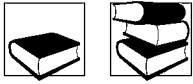


Important Changes for 2023



Due Date of Return

The due date for filing individual income tax returns is April 15, 2024 (April 17, if you live in Maine or Massachusetts).

Tax Form Changes

- Publication 535, Business Expenses, is now historical. The 2022 edition will be the final revision available.
- New Form 7206, Self-Employed Health Insurance Deduction, replaces a worksheet in Publication 535.
- Anyone electronically filing Form 1040-X, Amended U.S. Individual Tax Return, can select direct deposit and enter their banking or financial institution information for quicker delivery of refunds.

Tax Law Changes

Refer to the respective lessons for details.

- What provisions are new?
 - **Distributions to qualified public safety employees.** The exception to the 10% additional tax for early distributions is expanded to include additional distributions made to qualified public safety employees after separation from service on or after December 30, 2022:
 - Distributions to public safety employees separating from service on or after they reach age 50 or those employees with 25 years of service with the plan, whichever is earlier.
 - Distributions to firefighters covered by private sector retirement plans who meet the age or years of service requirement above; and
 - Distributions to those employees who provide services as a corrections officer or as a forensic security employee providing for the care, custody, and control of forensic patients, who meet the age or years of service requirement above.
 - **Distributions to terminally ill individuals.** The exception to the 10% additional tax for early distributions is expanded to apply to distributions made to terminally ill individuals on or after December 30, 2022. The distribution may be repaid within three years from the date of distribution.
 - **Required minimum distributions (RMDs).** Individuals who reach age 72 after December 31, 2022, may delay receiving their RMDs until April 1 of the year following the year in which they turn 73.
 - **Energy efficient home improvement credit.** This credit was previously named the nonbusiness energy property credit. Through December 31, 2022, it was a \$500 lifetime credit. Beginning January 1, 2023, the amount of the credit is equal to 30% of the sum of amounts paid by the taxpayer for certain qualified expenditures, with an annual credit of generally up to \$1,200. Electric or natural gas heat pump water heaters, electric or natural gas heat pumps, and biomass stoves and biomass boilers have a separate aggregate yearly credit limit.
 - **Repayment of qualified birth or adoption distributions.** Individuals may repay qualified birth or adoption distributions at any time during the 3-year period beginning on the day after the date on which such distribution was received. For distributions made on or before December 29, 2022, repayment may be made before January 1, 2026.
 - **Certain corrective distributions not subject to 10% early distribution tax.** Beginning on December 29, 2022, the 10% additional tax on early distributions doesn't apply to distributions of amounts contributed to an IRA in excess of the contributions limit which are withdrawn on or before the due date (including extensions) of the income tax return.

- **Excise tax for distributions less than required minimum distribution amount reduced.** The excise tax for distributions that are less the required minimum distribution amount is reduced to 25% beginning in 2023. There is a reduced excise tax rate of 10% for taxpayers meeting additional requirements.
- **Public safety officer exclusion from gross income** of up to \$3,000 for insurance premiums no longer requires that the plan directly pay the insurance premiums.
- **What provisions have expired?**
 - The temporary 100% business deduction for food or beverages from restaurants ended December 31, 2022.

Personal Exemption Amount

The deduction for all personal exemptions is suspended (reduced to zero), effective for tax years 2018 through 2025. For 2023, the gross income limitation for a qualifying relative is \$4,700 (\$300 increase).

Certain Expenses of Elementary and Secondary School Teachers

The amount of the deduction allowed that consists of expenses paid or incurred by an eligible educator for use in the classroom is \$300 (no change).

Standard Deduction

The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The standard deduction amounts for 2023 are:

- \$27,700 – Married Filing Jointly or Qualifying Surviving Spouse (increase of \$1,800)
- \$20,800 – Head of Household (increase of \$1,400)
- \$13,850 – Single or Married Filing Separately (increase of \$900)

Taxpayers who are 65 and Older or are Blind

For 2023, the additional standard deduction amounts for taxpayers who are 65 and older or blind are:

- \$1,850 for Single or Head of Household (increase of \$100)
- \$1,500 for married taxpayers or Qualifying Surviving Spouse (increase of \$100)

Dependents

For 2023, the standard deduction amount for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) \$1,250, or (2) the sum of \$400 and the individual's earned income.

Kiddie Tax

To be subject to the kiddie tax, the individual must have unearned income of at least \$2,500 in 2023.

Standard Mileage Rate

For 2023, the following rates are in effect:

- 65.5 cents per mile for business miles driven
- 22 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The standard mileage rate for business cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension of miscellaneous itemized deductions that are subject to the 2% of AGI floor.

The moving expense deduction is not allowed through 2025 and the exclusion from income of moving expense reimbursements from an employer is also suspended. The only exception is for active military service members who move pursuant to a military order to a new permanent duty station.

Deduction for Qualified Business Income

For 2023, the threshold amount is \$364,200 for married filing joint returns and \$182,100 for all other returns.

Retirement Savings Contribution Credit

To claim this credit in 2023, the taxpayer's modified adjusted gross income (MAGI) must not be more than \$36,500 for Single, Married Filing Separately, or Qualifying Surviving Spouse (increase of \$2,500). MAGI must not be more than \$54,750 (increase of \$3,750) for Head of Household, and \$73,000 (increase of \$5,000) for Married Filing Jointly.

Earned Income Credit (EIC)

For 2023, the maximum credit increased to:

- \$7,430 with three or more children
- \$6,604 with two children
- \$3,995 with one child
- \$600 with no children

Earned Income and AGI Amounts Increased

To be eligible for a full or partial credit, the taxpayer must have earned income and AGI of at least \$1 but less than:

- \$56,838 (\$63,398 if Married Filing Jointly) with three or more qualifying children
- \$52,918 (\$59,478 if Married Filing Jointly) with two qualifying children
- \$46,560 (\$53,120 if Married Filing Jointly) with one qualifying child
- \$17,640 (\$24,210 if Married Filing Jointly) with no qualifying child

Investment Income

Taxpayers whose investment income is more than \$11,000 cannot claim the EIC.

Child Tax Credit/Additional Child Tax Credit

The refundable amount of the credit is \$1,600.

Student loan interest deduction

Begins to phase out for taxpayers with MAGI more than \$75,000 (\$155,000 for joint returns) and is completely phased out for taxpayers with MAGI of \$90,000 or more (\$185,000 or more for joint returns).

Eligible Long-Term Care Premium Limits

For 2023, the maximum amount of qualified long-term care premiums includible as medical expenses has increased. Qualified long-term care premiums up to the amounts shown below can be included as medical expenses on Schedule A (Form 1040), Itemized Deductions, or in calculating the self-employed health

- Age 40 or under: \$480
- Age 41 to 50: \$890
- Age 51 to 60: \$1,790
- Age 61 to 70: \$4,770
- Age 71 and over: \$5,960



The limit on premiums is for each person.

Foreign Earned Income Exclusion

For 2023, the maximum foreign earned income exclusion is \$120,000.

IRA Deduction Amount and Modified AGI (MAGI) Limits for Traditional and Roth IRA Contributions

For 2023, the maximum combined traditional IRA deduction or Roth contribution is \$6,500 (\$7,500 if age 50 or older). For taxpayers who are covered by a retirement plan at work, the deduction for contributions to a traditional IRA is reduced (phased out) if the MAGI is:

- More than \$116,000 but less than \$136,000 for a married couple filing a joint return or a qualifying surviving spouse
- More than \$73,000 but less than \$83,000 for an individual filing as single, head of household, or married filing separately and did not live with the spouse at any time during 2023
- Less than \$10,000 for a married individual filing a separate return who lived with the spouse at any time during 2023

For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered (and the spouses live together or file a joint return), the deduction is phased out if the couple's MAGI is between \$218,000 and \$228,000.

For 2023, maximum Roth IRA contributions phase out based on MAGI as follows:

- Married filing jointly or qualifying surviving spouse with MAGI between \$218,000 and \$228,000
- Single, head of household, or married filing separately and didn't live with the spouse at any time in 2023 with MAGI between \$138,000 and \$153,000
- Married filing separately, lived with the spouse at any time during the year, and MAGI is between \$0 and \$10,000

Premium Tax Credit

- Advance Premium Tax Credit (APTC) repayment caps for 2023 are:

Income (as % of federal poverty line)	Taxpayers filing as Single	Taxpayers using other filing statuses
Under 200%	\$350	\$700
200%-299%	\$900	\$1,800
300%-399%	300%-399%	\$300
400% and above	No cap (full repayment)	No cap (full repayment)

- Filing thresholds and federal poverty line tables are adjusted for inflation.

Health Savings Account (HSA) Deduction

For 2023, the annual contribution limits on deductions for HSAs for individuals with self-only coverage is \$3,850 (increase of \$200) and \$7,750 for family coverage (increase of \$450). There is an additional contribution amount of \$1,000 for taxpayers who are age 55 or older.



Congress may enact additional legislation that will affect taxpayers after this publication goes to print. Any changes will be reflected in Publication 4491-X, VITA/TCE Training Supplement, available in mid- January on www.irs.gov.