

# *Facts You Need to Know About Taxes*



## *Your Reference Guide to:*

2020 Tax Rates

College Savings Incentives

IRA and 401(k) Contributions

ABLE Accounts

Social Security Benefits



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## 2020 Income Tax Rates

### Marrieds Filing Jointly or a Qualifying Widow(er)

| If your taxable income is over: | But not over: | The tax is:  |
|---------------------------------|---------------|--|
| \$0                             | \$19,750      | 10% of the taxable income                          |
| \$19,750                        | \$80,250      | \$1,975 plus 12% of the excess over \$19,750       |
| \$80,250                        | \$171,050     | \$9,235 plus 22% of the excess over \$80,250       |
| \$171,050                       | \$326,600     | \$29,211 plus 24% of the excess over \$171,050     |
| \$326,600                       | \$414,700     | \$66,543 plus 32% of the excess over \$326,600     |
| \$414,700                       | \$622,050     | \$94,735 plus 35% of the excess over \$414,700     |
| \$622,050                       |               | \$167,307.50 plus 37% of the excess over \$622,050 |

### Head of Households

| If your taxable income is over: | But not over: | The tax is:  |
|---------------------------------|---------------|--|
| \$0                             | \$14,100      | 10% of the taxable income                          |
| \$14,100                        | \$53,700      | \$1,410 plus 12% of the excess over \$14,100       |
| \$53,700                        | \$85,500      | \$6,162 plus 22% of the excess over \$53,700       |
| \$85,500                        | \$163,300     | \$13,158 plus 24% of the excess over \$85,500      |
| \$163,300                       | \$207,350     | \$31,830 plus 32% of the excess over \$163,300     |
| \$207,350                       | \$518,400     | \$45,926 plus 35% of the excess over \$207,350     |
| \$518,400                       |               | \$154,793.50 plus 37% of the excess over \$518,400 |

### Singles

| If your taxable income is over: | But not over: | The tax is:                                       |
|---------------------------------|---------------|---|
| \$0                             | \$9,875       | 10% of the taxable income                         |
| \$9,875                         | \$40,125      | \$987.50 plus 12% of the excess over \$9,875      |
| \$40,125                        | \$85,525      | \$4,617.50 plus 22% of the excess over \$40,125   |
| \$85,525                        | \$163,300     | \$14,605.50 plus 24% of the excess over \$85,525  |
| \$163,300                       | \$207,350     | \$33,271.50 plus 32% of the excess over \$163,300 |
| \$207,350                       | \$518,400     | \$47,367.50 plus 35% of the excess over \$207,350 |
| \$518,400                       |               | \$156,235 plus 37% of the excess over \$518,400   |

### Married Filing Separately

| If your taxable income is over: | But not over: | The tax is:                                       |
|---------------------------------|---------------|---|
| \$0                             | \$9,875       | 10% of the taxable income                         |
| \$9,875                         | \$40,125      | \$987.50 plus 12% of the excess over \$9,875      |
| \$40,125                        | \$85,525      | \$4,617.50 plus 22% of the excess over \$40,125   |
| \$85,525                        | \$163,300     | \$14,605.50 plus 24% of the excess over \$85,525  |
| \$163,300                       | \$207,350     | \$33,271.50 plus 32% of the excess over \$163,300 |
| \$207,350                       | \$311,025     | \$47,367.50 plus 35% of the excess over \$207,350 |
| \$311,025                       |               | \$83,653.75 plus 37% of the excess over \$311,025 |

### Trusts and Estates

| If your taxable income is over: | But not over: | The tax is:                                  |
|---------------------------------|---------------|--|
| \$0                             | \$2,600       | 10% of the taxable income                    |
| \$2,600                         | \$9,450       | \$260 plus 24% of the excess over \$2,600    |
| \$9,450                         | \$12,950      | \$1,904 plus 35% of the excess over \$9,450  |
| \$12,950                        |               | \$3,129 plus 37% of the excess over \$12,950 |

| Standard Deduction Amounts for 2020 |          |
|-------------------------------------|----------|
| Marrieds filing jointly             | \$24,800 |
| Singles                             | \$12,400 |
| Married filing separately           | \$12,400 |
| Heads of households                 | \$18,650 |

| Additional Standard Deductions |         |
|--------------------------------|---------|
| At least age 65 and single     | \$1,650 |
| At least age 65 and married    | \$1,300 |
| Married, both over 65          | \$2,600 |
| Blind                          | \$1,300 |

| Child and Family Credits                   |                       |
|--|-----------------------|
| Qualifying child (under 17)                | \$2,000               |
| Other dependent                            | \$500                 |
| Refundable amount                          | \$1,400               |
| Credit phaseout<br>Married, filing jointly | AGI over<br>\$400,000 |
| All other taxpayers                        | AGI over<br>\$200,000 |

| 2020 Business Tax Rates                       |     |
|---|-----|
| Corporate Tax Rate                            | 21% |
| Deduction for Pass-Through<br>Business Income | 20% |

## Estate and Gift Taxes

**Estates.** The federal estate tax exemption in 2020 is about \$11,580,000. With appropriate tax filings and tax elections, married couples may secure a \$23,160,000 exemption regardless of which spouse dies first or how the couple owns their property (assuming that they both die in 2020). Amounts in excess of the exemption are taxed at a 40% rate.

**Gifts.** The lifetime federal gift tax exemption in 2020 is about \$11,580,000. Amounts transferred in excess of the exemption are taxed at 40%.

For 2020, the annual exclusion from the gift tax is \$15,000. A gift no larger than \$15,000 may be given to each of as many people as you wish without incurring gift tax or using up your lifetime federal gift tax exclusion. To qualify for the annual exclusion, the gift must be of a “present interest,” meaning that the person receiving the gift must have the immediate right to use and enjoy the gift, without strings attached. Couples may “split” their gifts to secure a \$30,000 annual exclusion.

Developments occurring after January 1, 2020, are not reflected in this guide.

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## Alternative Minimum Tax

| AMT Tax Rates for 2020     |                           |                     |
|----------------------------|---------------------------|---------------------|
| Rate                       | Married filing separately | All other filers    |
| 26%                        | Up to \$98,950            | Up to \$197,900     |
| 28%                        | More than \$98,950        | More than \$197,900 |
| AMT Exemption Amounts      |                           |                     |
| Single individual          |                           | \$72,900            |
| Marrieds filing jointly    |                           | \$113,400           |
| Marrieds filing separately |                           | \$56,700            |
| AMT Exemption Phaseout     |                           |                     |
|                            |                           | Begins above        |
| Marrieds Filing Jointly    |                           | \$1,036,800         |
| Singles                    |                           | \$518,400           |
| Married Filing Separately  |                           | \$518,400           |

## Affordable Care Act (ACA) Taxes

| Additional Medicare Tax    | 0.9% tax on wages and self-employment income over:                                      |
|----------------------------|---|
| Marrieds filing jointly    | \$250,000   |
| Singles                    | \$200,000   |
| Married filing separately  | \$125,000   |
| Net Investment Income Tax  | Additional 3.8% tax on net investment income if Modified Adjusted Gross Income exceeds: |
| Marrieds filing jointly    | \$250,000   |
| Singles                    | \$200,000   |
| Marrieds filing separately | \$125,000   |
| Head of household          | \$200,000   |
| Qualifying widow(er)       | \$250,000   |

## College Savings Incentives

**Section 529 plans.** No federal tax need be paid on the income earned on amounts accumulated in a state-sponsored Section 529 plan. When withdrawals are made and used for qualified education expenses (college or up to \$10,000 of elementary or secondary school expenses) or up to \$10,000 (lifetime limit per individual) used to pay principal or interest on qualified education loan, they won't be taxed either.

**Coverdell Education Savings Accounts (CESAs).** You can contribute up to \$2,000 a year per child to a CESA. Earnings grow tax free as long as withdrawals are used for qualified education expenses. Eligibility to contribute the full amount phases out between a modified adjusted gross income (MAGI) of \$95,000 and \$110,000 (singles); between \$190,000 and \$220,000 (marrieds filing jointly).

**American Opportunity Tax Credit.** The maximum American Opportunity Tax Credit is 100% of the first \$2,000 and 25% for the next \$2,000 of qualified tuition and related expenses. The credit phases out at MAGI of \$160,000 for marrieds filing jointly (\$80,000 for singles).

**Lifetime Learning Credit.** The maximum Lifetime Learning Credit is \$2,000, with the credit phasing out at modified adjusted gross income of \$118,000 for marrieds filing jointly (\$59,000 for singles).

**U.S. Savings Bonds income exclusion.** For 2020 the income from certain U.S. Savings Bonds used to pay qualified higher education expenses may be excluded from tax. Eligibility for the exclusion phases out from \$123,550 to \$153,550 for marrieds filing jointly, \$82,350 and \$97,350 for all other returns.

**Interest deduction for education loans.** A tax deduction is available for up to \$2,500 in qualified education loan interest. Eligibility for the deduction phases out between MAGI of more than \$70,000 and \$85,000 (singles); between \$140,000 and \$170,000 (marrieds filing jointly).

## Other Credits and Deductions

**Long-term care insurance premiums.** In some instances, portions of the premiums paid for qualified long-term care insurance may be tax deductible. For 2020 they are: \$430 for those who are age 40 or under at the end of the tax year; \$810, if older than 40 but not older than 50; \$1,630, older than 50 but not older than 60; \$4,350, older than 60 but not older than 70; \$5,430, older than 70.

**Adoption credit.** You may be able to take a tax credit of up to \$14,300 for qualifying expenses paid to adopt an eligible child. Phaseout begins at modified adjusted gross income of \$214,520, and is phased out completely at \$254,520.

**ABLE Accounts.** Beginning in 2015, Congress authorized ABLE Accounts for disabled persons. "ABLE" is the acronym for "Achieving a Better Life Experience." Annual contributions are permitted up to the gift tax annual exclusion amount, \$15,000 in 2020. Additional contributions are permitted in some circumstances. Earnings of ABLE Accounts are tax free, as are distributions for qualified disability expenses, including education, housing, transportation, and employment training, among others. ABLE Account balances won't be counted in determining eligibility for government programs. At the death of the beneficiary, the government may make a claim on the ABLE Account for the amount of its expenses.

## Investments

| Maximum long-term capital gains tax rates   |             |              |
|---|-------------|--------------|
|   | 0% tax rate | 15% tax rate |
| Marrieds filing jointly or surviving spouse | \$80,000    | \$496,600    |
| Head of household                           | \$53,600    | \$469,050    |
| Single                                      | \$40,000    | \$441,450    |
| Estate or trust                             | \$2,650     | \$13,150     |

At higher income levels the maximum tax rate on long-term capital gains is 20%.

| IRA Required Minimum Distributions |         |            |       |         |            |
|------------------------------------|---------|------------|-------|---------|------------|
| Age                                | Divisor | Percentage | Age   | Divisor | Percentage |
| 72.0                               | 25.6    | 3.9%       | 94.0  | 9.1     | 11.0%      |
| 73.0                               | 24.7    | 4.0%       | 95.0  | 8.6     | 11.6%      |
| 74.0                               | 23.8    | 4.2%       | 96.0  | 8.1     | 12.3%      |
| 75.0                               | 22.9    | 4.4%       | 97.0  | 7.6     | 13.2%      |
| 76.0                               | 22.0    | 4.5%       | 98.0  | 7.1     | 14.1%      |
| 77.0                               | 21.2    | 4.7%       | 99.0  | 6.7     | 14.9%      |
| 78.0                               | 20.3    | 4.9%       | 100.0 | 6.3     | 15.9%      |
| 79.0                               | 19.5    | 5.1%       | 101.0 | 5.9     | 16.9%      |
| 80.0                               | 18.7    | 5.3%       | 102.0 | 5.5     | 18.2%      |
| 81.0                               | 17.9    | 5.6%       | 103.0 | 5.2     | 19.2%      |
| 82.0                               | 17.1    | 5.8%       | 104.0 | 4.9     | 20.4%      |
| 83.0                               | 16.3    | 6.1%       | 105.0 | 4.5     | 22.2%      |
| 84.0                               | 15.5    | 6.5%       | 106.0 | 4.2     | 23.8%      |
| 85.0                               | 14.8    | 6.8%       | 107.0 | 3.9     | 25.6%      |
| 86.0                               | 14.1    | 7.1%       | 108.0 | 3.7     | 27.0%      |
| 87.0                               | 13.4    | 7.5%       | 109.0 | 3.4     | 29.4%      |
| 88.0                               | 12.7    | 7.9%       | 110.0 | 3.1     | 32.3%      |
| 89.0                               | 12.0    | 8.3%       | 111.0 | 2.9     | 34.5%      |
| 90.0                               | 11.4    | 8.8%       | 112.0 | 2.6     | 38.5%      |
| 91.0                               | 10.8    | 9.3%       | 113.0 | 2.4     | 41.7%      |
| 92.0                               | 10.2    | 9.8%       | 114.0 | 2.1     | 47.6%      |
| 93.0                               | 9.6     | 10.4%      | 115+  | 1.9     | 52.6%      |

## Retirement Plans and Social Security

| Social Security for 2020  |           |
|---------------------------|-----------|
| Social Security wage base | \$137,700 |

| Retirement Earnings Test Exempt Amounts   |          |
|---|----------|
| Under full retirement age (\$1 in benefits is withheld for every \$2 in earnings above the limit.)  | \$18,240 |
| The year in which full retirement age is reached (\$1 in benefits is withheld for every \$3 in earnings above the limit but only for months prior to reaching full retirement age.) | \$48,600 |
| After full retirement age is reached  | no limit |

| Taxation of Social Security Benefits                            |                                  |
|---|----------------------------------|
| Singles with <i>Provisional Income</i> *                        |                                  |
| below \$25,000  | pay no tax on benefits           |
| from \$25,000 to \$34,000                                       | pay tax on 50% of benefits       |
| over \$34,000   | pay tax on up to 85% of benefits |
| Marrieds filing a joint return with <i>Provisional Income</i> * |                                  |
| below \$32,000  | pay no tax on benefits           |
| from \$32,000 to \$44,000                                       | pay tax on 50% of benefits       |
| over \$44,000   | pay tax on up to 85% of benefits |

\*The IRS defines *Provisional Income* as your modified adjusted gross income (MAGI) plus one-half of your Social Security benefits. (MAGI is AGI plus tax-exempt income.)

| Maximum Retirement Plan Contribution Limits for 2020 |                      |  |
|--|----------------------|--|
|  | Maximum contribution | Maximum contribution for those age 50 and over |
| Traditional IRA/<br>Roth IRA                         | \$6,000              | \$7,000  |
| 401(k) plans   | \$19,500             | \$26,000                                       |

| Phaseout of Deductibility of IRA Contributions Based on MAGI (If you are an active participant in a company retirement plan) |                        |
|--|------------------------|
| Singles and Heads of Household   | \$65,000 to \$75,000   |
| Marrieds filing joint returns and both spouses are active plan participants  | \$104,000 to \$124,000 |
| Marrieds filing joint returns and one spouse is active plan participant  | \$196,000 to \$206,000 |
| Married filing separately  | \$0 to \$10,000        |

| Phaseout of Roth IRA Contributions Based upon MAGI |                        |
|--|------------------------|
| Singles  | \$124,000 to \$139,000 |
| Marrieds filing a joint return                     | \$196,000 to \$206,000 |



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