One of the primary impacts of the American Taxpayer Relief Act (ATRA) of 2012, the Affordable Care Act, and the Protecting Americans from Tax Hikes Act of 2015 was to raise tax rates on high income earners. The goal of the Tax Cuts and Jobs Act (TCJA) of 2017 was to decrease taxes on low and middle income earners as well as businesses. The following is a summary of important numbers for 2023.

**$553,850** (Taxable Income\(^1\))

Long-term capital gains tax and taxation of qualified dividends increase to 20% from 15% ($492,300 for single).

**$400,000** (Modified Adjusted Gross Income\(^2\))

Child Tax Credit begins to phase out $50 for each $1,000 of MAGI over $400,000. ($200,000 for single filers.)

**$250,000+** (Modified Adjusted Gross Income\(^2\))

An additional 3.8% net investment income tax on the lesser of net investment income or modified adjusted gross income (MAGI) over the applicable income threshold; over $200,000 (single), over $250,000 (married filing jointly), and undistributed net investment income over $14,450 (trusts and estates).

Net investment income may include items such as capital gains, dividends, interest, royalties, rent, distributed gains from nonqualified annuities, and passive business income. (This does not apply if these are derived in the ordinary course of an active trade or business or trade or business trading in financial instruments or commodities.)

**$89,250+** (Taxable Income\(^1\))

Long-term capital gains tax and taxation of qualified dividends increase to 15% from 0% (increase to 20% at $553,850).

Thresholds are for 2023, filing in 2024.

1. Taxable Income: Adjusted Gross Income (AGI) less the standard deduction or itemized deductions.
2. Modified Adjusted Gross Income (MAGI): AGI modifications for those excluding foreign earned income and who own certain controlled foreign corporations and passive foreign investment companies.
INVESTMENT TAX

ATRA also increased the long-term capital gains and dividend tax rate from 15% to 20% for individuals and joint filers reaching certain income thresholds. In addition to the increase in capital gain and dividend rates, a 3.8% net investment income tax became effective in 2013. This tax is imposed in addition to the underlying investment tax. Here is a breakdown of the current capital gains brackets set by TCJA.

TAX ON LONG-TERM CAPITAL GAINS AND QUALIFIED DIVIDENDS

| Rate of 20% | For single filers with income over $492,300 |
| Rate of 15% | For joint filers with income over $553,850 |
| Rate of 0%  | For trusts and estates with income over $14,650 |

| For single filers with income between $44,625 and $492,300 |
| For joint filers with income between $89,250 and $553,850 |
| For single filers with income less than $44,625³ |
| For joint filers with income less than $89,250³ |

ESTATE AND GIFT TAX

Under the TCJA the unified estate and gift tax exclusion is increased to $12,920,000 (indexed for inflation) and the top federal estate and gift tax rate remains at 40%.

SPOUSAL PORTABILITY

The unified estate and gift tax exclusion is a per-person exclusion. For married couples, if one spouse dies without using his or her entire federal estate and gift tax exclusion, the unused portion may be transferred to the surviving spouse.

OTHER PROVISIONS

ADDITIONAL MEDICARE TAX
0.9% on earned income above $200,000 (single filers), $250,000 (married filing joint return).

ALTERNATIVE MINIMUM TAX (AMT)
ATRA included a permanent and retroactive inflation indexing for individuals subject to the AMT. TCJA increased the thresholds to $81,300 for individual filers, and $126,500 for married filing jointly in 2023.

AMERICAN OPPORTUNITY TAX CREDIT
Provides a dollar-for-dollar credit of up to $2,500 for each eligible college student per year. The credit is not available if your MAGI is more than $90,000 (single) or $180,000 (married filing jointly).

CHILD TAX CREDIT
Under TCJA, the credit is increased to $2,000 per qualifying child under age 17. ($500 per dependent who is not a qualifying child — i.e. college-aged children and parents claimed as dependents.) The income phase outs increase to $200,000 for individuals and $400,000 for married couples. These thresholds are not indexed for inflation.

QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs)
Certain IRA owners over the age of 70½ can gift IRA funds directly to charity without including them in income for the year. The QCD counts toward the required minimum distribution for the year and is capped at $100,000 per individual. The ability to utilize QCDs was permanently extended beginning in tax year 2015.

SOCIAL SECURITY MAXIMUM TAXABLE EARNING
In 2023, the maximum annual earnings subject to Social Security tax is raised to $160,200. This cap had previously been at $147,000 for 2022.

³Subject to certain exceptions (e.g., collectibles and 1250 recapture)
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