

TaxUpdate

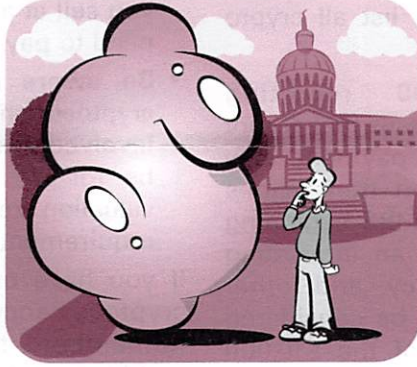
2023 TAX PREVIEW NEWSLETTER



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2023 Federal Inflation Adjustments Create Opportunity

With inflation rearing its head, there may be a bit of a silver lining when looking forward to taxes in 2023. That is because recently announced cost of living adjustments by the IRS and Social Security Administration are meant to take some of the sting away.



increasing on average by \$146 to \$1,827 per the Social Security Administration.

More opportunity to save for retirement. Inflation adjustments also increase the amount of money you can shelter from Uncle Sam through annual retirement plan limits.

What you need to know

Tax brackets up 7.1%. While tax rates stay unchanged, the brackets related to these tax rates are increasing 7.1% due to inflation. This means you will potentially have more of your income taxed at a lower rate. This lower tax amount could help you offset some of the higher prices you see on everyday items.

Social Security amounts up 8.7%. Inflationary adjustments mean retirement payments from Social Security are getting a big boost. Monthly checks are

Shield more of your estate from tax. Inflation numbers also allow more annual gifts sheltered from reporting (\$17,000 up \$1,000) and new estate tax numbers create a \$12.92 million exemption (up \$860,000!).

So while inflation is presenting a tremendous burden on all of us, it also may yield tax saving opportunities in 2023 for those who are nimble. Please spend some time reviewing topics presented here on how you can take advantage of the 2023 tax landscape.

Review Your Social Security Now

With the recent 8.7% increase in Social Security Retirement payments, maximizing this retirement benefit may be one of your biggest defenses against future inflation.

In your 20s: Build 10 years of work history (40 quarterly credits) to qualify for Social Security Retirement payments.

In your 30s: Go to the Social Security Administration (SSA) website to set up and review your account.

In your 40s: SSA uses the 35 highest-earning years to calculate your payments in retirement. So actively replace lower income years with higher income years.

In your 50s: Continue to check income being reported to the SSA and create a forecast for the future.

In your 60s: Decide when you want to begin taking benefits. The longer you wait, the greater your monthly benefits, but you're giving up use of the money.

Finally, remember that up to 85% of Social Security benefits are taxable, so it's worth planning now!

Key 2023 Tax Information

Standard Deductions

Item	2023	2022	Change
Single	\$13,850	\$12,950	+\$900
Married Jointly/Widow	\$27,700	\$25,900	+\$1,800
Head of Household	\$20,800	\$19,400	+\$1,400
Married Filing Separately	\$13,850	\$12,950	+\$900
Elderly/Blind: Married	+\$1,500	+\$1,400	+\$100
Elderly/Blind: Unmarried	+\$1,850	+\$1,750	+\$100

Income Brackets for 2023 Tax Rates

Tax Rate	Single	Married Filing Jointly/Widow	Head of Household	Married Filing Separately
10%	\$1 - 11,000	\$1 - 22,000	\$1 - 15,700	\$1 - 11,000
12%	11,001 - 44,725	22,001 - 89,450	15,701 - 59,850	11,001 - 44,725
22%	44,726 - 95,375	89,451 - 190,750	59,851 - 95,350	44,726 - 95,375
24%	95,376 - 182,100	190,751 - 364,200	95,351 - 182,100	95,376 - 182,100
32%	182,101 - 231,250	364,201 - 462,500	182,101 - 231,250	182,101 - 231,250
35%	231,251 - 578,125	462,501 - 693,750	231,251 - 578,100	231,251 - 346,875
37%	Over \$578,125	Over \$693,750	Over \$578,100	Over \$346,875

New Crypto Reporting Starts now

Whether you own cryptocurrency or not, everyone should know the tax rules surrounding this type of property are changing in 2023.

Background

The IRS generally considers cryptocurrency—also referred to as virtual currency or digital currency—to be property, just like stocks and bonds for federal income tax purposes.

Therefore, if you sell cryptocurrency at a gain, it is subject to capital gains tax. Similarly, you may claim a capital loss on the sale or other disposition of cryptocurrency. But that's not all: Any time you exchange cryptocurrency for actual currency, goods, or services, the IRS says it's a taxable event.

The IRS is watching you

Cryptocurrency transactions often flew under the radar, but the IRS is now paying much closer attention. Here's how the IRS is stepping up enforcement efforts:



- **Answer a Form 1040 question.** The IRS is so concerned about cryptocurrency transactions not being reported that they have a cryptocurrency question on Page 1 of your tax return, just below your name.
- **Brokers must report transactions.** Beginning in 2023, Similar to the reporting of stocks and bonds, taxpayers will receive a Form 1099-B from brokers that list all crypto transactions.
- **Expanded \$10,000 reporting requirement.** Businesses that accept virtual currency as payment may be required to report transactions above \$10,000 to the IRS beginning January 1, 2023. In an interesting twist, cryptocurrency and other digital assets would be considered cash for purposes of the \$10,000 reporting requirement, while the IRS

will continue to treat cryptocurrency as real property (and not cash) for tax compliance purposes.

What you need to do

Here are some suggestions for tracking and reporting your cryptocurrency transactions on your tax return:

- **Keep up-to-date records.** Consider tracking each transaction as they occur throughout the year.
- **Set aside money to pay taxes.** Consider saving a certain percentage of each cryptocurrency transaction you sell at a gain for taxes you may need to pay.
- **Be aware before you dive into cryptocurrency.** As you can see, being involved in cryptocurrency may not be for everyone. Wild swings in valuation are common, and reporting requirements are complicated.

If you have one takeaway regarding cryptocurrency, it should be this: Remember that Uncle Sam is watching you!

2023 Retirement Contributions = NEW OPPORTUNITY to Save

A silver lining of high inflation is the ability to shelter more income in retirement savings plans. Even better, if you can be creative with your spending habits, the 7.1% expansion in tax brackets can be your source of additional funds as more of your income is taxed at a lower rate!

- Understanding if you can contribute to both your employer's plan AND potentially an IRA.
- Reviewing whether your contributions are limited if your spouse has access to a plan.
- Setting up new accounts for a spouse or dependent(s).

Bonus idea

While you are at it, review your contributions to other tax-advantaged plans like flexible spending accounts (health care and dependent care) and prepaid medical savings plans like Health Savings Accounts to take advantage of their higher contribution limits.

For review

- Note the annual savings limits of your plan(s) for 2023 and adjust your savings to take advantage of the increasing limits as soon as possible.
- If you are 50 years or older, add the catch-up amount to your potential savings total.
- If in an employer's plan, contact your payroll administrator to adjust your contributions.

Taking advantage

If you have not already done so, consider:

Plan		2023	2022	Change
Simple IRA	Annual Contribution	\$15,500	\$14,000	+\$1,500
	50 or over catch-up	Add \$3,500	Add \$3,000	+\$500
401(k), 403(b), 457 and SARSEP	Annual Contribution	\$22,500	\$20,500	+\$2,000
	50 or over catch-up	Add \$7,500	Add \$6,500	+\$1,000
Traditional IRA	Annual Contribution	\$6,500	\$6,000	+\$500
	50 or over catch-up	Add \$1,000	Add \$1,000	No Change
AGI Deduction Phaseouts	Single; Head of Household	73,000 - 83,000	68,000 - 78,000	+ \$5,000
	Joint Nonparticipating Spouse	218,000 - 228,000	204,000 - 214,000	+ \$14,000
	Joint Participating Spouse	116,000 - 136,000	109,000 - 129,000	+ \$7,000
	Married Filing Separately (any spouse participating)	0 - 10,000	0 - 10,000	No Change
Roth IRA	Annual Contribution	\$6,500	\$6,000	+\$500
	50 or over catch-up	Add \$1,000	Add \$1,000	No Change
Contribution Eligibility	Single; Head of Household	138,000 - 153,000	129,000 - 144,000	+ \$9,000
	Married Filing Jointly	218,000 - 228,000	204,000 - 214,000	+ \$14,000
	Married Filing Separately	0 - 10,000	0 - 10,000	No Change
Rollover to Roth Eligibility	Joint; Single; Head of Household	No AGI Limit	No AGI Limit	No AGI Limit
	Married Filing Separately	Allowed / No AGI Limit	Allowed / No AGI Limit	Allowed / No AGI Limit

as of 12/24/22

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.