



Federal Income Tax Changes Summary

Course #3311A

Taxes

2 Credit Hours

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FEDERAL INCOME TAX CHANGES SUMMARY

This course will examine the tax changes affecting 2023 as a result of passage of the Inflation Reduction Act and the inflation-changed limits effective for 2023 that are more significant from the perspective of an income tax preparer. Some context will be supplied, as appropriate, to assist readers in understanding the changes

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

Changes in Various Limits
Tax Credit Changes
PPACA-Related Tax Changes
Changes in Archer MSAs, HSAs and IRAs
Inflation Reduction Act
SECURE Act 2.0

Study the course materials from pages 1 to 80

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- Identify the individual income tax rate changes affecting taxpayers.
- Recall how to calculate the retirement savings contribution credit available to eligible taxpayers
- Identify the health flexible spending arrangement contribution limits
- Recognize the eligibility rules applicable to Archer MSAs and HSAs
- Recognize the rule change affecting deductibility of business meals in 2023
- Identify the provisions designed to expand retirement plan coverage and increase retirement savings.

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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CHAPTER 1: CHANGES IN VARIOUS LIMITS

Chapter Objectives

After completing this chapter, you should be able to:

- Identify the individual income tax rate changes affecting taxpayers.
- Recognize how to calculate the standard mileage deductions for –
 - Use of a personal vehicle for business purposes,
 - Use of a personal vehicle to obtain medical care, and
 - Charitable use of a personal vehicle.
- Identify the 2023 standard deduction amounts available to taxpayers.
- Recognize the changes made to the alternative minimum tax exemption amount for 2023.
- Recall the tax-free United States savings bond income limits for taxpayers who paid qualified higher education expenses in 2023.
- Recognize how to calculate the tax-deductible premiums for and tax-free benefits received under qualified long-term care insurance contracts.
- Recall the amount of assets that may be passed tax-free at death.
- Identify the qualified business income (QBI) threshold amount.

INTRODUCTION

Federal tax law requires that various limits be adhered to in the preparation of tax returns, and such limits may change from year to year based on an inflation adjustment or on other factors. Included in those changes for 2023 are individual tax rates, standard mileage rates, standard deductions, and various other limits.

This chapter will examine these changes for 2023 and will offer some context within which they apply.

INDIVIDUAL TAX RATES

The individual tax brackets for 2023 are as follows:

2023	Bracket for Income in Excess of...				
Tax Bracket	MFJ	HOH	Unmarried	MFS	Estates & Trusts
10%	\$0	\$0	\$0	\$0	
12%	\$22,000	\$15,700	\$11,000	\$11,000	
22%	\$89,450	\$59,850	\$44,725	\$44,725	
24%	\$190,750	\$95,350	\$95,375	\$95,375	\$2,900
32%	\$364,200	\$182,100	\$182,100	\$182,100	
35%	\$462,500	\$231,250	\$231,250	\$231,250	\$10,550
37%	\$693,750	\$578,100	\$578,125	\$346,875	\$14,450

STANDARD MILEAGE RATES

The standard mileage rates enable a taxpayer using a vehicle for specified purposes to deduct vehicle expenses on a per-mile basis rather than deducting actual car expenses that are incurred during the year. The rates vary, depending on the purpose of the transportation.

Accordingly, the standard mileage rates differ from one another depending on whether the vehicle is used for:

- Business purposes;
- Charitable purposes; or
- Obtaining medical care or moving.

Rather than using the optional standard mileage rates, however, a taxpayer may choose to take a deduction based on the actual costs of using the vehicle.

Business Use of a Taxpayer's Personal Vehicle

As a result of the passage of the TCJA, taxpayers may no longer deduct unreimbursed employee expenses—including unreimbursed expenses related to business use of a personal vehicle—as “miscellaneous itemized deductions” to the extent the total of such expenses exceeds 2% of his or her AGI. However, the 2023 alternative standard mileage rate applicable to **eligible** business use of a vehicle is 65.5¢ per mile, up from 62.5¢ in the last half of 2022. In order for such expenses to be deductible, they must have been:

- Paid or incurred during the tax year;
- For the purpose of carrying on the taxpayer's trade or business; and
- Ordinary and necessary.

Provided the vehicle expenses meeting these three criteria are not reimbursed, the deductible personal vehicle expenses include those incurred while traveling:

- Between workplaces;
- To meet with a business customer;
- To attend a business meeting located away from the taxpayer's regular workplace; or
- From the taxpayer's home to a *temporary* place of work.

In addition to using the standard mileage rate, a taxpayer may also deduct any business-related parking fees and tolls paid while engaging in deductible business travel. However, parking fees paid by a taxpayer to park his or her vehicle at the usual place of business are considered commuting expenses and are not deductible.

Personal Vehicle Use for Charitable Purposes

A taxpayer may deduct as a charitable contribution any unreimbursed out-of-pocket expenses, such as the cost of gas and oil, directly related to the use of a personal vehicle in providing services to a charitable organization. Alternatively, a taxpayer may use the standard mileage rate applicable to the use of a personal vehicle for charitable purposes. The standard mileage rate applicable to a taxpayer's use of a personal vehicle for charitable purposes is based on statute and remains unchanged at 14¢ per mile. The taxpayer may also deduct parking fees and tolls regardless of whether the actual expenses or standard mileage rate is used.

Use of a Taxpayer's Personal Vehicle to Obtain Medical Care

A taxpayer who uses a personal vehicle for medical reasons is permitted to include the out-of-pocket vehicle expenses incurred—the expenses for gas and oil, for example—or deduct medical travel expenses at the standard medical mileage rate. For 2023, the standard medical mileage rate is 22¢ per mile, the same as in the last half of 2022. The taxpayer may also deduct any parking fees or tolls, regardless of whether the actual expense or the standard mileage rate is used.

Moving Expenses in Military Relocations

Although the Tax Cuts and Jobs Act (TCJA) suspended the moving expense deduction and made any moving expense reimbursement taxable income for non-military relocations, the inclusion of reimbursed moving expenses in the recipient's gross income does not apply to military relocations meeting certain criteria. In the case of a military relocation, the taxpayer's move must be pursuant to a military order and involve a permanent change of station. If those criteria are met, no paid or incurred moving and storage expenses:

- Furnished in kind, or
- For which reimbursement or allowance is provided to the service member, spouse, or dependents

...are includible in gross income or reported.

In addition, if the moving expenses paid or incurred in connection with a military relocation are furnished or reimbursed (or an allowance is provided) to the service member's spouse and dependents to move:

- To a location other than the one to which the service member moves, or
- From a location other than the one from which the service member moves,

...such expenses are likewise neither includible in gross income nor reported.