH, MFS | MFJ | Qualified Trade or Business | Special Services **\*** |
| <170K | <340K | 20% | 20% |
| 170K-220K | 340K-440K | Wage limit (shareholder portion of the W3) phases in | Wage limit (shareholder portion of the W3) |
| >220K | >440K | Wage limit (shareholder portion of the W3) | NO |

**\*** health, law, accounting, performing arts, consulting, athletics, financial, investment management

Gift and Estate Exclusion

|  |  |
| --- | --- |
| Gift Tax Annual Exclusion | 16,000 |
| Estate and Gift Tax Lifetime Exclusion | 12M / person |

Trust Tax Rate

|  |  |
| --- | --- |
| 0-2900 | 10% |
| 2900-10550 | 24% |
| 10551-14450 | 35% |
| 14451- | 37% |

**Long-Term Care Premium Deduction on Schedule A**

|  |  |
| --- | --- |
| < Age 40 | $450 |
| Age 40 - 50 | $850 |
| Age 50 - 60 | $1,690 |
| Age 60 - 70 | $4,510 |
| > Age 70 | $5,640 |

Section 179 Deduction

+

Bonus Depreciation

\* Section 179 tax deductions require your company to be in the black.

\*\* Bonus depreciation can be used even if your business is not profitable.

\*\*\* If either Section 179 expensing or Bonus Depreciation is used by a taxpayer, the standard mileage rates cannot be used for ANY periods after the year that depreciation is taken. Actual auto expenses (fuel, tires, repairs, etc.) must be tracked going forward.

|  |  |  |  |
| --- | --- | --- | --- |
| Vehicle | Section 179 | Bonus Dpr | Total |
| < 6,000lb (3T)  cars, crossover SUVs, and small pickup trucks | 12,200 | 8,000 | 20,200 |
| 6,000lb – 14,000lb  full-size SUVs, commercial vans, and pickup trucks | 28,900 | 80% | 28,900 + 80% |
| > 14,000lb | 100% |  | 100% |

HSA Contribution Limit

- High Deductible Health Plan Required

**- Medicare Not Eligible**

**- FSA / HRA generally not qualified for HSA**

- Unearned Income / No Income still OK

|  |  |  |
| --- | --- | --- |
| **By Apr. 15** | <55 | >55 |
| Self-only | 3,650 | 4,650 |
| Family | 7,300 | 8,300 |

FSA Contribution Limit

**By Dec. 31** 2,850

High Income Earners

|  |  |  |  |
| --- | --- | --- | --- |
| MFJ | SGL, HOH, MFS | Category | Not Allowed |
| MAGI\* >100,000  **MFJ, SGL, HOH** | >50,000 **(MFS)** | Rental Loss Deduction | >150,000  (>75,000) |
| MAGI\* >145,000 | >70,000 | Student Loan Int. | >175,000  (>85,000) |
| MAGI\* >160,000 | >80,000  SGL, HOH  >0 for MFS | AOTC  &  LLC | >180,000  (>90,000) |
| MAGI >204,000 | >129,000 | ROTH  IRA (both no 401K) | >214,000  (>144,000) |
| MAGI\* >250,000  W2 Box 5 + SE > 250,000 | >200,000  SGL, HOH  >125K MFS | NIIT  Add. Med. Tax |  |
| AGI >400,000 | >200,000 | Child Tax Credit | >440,000  (>240,000) |
| AGI >500,000 | >250,000 | IL Property Tax Credit | >500,000  (>250,000) |

**MAGI\* =** AGI + Foreign Income Exclusion

Retirement Contribution Limit and Deadline

|  |  |  |  |
| --- | --- | --- | --- |
| **2023** | Contrib. | 50 and Older | Deadline |
| 401K  403b, 457 | 22,500  (25%, 66K combined) | 30,000  (25%, 66K combined) | 12/31 |
| Simple IRA | 15,500  + 3% Match  (req. and max match) | 19,000  + 3% Match  (req. and max match) | W2: 12/31  (Employer Match: 4/15 or 10/15) |
| SEP | 25% net profit, to 66,000 | Same | 4/15 or 10/15 |
| Solo 401K | 22,500 or 100%comp.  + Match upto 25% wages  to 66,000 | 30,000 or 100%comp.  + Match upto 25% wages  to 66,000 | W2: 12/31  (Employer S-Corp/ Partner: 3/15 or 9/15  C-Corp/ Single LLC: 4/15 or 10/15) |
| Deductible IRA | 6,500 | 7,500 | 4/15 |
| ROTH | 6,500 | 7,500 | 4/15 |
| ROTH Conversion / Backdoor ROTH | | 12/31  IRA made 1/1-4/15 can count toward prior year’s IRA contribution, but the ROTH conversion applies to current year’s conversion | |
| Defined Benefit Pln (Pensions) | 100% compens. to 265,000 | Same | Set up by 4/15 or 10/15 |
| **Deferred Compensation Plan for Highly Compensated Employee**: 5% share owner, and/or, >150K and top 20% in pay: No Limit, to take lump sum or in 5-10 years  By 12/31 | | | |

Excess Contribution

(1) Return the excess contribution back to you by Oct 15 --- must include the earning on the excess contribution. Report the earnings on your tax return for the year.

Or (2) Apply the excess contribution to a later year. It doesn’t, however, let you avoid the 6% tax penalty on any excess contributions remaining at the end of a tax year.

IRA and ROTH - 2022

|  |  |  |
| --- | --- | --- |
| **MAGI** | IRA | ROTH |
| Contribution Limit | 6,000 / 7,000 Combined  (Deductible IRA + Non-deductible IRA + ROTH) | |
| If Individual is covered by company’s plan | MFJ: 109K-129K  Single/HOH:  68K-78K  MFS: <10K | MFJ:  204K-214K  Single/HOH:  129K-144K |
| If Individual is not covered but Spouse is covered | MFJ: 204K-214K |
| If Both are not covered by company’s plan | Full deductible no matter how much income |

RMD

|  |  |  |  |
| --- | --- | --- | --- |
| Age |  | Age |  |
| 72 | 3.65% | 82 | 5.41% |
| 73 | 3.77% | 83 | 5.65% |
| 74 | 3.92% | 84 | 5.95% |
| 75 | 4.07% | 85 | 6.25% |
| 76 | 4.22% | 86 | 6.58% |
| 77 | 4.37% | 87 | 6.94% |
| 78 | 4.55% | 88 | 7.30% |
| 79 | 4.74% | 89 | 7.75% |
| 80 | 4.95% | 90 | 8.20% |
| 81 | 5.15% | 91 | 8.70% |

Retirement Savings Credit

|  |  |  |  |
| --- | --- | --- | --- |
|  | MFJ | HOH | Single, MFS |
| 0-20500 | 50% | 50% | 50% |
| 20500-22000 | 50% | 50% | 20% |
| 22000-30750 | 50% | 50% | 10% |
| 30750-33000 | 50% | 20% | 10% |
| 33000-34000 | 50% | 10% | 10% |
| 34000-41000 | 50% | 10% | --- |
| 41000-44000 | 20% | 10% | --- |
| 44000-51000 | 10% | 10% | --- |
| 51000-68000 | 10% | --- | --- |
| > 68000 | --- | --- | --- |

Social Security Earning Limit

|  |  |  |
| --- | --- | --- |
| < Ret. Age | Year of Ret. Age | > Ret. Age |
| 19,560 or more: | 51,960 or more: | Unlimited |
| $1 withhold for every $2 earnings | $1 withhold for every $3 earnings | N/A |

SS Cost-Of-Living Adjustments (COLA)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **COLA (applied to next year)** |  | **Year** | **COLA (applied to next year)** |
| 1975 | 8 | 2004 | 2.7 |
| 1976 | 6.4 | 2005 | 4.1 |
| 1977 | 5.9 | 2006 | 3.3 |
| 1978 | 6.5 | 2007 | 2.3 |
| 1979 | 9.9 | 2008 | 5.8 |
| 1980 | 14.3 | 2009 | 0 |
| 1981 | 11.2 | 2010 | 0 |
| 1982 | 7.4 | 2011 | 3.6 |
| 1983 | 3.5 | 2012 | 1.7 |
| 1984 | 3.5 | 2013 | 1.5 |
| 1985 | 3.1 | 2014 | 1.7 |
| 1986 | 1.3 | 2015 | 0 |
| 1987 | 4.2 | 2016 | 0.3 |
| 1988 | 4 | 2017 | 2 |
| 1989 | 4.7 | 2018 | 2.8 |
| 1990 | 5.4 | 2019 | 1.6 |
| 1991 | 3.7 | 2020 | 1.3 |
| 1992 | 3 | 2021 | 5.9 |
| 1993 | 2.6 | 2022 | 8.7 |
| 1994 | 2.8 |  |  |
| 1995 | 2.6 |  |  |
| 1996 | 2.9 |  |  |
| 1997 | 2.1 |  |  |
| 1998 | 1.3 |  |  |
| 1999a | 2.5 |  |  |
| 2000 | 3.5 |  |  |
| 2001 | 2.6 |  |  |
| 2002 | 1.4 |  |  |
| 2003 | 2.1 |  |  |

How Much SS Taxable?

**Combined Income CI (or “Provisional Income PI”) = AGI Excl. SS +**

**Nontaxable Interest + ½ SS Benefits**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Single etc** | **MFJ** | **% Taxable** |
| CI | < 25,000 | < 32,000 | **0%**  (CI - 25,000 / 32,000) \* 0.5  CI < 25K/32K, therefore 0% |
| CI | 25,000 – 34,000 | 32,000 – 44,000 | **Up to 50%**  (CI - 25,000 / 32,000) \* 0.5 |
| CI | >34,000 | > 44,000 | **Up to 85%**  (CI’ - 25,000 / 32,000) \* 0.5 =  (34,000-25,000 = 9,000 /44,000-32,000 = 12,000)\*0.5  = 4,500 or 6,000  +  (CI – 34,000/44,000) \* 0.85  **Max: 85% of SS** |

<https://www.moneytree.com/resources/calculating-taxable-social-security-benefits/>

Full Retirement Age:

< 1954: 66 1954-60: 66 and months

>1960: 67

Maximum SS Benefit

$3,627 – Full retirement age

$4,555 – Age 70

**Permanently Reduced Benefit v.s.**

**Delayed Credits**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Age | Benefit | Spousal |  | Age | Benefit | Spousal |
| **62** | 70.0 | 32.5 | **66** | 93.3 | 45.8 |
| 62 + 1 | 70.4 | 32.7 | 66 + 1 | 93.9 | 46.2 |
| 62 + 2 | 70.8 | 32.9 | 66 + 2 | 94.4 | 46.5 |
| 62 + 3 | 71.3 | 33.1 | 66 + 3 | 95.0 | 46.9 |
| 62 + 4 | 71.7 | 33.3 | 66 + 4 | 95.6 | 47.2 |
| 62 + 5 | 72.1 | 33.5 | 66 + 5 | 96.1 | 47.6 |
| 62 + 6 | 72.5 | 33.8 | 66 + 6 | 96.7 | 47.9 |
| 62 + 7 | 72.9 | 34.0 | 66 + 7 | 97.2 | 48.3 |
| 62 + 8 | 73.3 | 34.2 | 66 + 8 | 97.8 | 48.6 |
| 62 + 9 | 73.8 | 34.4 | 66 + 9 | 98.3 | 49.0 |
| 62 + 10 | 74.2 | 34.6 | 66 + 10 | 98.9 | 49.3 |
| 62 + 11 | 74.6 | 34.8 | 66 + 11 | 99.4 | 49.7 |
| **63** | 75.0 | 35.0 | **67** | 100 | 50 |
| 63 + 1 | 75.4 | 35.2 | 67 + 1 | 100.7 | 50 |
| 63 + 2 | 75.8 | 35.4 | 67 + 2 | 101.3 | 50 |
| 63 + 3 | 76.3 | 35.6 | 67 + 3 | 102.0 | 50 |
| 63 + 4 | 76.7 | 35.8 | 67 + 4 | 102.7 | 50 |
| 63 + 5 | 77.1 | 36.0 | 67 + 5 | 103.3 | 50 |
| 63 + 6 | 77.5 | 36.3 | 67 + 6 | 104.0 | 50 |
| 63 + 7 | 77.9 | 36.5 | 67 + 7 | 104.7 | 50 |
| 63 + 8 | 78.3 | 36.7 | 67 + 8 | 105.3 | 50 |
| 63 + 9 | 78.8 | 36.9 | 67 + 9 | 106.0 | 50 |
| 63 + 10 | 79.2 | 37.1 | 67 + 10 | 106.7 | 50 |
| 63 + 11 | 79.6 | 37.3 | 67 + 11 | 107.3 | 50 |
| **64** | 80.0 | 37.5 | **68** | 108.0 | 50 |
| 64 + 1 | 80.6 | 37.8 | 68 + 1 | 108.7 | 50 |
| 64 + 2 | 81.1 | 38.2 | 68 + 2 | 109.3 | 50 |
| 64 + 3 | 81.7 | 38.5 | 68 + 3 | 110.0 | 50 |
| 64 + 4 | 82.2 | 38.9 | 68 + 4 | 110.7 | 50 |
| 64 + 5 | 82.8 | 39.2 | 68 + 5 | 111.3 | 50 |
| 64 + 6 | 83.3 | 39.6 | 68 + 6 | 112.0 | 50 |
| 64 + 7 | 83.9 | 39.9 | 68 + 7 | 112.7 | 50 |
| 64 + 8 | 84.4 | 40.3 | 68 + 8 | 113.3 | 50 |
| 64 + 9 | 85.0 | 40.6 | 68 + 9 | 114.0 | 50 |
| 64 + 10 | 85.6 | 41.0 | 68 + 10 | 114.7 | 50 |
| 64 + 11 | 86.1 | 41.3 | 68 + 11 | 115.3 | 50 |
| **65** | 86.7 | 41.7 | **69** | 116.0 | 50 |
| 65 + 1 | 87.2 | 42.0 | 69 + 1 | 116.7 | 50 |
| 65 + 2 | 87.8 | 42.4 | 69 + 2 | 117.3 | 50 |
| 65 + 3 | 88.3 | 42.7 | 69 + 3 | 118.0 | 50 |
| 65 + 4 | 88.9 | 43.1 | 69 + 4 | 118.7 | 50 |
| 65 + 5 | 89.4 | 43.4 | 69 + 5 | 119.3 | 50 |
| 65 + 6 | 90.0 | 43.8 | 69 + 6 | 120.0 | 50 |
| 65 + 7 | 90.6 | 44.1 | 69 + 7 | 120.7 | 50 |
| 65 + 8 | 91.1 | 44.4 | 69 + 8 | 121.3 | 50 |
| 65 + 9 | 91.7 | 44.8 | 69 + 9 | 122.0 | 50 |
| 65 + 10 | 92.2 | 45.1 | 69 + 10 | 122.7 | 50 |
| 65 + 11 | 92.8 | 45.5 | 69 + 11 | 123.3 | 50 |
|  |  |  | **> 70** | 124.0 | 50 |

**Can I file for my Social Security at 62 and switch to spousal benefits later?**

Only if your spouse is not yet receiving retirement benefits. In this case, you can claim your own Social Security beginning at 62 and make the switch to spousal benefits when your husband or wife files.

Social Security will not pay the sum of your retirement and spousal benefits; you’ll get a payment equal to the higher of the two benefits.

**Can I apply only for spouse’s benefits and delay filing for my own retirement benefit to earn delayed retirement credits?**

No, you are required to file for both your own retirement and for any benefits you are due as a spouse. This requirement is call deemed filing.

**Spousal Benefit**

--- Married for at least a year

--- You are at least age 62 (or care for a child under 16, or a disabled child)

--- The worker already filed SS benefits

--- Receive 32.5% - 50%, depends on age of the worker when he filed

--- May be reduced if you are under full retirement age and continue to work

--- If you are eligible for a retirement benefit based on your own earnings, and if that benefit is higher than the spousal benefit, then you will get your own retirement benefit. Note: Deemed Filing = You can't apply only for spouse’s benefits and delay filing for your own retirement benefit to earn delayed retirement credits.

**Deceased Worker Spousal Benefit**

--- Married for at least nine months

--- You are at least age 60, or at least 50 and disabled (or care for a child under 16, or a disabled child): 71.5% of the deceased worker’s benefit

--- You are between 60 (or 50 … or child … ) and your full retirement age: 71.5%

- 99% of the deceased worker’s benefit

--- You are at full retirement age: 100% of the deceased worker’s benefit

--- Deceased Worker’s Benefit:

if the deceased worker not yet reached full retirement age, then Deceased Worker’s Benefit = 100% of the benefit he would have been entitled to, based on lifetime earnings

if the deceased worker passed full retirement age, then Deceased Worker’s Benefit = delayed credit

--- May be reduced if you are under full retirement age and continue to work

--- If you are eligible for a retirement benefit based on your own earnings, and if that benefit is higher than the spousal benefit, then you will get your own retirement benefit. Note: Deemed Filing = You can't apply only for spouse’s benefits and delay filing for your own retirement benefit to earn delayed retirement credits.

**Divorced Spousal Benefit**

--- Married for at least 10 years

--- You haven’t remarried

--- You’re not eligible to receive a higher benefit based on your own work record,

--- You’re at least 62 years’ old

--- Your ex-spouse is eligible to receive Social Security retirement or disability benefits, even if they haven’t decided to start receiving them yet.

**Divorced and Deceased Worker Spousal Benefit**

--- Married for at least 10 years

--- You haven’t remarried before age 60 (or 50 if disabled)

--- Then the same rule as in “Deceased Worker Spousal Benefit”

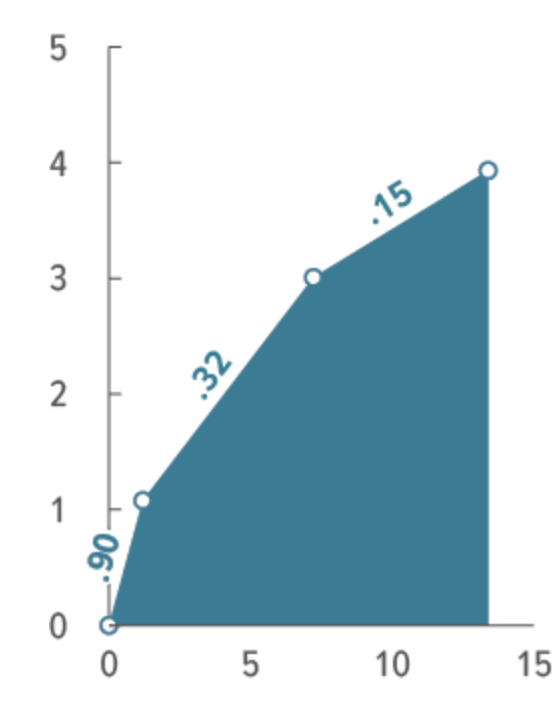
SS Benefit Calculation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Earnings before and after indexing** | | | | | | |
| **Year** | **Case A, born in 1961 62-Y** | | | **Case B, born in 1957 66-Y** | | |
| **Nominal earnings** | **Indexing factor** | **Indexed earnings** | **Nominal earnings** | **Indexing factor** | **Indexed earnings** |
| 1983 | $14,249 | 3.9749 | $56,639 | $35,700 | 3.3021 | $117,886 |
| 1984 | 15,134 | 3.7542 | 56,817 | 37,800 | 3.1188 | 117,890 |
| 1985 | 15,828 | 3.6008 | 56,994 | 39,600 | 2.9913 | 118,457 |
| 1986 | 16,349 | 3.4970 | 57,173 | 42,000 | 2.9051 | 122,015 |
| 1987 | 17,446 | 3.2874 | 57,352 | 43,800 | 2.7310 | 119,616 |
| 1988 | 18,362 | 3.1331 | 57,530 | 45,000 | 2.6028 | 117,124 |
| 1989 | 19,149 | 3.0138 | 57,710 | 48,000 | 2.5036 | 120,174 |
| 1990 | 20,095 | 2.8807 | 57,887 | 51,300 | 2.3931 | 122,766 |
| 1991 | 20,908 | 2.7772 | 58,066 | 53,400 | 2.3071 | 123,200 |
| 1992 | 22,053 | 2.6411 | 58,244 | 55,500 | 2.1941 | 121,771 |
| 1993 | 22,311 | 2.6186 | 58,423 | 57,600 | 2.1754 | 125,301 |
| 1994 | 22,980 | 2.5502 | 58,602 | 60,600 | 2.1185 | 128,381 |
| **……** | **……** | **……** | **……** | **……** | **……** | **……** |
| 2013 | 45,941 | 1.3495 | 61,996 | 113,700 | 1.1211 | 127,463 |
| 2014 | 47,709 | 1.3032 | 62,175 | 117,000 | 1.0826 | 126,667 |
| 2015 | 49,511 | 1.2594 | 62,354 | 118,500 | 1.0462 | 123,977 |
| 2016 | 50,214 | 1.2453 | 62,533 | 118,500 | 1.0345 | 122,592 |
| 2017 | 52,096 | 1.2038 | 62,711 | 127,200 | ***1.0000***  ***(60Y)*** | 127,200 |
| 2018 | 54,138 | 1.1616 | 62,889 | 128,400 | ***1.0000*** | 128,400 |
| 2019 | 56,326 | 1.1197 | 63,068 | 132,900 | ***1.0000*** | 132,900 |
| 2020 | 58,082 | 1.0889 | 63,247 | 137,700 | ***1.0000*** | 137,700 |
| 2021 | 63,425 | ***1.0000 (60Y)*** | 63,425 | 142,800 | ***1.0000*** | 142,800 |
| 2022 | 65,712 | ***1.0000*** | 65,712 | 147,000 | ***1.0000*** | 147,000 |
| Highest-35 total | | | 2,121,964 | Highest-35 total | | 4,411,302 |
| AIME | | | 5,052 | AIME | | 10,503 |

|  |  |  |
| --- | --- | --- |
| **Yeara** | **Bend Points** | |
|  | **First** | **Second** |
| 1979 | $180 | $1,085 |
| 1980 | 194 | 1,171 |
| 1981 | 211 | 1,274 |
| …… | …… | …… |
|  |  |  |
| 2017 | 885 | 5,336 |
| 2018 | 895 | 5,397 |
| 2019 (Case A 62Y) | 926 | 5,583 |
| 2020 | 960 | 5,785 |
| 2021 | 996 | 6,002 |
| 2022 | 1,024 | 6,172 |
| 2023  (Case B 62Y) | 1,115 | 6,721 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **Bend points** | |  |
| **Case** | **AIME** | **First** | **Second** | **Formula applied to AIME** |
|  |  |  |  |  |
| A ( 1961) | 5,052 | 1,115 | $6,721 | 0.9(1115) + 0.32(5052 - 1115)  = **$2,263.34** |
| B 1957- 2019) | 10,503 | 926 | 5,583 | 0.9(926) + 0.32(5583 - 926)  + 0.15(10503 - 5583)  = **$3,061.64** |
|  |  |  |  |  |

**Primary Insurance Amount (PIA):** the benefit a person would receive if he elects to begin receiving Social Security benefits at his full retirement age (e.g. 67)



(1) Sum of the highest 35 years of indexed earnings (The index brings nominal earnings up to current earning levels. The index will always equal 1.0000 for the year in which the person attains age 60 and all later years)

(2) Average Indexed Monthly Earnings (AIME)

(3) Bend Points: Bend Points on the year in which a worker attains age 62, becomes disabled before age 62, or dies before attaining age 62.

Case A For person who attains age 62 in 2023 these portions are $1,115, and $6,721

Case B For person who attains age 62 in 2019 these portions are $926, and $5,583

(4) Case A: attains age 62 in 2023 (and retires in 2023 at age 62), with AIME = $5,052

(a) 90 percent of the first $1,115 of his/her Average Indexed Monthly Earnings, plus

(b) 32 percent of his/her Average Indexed Monthly Earnings over $1,115 and through $6,721, plus

(c) 15 percent of his/her Average Indexed Monthly Earnings over $6,721.

**0.9(1115) + 0.32(5052 - 1115) = $2,263**

Case B: For person who attains age 62 in 2019 (and retires in 2023 at age 66), with AIME = $10,503

**0.9(926) + 0.32(5583 - 926) + 0.15(10503 - 5583) = $3,061**

In Case A, he begins receiving benefits at age 62, because Case A's normal retirement age is 67 years, the benefit amount for Case A is reduced for 60 months of early retirement. The $2,263.30 PIA is thus reduced to a monthly benefit of $1,584.00.

In case B, his first eligible in 2019 (the year Case B reached age 62). Thus the Case B’s PIA is increased by cost-of-living adjustments, or COLAs, for 2019 through 2022. These COLAs are 1.6 percent, 1.3 percent, 5.9 percent, 8.7 percent, respectively. The resulting PIA is $3,627.10.

2023 SS Credit

$1,640 per credit

Medicare Premiums

|  |  |  |  |
| --- | --- | --- | --- |
| **Single** | **Married Filing Jointly** | **Medicare Part B Monthly** | **Medicare Part D Monthly** |
| < $91,000 | < $182,000 | $170.10 | $0.00 |
| $91,000 - $114,000 | $182,000 - $228,000 | 238.1 | 12.4 |
| $114,000 - $142,000 | $228,000 - $284,000 | 340.2 | 32.1 |
| $142,000 - $170,000 | $284,000 - $340,000 | 442.3 | 51.7 |
| $170,000 - $500,000 | $340,000 - $750,000 | 544.3 | 71.3 |
| > $500,000 | > $750,000 | 578.3 | 77.9 |

<https://www.cms.gov>

Illinois Alimony

Annual Alimony = (33% of the payer’s net income) – (25% of the recipient’s net income)

**Years Married and Years Maintenance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| < 5Y | 2 Y |  | 13 Y | 5.6 Y |
| 6 Y | 2.4 Y | 14 Y | 6.0 Y |
| 7 Y | 2.8 Y | 15 Y | 6.4 Y |
| 8 Y | 3.2 Y | 16 Y | 6.8 Y |
| 9 Y | 4.0 Y | 17 Y | 7.2 Y |
| 10 Y | 4.4 Y | 18 Y | 7.6 Y |
| 11 Y | 4.8 Y | 19 Y | 8.0 Y |
| 12 Y | 5.2 Y | > 20 Y | Permanent maintenance or equal to the length of the marriage |

MAGI calculation

**AGI**

**+ Non-taxable SS** (incl SSDI, but excl SSI) **(1)**

+ Tax-exempt interest **(2)**

+ Foreign earned income & housing exclusion **(3)**

+ IRA / SEP Deduction

+ Student loan interest

+ Educator expense

+ 1/2 of self-employment tax; SEHI;

+ Rental loss; public-traded partnership loss;

+ Other passive loss;

**(1) (2) (3)** for ACA (Affordable Care Act) MAGI\*\* Purpose

Obama Care Repayment

**Household Total Income as % of Poverty Level (“MAGI\*\*” + Dependent “MAGI\*\*”)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Family size | Poverty Line | 200% | 300% | 400% |
| 1 | $13,590 | $27,180 | $40,770 | $54,360 |
| 2 | $18,310 | $36,620 | $54,930 | $73,240 |
| 3 | $23,030 | $46,060 | $69,090 | $92,120 |
| 4 | $27,750 | $55,500 | $83,250 | $111,000 |

**Applicable Figure**

|  |  |
| --- | --- |
| How Much Total HH Income Above National Poverty Line | Taxpayer Contribution Req’d |
| < 150% | 0% |
| 200% | 2% |
| 250% | 4% |
| 300% | 6% |
| 350% | 7.25% |
| 400% | 8.5% |
| >400% | 8.5% |

Taxpayer Contribution Required = Total “MAGI\*\*” Applicable Figure

Medical Insurance Premium Tax Credit Allowed = **SLCSP**

(Second Lowest Cost Silver Plan Premium) - Taxpayer Contribution Required

**Repayment Limitation**

|  |  |  |
| --- | --- | --- |
|  | Single | All Others |
| < 200% | 325 | 650 |
| 200%-300% | 825 | 1,650 |
| 300%-400% | 1,400 | 2,800 |
| > 400% | 8.5% Total “MAGI\*\*” | 8.5% Total “MAGI\*\*” |

IRS Penalty and Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Reason** | **Type of Penalty** | **Amount of Penalty** | **First Time Penalty Abatement ?** | **Amount of Interest**  www.irs.gov/payments/quarterly-interest-rates |
| Missed payment after 4/15 | Failure to Pay Penalty | 0.5% \* Balance Due / M, until 25% | Yes | Fed short-term rate plus 3% |
| Missed filing after 4/15 (or 10/15) | Failure to File Penalty  **Combined Failure to File & Failure to Pay** | **Minimum $435**  5% \* Balance Due / M, until 25%  **Combined 5% \* Balance Due / M, until 25%; after that, Failure-to-file penalty stops, but Failure-to-pay penalty (0.5%) continues, until 47.5%** | Yes | Fed short-term rate plus 3% |
| Missed payment after Notice of Levy | Failure to Pay Penalty | 1% / M, until 50% reached | No | Fed short-term rate plus 3% |
| Installment | Failure to Pay Penalty | 0.25% / M | N/A | Fed short-term rate plus 3% |
| Understate your tax liability by 10% | Substantial Understatement of Income Tax Penalty | 20% Underpaid Tax | No | Fed short-term rate plus 3% |
| < 90% of Current Year Tax Liability or  < 100% (110% for 150K +) of Prior Year Tax Liability | Underpayment of Estimated Tax Penalty | About 5% / Y | Yes | Fed short-term rate plus 3% |

2022-2023 IRS Interest Rate

<https://www.irs.gov/payments/quarterly-interest-rates>

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Interest Categories** | **Q4 23** | **Q3 23** | **Q2 23** | **Q1 23** | **Q4 22** | **Q3 22** | **Q2 22** | **Q1 22** |
| Federal Short-Term Rate | 5% | 4% | 4% | 4% | 3% | 2% | 1% | 0% |
| Individual | 8% | 7% | 7% | 7% | 6% | 5% | 4%​ | 3%​ |
| ​​Large Corporate Underpayment (LCU) | 10% | 9% | 9% | 9% | 8% | 7% | 6% | 5% |

IRS Payment Plans

**Short-term Payment Plan ---** Pay amount owed in 180 days or less

\*Apply thru “IRS My Account”; or by Phone

\*Note – only for individual taxpayers

|  |  |
| --- | --- |
| **Payment Method** | **Costs** |
| (1) Direct Pay from a bank account (Individuals only)  (2) Pay online or by phone using Electronic Federal Tax Payment System (EFTPS) (enrollment required)  (3) Pay by check, money order or debit/credit card  *Fees apply when paying by card* | --- Apply online: $0 setup fee (individuals only)  --- Apply by phone, mail, or in-person: $0 setup fee (up to 180 days)  --- Accrued penalties and interest until the balance is |

**Long-term Payment Plan (Installment Agreement)**

\*Apply from **B&R Software**; thru “IRS My Account”; or by Phone

|  |  |
| --- | --- |
| **Payment Options** | **Costs** |
| **Option 1:** Direct Debit (automatic monthly payments from your bank account) | --- Apply online (or **B&R Software**): $31 setup fee  --- Apply by phone, mail, or in-person: $107 setup fee  --- Low income: setup fee waived  --- Plus accrued penalties and interest until the balance is paid in full |
| **Option 2:** Manual Payment: After applying for a long-term payment plan  (1) Make monthly payment online using Electronic Federal Tax Payment System (EFTPS) (enrollment required)  (2) Make monthly payment by check, money order or debit/credit card *Fees apply when paying by card* | --- Apply online (or **B&R Software**): $130 setup fee  --- Apply by phone, mail, or in-person: $225 setup fee  --- Low income: setup fee waived  --- Plus accrued penalties and interest until the balance is paid in full |

**Change an Existing Payment Plan**

* Revise Online
* Revise by Phone

ID Theft

Unfortunately, every year there are taxpayers that are victims of identity theft more so since the pandemic.  The resources below maybe helpful -

IRS Identity Theft Guide

<https://www.irs.gov/newsroom/taxpayer-guide-to-identity-theft>

Social Security Administration Office Identity Theft Guide

<https://www.ssa.gov/pubs/EN-05-10064.pdf>

Create a New IRS Account

<https://sa.www4.irs.gov/secureaccess/ui/?TYPE=33554433&REALMOID=06-0006b18e-628e-1187-a229-7c2b0ad00000&GUID=&SMAUTHREASON=0&METHOD=GET&SMAGENTNAME=-SM-u0ktItgVFneUJDzkQ7tjvLYXyclDooCJJ7%2bjXGjg3YC5id2x9riHE98hoVgd1BBv&TARGET=-SM-https%3a%2f%2fsa%2ewww4%2eirs%2egov%2fola%2f>

Logon to your IRS Account for more information

<https://www.irs.gov/payments/your-online-account>

Get an ID Protection PIN (IP PIN)

<https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin>

Energy Efficient Home Improvements and Residential Clean Energy Property Credits

**Non-deductible, can Carry forward**

|  |  |
| --- | --- |
| **EQUIPMENT TYPE** | **2023-2032 TAX YEARS** |
| Solar panels, Solar water heaters | 30% of cost |
| Wind turbines, Natural gas or electric heat pumps, Biomass stoves/boilers, Battery storage technology property, Biomass stoves/boilers |
|  | |
| Air conditioners | 30% of cost, up to $600 each item, up to $1,200 per year |
| Water heaters/water boilers |
| Furnace |
|  | |
| Exterior doors | 30% of cost, up to $250 per door, up to a total of $500 |
| Exterior windows and skylights | 30% of cost, up to $600 |
| Insulation materials  Asphalt Roofing\* – designed to protect energy  Siding\* – Insulation material parts | 30% of cost |
|  | |
| Electric panel or circuit upgrades | 30% of cost, up to $600 |
|  |  |
| Electric vehicle charger | 30% of cost, up to $1,000 |
|  |  |

\*Roof – Generally No; only solar panel roof qualifies

\*Siding - Only special types of siding (with insulation layer) qualify

EV Credit

MAGI:

MFJ: < 300,000 HOH: < 225,000 Single & MFS: < 150,000

--- up to $7,500

**--- Credit nonrefundable**

**--- No carry forward**

Previously-Owned Clean Vehicles Credit

MAGI

MFJ: < 150,000 HOH: < 112,500 Single & MFS: < 75,000

--- Vehicle sale price < 25,000

--- up to $4,000.

--- Limited to 30% of the vehicle’s purchase price

--- You can claim the credit once every three years

Retirement Early Distributions - Exception to 10% Penalty

|  |  |  |  |
| --- | --- | --- | --- |
| **Exceptions** | **Descriptions** | **Qualified Plans (401K etc.)** | **IRA, SEP, SIMPLE IRA  and SARSEP** |
| **IRS Levy** | because of an IRS levy of the plan | yes | yes |
| **Corrective Distributions** | corrective distributions (and associated earnings) of excess contributions, excess aggregate contributions and excess deferrals, made timely | yes | n/a |
| **Contributions to another plan within 60 days** | contributions to another retirement plan or IRA within 60 days | yes | yes |
| **Separation from Service - Rule 55** | laid off or quit, in the calendar year in which you turn 55 or older | yes | no |
| **Substantially Equal Periodic Payment (SEPP, Rule 72)** | at least one distribution per year for at least five years or until you turn 59½, whichever comes last; | yes    no if still working for the employer | yes |
| **Death** | after death of the participant/IRA owner | yes | yes |
| **Disability** | total and permanent disability of the participant/IRA owner | yes | yes |
| **Education** | qualified higher education expenses | no | yes |
| **First-Time Homebuyers** | qualified first-time homebuyers, up to $10,000 | no | yes |
| **Medical – Payment** | amount of unreimbursed medical expenses (>10% AGI for 2021, >7.5% AGI; for 2017 - 2020) | yes | yes |
| **Medical – Insurance** | health insurance premiums paid while unemployed | no | yes |
| **Military** | certain distributions to qualified military reservists called to active duty | yes | yes |

Rollover 60-Day Rule

Traditional or Roth IRA distributions, you have up to 60 days to deposit it into another IRA. You can do this once within a 12-month period.

ROTH Withdraw Rules

You can withdraw sums equal to your Contributions any time, tax- and penalty-free.

Earnings withdrawals must be taken after age 59½, and must be taken after a five-year holding period.

In withdraws, Contributions come out first, and Earnings come out afterwards.

|  |  |
| --- | --- |
| < 59½ | |
| < 5 Years | > 5 Years |
| Earnings subject to taxes and 10% penalties | Earnings subject to taxes and 10% penalties |
| You may be able to avoid penalties (but not taxes) in the following situations:  IRS Levy  Qualified education expenses;  First-time home purchase (up $10,000 lifetime);  Substantially Equal Periodic Payment (SEPP, Rule 72) - at least one distribution per year for at least five years or until you turn 59½, whichever comes last;  Birth or adoption (up to $5,000);  Disabled or deceased;  Medical expenses or health insurance when unemployed; | You may be able to avoid penalties (but not taxes) in the situations the same as when < 5 Years.  ***You may be able to avoid both penalties and taxes in the following situations:***  First-time home purchase (up $10,000 lifetime);  Disabled or deceased; |
|  | |
| > 59½ | |
| < 5 Years | > 5 Years |
| Earnings subject to taxes but not penalties | No taxes or penalties. |

ROTH RMD

No Required Minimum Distributions ------- If you are the original owner.

But, upon your death, your beneficiaries — other than a surviving spouse — must take RMDs from your account after they inherit it.

Non US Resident Alien Taxation

|  |  |  |
| --- | --- | --- |
|  | **< 183 Days** | **> 183 Days** |
| Bank Interest | No | No |
| Dividend | 30% | 30% |
| Mutual Fund Dividend | No | 30% |
| OID | 30% | 30% |
| Stocks, Securities, Commodities thru a US broker | No | 30% |
| Stocks, Securities, Commodities by yourself | No | 30% |
| Gain from other Capital Assets (that is NOT Real Property) | No | 30% |
| Sale of US Main Home | $250K/500K exclusion | $250K/500K exclusion |
| Scholarships and Fellowships (for tuition) | No | No |
| Scholarships and Fellowships (for room, board, travel …) | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Scholarships and Fellowships (for teaching, research) | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Wages from Foreign Employer and Foreign Earned Income | No | No |
| Job Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Self-Employment Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Partnership Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Trust or Estate Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Other Business Income | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Transportation Income | 4% | 4% |
| Real Property Gain | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Gain from other Depreciable Property | same as US Person Ordinary Income Tax % | same as US Person Ordinary Income Tax % |
| Gambling (Bingo, Slot Machine, Lottery …) | 30% | 30% |
| blackjack, baccarat, craps, roulette, or big-6 wheel | No | No |
| dog or horse race | No | No |

Foreign Earned Income Exclusion

$112,000 per person (X2 if both spouse qualify)

**Substantial Presence Test**

You are a resident for tax purposes if you meet the substantial presence test for calendar year 2021. To meet this test, you must be physically present in the United States on at least:

1. 31 days during 20X3; and
2. 183 days during the 3-year period that includes 20X3, 20X2, and 20X1, counting:
   1. All the days you were present in 20X3,
   2. 1/3 of the days you were present in 20X2, and
   3. 1/6 of the days you were present in 20X1.

**Exempt individual**

Do not count days for which you are an exempt individual. The term “exempt individual” does not refer to someone exempt from U.S. tax, but instead refers to anyone in the following categories.

* An individual temporarily present in the United States as a foreign government-related individual under an “A” or “G” visa.
* A teacher or trainee temporarily present in the United States under a “J” or “Q” visa.
* A student temporarily present in the United States under an “F,” “J,” “M,” or “Q” visa.
* A professional athlete temporarily present in the United States to compete in a charitable sports event.

***Students.***

You will not be an exempt individual as a student in 2021 if you have been exempt as a teacher, trainee, or student for any part of more than 5 calendar years unless you meet both of the following requirements.

* You establish that you do not intend to reside permanently in the United States.
* You have substantially complied with the requirements of your visa.