

Abstract: Right now, taxpayers may be more concerned about their 2022 tax bills than about how to handle their personal finances in the new year. However, as they deal with their annual tax filing, it's a good idea to also familiarize themselves with pertinent tax-related amounts that may have changed in 2023. This article poses six key questions about such amounts, including those related to retirement planning and the itemized deduction.

6 key tax Q&As for 2023

Right now, you may be more concerned about your 2022 tax bill than you are about how to handle your personal finances in the new year. However, as you deal with your annual tax filing, it's a good idea to also familiarize yourself with pertinent amounts that may have changed for 2023.

Not all tax figures are adjusted for inflation. And even if they are, during times of low inflation the changes may be slight. When inflation is higher, as it currently is, the changes are generally more substantial. In addition, some tax amounts can change only with new tax legislation. Here are six commonly asked (and answered) Q&As about 2023 tax-related figures:

- 1. *How much can I contribute to an IRA for 2023?*** If you're eligible, you can contribute up to \$6,500 a year to a traditional or Roth IRA (up from \$6,000 in 2022). If you're age 50 or older, you can make another \$1,000 "catch-up" contribution.
- 2. *I have a 401(k) plan through my job. How much can I contribute to it?*** For 2023, you can contribute up to \$22,500 to a 401(k) or 403(b) plan. You can make an additional \$7,500 catch-up contribution if you're age 50 or older. (These figures for 2022 were \$20,500 and \$6,500, respectively).
- 3. *I sometimes hire a babysitter and a cleaning person. Do I have to withhold and pay FICA tax on the amounts I pay them?*** In 2023, the threshold for when a domestic employer must withhold and pay FICA for babysitters, house cleaners and other domestic employees has increased to \$2,600 for 2023 (up from \$2,400).
- 4. *How much do I have to earn in 2023 before I can stop paying Social Security on my salary?*** The Social Security tax wage base is \$160,200 for 2023, up from \$147,000 for 2022. That means that you don't owe Social Security tax on amounts earned above that. (You must pay Medicare tax on all amounts that you earn.)
- 5. *I didn't qualify to itemize deductions on my last tax return. Will I qualify for 2023?*** The Tax Cuts and Jobs Act eliminated the tax benefit of itemizing deductions for many people by increasing the standard deduction and reducing or eliminating various deductions. For 2023, the standard deduction amount is \$27,700 for married couples filing jointly (up from \$25,900 for 2022). For single filers, the amount is \$13,850 (up from \$12,950) and, for heads of households, it's \$20,800 (up from \$19,400).

So, if the total amount of your itemized deductions (such as charitable gifts and mortgage interest) is less than the applicable standard deduction amount, you won't itemize for 2023.

6. *How much can I give to one person without triggering a gift tax return in 2023?* The annual gift exclusion for 2023 is \$17,000 (up from \$16,000 in 2022). This amount is only adjusted in \$1,000 increments, so it typically increases only every few years.

These are only some of the tax figures that may apply to you. For more information about your tax picture, or if you have questions, don't hesitate to contact us.

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