

# Five key federal tax changes in 2023

The United States is experiencing the worst inflation in 40 years following unprecedented financial stimulus as a result of the Covid-19 Pandemic. While consumers are feeling this pain in their everyday purchases, the IRS is offering some relief by making adjustments during the 2023 tax year that will lower the tax burden for most Americans.

## Five significant changes to the tax legislation are:

- **Tax brackets will increase** by 7%, with the top 37% tax bracket increasing from \$539,900 in 2022 to \$578,125 in 2023. Simply put, this means that a portion of your income will be taxed at a lower rate. While this change will have the biggest impact on high earners, all taxpayers will see a decrease in their tax bill. For example, a someone that makes \$200,000 a year and takes the standard deduction can expect to pay \$40,088 in federal taxes in 2022 vs \$38,400 in 2023, or a \$1,688 decrease on their tax bill. Additionally, tax brackets for capital gain taxes will increase by 7% as well.
- **Standard Deduction is increasing** from \$12,950 to \$13,850 for single filers and \$25,900 to \$27,700 for married couples.
- **Gift Exclusions will increase** to \$17,000 from \$16,000. This means that individuals can give \$17,000, or \$34,000 for married couples, to their family or friends without paying tax on it. This method will help lowering estate taxes for your descendants.
- **401(k) Contribution limits are increasing** \$2,000 from \$20,500 in 2022 to \$22,500 in 2023. This increase will help tax conscious investors prepare for retirement by contributing more to their retirement plans.
- **The Estate Tax Exemption will grow** from \$12.06 million in 2022 to \$12.92 million in 2023, meaning that descendants would not have to pay a tax on an additional \$900 thousand at the time of their inheritance.

However, not all deductions and credits will not be adjusted for inflation for the 2023 tax year. For example, the Child Tax Credit will remain at \$2,000 per qualifying child. Please consult with your tax advisor to discuss how these changes may affect you.

Published February 2023

Mesirow does not provide legal or tax advice. Each individual's tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation. For more information about federal and state taxes, please consult the Internal Revenue Service and the appropriate state-level departments of revenue, respectively. This information is provided for informational purposes only and should not be considered tax or legal advice. Source: <https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2023>

**Mesirow does not provide legal or tax advice.** Past performance is not indicative of future results. The views expressed above are as of the date given, may change as market or other conditions change, and may differ from views express by other Mesirow associates. This is not a solicitation to buy or sell the securities mentioned. Do not use this information as the sole basis for investment decisions, it is not intended as advice designed to meet the particular needs of an individual investor. Information herein has been obtained from sources which Mesirow believes to be reliable, we do not guarantee its accuracy and such information may be incomplete and/or condensed. All opinions and estimates included herein are subject to change without notice. This communication may contain privileged and/or confidential information. It is intended solely for the use of the addressee. If you are not the intended recipient, you are strictly prohibited from disclosing, copying, distributing or using any of the information. If you receive this communication in error, please contact the sender immediately and destroy the material in its entirety, whether electronic or hard copy. This material is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc. ©2024, Mesirow Financial Holdings, Inc. All rights reserved. Any opinions expressed are subject to change without notice. Past performance is not indicative of future results. Advisory Fees are described in Mesirow Financial Investment Management, Inc.'s Form ADV Part 2A. Advisory services offered through Mesirow Financial Investment Management, Inc. an SEC registered investment advisor. Securities offered by Mesirow Financial, Inc. member FINRA and SIPC.