

FEDERAL

Increased age for required distributions. If you turn 72 in 2023 or later, you can keep money in a tax-deferred IRA or 401(k) for another 12 months to help the account continue growing before starting to withdraw funds. This retirement benefit is now available thanks to the required minimum distribution age being raised from age 72 to age 73.

Decreased penalty if required distributions are not taken. The penalty for failing to take a required minimum distribution is reduced from 50% to 25%. If the correction is generally made within two years, the penalty is further reduced to 10%.

Tax credit for new clean vehicles. A credit up to \$7,500 is available if you (or your business) buy a new, qualified plug-in electric vehicle or fuel cell electric vehicle. Your modified adjusted gross income must not exceed: \$300,000 for married couples filing jointly; \$225,000 for heads of households; and \$150,000 for all other filers.

Tax credit for used clean vehicles. A credit up to \$4,000 is available if you buy a previously owned, qualified plug-in electric vehicle or fuel cell vehicle, including cars and light trucks. In addition, your modified adjusted gross income (AGI) must not exceed: \$150,000 for married couples filing jointly; \$112,500 for heads of households; and \$75,000 for all other filers. You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less.

Tax credit for energy efficient home improvements. An annual tax credit up to \$1,200 is available if you make qualified energy improvements to your home (biomass stoves and boilers have a separate annual credit limit of \$2,000).

ALERT: Form 1099-K reporting change

Because of a late breaking change in November 2023, you could still receive Form 1099-Ks that may need to be reported on your tax return. The last-minute change (literally 45 days before vendors need to start sending out 1099-Ks) moves the \$600 threshold for receiving a Form 1099-K back to \$20,000 for 2023.

1099-K Basics:

- Form 1099-K reports the gross amount of payments received by you from payment transactions such as credit cards, digital payment services like PayPal, Venmo, and Apple Pay, and other online marketplaces like Amazon and Etsy.
- It's possible that a personal payment you received, for example from a friend sending you their share of a restaurant bill, ends up being included on a 1099-K. You will need to account for this.

What you should do:

- Save the form. If you receive a 1099-K, save the form. You will need to account for this information on your tax return or face the possibility of the activity triggering a correspondence audit from the IRS that may lead to a bigger tax bill.
- It's a business transaction. If you have activity on sites like Amazon, Etsy, or you are reselling tickets or taking rent payments, you are in business. In the eyes of the IRS, this is true even if you lost money on the transactions. This revenue needs to be reported even if you don't receive a 1099-K. But you can also include any related business expenses to reduce reportable income.
- Stay organized. If you receive any Form 1099-Ks, your tax return will now be a bit more complex. But you can help by staying organized and well documented to explain exactly how you used the third-party payment platform that sent you the form.

2023 Marginal Income Tax Rates and Brackets

Marginal Tax Rates	Single Tax Bracket	Married Filing Jointly Tax Bracket	Head of Household Tax Bracket	Married Filing Separately Tax Bracket
10%	\$0–11,000	\$0–22,000	\$0–15,700	\$0–11,000
12%	\$11,000–44,725	\$22,000–89,450	\$15,700–59,850	\$11,000–44,725
22%	\$44,725–95,375	\$89,450–190,750	\$59,850–95,350	\$44,725–95,375
24%	\$95,375–182,100	\$190,750–364,200	\$95,350–182,100	\$95,375–182,100
32%	\$182,100–231,250	\$364,200–462,500	\$182,100–231,250	\$182,100–231,250
35%	\$231,250–578,125	\$462,500–693,750	\$231,250–578,100	\$231,250–346,875
37%	Over \$578,125	Over \$693,750	Over \$578,100	Over \$346,875

Standard Deduction

Filing Status	Tax Year 2023
Single	\$13,850
Married Filing Jointly	\$27,700
Married Filing Separately	\$13,850
Head of Household	\$20,800

Earned Income Tax Credit: To qualify for the Earned Income Tax Credit, a single filer with no children must have an AGI below \$17,640, while the cap for a married couple with three or more children is \$63,398.

Maximum Adjusted Gross Income Limits

Dependents Claimed	Single, Head of Household or Widowed	Married Filing Jointly
0	\$17,640	\$24,210
1	\$46,560	\$53,120
2	\$52,918	\$59,478
3 or more	\$56,838	\$63,398

You *cannot* claim the EITC in tax season 2024 if you have investment income over \$11,000 or if you're married filing separately.

The child tax credit (CTC) lets you take a credit up to \$2,000 per dependent child under the age of 17. The income limit is \$400,000 for married filing jointly and \$200,000 for all the others. The CTC is also partially refundable up to \$1,600.

Key Retirement Plan Limits				
Retirement Plans	2023	2022	Change	Age 50 or older catch-up
401(k), 403(b), 457 plans	\$22,500	\$20,500	+\$2,000	Add \$7,500
IRA: Roth	\$6,500	\$6,000	+\$500	Add \$1,000
IRA: SIMPLE	\$15,500	\$14,000	+\$1,500	Add \$3,500
IRA: Traditional	\$6,500	\$6,000	+\$500	Add \$1,000

Connecticut

Increase in the earned income tax credit (EITC)

Legislation increases the Earned Income Tax Credit from the current rate of 30.5% of the federal credit to 40% of the federal credit.

Subtraction Modification for Pension and Annuity Income and IRA Distributions

State law provides income tax exemptions for Social Security benefits, railroad retirement benefits, military retirement pay, pension and annuity income, teacher pension income, and individual retirement account (IRA) distributions. In most cases, exemption eligibility and exemption amounts are determined based on a taxpayer’s total federal adjusted gross income (AGI).

All taxpayers qualify for the Social Security benefits exemption, but taxpayers with AGIs greater than \$100,000 (for joint filers) or \$75,000 (for other filing statuses) qualify only for a partial exemption. Tier I and II railroad retirement benefits and military retirement pay are fully exempt from income tax, regardless of total AGI. Taxpayers with Teachers’ Retirement System (TRS) income qualify for a 50% exemption regardless of their AGI.

Currently, taxpayers with AGIs of less than \$75,000 or \$100,000 (as applicable) are fully exempt from income tax on their pension and annuity income and partially exempt from income tax on IRA income (the IRA exemption does not fully phase-in until the 2026 tax year).

IRA Income

Enacted in the FY 22-23 budget act, existing law exempts an increasing portion of income-eligible taxpayers’ IRA income, other than income from Roth IRAs, until it is fully exempt in the 2026 tax year, as shown in Table 1:

Table 1: Schedule for Deducting Percentage of IRA Income From Connecticut Income Taxes

Tax Year	Percent of IRA Income Exempt
2023	25
2024	50
2025	75
2026 and thereafter	100

Sunset of the Angel Investor Tax Credit

Legislation provides that no additional tax credits shall be reserved for investments made in a qualified Connecticut business on or after July 1, 2028, or for any investments made in a qualified cannabis business on or after July 1, 2023. The legislation is effective July 1, 2023.

Subtraction modification for Ordinary and Necessary Business Expenses for Taxpayers Licensed Under Chapter 420f or 420h That Are Not Claimed for Federal Income Tax Purposes

Legislation allows those taxpayers that are licensed under either chapter 420f (palliative Use of Marijuana) or 420h (Regulation of Adult Use Cannabis) of the Connecticut General Statutes to deduct “ordinary and necessary” business expenses allowed under IRC § 162 in determining their Connecticut income tax liability. The legislation is effective upon passage is applicable to taxable years beginning on or after January 1, 2023.

Rhode Island

Rhode Island standard deduction amounts by tax year		
Filing status	2022	2023
Single	\$9,300	\$10,000
Married filing jointly*	\$18,600	\$20,050
Head of household	\$13,950	\$15,050
Married filing separately	\$9,300	\$10,025

* Or qualifying widow or widower.
 Note: Amounts are determined based on inflation as calculated by U.S. Bureau of Labor Statistics and applied to formulas under Rhode Island General Laws § 44-30-2.6.

Rhode Island personal and dependency exemption amounts by tax year	
2022	2023
\$4,350	\$4,700

Tax credits extended:

Tax credits and incentives update		
PROGRAM:	OLD SUNSET DATE:	NEW SUNSET DATE:
Stay Invested in RI Wavemaker Fellowship	December 31, 2022	December 31, 2023
Rebuild Rhode Island Tax Credit	December 31, 2022	December 31, 2023
Rhode Island Qualified Jobs Incentive Act of 2015	December 31, 2022	December 31, 2023
Rhode Island Tax Increment Financing	December 31, 2022	December 31, 2023
Historic Preservation Tax Credits 2013	June 30, 2022	June 30, 2023

Massachusetts

New 4% Surtax: Beginning with tax year 2023, personal income taxpayers, subject to chapter 62, must pay an additional 4% surtax on taxable income over \$1,000,000, increased annually for inflation. At the same time, Massachusetts has allowed married couples to file separately even if they do not file that way for federal income tax. This would have presumably benefited married couples each earning up to \$1 million. The bill closes what many viewed as a loophole for married couples. Married couples must file joint returns for any years in which a federal joint income tax return is filed starting in the 2024 tax year.

DOR will grant relief for all Mass. taxpayers affected by Hurricane Lee. The relief will generally be what was [announced by the IRS](#).

Provisions of the tax cuts package signed by Governor Healy on October 4, 2023:

- Child and Family Tax Credit – Eliminates two-dependent cap and increases credit from \$180 per dependent child, disabled adult, or senior to \$310 for 2023 and to \$440 on a permanent basis, starting in 2024. An estimated 565,000 families will benefit, and this will be the most generous universal child and dependent tax credit in the country.
- Earned Income Tax Credit (EITC) – increases credit from 30% to 40% of the federal credit
- Short-Term Capital Gains – reduces rate from 12% to 8.5%.
- Rental Deduction – increases cap from \$3,000 to \$4,000. This deduction is available for Massachusetts residents who pay rent for their principal place of residence.
- Senior Circuit Breaker Tax Credit – The maximum credit amount for tax year 2023 is \$2,590.
- Lead Paint Abatement Credit – doubles credit to \$3,000 for full abatement and \$1,000 for partial abatement.
- Title V (Septic) Tax Credit – triples maximum credit to \$18,000, increases percentage of eligible expenses from 40% to 60%; and allows taxpayers to claim up to \$4,000 in any year, versus \$1,500 in current law.
- Deductible Commuter Transit Benefits – adds public transit fares, RTA fares and bicycle expenses to deductible commuter expenses. The deduction applies to total commuting expenses in excess of \$150, and shall not exceed \$750.
- Student Loan Repayment Assistance – Ensures that employer student loan payments are not treated as taxable compensation.
- Elder Property Tax Relief: Cities and towns may give property tax relief to residents over age sixty who provide volunteer services to the local government. The maximum amount of property tax relief has increased from \$1,500 annually to \$2,000.