



Financial Planning Association of Metro New York for Senator Krueger's Office

**Income Tax Planning: A brief overview of
how much tax you pay and how to manage
taxes effectively**

09/19/2023



Table of contents

1. Why do we pay taxes?

2. How much tax do you pay?

3. Tax Diversification:

Going over retirement income categories and offering some thoughts on how to save taxes

4. Helpful resources



Section I

- **Why do we pay taxes?**

Why do we need to pay taxes?

- Taxes provide revenue for federal, local, and state governments to fund essential services, such as defense, highways, police, and a justice system.
- Taxes also fund programs and services, such as education, health, social services, job training, schools and parks.
- Taxes contribute to our social security benefits for retirement

Section II

- **How much tax do you pay?**

How much income taxes do we pay at the Federal level?

Let's use an easy example:

Married couple: Mike and Susan, both 62 years old, plan to file a joint return

In total, they will make \$150,000 in salaries in 2023

	Federal	Marginal tax rate for married filing jointly	Tax brackets
Wages	\$150,000	10%	\$0 to \$22,000
Standard Deductions	-\$27,700	12%	\$22,001 to \$89,450
Taxable Income	\$122,300	22%	\$89,451 to \$190,750
Federal Income taxes	\$17,521	24%	\$190,751 to \$364,200
	see calculation below	32%	\$364,201 to \$462,500
		35%	\$462,501 to \$693,750
		37%	\$693,751 or more
	Taxable Income Amount	Marginal Tax Rate	Taxes
1st \$22,000 @ 10%	\$22,000	10%	\$2,200
next \$67,450 @ 12%	\$67,450	12%	\$8,094
next \$32,850 @ 22%	\$32,850	22%	\$7,227
Total	\$122,300		\$17,521
			Federal Taxes
Effective tax rate - Federal		Total tax divided by total taxable income	
		14%	

Federal Standard Deductions:

Federal – 2023 Standard deductions [adjusted for inflation; it went up approx. 7% from the prior year]

Filing Status	Standard deduction amount
Married Filing Joint Return and Qualifying Surviving Spouse	\$27,700
Single/Married Filing Separately	\$13,850
Head of Household	\$20,800
Single (and can be claimed as a dependent by another taxpayer)	greater of \$1,250 or your earned income plus \$400 (but the total can't be more than the basic standard deduction for your filing status)
Additional Amount for Age (65 or older) or Blind (Married Filing Jointly, Surviving Spouse)	\$1,500
Additional Amount for Age (65 or older) or Blind (Single, Head of Household)	\$1,850

2023 Federal Income Tax Brackets and Rates

Tax Rate	Married filing jointly and qualifying surviving spouse	Single	Head of Household
10%	\$0 to \$22,000	\$0 to \$11,000	\$0 to \$15,700
12%	\$22,001 to \$89,450	\$11,001 to \$44,725	\$15,701 to \$59,850
22%	\$89,451 to \$190,750	\$44,726 to \$95,375	\$59,851 to \$95,350
24%	\$190,751 to \$364,200	\$95,376 to \$182,100	\$95,351 to \$182,100
32%	\$364,201 to \$462,500	\$182,101 to \$231,250	\$182,101 to \$231,250
35%	\$462,501 to \$693,750	\$231,251 to \$578,125	\$231,251 to \$578,100
37%	\$693,751 or more	\$578,126 or more	\$578,101 or more

How much income taxes do we pay at the NYS and NYC levels?

Let's assume Mike and Susan are NYC residents:

	NY State	Marginal tax rate for married filing jointly	NYS Tax brackets
Wages	\$150,000	4.00%	\$0 to \$17,150
Standard Deductions	-\$16,050	4.50%	\$17,151 to \$23,600
Taxable Income	\$133,950	5.25%	\$23,601 to \$27,900
		5.85%	\$27,901 to \$161,550
		6.25%	\$161,551 to \$323,200
		6.85%	\$323,201 to \$2,155,350
		9.65%	\$2,155,351 to \$5,000,000
		10.30%	\$5,000,001 to \$25,000,000
		10.90%	Over \$25,000,000
		NY State Marginal tax rate	Taxes
1st \$17,150 @ 4%	\$17,150	4.00%	\$686
next \$6,450 @ 4.5%	\$6,450	4.50%	\$290
next \$4,300 @ 5.25%	\$4,300	5.25%	\$226
next \$106,050 @ 5.85%	\$106,050	5.85%	\$6,204
Total	\$133,950		\$7,406
			NY State Taxes
NY State income taxes and effective rate	\$7,406	5.53%	Total tax divided by total taxable income
NYC income taxes and effective rate	\$4,967	3.71%	using NYC tax bracket table
Total NYS and NYC	\$12,373	9.24%	

2023 NY State Standard Deductions:

No inflation adjustment (same as last year)

Filing status	Standard deduction amount
Married filing jointly/Qualifying Surviving Spouse	\$16,050
Head of household (with qualifying person)	\$11,200
Single / Married filing separately	\$8,000
Single (and can be claimed as a dependent on another taxpayer's federal return)	\$3,100

2023 NY State Income Tax Brackets and Rates

Tax Rate	Married filing jointly and qualifying surviving spouse	Single	Head of Household
4.00%	\$0 to \$17,150	\$0 to \$8,500	\$0 to \$12,800
4.50%	\$17,151 to \$23,600	\$8,501 to \$11,700	\$12,801 to \$17,650
5.25%	\$23,601 to \$27,900	\$11,701 to \$13,900	\$17,651 to \$20,900
5.85%	\$27,901 to \$161,550	\$13,901 to \$80,650	\$20,901 to \$107,650
6.25%	\$161,551 to \$323,200	\$80,651 to \$215,400	\$107,651 to \$269,300
6.85%	\$323,201 to \$2,155,350	\$215,401 to \$1,077,550	\$269,301 to \$1,616,450
9.65%	\$2,155,351 to \$5,000,000	\$1,077,551 to \$5,000,000	\$1,616,451 to \$5,000,000
10.30%	\$5,000,001 to \$25,000,000	\$5,000,001 to \$25,000,000	\$5,000,001 to \$25,000,000
10.90%	Over \$25,000,000	Over \$25,000,000	over \$25,000,000

2023 NYC Income Tax Brackets and Rates

Tax Rate	Married filed jointly and qualifying surviving spouse	Single	Head of household
3.078%	Not over \$21,600	Not over \$12,000	Not over \$14,400
3.762%	Over \$21,600 but not over \$45,000	Over \$12,000 but not over \$25,000	Over \$14,400 but not over \$30,000
3.819%	Over \$45,000 but not over \$90,000	Over \$25,000 but not over \$50,000	Over \$30,000 but not over \$60,000
3.876%	Over \$90,000	Over \$50,000	Over \$60,000

Section III

Tax diversification:

Going over retirement income categories and offering some thoughts on how to save taxes

Income Sources in Retirement

1. Retirement accounts through work:

Tax Deferred: 401K, 403(B) (non-for-profit)

Roth 401K, 403(B)

Pension (for the lucky ones)

2. Retirement accounts outside of work

Tax Deferred: IRA

Roth IRA

3. Social Security

4. Investments (stocks, bonds, real estate, etc.)

5. Income from (part-time) work

Tax Deferred vs Roth

Tax Deferred (/ Traditional) vs. Roth:

Tax-deferred: IRA, 401K, 403(B) (non-for-profit)

All the money in the tax-deferred accounts has never been taxed. When you take money out, you are going to pay taxes on that money:

Federal – Taxed as Ordinary Income

NY State – For those 59½ or older, the first \$20,000 of retirement income (from a corporate pension, an IRA, a 401(k) account or another retirement plan) is tax-exempt. Married couples get a total of \$40,000 exemption.

Roth Account: Roth IRA, Roth 401K, Roth 403(B)

After-tax money you put in your retirement accounts

Benefit - grow tax-free, when you take money, no additional tax is owed

If you have \$100,000 in your Traditional 401K Account vs. \$100,000 in your Roth 401K account – which one is worth more?

How Social Security Benefit is taxed?

Federal – Depending on your provisional income (see calculation below), up to 85% of your social security benefit may be taxed at [ordinary income rate](#).

[NY State – Do not tax social security benefits.](#)

Provisional Income / Combined Income:

- ½ of your Social Security benefits
- + Nontaxable interest
- +all of your other income
- = Your Provisional Income

FILING STATUS	PROVISIONAL INCOME THRESHOLD	% OF TAXABLE BENEFITS
Single; head of household; qualifying widow/widower; married, filing separately (spouses lived apart for all of the tax year)	\$0 to \$25,000	0%
	>\$25,000	Up to 50%
	>\$34,000	Up to 85%
Married, filing jointly	\$0 to \$32,000	0%
	>\$32,000	Up to 50%
	>\$44,000	Up to 85%
Married, filing separately (spouses lived together at any time during the year)	\$0	Up to 85%

Investment income from Brokerage accounts (outside of retirement accounts)

The federal government offers **lower tax rates for long-term capital gains (see table on page 18)**

NY State – taxed as Ordinary Income

What is Capital Gain:

When you sell the stock for more than the purchase price (cost basis), you have a capital gain, and if you held the stock for more than 1 year, then it's long-term capital gain.

	Date	\$ amount	
Proceeds	1/1/2023	\$100,000	sold the same 100 shares of Stock A
Cost	1/1/2015	-\$50,000	bought 100 shares of Stock A
	Long Term Capital Gain	\$50,000	
	Holding period greater than 1 year = long term		

2023 Long-Term Capital Gain Tax Rate & Brackets - Federal

Taxable Income Threshold	0%	15%	20%
Married Filing Jointly and Surviving Spouse	\$ 0 to \$89,250	\$ 89,251 to \$ 553,850	\$ 553,851 and up
Head of Household	\$ 0 to \$ 59,750	\$ 59,751 to \$ 523,050	\$ 523,051 and up
Single	\$ 0 to \$44,625	\$ 44,626 to \$ 492,300	\$ 492,301 and up
Married Filing Separately	\$ 0 to \$44,625	\$ 44,626 to \$ 276,900	\$ 276,901 and up
Estate and Trust	\$ 0 to \$3,000	\$ 3,001 to \$ 14,650	\$ 14,651 and up

Net Capital loss deduction is limited to \$3,000 per year (Married filed Separately \$1,500); excess can be carried over to future years until the loss is used up.

Section V – Helpful Resources

- Federal Income Tax: <https://www.irs.gov/>
- **Tips for Seniors in Preparing their Taxes:**
<https://www.irs.gov/individuals/seniors-retirees/tips-for-seniors-in-preparing-their-taxes>
- New York State Income Tax: <https://www.tax.ny.gov/>
- Additional tax information:
- <https://states.aarp.org/new-york/state-taxes-guide>

IRS Free File for qualified taxpayers

IRS

<https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>

- IRS Free File lets qualified taxpayers prepare and file federal income tax returns online using guided tax preparation software. It's safe, easy and no cost to you. Those who don't qualify can still use Free File Fillable Forms.
- Individual tax filers, regardless of income, can use IRS Free File to electronically request an automatic tax-filing extension.
- Taxpayers in [certain disaster areas](#) do not need to submit an extension electronically or on paper. Check to see if you qualify and the due date of your return.
- **Choose from IRS Free File:**
- **Guided Tax Preparation
(for AGI \$73,000 or less)**
- Let the software do the work
 - Free federal return if you qualify
 - Answer simple questions
 - Guided preparation does all the math
 - Tax filing done on an IRS partner site
 - Some state tax preparation and filing are free
- **[Use Free Guided Tax Preparation](#)**

NYS Free File for qualified taxpayers

- **New York State:**
- <https://www.tax.ny.gov/>

- **Prepare to e-file**
- Electronically filed returns are more accurate than paper-filed returns. Additionally, most New Yorkers who electronically file their returns can receive their refunds up to two weeks sooner than paper filers.
- **Select your software**
- You may be eligible for Free File using one of the software providers below, if:
 - your federal adjusted gross income (AGI) is **\$41,000 or less** regardless of age, or
 - you are **57 years old or younger** with a federal adjusted gross income (AGI) of **\$60,000 or less**, or
 - your federal AGI was \$73,000 or less **and** you served as Active Duty Military (including Reservists and National Guard).
- If you do **not** qualify to use one of the Free File software providers, you still have choices that may work for you! See [Other e-file options](#) to learn more.
- **See if you qualify for free tax assistance**
- Depending on your income, you may qualify for free online tax assistance from the department. We can help you electronically prepare and file your federal and state income tax returns.
- See [Taxpayer Assistance Program \(TAP\)](#) for more information.

free-tax-return-preparation-for-qualifying-taxpayers

<https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>

- The IRS's Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs offer free basic tax return preparation to qualified individuals.
- The VITA program has operated for over 50 years. VITA sites offer free tax help to people who need assistance in preparing their own tax returns, including:
 - People who generally make \$60,000 or less
 - Persons with disabilities; and
 - Limited English-speaking taxpayers
- In addition to VITA, the TCE program offers free tax help, particularly for those who are 60 years of age and older, specializing in questions about pensions and retirement-related issues unique to seniors.
- **Before your visit**
- Before going to a VITA or TCE site, see [Publication 3676-BPDF](#) for services provided and check out [What to Bring](#) to ensure you have all the required documents and information our volunteers will need to help you.
- **Note:** Available services can vary at each site due to the availability of volunteers certified with the tax law expertise required for your return.
- Some VITA sites offer [CAA service](#) to taxpayers along with their VITA program.
- Also, visit the [FDIC website](#) for information on where to find a bank that can open an account online and how to choose the right account for you.

QUESTIONS?

Financial Planning Association of Metro New York

Stephanie Chau, CPA CFP ®

Anja Luesink , MBA CFP® RLP® CeFT® GPF®

Email: info@fpametrony.org