

Tax brackets for 2020

Married, filing jointly

| | |
|---------------------|-------|
| \$0–\$19,750 | 10.0% |
| \$19,751–\$80,250 | 12.0% |
| \$80,251–\$171,050 | 22.0% |
| \$171,051–\$326,600 | 24.0% |
| \$326,601–\$414,700 | 32.0% |
| \$414,701–\$622,050 | 35.0% |
| Over \$622,050 | 37.0% |

Single

| | |
|---------------------|-------|
| \$0–\$9,875 | 10.0% |
| \$9,876–\$40,125 | 12.0% |
| \$40,126–\$85,525 | 22.0% |
| \$85,526–\$163,300 | 24.0% |
| \$163,301–\$207,350 | 32.0% |
| \$207,351–\$518,400 | 35.0% |
| Over \$518,400 | 37.0% |

Married, filing separately

| | |
|---------------------|-------|
| \$0–\$9,875 | 10.0% |
| \$9,876–\$40,125 | 12.0% |
| \$40,126–\$85,525 | 22.0% |
| \$85,526–\$163,300 | 24.0% |
| \$163,301–\$207,350 | 32.0% |
| \$207,351–\$311,025 | 35.0% |
| Over \$311,025 | 37.0% |

Head of household

| | |
|---------------------|-------|
| \$0–\$14,100 | 10.0% |
| \$14,101–\$53,700 | 12.0% |
| \$53,701–\$85,500 | 22.0% |
| \$85,501–\$163,300 | 24.0% |
| \$163,301–\$207,350 | 32.0% |
| \$207,351–\$518,400 | 35.0% |
| Over \$518,400 | 37.0% |

Estates and trusts

| | |
|------------------|-------|
| \$0–\$2,600 | 10.0% |
| \$2,601–\$9,450 | 24.0% |
| \$9,451–\$12,950 | 35.0% |
| Over \$12,950 | 37.0% |

Long-term capital gains/ qualified dividend rates

0.0% rate when taxable income is below:

| | |
|----------------------------|----------|
| Married, filing jointly | \$80,000 |
| Married, filing separately | \$40,000 |
| Head of household | \$53,600 |
| Single | \$40,000 |
| Estate and trust | \$2,650 |

15.0% rate when taxable income is below:

| | |
|----------------------------|-----------|
| Married, filing jointly | \$496,600 |
| Married, filing separately | \$248,300 |
| Head of household | \$469,050 |
| Single | \$441,450 |
| Estate and trust | \$13,150 |

20.0% rate applies to higher taxable income amounts

28.0% rate applies to capital gains on collectibles

Standard deduction

| | |
|--|----------|
| Married, filing jointly | \$24,800 |
| Single | \$12,400 |
| Married, filing separately | \$12,400 |
| Head of household | \$18,650 |
| Blind or over 65: additional \$1,300 if married; \$1,650 if single or head of household. | |

Capital loss limit

| | |
|--|---------|
| Married, filing jointly | \$3,000 |
| Single | \$3,000 |
| Married, filing separately | \$1,500 |
| If your capital loss exceeds your capital gains. | |

Estate and gift tax

| | |
|--|--------------|
| Transfer tax rate (maximum) | 40% |
| Estate tax exemption | \$11,580,000 |
| Gift tax exemption | \$11,580,000 |
| Generation-skipping transfer tax exemption | \$11,580,000 |
| Annual gift tax exclusion amount | \$15,000 |

Education

| | |
|--|------------------------------------|
| 529 plan contributions, per individual | \$15,000 per yr. before a gift tax |
| 529 plan contributions, per couple | \$30,000 per yr. before a gift tax |
| Accelerate 5 years of gifting into 1 year per individual | \$75,000 |
| Per couple | \$150,000 |

Lifetime learning credits

| | |
|-----------------|---------------------------------------|
| Maximum credit | \$2,000 |
| Phaseout—single | \$59,000–\$69,000 MAGI ¹ |
| Phaseout—joint | \$118,000–\$138,000 MAGI ¹ |

Coverdell Education Savings Account

| | |
|-----------------|---------------------------------------|
| Contribution | \$2,000 |
| Phaseout—single | \$95,000–\$110,000 MAGI ¹ |
| Phaseout—joint | \$190,000–\$220,000 MAGI ¹ |

Student loan interest

| | |
|-----------------|---------------------------------------|
| Deduction limit | \$2,500 |
| Phaseout—single | \$70,000–\$85,000 MAGI ¹ |
| Phaseout—joint | \$140,000–\$170,000 MAGI ¹ |

Phaseout of tax-free savings bonds interest

| | |
|--------|---------------------------------------|
| Single | \$82,350–\$97,350 MAGI ¹ |
| Joint | \$123,550–\$153,550 MAGI ¹ |

American opportunity tax credit

| | |
|-----------------|---------------------------------------|
| Maximum credit | \$2,500 |
| Phaseout—single | \$80,000–\$90,000 MAGI ¹ |
| Phaseout—joint | \$160,000–\$180,000 MAGI ¹ |

Kiddie tax

Earned income is taxed at single tax bracket rates.
Net unearned income is taxed at estates and trusts tax bracket rates.

Retirement

IRA and Roth IRA contributions

| | |
|------------------|---------|
| Under age 50 | \$6,000 |
| Aged 50 and over | \$7,000 |

Phaseout for deducting IRA contributions

| | |
|--------------------------------------|---------------------------------------|
| (for qualified plan participants) | |
| Married, filing jointly | \$104,000–\$124,000 MAGI ¹ |
| Single or head of household | \$65,000–\$75,000 MAGI ¹ |
| Married, filing jointly ² | \$196,000–\$206,000 MAGI ¹ |

Phaseout of Roth contribution eligibility

| | |
|----------------------------|---------------------------------------|
| Joint | \$196,000–\$206,000 MAGI ¹ |
| Single | \$124,000–\$139,000 MAGI ¹ |
| Married, filing separately | \$0–\$10,000 MAGI ¹ |

SEP contribution

| | |
|---------------------------|----------------|
| Up to 25% of compensation | Limit \$57,000 |
| To participate in SEP | \$600 |

SIMPLE elective deferral

| | |
|------------------|----------|
| Under age 50 | \$13,500 |
| Aged 50 and over | \$16,500 |

Qualified plan contributions

| | |
|--|-----------|
| 401(k), 403(b), 457, and SARSEP | \$19,500 |
| Aged 50 and over | \$26,000 |
| Limit on additions to defined contribution plan | \$57,000 |
| Annual benefit limit on defined benefit plan | \$230,000 |
| Highly compensated employee makes | \$130,000 |
| Annual compensation taken into account for qualified plans | \$285,000 |

¹ Modified adjusted gross income. ² Phaseout limit for spouse who is not a participant in a qualified plan.

Congress' approval in December 2017 of the Tax Cuts and Jobs Act (TCJA) produced some of the most significant changes to the nation's tax system in decades by reducing individual rates for taxpayers at several income levels, increasing standard deductions, and cutting the corporate tax rate. These changes affected income earned starting in 2018 and tax returns filed beginning in early 2019; they also apply to 2020 income and taxes due in April 2021. In addition, the U.S. Internal Revenue Service has made annual inflation adjustments for 2020 income affecting contribution limits relating to savings for education and retirement. These adjustments reflect a change in how the IRS calculates inflation and makes resulting adjustments to income thresholds, deduction amounts, and tax credit values. Prior to the TCJA, the IRS used the Consumer Price Index to calculate inflation; it now uses the Chained Consumer Price Index, a measure designed to provide a closer approximation to a cost-of-living index than the Consumer Price Index. The front page of this flyer provides specifics on the latest details on taxes; additional details are highlighted below. For more information, please visit irs.gov or go to the John Hancock Investment Management Tax Center at jhinvestments.com/tax-center.

Noteworthy changes in tax provisions resulting from the Tax Cuts and Jobs Act of 2017³

Reduced tax rates at most income levels

While the existing seven-bracket structure for individual tax rates was retained, the income levels for the brackets were modified and most individual tax rates were cut. The top marginal tax rate of 39.6% was reduced to 37.0%, and the income levels at which the new top rate applies were lifted. Rate reductions for taxpayers at other income levels were as follows: 33.0% to 32.0%, 28.0% to 24.0%, 25.0% to 22.0%, and 15.0% to 12.0%. Rates for two other brackets—35.0% and 10.0%—were unchanged; however, the income range for the 35.0% bracket was widened.

Standard deductions increased

The standard deduction for individual taxpayers was increased sharply for most taxpayers, significantly reducing taxable income.

Personal exemption eliminated

The personal exemption that had allowed most households to reduce their taxable income by \$4,050 per person was eliminated, partially offsetting the benefit to many taxpayers from increased standard deductions.

Child tax credit expanded

The child tax credit was increased from \$1,000 to \$2,000 and is fully refundable up to \$1,400. The credit begins to phase out for married couples filing jointly with MAGI over \$400,000 and for all other taxpayers with MAGI over \$200,000.

State and local tax deductions capped

The deduction for state and local taxes was capped at a combined \$10,000 for income, sales, and property taxes.

Required minimum distributions

The Uniform Lifetime Table can be used by all IRA owners, starting at age 70, unless their sole beneficiary for the entire year is a spouse who is more than 10 years younger. Then the Joint Life Expectancy Table is used (see IRS Pub. 590), which could reduce the required minimum distribution even further.

Uniform Lifetime Table*

| Age of account owner | Divisor | Age of account owner | Divisor |
|----------------------|---------|----------------------|---------|
| 70 | 27.4 | 81 | 17.9 |
| 71 | 26.5 | 82 | 17.1 |
| 72 | 25.6 | 83 | 16.3 |
| 73 | 24.7 | 84 | 15.5 |
| 74 | 23.8 | 85 | 14.8 |
| 75 | 22.9 | 86 | 14.1 |
| 76 | 22.0 | 87 | 13.4 |
| 77 | 21.2 | 88 | 12.7 |
| 78 | 20.3 | 89 | 12.0 |
| 79 | 19.5 | 90 | 11.4 |
| 80 | 18.7 | | |

*The table progresses until the divisor becomes 1.9 for ages 115 and higher.

³ U.S. Internal Revenue Service, 2019.

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