



I. Executive Summary

With the 2021 tax filings behind us and the 2022 tax year drawing to a close, it's already time for tax updates coming in 2023. The IRS released its 2023 tax year annual inflation adjustments covering updates to more than 60 tax provisions. The 2023 tax year adjustments will affect tax returns filed in 2024. For 2022 tax year filings due in 2023, certain tax due dates fall on a weekend. The actual due date is the following Monday. A list of 2023 federal tax due dates can be found below.

II. 2023 Federal Tax Provision Updates

The IRS released Revenue Procedure 2022-38 on October 17, which covers updates to more than 60 tax provisions. These updates will affect tax returns filed in 2024. Highlighted provisions include:

- ◊ **Tax Rate Tables – IRC § 1(j):** The marginal tax rates are adjusted.
 - For Married Individuals Filing Joint Returns and Surviving Spouses:

Taxable Income	Taxes Owed
\$22,000 or less	10% of the taxable income
\$22,001 to \$89,450	\$2,200 plus 12% of amount over \$22,000
\$89,451 to \$190,750	\$10,294 plus 22% of amount over \$89,450
\$190,751 to \$364,200	\$32,580 plus 24% of amount over \$190,750
\$364,201 to \$462,500	\$74,208 plus 32% of amount over \$364,200
\$462,501 to \$693,750	\$105,664 plus 35% of amount over \$462,500
\$693,751 or more	\$186,601.50 plus 37% of amount over \$693,750

- For Heads of Households:

Taxable Income	Taxes Owed
\$15,700 or less	10% of the taxable income
\$15,701 to \$59,850	\$1,470 plus 12% of amount over \$15,700
\$59,851 to \$95,350	\$6,868 plus 22% of amount over \$59,850
\$95,351 to \$182,100	\$14,678 plus 24% of amount over \$95,350
\$182,101 to \$231,250	\$35,498 plus 32% of amount over \$182,100
\$231,251 to \$578,100	\$51,226 plus 35% of amount over \$231,250
\$578,101 or more	\$172,623.50 plus 37% of amount over \$578,100

- For Unmarried Individuals (other than Surviving Spouses and Heads of Households):

Taxable Income	Taxes Owed
\$11,000 or less	10% of the taxable income
\$11,001 to \$44,725	\$1,100 plus 12% of amount over \$11,000
\$44,726 to \$95,375	\$5,147 plus 22% of amount over \$44,725
\$95,376 to \$182,100	\$16,290 plus 24% of amount over \$95,375
\$182,101 to \$231,250	\$37,104 plus 32% of amount over \$182,100
\$231,251 to \$578,100	\$52,832 plus 35% of amount over \$231,250
\$578,101 or more	\$174,238.25 plus 37% of amount over \$578,125

- For Estates and Trusts:

Taxable Income	Taxes Owed
\$2,900 or less	10% of the taxable income
\$2,900 to \$10,550	\$290 plus 24% of amount over \$2,900
\$10,551 to \$14,450	\$2,126 plus 35% of amount over \$10,550
\$14,451 or more	\$3,491 plus 37% of amount over \$14,450

- ◇ **Maximum Capital Gains Rate – IRC § 1(h):** The capital gains tax rates are adjusted.

Filing Status	Maximum Zero Rate Amount (Above this is 15% Rate)	Maximum 15% Rate Amount (Above this is 20% Rate)
Married Individuals Filing Joint Returns	\$89,250	\$553,850
Heads of Household	\$59,750	\$523,050
All Other Individuals	\$44,625	\$492,300
Estates and Trusts	\$3,000	\$14,650

- ◇ **Child Tax Credit – IRC § 24:**

- The refundable tax credit is \$1,600.

- ◇ **Standard Deduction – IRC § 63:** The standard deduction is increased.

Filing Status	Standard Deduction
Married Individuals Filing Joint Returns and Surviving Spouses	\$27,700 up from \$25,900
Heads of Households	\$20,800 up from \$19,400
Unmarried Individuals (Other than Surviving Spouses)	\$13,850 up from \$12,950

- Note that the standard deduction amount for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of (1) \$1,250, or (2) the sum of \$400 and the individual's earned income.

◇ **Adoption Assistance Programs – IRC § 137:**

- The amount that can be excluded from an employee’s gross income for the adoption of a child with special needs is \$15,950.
- The maximum amount that can be excluded from an employee’s gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for adoptions by the employee is \$15,950. The phase out for the deduction starts at modified adjusted gross income amounts of \$239,230 and terminates at \$279,230.

◇ **Qualified Business Income – IRC § 199A:** The threshold amounts and phase-in range amount for qualified business income are adjusted.

Filing Status	Threshold Amount	Phase-In Range Amount
Married Individuals Filing Joint Returns	\$364,200	\$464,200
All Other Returns	\$182,100	\$232,100

◇ **Interest on Education Loans – IRC § 221:** The maximum deduction is \$2,500 for interest paid on qualified education loans.

- The phase-out period begins at modified adjusted gross income in excess of \$75,000 (\$155,000 for joint returns) and terminates at \$90,000 or more (\$185,000 for joint returns).

◇ **Threshold for Excess Business Loss – IRC § 461(l):** The amount for determining a taxpayer’s excess business loss is \$289,000 (\$578,000 for joint returns).

◇ **Expatriation to Avoid Tax – IRC § 877:** An individual is a covered expatriate if the individual’s “average annual net income tax” for the five taxable years ending before the expatriation date is more than \$190,000.

◇ **Unified Credit Against Estate Tax – IRC § 2010:** The basic exclusion amount is increased for individuals.

Individual	\$12,920,000 up from \$12,060,000
Married Couples	\$25,840,000 up from \$24,120,000

◇ **Valuation of Qualified Real Property in Decedent’s Gross Estate – IRC § 2032A:** For an estate of a decedent dying in 2023, if the executor elects to use the special use valuation method for qualified real property, the aggregate decrease in the value of qualified real property resulting from election cannot exceed \$1,310,000.

◇ **Annual Exclusion for Gifts – IRC §§ 2503; 2523:** The annual exclusion for gifts is increased

Individual	\$17,000 up from \$16,000
Married Couples	\$34,000 up from \$32,000
Foreign Spousal Gifts	\$175,000

III. Important Federal Tax Due Dates in 2023

Calendar year 2022 federal tax returns are due in 2023. The following list summarizes some key federal tax due dates. Where the original due date falls on a weekend, the actual due date shall be the following Monday.

Federal Tax Due Dates:

◇ **Wednesday, March 15, 2023:**

- Partnership Return – Form 1065
- S-Corporation Return – Form 1120S (calendar year filer)
- Foreign Persons Annual Withholding Return – Form 1042

◇ **Tuesday, April 18, 2023 (April 15 falls on a Saturday and April 17 is Emancipation Day):**

- Fiduciary Return – Form 1041
- Individual Return – Form 1040
- Corporate Return – Form 1120 (calendar year filer)
- Gift Tax Return – Form 1120 (calendar year filer)

◇ **Monday, May 15, 2023:**

- Exempt Organization Return – Form 990 (calendar year filer)

Federal Extended Tax Return Due Dates:

Friday, September 15, 2023:

- Foreign Persons Annual Withholding Return – Form 1042
- Partnership Return – Form 1065
- S-Corporation Return – Form 1120S (calendar year filer)

◇ **Monday, October 2, 2023 (September 30 falls on a Saturday):**

- Fiduciary Return – Form 1041

◇ **Monday, October 16, 2023 (October 15 falls on a Sunday):**

- Individual Return – Form 1040
- Gift Tax Return – Form 709
- Corporate Return – Form 1120 (calendar year filer)

◇ **Wednesday, November 15, 2023:**

- Exempt Organization Return – Form 990 (calendar year filer)

Federal Estimated Tax Due Dates for Individuals:

- ◇ **First Quarter Estimated Payment: Tuesday, April 18, 2023 (April 15 falls on a Saturday and April 17 is Emancipation Day)**
- ◇ **Second Quarter Estimated Payment: Thursday, June 15, 2023**
- ◇ **Third Quarter Estimated Payment: Friday, September 15, 2023**
- ◇ **Fourth Quarter Payment: Monday, January 15, 2024**

WHITTIER TRUST COMPANY

South Pasadena 1600 Huntington Dr., South Pasadena, CA 91030 | 626.441.5111
Newport Beach 4695 MacArthur Ct., Ste 1500, Newport Beach, CA 92660 | 949.216.2200
San Francisco 505 Montgomery St., Ste 1200, San Francisco, CA 94111 | 415.283.1850
West LA 11100 Santa Monica Blvd, Suite 1910, Los Angeles, CA 90025 | 310.943.0750
Menlo Park 525 Middlefield Road, Suite 110, Menlo Park, CA 94025 | 650.609.2300

THE WHITTIER TRUST COMPANY OF NEVADA, INC.

Reno 100 W. Liberty St., Ste 890, Reno, NV 89501 | 775.686.5400
Seattle 520 Pike St., Ste 1415, Seattle, WA 98101 | 206.332.0836
Portland 111 S.W. Fifth Ave., Ste 3150, Portland, OR 97204 | 503.444.3428

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