

IRS provides tax inflation adjustments for tax year 2023

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WASHINGTON — The Internal Revenue Service today announced the tax year 2023 annual inflation adjustments for more than 60 tax provisions, including the tax rate schedules and other tax changes. [Revenue Procedure 2022-38](#)  provides details about these annual adjustments.

New for 2023

The Inflation Reduction Act extended certain energy related tax breaks and indexed for inflation the energy efficient commercial buildings deduction beginning with tax year 2023. For tax year 2023, the applicable dollar value used to determine the maximum allowance of the deduction is \$0.54 increased (but not above \$1.07) by \$0.02 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25 percent. The applicable dollar value used to determine the increased deduction amount for certain property is \$2.68 increased (but not above \$5.36) by \$0.11 for each percentage point by which the total annual energy and power costs for the building are certified to be reduced by a percentage greater than 25 percent.

Highlights of changes in Revenue Procedure 2022-38:

The tax year 2023 adjustments described below generally apply to tax returns filed in 2024.

The tax items for tax year 2023 of greatest interest to most taxpayers include the following dollar amounts:

- The standard deduction for married couples filing jointly for tax year 2023 rises to \$27,700 up \$1,800 from the prior year. For single taxpayers and married individuals filing separately, the standard deduction rises to \$13,850 for 2023, up \$900, and for heads of households, the standard deduction will be \$20,800 for tax year 2023, up \$1,400 from the amount for tax year 2022.

- **Marginal Rates:** For tax year 2023, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$578,125 (\$693,750 for married couples filing jointly).

The other rates are:

35% for incomes over \$231,250 (\$462,500 for married couples filing jointly);
32% for incomes over \$182,100 (\$364,200 for married couples filing jointly);
24% for incomes over \$95,375 (\$190,750 for married couples filing jointly);
22% for incomes over \$44,725 (\$89,450 for married couples filing jointly);
12% for incomes over \$11,000 (\$22,000 for married couples filing jointly).

The lowest rate is 10% for incomes of single individuals with incomes of \$11,000 or less (\$22,000 for married couples filing jointly).

- The Alternative Minimum Tax exemption amount for tax year 2023 is \$81,300 and begins to phase out at \$578,150 (\$126,500 for married couples filing jointly for whom the exemption begins to phase out at \$1,156,300). The 2022 exemption amount was \$75,900 and began to phase out at \$539,900 (\$118,100 for married couples filing jointly for whom the exemption began to phase out at \$1,079,800).
- The tax year 2023 maximum Earned Income Tax Credit amount is \$7,430 for qualifying taxpayers who have three or more qualifying children, up from \$6,935 for tax year 2022. The revenue procedure contains a table providing maximum EITC amount for other categories, income thresholds and phase-outs.
- For tax year 2023, the monthly limitation for the qualified transportation fringe benefit and the monthly limitation for qualified parking increases to \$300, up \$20 from the limit for 2022.
- For the taxable years beginning in 2023, the dollar limitation for employee salary reductions for contributions to health flexible spending arrangements increases to \$3,050. For cafeteria plans that permit the carryover of unused amounts, the maximum carryover amount is \$610, an increase of \$40 from taxable years beginning in 2022.
- For tax year 2023, participants who have self-only coverage in a Medical Savings Account, the plan must have an annual deductible that is not less than

\$2,650, up \$200 from tax year 2022; but not more than \$3,950, an increase of \$250 from tax year 2022. For self-only coverage, the maximum out-of-pocket expense amount is \$5,300, up \$350 from 2022. For tax year 2023, for family coverage, the annual deductible is not less than \$5,300, up from \$4,950 for 2022; however, the deductible cannot be more than \$7,900, up \$500 from the limit for tax year 2022. For family coverage, the out-of-pocket expense limit is \$9,650 for tax year 2023, an increase of \$600 from tax year 2022.

- For tax year 2023, the foreign earned income exclusion is \$120,000 up from \$112,000 for tax year 2022.
- Estates of decedents who die during 2023 have a basic exclusion amount of \$12,920,000, up from a total of \$12,060,000 for estates of decedents who died in 2022.
- The annual exclusion for gifts increases to \$17,000 for calendar year 2023, up from \$16,000 for calendar year 2022.
- The maximum credit allowed for adoptions for tax year 2023 is the amount of qualified adoption expenses up to \$15,950, up from \$14,890 for 2022

Items unaffected by indexing:

By statute, certain items that were indexed for inflation in the past are currently not adjusted.

- The personal exemption for tax year 2023 remains at 0, as it was for 2022, this elimination of the personal exemption was a provision in the Tax Cuts and Jobs Act.
- For 2023, as in 2022, 2021, 2020, 2019 and 2018, there is no limitation on itemized deductions, as that limitation was eliminated by the Tax Cuts and Jobs Act.
- The modified adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit provided in § 25A(d)(2) is not adjusted for inflation for taxable years beginning after December 31, 2020. The Lifetime Learning Credit is phased out for taxpayers with modified adjusted gross income in excess of \$80,000 (\$160,000 for joint returns).

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