



A P O L L O N

Tax Planning





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2023 Federal Tax Provisions



Federal Income Tax Brackets¹

Marginal Tax Rate	Single Filers	Head of Household	Married Filing Jointly	Trusts and Estates ²
10%	0 – 11,000	0 – 15,700	0 – 22,000	0 – 2,900
12%	11,000 – 44,725	15,700 – 59,850	22,00 – 89,450	
22%	44,725 – 95,375	59,850 – 95,350	89,450 – 190,750	
24%	95,375 – 182,100	95,350 – 182,100	190,750 – 364,200	2,900 – 10,550
32%	182,100 – 231,250	182,100 – 231,250	364,200 – 462,500	
35%	231,250 – 578,125	231,250 – 578,100	462,500 – 693,750	10,550 – 14,450
37%	578,125 +	578,100 +	693,750 +	14,450 +

Source: Tax Foundation, as of October 2022

Alternative Minimum Tax (AMT)¹

	AMT Exemption	AMT Exemption Phaseout
Single and Head of Household	81,300	578,150
Married Filing Jointly	126,500	1,156,300

The AMT exemption is reduced by \$0.25 for each dollar that a taxpayer's Alternative Minimum Taxable Income (AMTI) exceeds the phase-out threshold

Long-Term Capital Gains Tax Rates¹

Taxable Income:		
0%	<	44,625 Single 59,750 Head of Household 89,250 Married Filing Jointly
15%	between	44,625 – 492,300 Single 59,750 – 523,050 Head of Household 89,250 – 553,850 Married Filing Jointly
20%	>	492,300 Single 523,050 Head of Household 553,850 Married Filing Jointly

¹ Source: The Tax Foundation – “2023 Tax Brackets” (October 18, 2022)

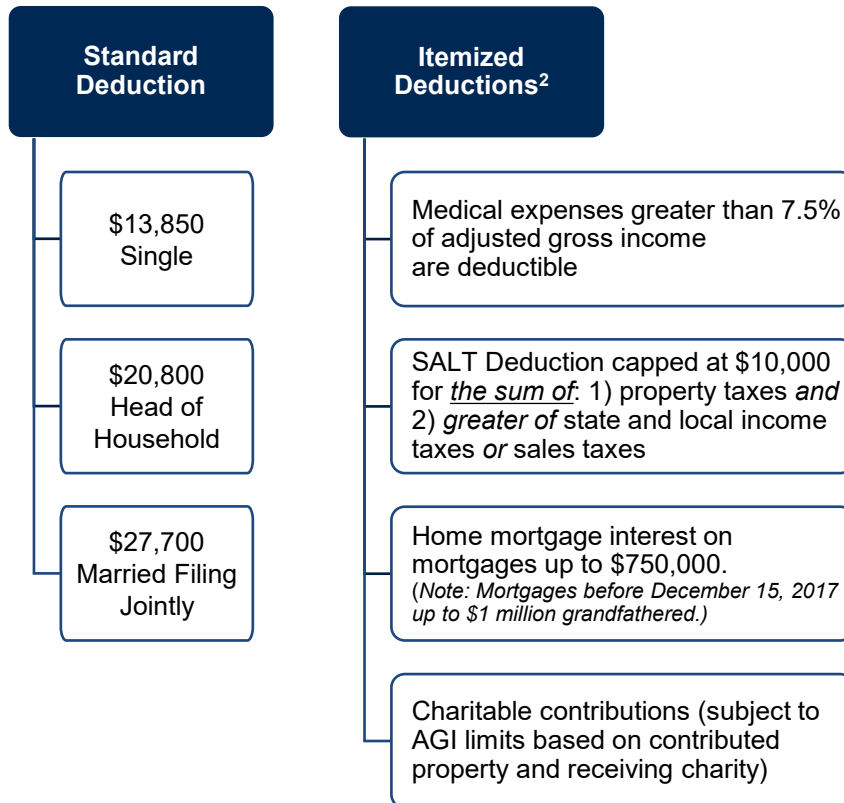
² Source: Putnam Investments – “2023 tax rates, schedules, and contribution limits”

2023 Federal Tax Provisions



Standard Deduction vs. Itemized Deductions¹

Taxpayers may take the greater of the standard deduction or total itemized deductions



“Must Know” Healthcare Taxes²

Net Investment Income Tax (NIIT):

3.8%

On the *lesser of* net investment income or Modified AGI above threshold:
\$ 200,000 for Single/Head of Household
\$ 250,000 for Married Filing Jointly
\$ 125,000 for Married Filing Separately

Note: These threshold amounts are not indexed for inflation.

Investment income includes, but is not limited to:

- Interest
- Dividends
- Capital Gains
- Rental/Royalty Income
- Taxable Portion of Non-Qualified Annuity Payments
- Business Income from Financial Trading
- Passive Activities

Medicare Surtax:

0.9%

On *earned* income above:
\$ 200,000 for Single
\$ 250,000 for Married Filing Jointly
\$ 125,000 for Married Filing Separately

Note: These threshold amounts are not indexed for inflation.

¹Source: The Tax Foundation – “2023 Tax Brackets” (October 18, 2022)

²Source: Putnam Investments – “2023 tax rates, schedules, and contribution limits”

State Tax Provisions



How High Are Individual Income Tax Rates in Your State?

Top Marginal State Individual Income Tax Rates (as of January 1, 2022)

41

States with individual income taxes

1

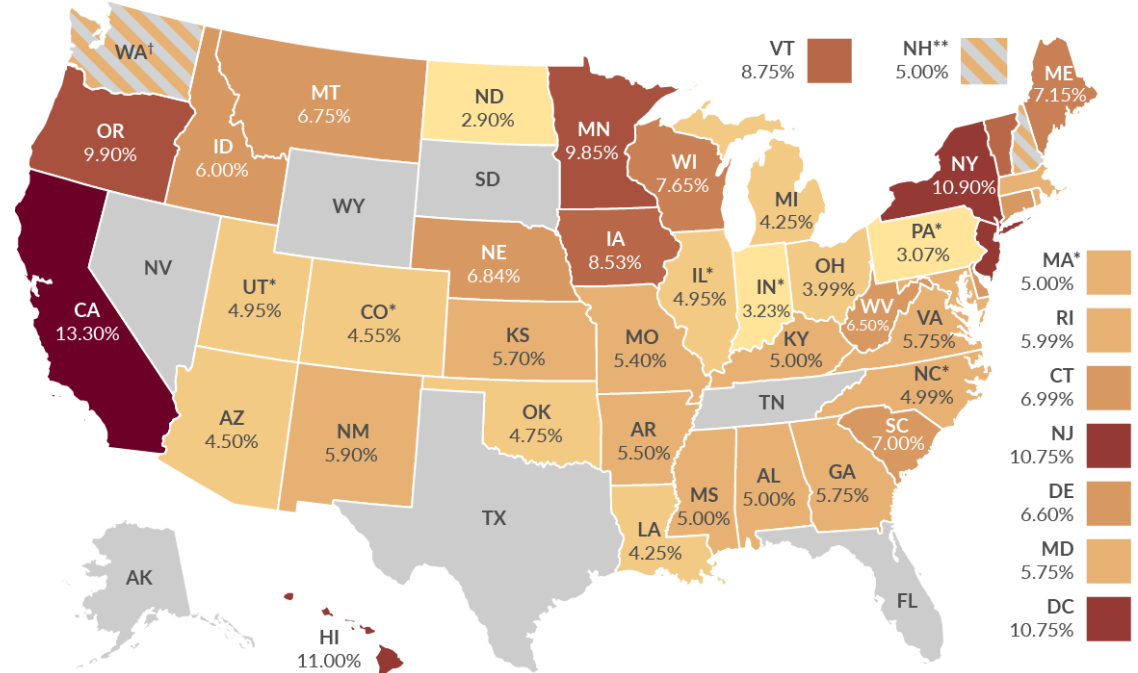
States which only tax dividends and interest (New Hampshire)

1

States which only tax capital gains (Washington)

7

States with no individual income tax (Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Wyoming)



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included. Missouri's top marginal rate will be reduced to 5.3% if certain revenue triggers are met.

(*) State has a flat income tax.

(**) State only taxes interest and dividends income.

(†) State only taxes capital gains income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg Tax.

Top State Marginal Individual Income Tax Rates



Asset Location



Planning Tip

- The taxation of portfolio income varies by asset class. Taxable bond and REIT income is taxed unfavorably at ordinary income rates, while equity dividends are typically taxed favorably at lower qualified dividend rates.
- An investor who has a combination of taxable accounts, Traditional 401(k)/403(b)/IRAs and Roth 401(k)/403(b)/IRAs can optimize a portfolio's allocation to minimize tax drag, thereby enhancing long-term after-tax returns.

More Tax-Efficient	Municipal Bonds	Income is federally tax-exempt and may be state tax-exempt
	Equities, Low-Turnover	Qualified dividends with limited capital gains
	Equities, High-Turnover	Qualified dividends but may produce higher capital gains
	Taxable Bonds, Low Yields <i>(TIPS, Global Bonds, Core US Bonds)</i>	Lower yields but taxed as ordinary income
	REITs	Non-qualified dividends with capital gains
	Taxable Bonds, High Yields <i>(High Yield & EM Bonds)</i>	Higher yields and taxed as ordinary income
	Less Tax-Efficient	



Asset classes/investments such as broad real assets, hedge funds, etc. may be harder to quantify for tax efficiency.



Tax Planning Checklist

What we are doing to help clients

1. Tax-Aware Investing/Asset Placement
2. Tax-Efficient Securities and Active Management Considerations
3. Tax Loss Harvesting/Thoughtful Rebalancing
4. Tax-Aware Recognition of Capital Gains
5. Capital Gain Dividend Distribution Analysis

How your tax advisor can help

1. Recognition and Timing of Income
2. Timing and Target Amount for Charitable Gifts
3. Evaluating the Potential Benefits of a Roth Conversion
4. Review Estimated Tax Withholding
5. AMT Considerations
6. Manage State and Local Income Tax Deductions
7. Review Property Tax Deductions
8. Additional State Tax Considerations

Areas where we can offer perspective

1. **Evaluating and Minimizing Capital Gain Implications** amid a portfolio repositioning, considering factors such as potential step-ups in cost basis, asset placement, etc.
2. **Evaluating Family Gifting Strategies** according to desired gifting goals and, once determined, coordinating the gifting transfers.
3. **Gifting Long-Term Appreciated Securities** rather than cash for charitable contributions, which avoids capital gains taxes on the appreciated securities.
4. **Charitably Gifting the Required Minimum Distribution of an IRA**, which avoids the IRA distribution being treated as taxable income.
5. **Weighing the Differences between a Lump Sum Option or Annuity** income stream for Defined Benefit Plans or Cash Balance Pensions.
6. **Evaluating Tax Bracket Breakpoints and Stock Volatility** when minimizing single stock concentrations.
7. **Reviewing Social Security** income options.



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