



DID YOU KNOW?

Did you know federal individual income taxes may be decreasing in 2023?

(Today's content by Andrew Smith – Columbus)

On October 18, 2022, the Internal Revenue Service (IRS) issued inflation adjustments for more than 60 tax provisions in the tax code, including income tax deductions and tax brackets for tax year 2023, impacting returns filed in 2024. These changes could result in less tax for taxpayers who earn the same or similar income in 2023 as they did in 2022. While the IRS issues these adjustments annually, this years' inflation adjustments are more significant than is typical and could result in greater savings to taxpayers. In 2023 the applicable income at which the top tax rate of 37% kicks in is almost \$40,000 higher than in 2022. For comparison, the increase to the 37% tax bracket between 2020 and 2021 was approximately \$5,000 and between 2021 and 2022 was approximately 16,000.

As an example, a single filer making \$575,000 in 2022 and who took the standard deduction would have paid \$170,913.50 in taxes, whereas in 2023 the same taxpayer will pay \$168,297, or \$2,615.50 less. Generally, federal income tax is imposed at seven tax rates. The table below shows the changes in the income brackets associated with each tax rate.

2022 vs 2023 Marginal Rates and Income Brackets		
Rate	2022 Income	2023 Income
37%	Greater than \$539,900 (\$647,850 joint).	Greater than \$578,125 (\$693,750 joint).
35%	Greater than \$215,950 (\$431,900 joint).	Greater than \$231,250 (\$462,500 joint).
32%	Greater than \$170,050 (\$340,100 joint).	Greater than \$182,100 (\$364,200 joint).
24%	Greater than \$89,075 (\$178,150 joint).	Greater than \$95,375 (\$190,750 joint).
22%	Greater than \$41,775 (\$83,550 joint).	Greater than \$44,725 (\$89,450 joint).
12%	Greater than \$10,275 (\$20,550 joint).	Greater than \$11,000 (\$22,000 joint).
10%	Less than \$10,275 (\$20,550 joint).	Less than \$11,000 (\$22,000 joint).

Additionally, the standard deduction was increased from \$12,950 (\$25,900 for married couples filing jointly) to \$13,850 (\$27,700 for married couples filing jointly) and the Alternative Minimum Tax exemption amount for tax year 2023 increased to \$81,300 from \$75,900 phasing out at \$578,150 instead of \$539,900.

Bottom Line: If you earn the same or similar income in 2023, you may end up paying less in federal income taxes.

"Philosophy teaches a man that he can't take it with him; taxes teach him he can't leave it behind either." – Mignon McLaughlin



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