

How to Save Yourself Money by Lowering Your 2023 Taxes

You have until April 15, 2024, to make contributions that could help lower your taxable income for 2023.

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Key Insights

- These “above the line” deductions are allowed whether you use the standard deduction or itemize your deductions.
- Contributions to individual retirement accounts (IRAs), spousal IRAs, SEP-IRAs, and health savings accounts (HSAs) may be fully or partially deductible for tax year 2023.
- Certain households may also benefit from a saver’s tax credit.



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Most tax-related activity had to be completed by year-end to affect taxable income for 2023. However, there are a few ways individuals can still reduce their taxable income for last year. And these tax deductions are allowed whether you use standard or itemized deductions.

Commonly called “above the line” deductions, these are captured on your IRS Form 1040 Schedule 1 as Adjustments to Income, and they must be made by the tax filing deadline on April 15, 2024.

Tax year 2023 income limits for traditional IRA deductibility

(Roth IRA contributions are not tax-deductible.)

Filing status*	Covered by retirement plan at work	Deductibility based on adjusted gross income (AGI)
Single/Head of Household	No	Full
	Yes	Full: \$73,000 or less Phased out: >\$73,000 to <\$83,000
Married Filing Jointly	Neither you nor your spouse	Full
	You are not, but spouse is	Full: \$218,000 or less Phased out: >\$218,000 to <\$228,000
	You are	Full: \$116,000 or less Phased out: >\$116,000 to <\$136,000

*Consult IRS rules or a tax professional if your status is married filing separately or qualifying widow(er).

With a spousal IRA contribution, you could possibly double up the amount of your deduction.

IRA contribution

There's still time to make a \$6,500¹ (\$7,500 if age 50 or older) contribution to your IRA for the 2023 tax year. You may be able to deduct some or all of the amount of the contribution depending on your income level and if you (or your spouse) are covered by a retirement plan at work.

Spousal IRA contribution

Generally, you must have earned income to contribute to an IRA. However, if your spouse doesn't earn income or has very little compensation, they can fund their own IRA up to the contribution limit based on your compensation if you file a joint income tax return. While your combined IRA contributions can't exceed your combined income, you could possibly double up the amount of your deduction depending on the limits outlined in the previous table (see Tax Year 2023 Income Limits for Traditional IRA Deductibility).

SEP-IRA contributions

Small business owners and self-employed individuals may use a simplified employee pension (SEP) plan to save for retirement. Each eligible employee, including the business owner, has an individual SEP-IRA under the plan that is funded solely by the employer. The contribution limits are quite generous at 25% of compensation (up to \$66,000) for tax year 2023. The contribution amount is tax-deductible for the employer. Contributions may be made by the due date (including extensions) of the business's income tax return for that year.

HSA contribution

If you participated in a high-deductible health plan (HDHP), you can contribute \$3,850 for individual or \$7,750 for family coverage (an additional \$1,000 for those 55 and older) for tax year 2023 to a health savings account (HSA). Many people use HSAs to cover immediate, out-of-pocket health care costs. But HSAs are also a good way to invest for the long term—tax-free—to offset future health expenses in retirement. Your contribution amount is generally fully tax-deductible and is recorded on IRS Form 8889 (Health Savings Accounts (HSAs)).

Saver's credit

Certain households making contributions to an IRA or a workplace retirement plan may also benefit from a tax credit called a [Saver's Credit](#). If your adjusted gross income is \$36,500 or less (\$73,000 or less if married filing jointly), you could receive a tax credit up to \$1,000 (\$2,000 if married filing jointly). While \$1,000 to \$2,000 may not seem like a large sum, a tax credit reduces your tax liability dollar for dollar. This credit, however, will not result in a tax refund if your tax liability is less than zero. If you fall into these thresholds, you may want to spend a little extra time to complete IRS Form 8880 (Credit for Qualified Retirement Savings Contributions).

If you haven't taken full advantage of your 2023 tax deductions, now's the time to act. Determine what type of contributions you're eligible for, along with what works best for your overall financial plan. Saving as much as you can now may provide a tax break today, but it could also grant you valuable time to allow your investments to grow for the future.

¹For 2023, the total contributions you make each year to all of your Traditional IRAs and Roth IRAs can't be more than \$6,500 (\$7,500 if you're age 50 or older), or if less, your taxable compensation for the year.

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An IRA should be considered a long-term investment. IRAs generally have expenses and account fees, which may impact the value of the account. Nonqualified withdrawals may be subject to taxes and penalties. Maximum contributions are subject to eligibility requirements. For more detailed information about taxes, consult IRS Publication 590 or a tax professional regarding personal circumstances.

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