



2023 Tax Brackets and Rates

On a yearly basis the IRS adjusts more than 40 tax provisions for inflation. This is done to prevent what is called "bracket creep," when people are pushed into higher income tax brackets or have reduced value from credits and deductions due to inflation, instead of any increase in real income.

The IRS used to use the Consumer Price Index (CPI) to calculate the past year's inflation.¹ However, with the Tax Cuts and Jobs Act of 2017, the IRS will now use the Chained Consumer Price Index (C-CPI) to adjust income thresholds, deduction amounts, and credit values accordingly.² Not surprisingly, the highest inflation readings in several decades has yielded some substantial hikes.

As always, personal taxes can be influenced by shifting political winds in Washington. However, this reference guide is using the official projections from IRS Revenue Procedure 2022-38 for 2023 personal income tax rates. In the event of relevant legislative changes for 2023 personal tax information, we will provide further guidance. In the meantime, we are providing this guide on select provisions of the 2023 inflation adjusted figures from the IRS.

Federal Income Tax

Income Tax Brackets and Rates

In 2023, the income limits for all tax brackets and all filers will be adjusted for inflation and will be as follows. The top marginal tax rate remains 37% for individual single taxpayers with incomes greater than \$578,125 (\$693,750 for married couples filing jointly). It is worth noting that Estate & Trust Incomes are taxed using different brackets than ordinary income (shown in Table 8).

TABLE 1.

Tax Brackets and Rates – 2023 – MFJ, Individuals

Married Filing Jointly	
If Taxable Income Is	The Tax Due Is
\$0 - \$22,000	10% of taxable income
\$22,000 - \$89,450	\$2,200 + 12% of the amount over \$22,000
\$89,450 - \$190,750	\$10,294 + 22% of the amount over \$89,450
\$190,750 - \$364,200	\$32,580 + 24% of the amount over \$190,750
\$364,200 - \$462,500	\$74,208 + 32% of the amount over \$364,200
\$462,500 - \$693,750	\$105,664 + 35% of the amount over \$462,500
Over \$693,750	\$186,601.50 + 37% of the amount over \$693,750

Individuals	
If Taxable Income Is	The Tax Due Is
\$0 - \$11,000	10% of taxable income
\$11,000 - \$44,725	\$1,100 + 12% of the amount over \$11,000
\$44,725 - \$95,375	\$5,147 + 22% of the amount over \$44,725
\$95,375 - \$182,100	\$16,290 + 24% of the amount over \$95,375
\$182,100 - \$231,250	\$37,104 + 32% of the amount over \$182,100
\$231,250 - \$578,125	\$52,832 + 35% of the amount over \$231,250
Over \$578,125	\$174,238 + 37% of the amount over \$578,125

Source: Internal Revenue Service

¹Internal Revenue Service, "Revenue Proc. 2022-38;" <https://www.irs.gov/pub/irs-drop/rp-22-38.pdf>.

²Robert Cage, John Greenlees, and Patrick Jackman, "Introducing the Chained Consumer Price Index;" U.S. Bureau of Labor Statistics, May 2003, <https://www.bls.gov/cpi/additional-resources/chained-cpi-introduction.pdf>.

Standard Deduction and Personal Exemption

The standard deduction will increase by \$900 for single filers and \$1,400 heads of household, and it will increase by \$1,800 for married couples filing jointly. The personal exemption for 2023 remains eliminated.

TABLE 2.

Standard Deduction - 2023

Standard Deduction - 2023	
Filing Status	Deduction Amount
Single	\$13,850
Married Filing Jointly	\$27,700
Head of Household	\$20,800

Source: Internal Revenue Service

Alternative Minimum Tax

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. This parallel tax income system requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI). To prevent low- and middle-income taxpayers from being subject to the AMT, taxpayers may exempt a significant amount of their income from AMTI. However, this exemption phases out for high-income taxpayers. The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2023 is increased by \$5,400 for singles and \$8,400 for married couples filing jointly.

TABLE 3.

Alternative Minimum Tax Exemptions - 2023

Alternative Minimum Tax Exemptions - 2023	
Filing Status	Exemption Amount
Single	\$81,300
Married Filing Jointly	\$126,500

Source: Internal Revenue Service

In 2023, the 28 percent AMT rate applies to excess AMTI of \$220,700 for all taxpayers (\$110,350 for married couples filing separate returns). AMT exemptions phase out at 25 cents per dollar earned once taxpayer AMTI hits a certain threshold.

TABLE 4.

Alternative Minimum Tax Exemption Phaseout Thresholds - 2023

AMT Phaseout Thresholds - 2023	
Filing Status	Phaseout Threshold
Single	\$578,150
Married Filing Jointly	\$1,156,300

Source: Internal Revenue Service

Earned Income Tax Credit

The tax year 2023 maximum Earned Income Credit amount is \$7,430 for qualifying taxpayers who have three or more qualifying children, up from a total of \$6,935 for tax year 2022. The maximum credits for 2023 are \$600 for those with no qualifying children, \$3,995 for those with one child, \$6,604 if you have two children, and \$7,430 for those with three or more children.

TABLE 5.
Earned Income Tax Credit Parameters – 2023

Earned Income Tax Credit Parameters - 2023					
Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	\$7,840	\$11,750	\$16,510	\$16,510
	Maximum Credit	\$600	\$3,995	\$6,604	\$7,430
	Phaseout Begins	\$9,800	\$21,560	\$21,560	\$21,560
	Phaseout Ends (Credit Equals Zero)	\$17,640	\$46,560	\$52,918	\$56,838
Married Filing Jointly	Income at Max Credit	\$7,840	\$11,750	\$16,510	\$16,510
	Maximum Credit	\$600	\$3,995	\$6,604	\$7,430
	Phaseout Begins	\$16,370	\$28,120	\$28,120	\$28,120
	Phaseout Ends (Credit Equals Zero)	\$24,210	\$53,120	\$59,478	\$63,398

Source: Internal Revenue Service

Capital Gains

Long-term capital gains are taxed using different brackets and rates than ordinary income.

TABLE 6.
Capital Gains Brackets - 2023

Long Term Capital Gains & Qualified Dividend Brackets - 2023			
Rate	For Individuals, Taxable Capital Gains over:	For Married Couples Filing Joint, Taxable Capital Gains over:	For Heads of Household, Taxable Capital Gains over:
0%	\$0	\$0	\$0
15%	\$44,625	\$89,250	\$59,750
20%	\$492,300	\$553,850	\$523,050

Source: Internal Revenue Service

Qualified Business Income Deduction (Sec. 199A)

The Tax Cuts and Jobs Act includes a 20 percent deduction for pass-through businesses against up to \$182,100 of qualified business income for unmarried taxpayers and \$364,200 for married taxpayers.

TABLE 7.
Qualified Business Income Deduction Thresholds - 2023

Qualified Business Income Deduction Threshold - 2023	
Filing Status	Deduction Threshold
Single Individuals	\$182,100
Married Filing Jointly	\$364,200

Source: Internal Revenue Service

Federal Gift & Estate Tax

Trust & Estate Income Tax Brackets

For the tax year 2023, Trust & Estate income is taxed at 10%, 24%, 35%, and 37%, with income exceeding \$14,450 being taxed at the 37% rate. As illustrated below, Trust & Estate income brackets are significantly more compressed than personal income brackets, and as a result tend to pay more taxes than individual or married taxpayers. The table below highlights the comparative income tax disadvantage for trusts and estates relative to married filers.

TABLE 8.

Income Tax Brackets and Rates – 2023 – Trusts and Estates, MFJ

Trusts & Estates		Married Filing Jointly	
If Taxable Income Is	The Tax Due Is	If Taxable Income Is	The Tax Due Is
\$0 - \$2,900	10% of taxable income	\$0 - \$22,000	10% of taxable income
		\$22,000 - \$89,450	\$2,200 + 12% of the amount over \$22,000
		\$89,450 - \$190,750	\$10,294 + 22% of the amount over \$89,450
\$2,900 - \$10,500	\$290 + 24% of the amount over \$2,900	\$190,750 - \$364,200	\$32,580 + 24% of the amount over \$190,750
		\$364,200 - \$462,500	\$74,208 + 32% of the amount over \$364,200
\$10,500 - \$14,450	\$2,126 + 35% of the amount over \$10,500	\$462,500 - \$693,750	\$105,664 + 35% of the amount over \$462,500
Over \$14,450	\$3,491 + 37% of the amount over \$14,450	over \$693,750	\$186,601.50 + 37% of the amount over \$693,750

Source: Internal Revenue Service

Annual Exclusion for Gifts

In 2023, the first \$17,000 of gifts to any person are excluded from gift tax. This is an increase of \$1,000 from the 2022 exclusion of \$16,000. The exclusion is increased to \$175,000 for gifts to spouses who are not citizens of the United States, up from \$164,000 in 2022.

Estate Gift Tax Exemption

In 2023, the federal estate and gift tax exemption is increased to \$12,920,000 (\$25,840,000 for married couples). Those thresholds for transfers to non-spouse heirs without being subject to federal gift or estate tax are up from \$11,700,000 in 2021 (\$23,400,000 for married couples). Gifts or bequests in excess of these thresholds remain subject to gift or estate tax at the highest marginal rate of 40%.

It is worth noting that – without any legislative action – the federal estate and gift tax exemption is set to sunset on December 31, 2025, to the thresholds in existence before the Trump tax cuts. That amount will be \$5,490,000, adjusted for inflation from 2017.

Data provided in this article is for informational purposes only and is adapted from sources we believe to be reliable. MBL Advisors does not offer tax advice. Please consult your personal tax advisor.

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