



2023 Tax Bracket Changes Could Increase Workers' Take-Home Pay

Bracket thresholds are going up about 7% from 2022 due to inflation adjustments

By Stephen Miller, CEBS

October 21, 2022

The IRS released adjustments that will raise the top amounts of all seven federal income tax brackets for 2023 and thereby increase the paychecks of many employees by taxing more of their earnings at lower rates.

The IRS announced the adjustments for tax year 2023 in Revenue Procedure 2022-38 (<https://www.irs.gov/pub/irs-drop/rp-22-38.pdf>), which was released on Oct. 18.

"Because inflation is higher than at any time in the past four decades, tax code adjustments are unusually high as well," with tax bracket thresholds rising about 7 percent, *The Wall Street Journal* reported. (<https://www.wsj.com/articles/inflation-causes-irs-to-raise-tax-brackets-standard-deduction-by-7-11666116021>)

"Assuming all else stays the same, this means that workers will see higher take-home pay starting in January," *Fortune* reported. (<https://fortune.com/2022/10/18/federal-income-tax-rates-and-brackets-for-2023/>)

For some high-earners, however, this benefit could be offset by having more of their income subject to Social Security payroll taxes, because the maximum earnings subject to the Social Security payroll tax will increase by nearly 9 percent (www.shrm.org/ResourcesAndTools/hr-topics/compensation/Pages/2023-wage-cap-rises-for-social-security-payroll-taxes.aspx) to \$160,200—up from the \$147,000 maximum for 2022—the Social Security Administration announced Oct. 13.

Revisiting Withholding Decisions

The level of income subject to a higher tax bracket can influence a number of employee decisions, such as paycheck withholding amounts and quarterly estimated tax payments to the IRS.

Other employee choices that could be affected by the tax bracket adjustments include how much salary to defer into a traditional 401(k) plan or into a health savings account, which reduces taxable income for a given year by the amount contributed and is a step people often take to keep income from passing into a higher tax bracket. Employees can also choose whether to participate in a nonqualified deferred income plan, if that option is available through their employer.

A comparison of income tax rates and ranges for 2023 and 2022 follows below. The 2023 rates are effective Jan. 1 and will remain in place through year-end unless Congress passes new tax legislation.

Single Filing Individual Return (other than surviving spouses and heads of households)

Tax Rate	2023 Taxable Income	2022 Taxable Income
10%	\$0 to \$11,000	\$0 to \$10,275
12%	Over \$11,000 to \$44,725	Over \$10,275 to \$41,775
22%	Over \$44,725 to \$95,375	Over \$41,775 to \$89,075
24%	Over \$95,375 to \$182,100	Over \$89,075 to \$170,050
32%	Over \$182,100 to \$231,250	Over \$170,050 to \$215,950
35%	Over \$231,250 to \$578,125	Over \$215,950 to \$539,900
37%	Over \$578,125	Over \$539,900

Married Filing Joint Returns (and surviving spouse)

Tax Rate	2023 Taxable Income	2022 Taxable Income
10%	\$0 to \$22,000	\$0 to \$20,550
12%	Over \$22,000 to \$89,450	Over \$20,550 to \$83,550
22%	Over \$89,450 to \$190,750	Over \$83,550 to \$178,150
24%	Over \$190,750 to \$364,200	Over \$178,150 to \$340,100
32%	Over \$364,200 to \$462,500	Over \$340,100 to \$431,900
35%	Over \$462,500 to \$693,750	Over \$431,900 to \$647,850
37%	Over \$693,750	Over \$647,850

Married Filing Separate Returns

Tax Rate	2023 Taxable Income	2022 Taxable Income
10%	\$0 to \$11,000	\$0 to \$10,275
12%	Over \$11,000 to \$44,725	Over \$10,275 to \$41,775
22%	Over \$44,725 to \$95,375	Over \$41,775 to \$89,075
24%	Over \$95,375 to \$182,100	Over \$89,075 to \$170,050
32%	Over \$182,100 to \$231,250	Over \$170,050 to \$215,950
35%	Over \$231,250 to \$346,875	Over \$215,950 to \$323,925
37%	Over \$346,875	Over \$323,925

Heads of Households

Tax Rate	2023 Taxable Income	2022 Taxable Income
10%	\$0 to \$15,700	\$0 to \$14,650
12%	Over \$15,700 to \$59,850	Over \$14,650 to \$55,900
22%	Over \$59,850 to \$95,350	Over \$55,900 to \$89,050
24%	Over \$95,350 to \$182,100	Over \$89,050 to \$170,050
32%	Over \$182,100 to \$231,250	Over \$170,050 to \$215,950
35%	Over \$231,250 to \$578,100	Over \$215,950 to \$539,900
37%	Over \$578,100	Over \$539,900

Standard Deduction Raised

Revenue Procedure 2022-38 also stated that among tax deduction and exemption changes for 2023:

- **The standard deduction for single taxpayers** and for married taxpayers filing separately will rise by \$900 to **\$13,850**, up from \$12,950.
- **The standard deduction for married taxpayers filing joint returns** will rise by \$1,800 to **\$27,700**, up from \$25,900.
- **The standard deduction for heads of households** will rise by \$1,400 to **\$20,800**, up from \$19,400.

"This is the largest automatic adjustment to the standard deduction since core features of the tax system were first indexed to inflation in 1985," *The Wall Street Journal* reported.

Taxpayers can claim a standard deduction when filing their tax returns, thereby reducing their taxable income and the taxes they owe.

The standard deduction also ensures that only households with income above certain thresholds will owe any income tax.

IRS Urges Employees to Check Tax Withholding

The IRS Tax Withholding Estimator (<https://www.irs.gov/individuals/tax-withholding-estimator>), also available in Spanish, can help employees determine if they have too much federal income tax withheld, reducing their take-home pay. In other cases, it can help employees with additional income sources to see if they should withhold more or make an estimated tax payment to avoid a tax bill when they file their tax return.

"Proper withholding adjustments help people boost take-home pay rather than be over withheld and get it back as a tax refund," the IRS advised. About 70 percent of taxpayers withhold too much for federal income taxes every year, the agency reported.

Employees can complete IRS Form W-4 (<https://www.irs.gov/forms-pubs/about-form-w-4#:~:text=More%20In%20Forms%20and%20Instructions&text=Complete%20Form%20W-4%20so%2cpersonal%20or%20financial%20situation%20changes.>) and return it to their HR or payroll department to withhold the correct federal income tax from their pay. To adjust state income tax withholding, state-specific tax forms (<https://www.taxadmin.org/state-tax-forms>) are available.

Related SHRM Articles:

2023 Social Security Wage Cap Jumps to \$160,200 for Payroll Taxes (www.shrm.org/ResourcesAndTools/hr-topics/compensation/Pages/2023-wage-cap-rises-for-social-security-payroll-taxes.aspx), *SHRM Online*, October 2022

Persistent Core Inflation Keeps Pressure on Wages (www.shrm.org/ResourcesAndTools/hr-topics/compensation/Pages/september-2022-cpi-and-real-earnings-reports.aspx), *SHRM Online*, October 2022

News, trends and analysis, as well as breaking news alerts, to help HR professionals do their jobs better each business day.

CONTACT US (WWW.SHRM.ORG/ABOUT-SHRM/PAGES/CONTACT-US.ASPX) | 800.283.SHRM (7476)

Monday - Friday 8:00 am–8:00 pm ET

© 2022 SHRM. All Rights Reserved

SHRM provides content as a service to its readers and members. It does not offer legal advice, and cannot guarantee the accuracy or suitability of its content for a particular purpose.

[Disclaimer \(www.shrm.org/about-shrm/Pages/Terms-of-Use.aspx#Disclaimer\)](http://www.shrm.org/about-shrm/Pages/Terms-of-Use.aspx#Disclaimer)