

2020 tax rates, schedules, and contribution limits

Income tax

| | If taxable income is over | But not over | The tax is | Of the amount over |
|---|---------------------------|--------------|--------------------|--------------------|
| Married/Filing jointly and qualifying widow(er)s | \$0 | \$19,750 | \$0.00+10% | \$0 |
| | \$19,750 | \$80,250 | \$1,975 + 12% | \$19,750 |
| | \$80,250 | \$171,050 | \$9,235 + 22% | \$80,250 |
| | \$171,050 | \$326,600 | \$29,211 + 24% | \$171,050 |
| | \$326,600 | \$414,700 | \$66,543 + 32% | \$326,600 |
| | \$414,700 | \$622,050 | \$94,735 + 35% | \$414,700 |
| | \$622,050 | | \$167,307.50 + 37% | \$622,050 |
| Single | \$0 | \$9,875 | \$0.00 + 10% | \$0 |
| | \$9,875 | \$40,125 | \$987.50+ 12% | \$9,875 |
| | \$40,125 | \$85,525 | \$4,617.50 + 22% | \$40,125 |
| | \$85,525 | \$163,300 | \$14,605.50 + 24% | \$85,525 |
| | \$163,300 | \$207,350 | \$33,271.50 + 32% | \$163,300 |
| | \$207,350 | \$518,400 | \$47,367.50 + 35% | \$207,350 |
| | \$518,400 | | \$156,235 + 37% | \$518,400 |
| Estates and trusts | \$0 | \$2,600 | \$0.00 + 10% | \$0 |
| | \$2,600 | \$9,450 | \$260 + 24% | \$2,600 |
| | \$9,450 | \$12,950 | \$1,904 + 35% | \$9,450 |
| | \$12,950 | | \$3,129+ 37% | \$12,950 |

Tax on corporations and other businesses

- 21% tax rate applied on C-corporation income
- Taxpayers may generally deduct up to 20% of the qualified business income (QBI) of S corporations, partnerships, and sole proprietorships (reduced by net capital gain and qualified dividends), subject to limitations:
 - Deduction generally not available for a Specified Service Trade or Business (SSTB) if taxable income exceeds \$213,300 (single) or \$426,600 (married/filing jointly); the deduction is subject to a phaseout unless taxable income is at or below \$163,300 (single) or \$326,600 (married/filing jointly)
 - If taxable income exceeds \$213,300 (single) or \$426,600 (married/filing jointly), the deduction is limited to the lesser of: (a) 20% of QBI or (b) the greater of (i) 50% of W-2 wages paid by each business or (ii) 25% of W-2 wages paid by each business plus 2.5% of the unadjusted basis of qualified property; wage and qualified property limitations are not applicable to taxable incomes at or below \$163,300 (single) or \$326,600 (married/filing jointly) and are fully phased in once taxable income exceeds \$213,300 (single) or \$426,600 (married/filing jointly)

Employer retirement plans

| | |
|--|-----------|
| Maximum elective deferral to retirement plans, e.g., 401(k), 403(b) | \$19,500 |
| Catch-up contribution limit for 401(k), 403(b), and 457 plans | \$6,500 |
| Maximum elective deferral to SIMPLE IRA plans | \$13,500 |
| Catch-up contribution limit for SIMPLE plans | \$3,000 |
| Maximum elective deferral to 457 plans of gov't and tax-exempt employers | \$19,500 |
| Limit on annual additions to defined contribution plans | \$57,000 |
| Annual compensation threshold requiring SEP contribution | \$600 |
| Limit on annual additions to SEP plans | \$57,000 |
| Maximum annual compensation taken into account for contributions | \$285,000 |
| Annual benefit limit under defined benefit plans | \$230,000 |
| Used in definition of highly compensated employee | \$130,000 |
| Health flexible spending account maximum salary reduction contribution | \$2,750 |

Sources: IRS and Social Security Administration updates 2020.

Not FDIC insured | May lose value | No bank guarantee

Tax on capital gains and qualified dividends

| Income | | Tax rate |
|--------------------------------------|---|----------|
| Single | Married/Filing jointly/Qualifying Widow(er) | |
| \$0-\$40,000 | \$0-\$80,000 | 0% |
| Over \$40,000 but not over \$441,450 | Over \$80,000 but not over \$496,600 | 15% |
| Over \$441,450 | Over \$496,600 | 20% |

Additional 3.8% federal net investment income (NII) tax applies to individuals on the lesser of NII or modified AGI in excess of \$200,000 (single) or \$250,000 (married/filing jointly and qualifying widow(er)s). Also applies to any trust or estate on the lesser of undistributed NII or AGI in excess of the dollar amount at which the estate/trust pays income taxes at the highest rate (i.e., \$12,950).

Kiddie tax*

Child's unearned income above \$2,200 is generally subject to taxation at the parent's marginal tax rate; unearned income above \$1,100 but not more than \$2,200 is taxed at the child's tax rate.

* Applies if either parent of the child is alive at the close of the taxable year, the child does not file a joint return for the taxable year, and the child either (a) has not attained age 18 by close of the year, (b) has attained age 18 before the close of the year, but the child's earned income represents not more than one half of support needs and the child has not attained age 19 by the close of the year, or (c) the child is a full-time student who has not attained age 24 as of the close of the year and the child's earned income represents not more than one half of support needs.

Preferential rates on long-term capital gains and qualified dividends are applicable; 3.8% federal NII tax is imposed separately on each child if modified AGI exceeds threshold amounts stated above.

Child tax credit

- \$2,000 per "qualifying child" (who has not attained age 17 during the year); phased out as income exceeds \$400,000 (married/filing jointly) or \$200,000 (all other); \$1,400 per child is refundable
- \$500 nonrefundable credit for qualified dependents other than qualifying children (without limits)

Standard deductions

| | Annual | Additional age 65+ or blind |
|---|----------|-----------------------------|
| Married/Filing jointly and qualifying widow(er)s | \$24,800 | \$1,300 |
| Single | \$12,400 | \$1,650 |

Health savings accounts contribution limits

| | |
|-------------------|---------|
| Individual | \$3,550 |
| Family | \$7,100 |

Catch-up contribution: Taxpayers who are 55 or older in 2020 may contribute an additional \$1,000, or a total of \$4,550 for individuals and \$8,100 for families.

Deduction for mortgage interest

- Deduction on interest for qualifying mortgages up to \$750,000 (\$375,000 if married/filing separately); homes under agreement before 12/15/17 for purchase prior to 1/1/18 (provided purchase occurred by 4/1/18) grandfathered under previous \$1,000,000 (\$500,000 if married/filing separately) limits
- Interest on home equity lines of credit (HELOC) deductible in certain cases where proceeds are utilized to acquire or improve a residence

Deduction for state and local taxes

Individuals may deduct state and local income (or sales) taxes and real and personal property taxes up to \$10,000 (\$5,000 if married filing separately) in the aggregate.

Maximum Qualified Long-Term-Care insurance premiums eligible for deduction

| Age | 40 or less | >40, ≤50 | >50, ≤60 | >60, ≤70 | Over 70 |
|------|------------|----------|----------|----------|---------|
| 2020 | \$430 | \$810 | \$1,630 | \$4,350 | \$5,430 |

Traditional IRAs

Maximum annual contribution:

- Lesser of compensation or \$6,000
- Up to \$6,000 contribution can also be made for nonworking spouse
- Catch-up contributions (age 50 and over): \$1,000

Traditional IRA deductibility table

| Filing status | Covered by employer's retirement plan | Modified AGI 2020 | Modified AGI 2019 | Deductibility |
|-------------------------|---------------------------------------|---|---|-------------------------|
| Single | No | Any amount | Any amount | Full |
| | Yes | \$65,000 or less | \$64,000 or less | Full |
| | Yes | \$65,001–\$74,999 | \$64,001–\$73,999 | Partial |
| | Yes | \$75,000 or more | \$74,000 or more | None |
| Married/ Jointly | Neither spouse covered | Any amount | Any amount | Full |
| | Both spouses covered | \$104,000 or less \$104,001–\$123,999 \$124,000 or more | \$103,000 or less \$103,001–\$122,999 \$123,000 or more | Full Partial None |
| Married/ Jointly | Yes, but spouse is not covered | \$104,000 or less \$104,001–\$123,999 \$124,000 or more | \$103,000 or less \$103,001–\$122,999 \$123,000 or more | Full Partial None |
| | No, but spouse is covered | \$196,000 or less \$196,001–\$205,999 | \$193,000 or less \$193,001–\$202,999 | Full Partial |
| | | \$206,000 or more | \$203,000 or more | None |

Roth IRAs

Maximum annual contribution :

- Lesser of compensation or \$6,000
- Up to \$6,000 contribution can also be made for nonworking spouse
- Catch-up contributions (age 50 and over): \$1,000

Contribution eligibility

Modified AGI is less than \$124,000 (single) or \$196,000 (married/filing jointly); phaseouts apply if modified AGI is \$124,000–\$138,999 (single) or \$196,000–\$205,999 (married/filing jointly).

Deductibility

Contributions to Roth IRAs are not deductible.

Conversion eligibility

There is no income restriction on eligibility for a Roth IRA conversion.

Base amount of modified AGI causing Social Security benefits to be taxable

| | Up to 50% taxable | Up to 85% taxable |
|-------------------------------|-------------------|-------------------|
| Married/Filing jointly | \$32,001–\$44,000 | > \$44,000 |
| Single | \$25,001–\$34,000 | > \$34,000 |

Maximum earnings before Social Security benefits are reduced

| | |
|---|-----------|
| Under full retirement age (\$1 withheld for every \$2 above limit) | \$18,240 |
| Full retirement age and over | No limit* |

* Interim annual limit of \$48,600 applies for months prior to attaining full retirement age during year individual reaches full retirement age (\$1 withheld for every \$3 above limit).

This information is general in nature and is not meant as tax or legal advice. Tax laws are subject to change. Please consult your legal or tax advisor.

Maximum compensation subject to FICA taxes

| | |
|----------------------------------|-----------|
| OASDI (Soc. Sec.) maximum | \$137,700 |
| HI (Medicare) maximum | No limit |

OASDI and HI tax rate: 12.4% OASDI and 2.9% HI (15.3% combined) for self-employed; 6.2% and 1.45% (7.65% combined) for employees. An additional 0.9% HI tax applies on individuals with wages or self-employment income in excess of \$200,000 (single and qualifying widow(er)s) or \$250,000 (married/ filing jointly).

Death/gifts occurring in 2020*

(subtract applicable credit from calculated tax)

| If gift/gross estate is over | But not over | The tax is | Of the amount over |
|------------------------------|--------------|-----------------|--------------------|
| \$0 | \$10,000 | \$0 + 18% | \$0 |
| \$10,000 | \$20,000 | \$1,800 + 20% | \$10,000 |
| \$20,000 | \$40,000 | \$3,800 + 22% | \$20,000 |
| \$40,000 | \$60,000 | \$8,200 + 24% | \$40,000 |
| \$60,000 | \$80,000 | \$13,000 + 26% | \$60,000 |
| \$80,000 | \$100,000 | \$18,200 + 28% | \$80,000 |
| \$100,000 | \$150,000 | \$23,800 + 30% | \$100,000 |
| \$150,000 | \$250,000 | \$38,800 + 32% | \$150,000 |
| \$250,000 | \$500,000 | \$70,800 + 34% | \$250,000 |
| \$500,000 | \$750,000 | \$155,800 + 37% | \$500,000 |
| \$750,000 | \$1,000,000 | \$248,300 + 39% | \$750,000 |
| \$1,000,000 | — | \$345,800 + 40% | \$1,000,000 |

* Annual gift tax exclusion: individual, \$15,000; married electing split gifts, \$30,000

Combined lifetime gift tax and gross estate tax exemption: \$11,580,000

GST tax exemption: \$11,580,000

Higher education tax credits

Modified AGI phaseouts for American Opportunity Tax Credit

| | |
|-------------------------------|---------------------|
| Married/Filing jointly | \$160,001–\$179,999 |
| Others | \$80,001–\$89,999 |

Modified AGI phaseouts for Lifetime Learning Credit

| | |
|-------------------------------|---------------------|
| Married/Filing jointly | \$118,001–\$137,999 |
| Single | \$59,001–\$68,999 |

2020 AMT exemptions

| | |
|---|-----------|
| Single | \$72,900 |
| Married/Filing jointly and qualifying widow(er)s | \$113,400 |

Phases out beginning with alternative minimum taxable income over \$1,036,800 (married/filing jointly and qualifying widow(er)s) or \$518,400 (single filers); AMT ordinary income rate increases from 26% to 28% for alternative minimum taxable income over \$197,900 (married/filing jointly and qualifying widow(er)s), and single.