

# 2023 Tax-Smart Planning

Download today's slides:  
[WisMedFinancial.org/Upcoming-Events](https://WisMedFinancial.org/Upcoming-Events) or



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## Know your bracket to know your strategy

↑ High tax bracket = accelerate deductions & defer income

↓ Low tax bracket = accelerate income & defer deductions



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## Tax bracket determination



Gross Income

### Pretax Deductions



HSA

401(k)  
or  
403(b)Deductions:  
standard or  
itemized

10%



12%



22%



24%



32%



35%



37%

### Taxable Income

## 2023 Deductions

HEALTH SAVINGS ACCOUNT	
COVERAGE	CONTRIB.
INDIVIDUAL	\$3,850
FAMILY	\$7,750
AGE 55+ CATCH UP	\$1,000

RETIREMENT PLANS	
ELECTIVE DEFERRALS (401(K), 403(B), 457)	
Contribution Limit	\$22,500
Catch Up (Age 50+)	\$7,500
403(b) Additional Catch Up (15+ Years of Service)	\$3,000

STANDARD DEDUCTION			
FILING STATUS		ADDITIONAL (AGE 65/OLDER OR BLIND)	
MFJ	\$27,700	MARRIED (EACH ELIGIBLE SPOUSE)	\$1,500
SINGLE	\$13,850	UNMARRIED (SINGLE, HOH)	\$1,850



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## 2023 Tax Brackets

FEDERAL INCOME TAX		
TAX RATE	MFJ	SINGLE
10%	\$0 - \$22,000	\$0 - \$11,000
12%	\$22,001 - \$89,450	\$11,001 - \$44,725
22%	\$89,451 - \$190,750	\$44,726 - \$95,375
24%	\$190,751 - \$364,200	\$95,376 - \$182,100
32%	\$364,201 - \$462,500	\$182,101 - \$231,250
35%	\$462,501 - \$693,750	\$231,251 - \$578,125
37%	Over \$693,750	Over \$578,125

# Federal Item. Deduct.

Categories:

Medical and Dental Expenses

- Amount > 7.5% of AGI is deductible

Taxes You Paid (capped at \$10,000)

- WI income taxes
- Property taxes

Interest You Paid (for your home)

Gifts to Charity

Or claim standard deduction if higher:

STANDARD DEDUCTION			
FILING STATUS		ADDITIONAL (AGE 65/OLDER OR BLIND)	
MFJ	\$27,700	MARRIED (EACH ELIGIBLE SPOUSE)	\$1,500
SINGLE	\$13,850	UNMARRIED (SINGLE, HOH)	\$1,850

**SCHEDULE A (Form 1040)**  
Department of the Treasury  
Internal Revenue Service  
Name(s) shown on Form 1040 or 1040-SR

**Itemized Deductions**  
Attach to Form 1040 or 1040-SR.  
Go to [www.irs.gov/schedulea](https://www.irs.gov/schedulea) for instructions and the latest information.  
Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.  
OMB No. 1545-0074  
2023  
Attachment Sequence No. 07  
Your social security number

**Medical and Dental Expenses**  
1 Medical and dental expenses (see instructions) 1  
2 Enter amount from Form 1040 or 1040-SR, line 11 2  
3 Multiply line 2 by 7.5% (0.075) 3  
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4

**Taxes You Paid**  
5 State and local taxes.  
a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box ☐ 5a  
b State and local real estate taxes (see instructions) 5b  
c State and local personal property taxes 5c  
d Add lines 5a through 5c 5d  
e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) 5e  
6 Other taxes. List type and amount: 6  
7 Add lines 5e and 6 7

**Interest You Paid**  
8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box ☐ 8a  
a Home mortgage interest and points reported to you on Form 1098. See instructions if limited. 8b  
b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address 8c  
c Points not reported to you on Form 1098. See instructions for special rules 8d  
d Reserved for future use 8e  
e Add lines 8a through 8c 8e  
9 Investment interest. Attach Form 4952 if required. See instructions 9  
10 Add lines 8e and 9 10

**Gifts to Charity**  
11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions 11  
12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500 12  
13 Carryover from prior year 13  
14 Add lines 11 through 13 14

**Casualty and Theft Losses**  
15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions 15

**Other Itemized Deductions**  
16 Other—from list in instructions. List type and amount: 16

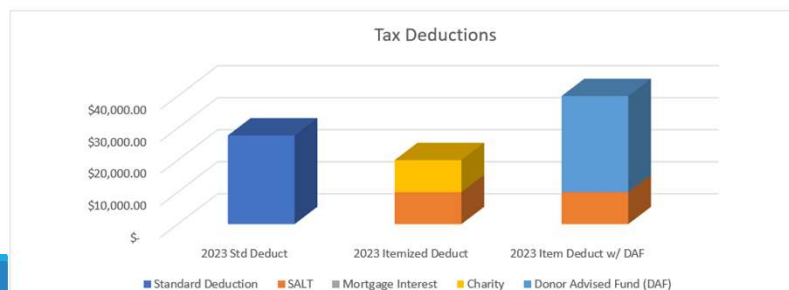
**Total Itemized Deductions**  
17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12 17

**Standard Deduction**  
18 If you elect to itemize deductions even though they are less than your standard deduction, check this box ☐ 18

For Paperwork Reduction Act Notice, see the Instructions for Form 1040. Cat No: 17149C Schedule A (Form 1040) 2023

## Charity – Under Age 70 1/2

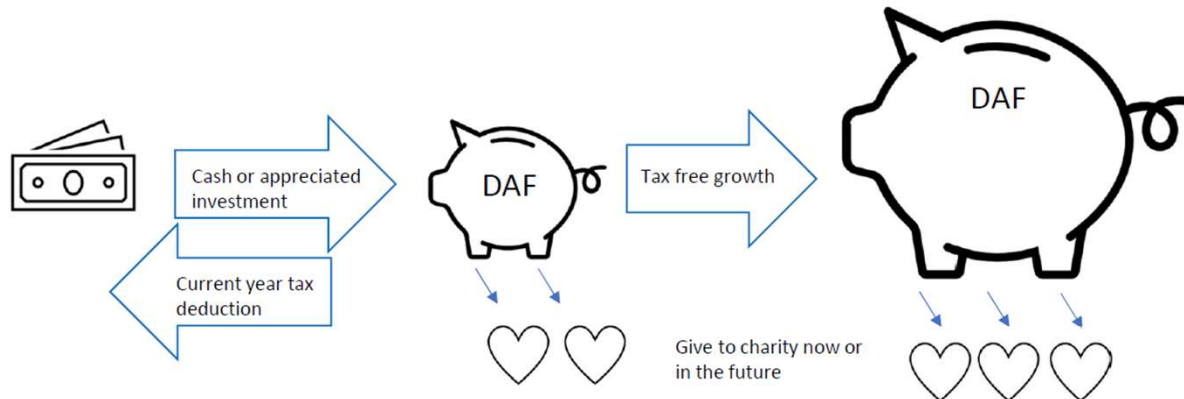
	2023 Std Deduct	2023 Itemized Deduct	2023 Item Deduct w/ DAF	
Standard Deduction	\$ 27,700.00			
Over age 65	\$ -			
SALT	\$ -	\$ 10,000.00	\$ 10,000.00	
Mortgage Interest	\$ -	\$ -	\$ -	
Charity	\$ -	\$ 10,000.00	\$ -	
Donor Advised Fund (DAF)			\$ 30,000.00	< Total gifts 2023-2025
1st year	\$ 27,700.00	\$ 20,000.00	\$ 40,000.00	
Sum 3 years	\$ 83,100.00	\$ 60,000.00	\$ 95,400.00	





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## Charity – Under Age 70 1/2

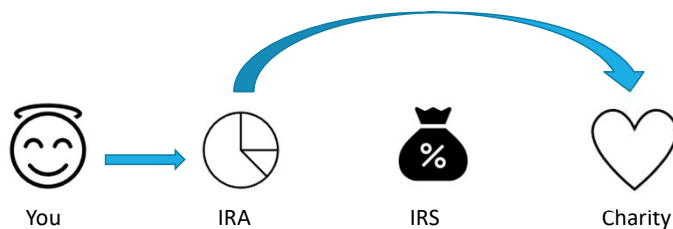


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## QCD – Over Age 70 1/2

Qualified Charitable Distribution (QCD)

- Give funds from an IRA directly to charity.
- Gifts count toward required minimum distribution.
- Gifts do not count as adjusted gross income for taxes.





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## Charity – Over Age 70 1/2

QCD vs. Normal Distribution then Deduction

	QCD	Tax Deduct	
AGI	\$ 140,000.00	\$ 150,000.00	
Standard Deduction	\$ 30,700.00		
SALT		\$ 10,000.00	
Mortgage Interest		\$ -	
Charity		\$ 10,000.00	Not enough to itemize, take standard deduction
Taxable Income	\$ 109,300.00	\$ 119,300.00	
Difference in Taxable Income	\$ 10,000.00		
Federal tax rate	22%		
WI tax rate	5.3%		
<b>Tax benefit</b>	<b>\$ 2,730.00</b>		

## Tax Credits

Credits reduce tax \$1 for \$1

Deductions reduce taxable income

SCHEDULE 3 (Form 1040)		Additional Credits and Payments		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to <a href="https://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		2022 Attachment Sequence No. 03
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
<b>Part I Nonrefundable Credits</b>				
1	Foreign tax credit. Attach Form 1116 if required . . . . .	1		
2	Credit for child and dependent care expenses from Form 2441, line 11. Attach Form 2441 . . . . .	2		
3	Education credits from Form 8863, line 19 . . . . .	3		
4	Retirement savings contributions credit. Attach Form 8880 . . . . .	4		
5	Residential energy credits. Attach Form 5695 . . . . .	5		
6	Other nonrefundable credits:			
a	General business credit. Attach Form 3800 . . . . .	6a		
b	Credit for prior year minimum tax. Attach Form 8801 . . . . .	6b		
c	Adoption credit. Attach Form 8839 . . . . .	6c		
d	Credit for the elderly or disabled. Attach Schedule R . . . . .	6d		
e	Alternative motor vehicle credit. Attach Form 8910 . . . . .	6e		
f	Qualified plug-in motor vehicle credit. Attach Form 8936 . . . . .	6f		
g	Mortgage interest credit. Attach Form 8396 . . . . .	6g		
h	District of Columbia first-time homebuyer credit. Attach Form 8859 . . . . .	6h		
i	Qualified electric vehicle credit. Attach Form 8834 . . . . .	6i		
j	Alternative fuel vehicle refueling property credit. Attach Form 8911 . . . . .	6j		
k	Credit to holders of tax credit bonds. Attach Form 8912 . . . . .	6k		
l	Amount on Form 8978, line 14. See instructions . . . . .	6l		
z	Other nonrefundable credits. List type and amount: . . . . .	6z		
7	Total other nonrefundable credits. Add lines 6a through 6z . . . . .	7		
8	Add lines 1 through 5 and 7. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20 . . . . .	8		

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71480G Schedule 3 (Form 1040) 2022



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## WI Property Tax Credit

Pay up to \$2,500 in 2023, delay the rest until due in 2024.

Hint – May have already paid \$2,500 if last year's property taxes were paid in 2023.

Homeowner's School Property Tax Credit Table*														
If Property Taxes are:			If Property Taxes are:			If Property Taxes are:			If Property Taxes are:			If Property Taxes are:		
At Least	But Less Than	Line 15b Credit is	At Least	But Less Than	Line 15b Credit is	At Least	But Less Than	Line 15b Credit is	At Least	But Less Than	Line 15b Credit is	At Least	But Less Than	Line 15b Credit is
\$ 1	\$ 25	\$ 2	\$ 500	\$ 525	\$ 62	\$1,000	\$1,025	\$ 122	\$1,500	\$1,525	\$ 182	\$2,000	\$2,025	\$242
25	50	5	525	550	65	1,025	1,050	125	1,525	1,550	185	2,025	2,050	245
50	75	8	550	575	68	1,050	1,075	128	1,550	1,575	188	2,050	2,075	248
75	100	11	575	600	71	1,075	1,100	131	1,575	1,600	191	2,075	2,100	251
100	125	14	600	625	74	1,100	1,125	134	1,600	1,625	194	2,100	2,125	254
125	150	17	625	650	77	1,125	1,150	137	1,625	1,650	197	2,125	2,150	257
150	175	20	650	675	80	1,150	1,175	140	1,650	1,675	200	2,150	2,175	260
175	200	23	675	700	83	1,175	1,200	143	1,675	1,700	203	2,175	2,200	263
200	225	26	700	725	86	1,200	1,225	146	1,700	1,725	206	2,200	2,225	266
225	250	29	725	750	89	1,225	1,250	149	1,725	1,750	209	2,225	2,250	269
250	275	32	750	775	92	1,250	1,275	152	1,750	1,775	212	2,250	2,275	272
275	300	35	775	800	95	1,275	1,300	155	1,775	1,800	215	2,275	2,300	275
300	325	38	800	825	98	1,300	1,325	158	1,800	1,825	218	2,300	2,325	278
325	350	41	825	850	101	1,325	1,350	161	1,825	1,850	221	2,325	2,350	281
350	375	44	850	875	104	1,350	1,375	164	1,850	1,875	224	2,350	2,375	284
375	400	47	875	900	107	1,375	1,400	167	1,875	1,900	227	2,375	2,400	287
400	425	50	900	925	110	1,400	1,425	170	1,900	1,925	230	2,400	2,425	290
425	450	53	925	950	113	1,425	1,450	173	1,925	1,950	233	2,425	2,450	293
450	475	56	950	975	116	1,450	1,475	176	1,950	1,975	236	2,450	2,475	296
475	500	59	975	1,000	119	1,475	1,500	179	1,975	2,000	239	2,475	2,500	299
												2,500 or more		300

\*Caution The credit allowed certain persons may be less than the amount indicated. See "Special Cases" on page 17.

<https://www.revenue.wi.gov/TaxForms2022/2022-Form1-Inst.pdf>

## WI Subtractions

2 commonly missed subtractions (deductions):

Long-term care insurance premiums

- Typically, no tax form from insurance company.
- Some tax software doesn't ask for LTC premiums if you don't qualify for a federal medical expense deduction.

Edvest

- No tax form, so keep 12/31 statement as documentation
- Subtract up to \$3,860 per beneficiary

Schedule <b>SB</b> Wisconsin Department of Revenue		<b>Form 1 –</b> <b>Subtractions from Income</b> File with Wisconsin Form 1		<b>2022</b>
Name			Social Security Number	
See the instructions for additional information on the subtractions listed below. Enter all amounts as positive numbers.				
<b>Subtractions from Income</b>				
1	Taxable refund of state income tax (from line 1 of federal Schedule 1)	1		.00
2	United States government interest	2		.00
3	Unemployment compensation	3		.00
4	Social security adjustment	4		.00
5	Capital gain/loss subtraction	5		.00
6	Medical care insurance	6		.00
7	Long-term care insurance	7		.00
8	Tuition and fee expenses	8		.00
9	Private school tuition	9		.00
10	Contributions to an Edvest or Tomorrow's Scholar college savings account	10		.00
11	Distributions of certain earnings from Wisconsin state-sponsored college tuition programs	11		.00
12	Military and uniformed services retirement benefits	12		.00
13	Local and state retirement benefits	13		.00
14	Federal retirement benefits	14		.00
15	Railroad retirement benefits, railroad unemployment insurance, and sickness benefits	15		.00
16	Retirement income subtraction	16		.00
17	Reserve or National Guard members	17		.00
18	U.S. Armed Forces active duty pay	18		.00
19	Combat zone related death	19		.00
20	Adoption expenses	20		.00
21	Contributions to ABLE accounts	21		.00
22	Disability income exclusion	22		.00
23	Wisconsin net operating loss deduction	23		.00
24	Farm loss carryover	24		.00
25	Native Americans	25		.00
26	Sale of business assets or assets used in farming to a related person	26		.00
27	Recoveries of federal itemized deductions	27		.00
28	Repayment of income previously taxed	28		.00
29	Add lines 1 through 28. Enter here and on line 30, page 2	29		.00

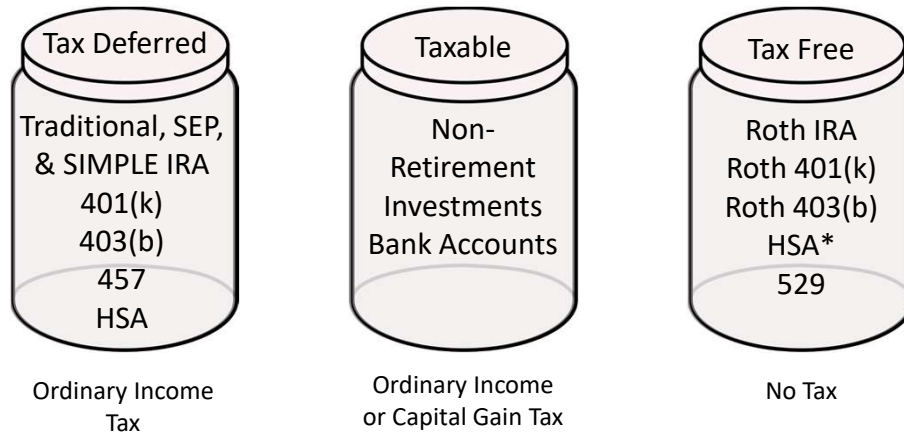


Now go to page 2 →



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## Account Types



\* Tax free for qualifying health expenses



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## Tax Loss Harvesting (Taxable Accounts)

Bought ABC stock = \$75,000

Current value = \$52,000

Unrealized loss = (\$23,000)

Short-term gain/loss: <1 year  
Long-term gain/loss: >1 year

Sell ABC to realize (\$23,000) loss on tax return

Realized gains minus realized losses = Net gain or net loss for tax return

If net loss is more than (\$3,000), excess loss is "banked" for future years.





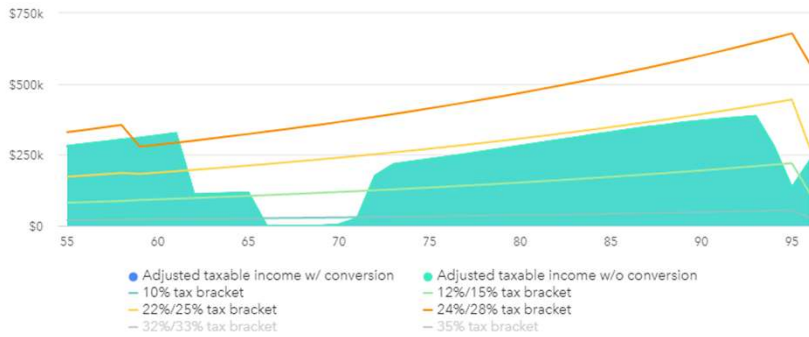
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# Roth Conversion

Ordinary income tax bracket

Ordinary income tax bracket

Current plan



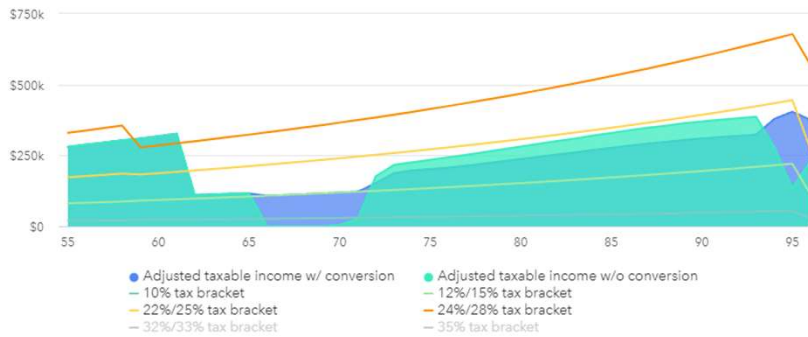
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# Roth Conversion

Ordinary income tax bracket

Ordinary income tax bracket

Current plan



Proposed Strategy

**\$742,978 more**

tax adjusted ending portfolio than  
a pro-rata withdrawal strategy w/o  
conversion





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## Medicare Premiums – '22 for '24

MEDICARE PREMIUMS & IRMAA SURCHARGE			
PART B PREMIUM	\$174.70		
PART A PREMIUM	Less than 30 Credits: \$505	30 – 39 Credits: \$278	
YOUR 2022 MAGI INCOME WAS:		IRMAA SURCHARGE:	
MFJ	SINGLE	PART B	PART D
\$206,000 or less	\$103,000 or less	–	–
\$206,001 – \$258,000	\$103,001 – \$129,000	\$69.90	\$12.90
\$258,001 – \$322,000	\$129,001 – \$161,000	\$174.70	\$33.30
\$322,001 – \$386,000	\$161,001 – \$193,000	\$279.50	\$53.80
\$386,001 – \$749,999	\$193,001 – \$499,999	\$384.30	\$74.20
\$750,000 or more	\$500,000 or more	\$419.30	\$81.00

## 2024 Considerations

RETIREMENT PLANS			
ELECTIVE DEFERRALS (401(K), 403(B), 457)			
Contribution Limit	\$23,000		
Catch Up (Age 50+)	\$7,500		
403(b) Additional Catch Up (15+ Years of Service)	\$3,000		
TRADITIONAL IRA & ROTH IRA CONTRIBUTIONS			
Total Contribution Limit	\$7,000		
Catch Up (Age 50+)	\$1,000		
ROTH IRA ELIGIBILITY			
SINGLE MAGI PHASEOUT	\$146,000 – \$161,000		
MFJ MAGI PHASEOUT	\$230,000 – \$240,000		
HEALTH SAVINGS ACCOUNT			
COVERAGE	CONTRIBUTION	MINIMUM ANNUAL DEDUCTIBLE	MAX. OUT-OF-POCKET EXPENSE
INDIVIDUAL	\$4,150	\$1,600	\$8,050
FAMILY	\$8,300	\$3,200	\$16,100
AGE 55+ CATCH UP	\$1,000	–	–

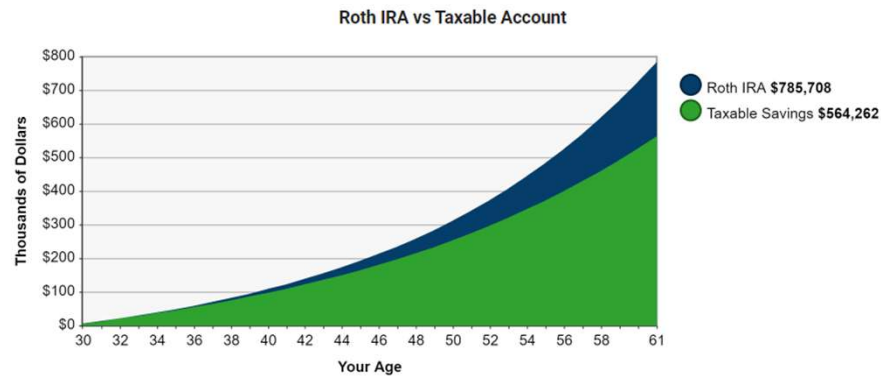


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## Roth IRA / backdoor Roth IRA

30-year-old, maximum contribution yearly, 7% return

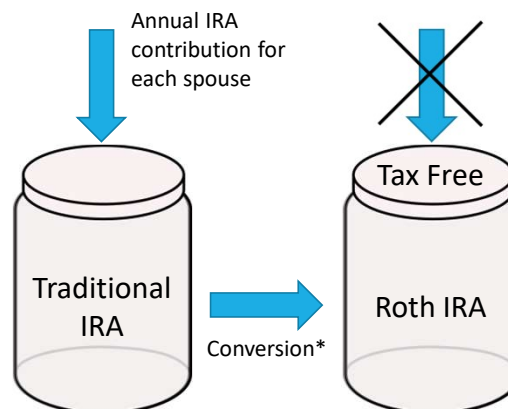
= \$221,000 tax savings per person!



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## Backdoor Roth IRA

Traditional IRA contributions and conversions to Roth IRA are allowed with any income.



\*If you have an existing IRA balance (SIMPLE, SEP, or traditional IRA) an additional step is needed first.

# 2024 Considerations

Excess taxes due to taxable interest or capital gains?

Change investments to be more tax efficient.

2a	Tax-exempt interest . . . . .	2a		b	Taxable interest . . . . .	2b		\$\$\$
3a	Qualified dividends . . . . .	3a		b	Ordinary dividends . . . . .	3b		
4a	IRA distributions . . . . .	4a		b	Taxable amount . . . . .	4b		
5a	Pensions and annuities . . . . .	5a		b	Taxable amount . . . . .	5b		
6a	Social security benefits . . . . .	6a		b	Taxable amount . . . . .	6b		
c	If you elect to use the lump-sum election method, check here (see instructions) . . . . .		<input type="checkbox"/>					
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . .		<input type="checkbox"/>	7				\$\$\$
8	Additional income from Schedule 1, line 10 . . . . .			8				

**1040** Department of the Treasury • Internal Revenue Service **2023** U.S. Individual Income Tax Return OMB No. 1545-0047 99 Use Only. Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning 2023, ending 2023

See separate instructions.

Your first name and middle initial Last name Your social security number

If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street), if you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign

City, town, or post office, if you have a foreign address, also complete spaces below. State ZIP code Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.

Foreign country name Foreign province/state/country Foreign postal code Yes Spouse

**Filing Status** ☐ Single ☐ Head of household (HOH) ☐ Married filing jointly (even if only one had income) ☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QSS)

Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent.

**Digital Assets** At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services), or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

**Standard Deduction** Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** You: ☐ Were born before January 2, 1959 ☐ Are blind ☐ Spouse: ☐ Was born before January 2, 1959 ☐ Is blind

**Dependents** (see instructions): (a) First name Last name (b) Social security number (c) Relationship to you (d) Check the box if qualifies for (see instructions): Credit tax credit Credit for other dependents

If more than four dependents, see instructions and check here

**Income** 1a Total amount from Form(s) W-2, box 1 (see instructions) 1a 1b Household employee wages not reported on Form(s) W-2 1b 1c Tip income not reported on line 1a (see instructions) 1c 1d Medicaid waiver payments not reported on Form(s) W-2 (see instructions) 1d 1e Taxable dependent care benefits from Form 2441, line 2b 1e 1f Employer-provided adoption benefits from Form 8839, line 29 1f 1g Wages from Form 8910, line 6 1g 1h Other earned income (see instructions) 1h 1i Nontaxable combat pay election (see instructions) 1i 1j Add lines 1a through 1h 1j

Attach Form(s) W-2 here. Also attach Forms W-2S and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

2a Tax-exempt interest 2a 2b Taxable interest 2b 3a Qualified dividends 3a 3b Ordinary dividends 3b 4a IRA distributions 4a 4b Taxable amount 4b 5a Pensions and annuities 5a 5b Taxable amount 5b 6a Social security benefits 6a 6b Taxable amount 6b

c If you elect to use the lump-sum election method, check here (see instructions) ☐ 7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ 7 8 Add lines 1a, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income 8 9 Adjustments to income from Schedule 1, line 26 9 10 Subtract line 10 from line 9. This is your adjusted gross income 10 11 Standard deduction or itemized deductions (from Schedule A) 11 12 Qualified business income deduction from Form 8995 or Form 8995-A 12 13 Add lines 12 and 13 13 14 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income 14 15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income 15

For Declaration, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 1139010 Form 1040 (2023)



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Questions

Feedback @ Menti.com

Code: 57 09 82 2

Slides:



Contact Mark



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