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The income tax brackets, standard deduction amounts, and many other tax items are adjusted annually for cost-of-living increases. These adjustments reflect, under a measure of inflation provided by the Tax Cuts ...

Oct. 29, 2019

For married individuals filing joint returns and surviving spouses:

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

For single individuals (other than heads of households and surviving spouses):

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

The income tax brackets, standard deduction amounts, and many other tax items are

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ambiguities and has not yet been the subject of a comprehensive technical corrections bill. Where these issues arose in the context of inflation adjustments, Thomson Reuters construed provisions in the way that seemed the most consistent with Congressional intent, reflecting our assumption that these ambiguities will eventually be resolved accordingly. While these projections reflect our best judgment, it is nonetheless worth noting that there are instances where IRS may interpret the statute in a different manner.

## Tax Rate Schedules

The tax rate schedules for 2020 will be as follows.

*Dependents.* For an individual who can be claimed as a dependent on another's return, the basic standard deduction for 2020 will be \$1,100 (same as for 2019), or \$350 (same as for 2019) plus the individual's earned income, whichever is greater. However, the standard deduction may not exceed the regular standard deduction for that individual.

*Older and blind taxpayers.* For 2020, the additional standard deduction for married taxpayers 65 or over or blind will be \$1,300 (same as for 2019). For a single taxpayer or head of household who is 65 or over or blind, the additional standard deduction for 2020 will be \$1,650 (same as for 2019).

*Exemption amount.* While the dependency exemption deduction under Code Sec. 151 is reduced to zero from 2018 through 2025, this reduction isn't taken into account for other purposes of the Code, such as who is a qualifying relative for family credit purposes, and eligibility for head-of-household status. For 2020, this amount is \$4,300 (up from \$4,200 for 2019).

## Capital Gains

For 2020, the capital gains tax rates will be as follows:

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The 15% capital gains tax rate applies to adjusted net capital gain over the amount subject to the 0% rate, and up to:

- Joint returns and surviving spouses—\$496,600 (up from \$488,850 for 2019)
- Married taxpayers filing separately—\$248,300 (up from \$244,425 for 2019)
- Heads of household—\$469,050 (up from \$461,700 for 2019)
- Single filers—\$441,450 (up from \$434,550 for 2019)
- Estates and trusts—\$13,150 (up from \$12,950 for 2019)

The 20% capital gains tax rate applies to adjusted net capital gain over the above 15%-maximum amounts.

## Kiddie Tax

The exemption from the kiddie tax for 2020 will be \$2,200 (same as for 2019). A parent will be able to elect to include a child's income on the parent's return for 2020 if the child's income is more than \$1,100 and less than \$11,000 (same as for 2019).

*AMT exemption for child subject to kiddie tax.* The AMT exemption for 2020 for a child subject to the kiddie tax will be the lesser of (1) \$7,900 (up from \$7,750 for 2019) plus the child's earned income, or (2) \$72,900 (up from \$71,700 for 2019).

## AMT Figures

For 2020, the AMT exemption amounts will be:

- Joint returns or surviving spouses—\$113,400 ((up from \$111,700 for 2019)
- Unmarried individuals (other than surviving spouses)—\$72,900 ((up from \$71,700 for 2019)
- Married individuals filing separate returns—\$56,700 ((up from \$55,850 for 2019)
- Estates and trusts—\$25,400 ((up from \$25,000 for 2019)

For 2020, the excess taxable income above which the 28% tax rate applies will be

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\$510,300 for 2019)

- Married filing separate returns—\$518,400 ((up from \$510,300 for 2019)
- Estates and trusts—\$84,800 ((up from \$83,500 for 2019)

## **Income-Based Limitations on Sec. 199A/Qualified Business Income Deduction**

For 2020, taxpayers with taxable income above \$163,300 for single and head of household returns, \$326,600 for joint filers, and \$163,300 for married filing separate returns are subject to certain limitations on the Code Sec. 199A deduction. The 2019 amounts were \$160,700 and \$321,400, and \$160,725.

## **Excess Business Loss Disallowance Rule**

Under Code Sec. 461(l), an excess business loss for the tax year is the excess of aggregate deductions of the taxpayer attributable to the taxpayer's trades and businesses, over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount. For 2020, the threshold amount is \$518,000 for married individuals filing jointly (up from \$510,000 for 2019) and \$259,000 for other individuals (up from \$255,000 for 2019).

## **Refundable Child Credit**

The child credit is refundable, subject to the limit described below, to the extent of the greater of:

- 15% of earned income above \$2,500, or
- for taxpayers with three or more qualifying children, the excess of the taxpayer's social security taxes for the tax year over his or her earned income tax credit for the year. (Code Sec. 24(d))

The refundable portion of the child tax credit for any qualifying child can't exceed

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For 2020, the phaseout of the allowable earned income tax credit will begin at \$14,680 for joint filers with no qualifying children (\$8,790 for others with no qualifying children), and at \$25,220 for joint filers with one or more qualifying children (\$19,330 for others with one or more qualifying children). These amounts were \$14,450, \$8,650, \$24,820 and \$19,030 for 2019, respectively.

NOTE: Taxpayers must use IRS tables to determine the amount of their earned income tax credit. While these tables are based on the inflation-adjusted figures set out above, because the credit under the tables is the same for everyone within a \$50 range, there may be slight differences between the credit under the tables and the credit the taxpayer would determine using those inflation-adjusted figures.

The amount of disqualified income (generally investment income) a taxpayer may have before losing the entire earned income tax credit will be \$3,650 for 2020 (\$3,600 for 2019).

## Other Items

**Educator expenses.** For 2020, eligible elementary and secondary school teachers can claim an above-the-line deduction for up to \$250 per year of expenses paid for books and certain other supplies used in the classroom (same as for 2019).

**Interest exclusion for higher education.** For 2020, the phase-out for excluding interest on U.S. savings bonds redeemed to pay qualified higher education expenses will begin at modified adjusted gross income (MAGI) above \$82,350 (\$123,550 on a joint return). For 2019, the corresponding figures were \$81,100 and \$121,600.

**Qualified transportation fringe benefits.** For 2020, an employee will be able to exclude up to \$270 (up from \$265 for 2019) a month for qualified parking expenses,



and up to \$270 a month (up from \$265 for 2019) of the combined value of transit

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other adoptions will be the amount of qualified adoption expenses up to \$14,300 (up from \$14,080 for 2019).

For 2020, the credit will begin to phase out for taxpayers with MAGI in excess of \$214,520 (up from \$211,160 for 2019). The phaseout will be complete if MAGI is \$254,520 (up from \$251,160 for 2019).

**Adoption exclusion.** For 2020, the amount that can be excluded from an employee's gross income for the adoption of a child with special needs will be \$14,300 (up from \$14,080 for 2019). For 2020, the maximum amount that can be excluded from an employee's gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for other adoptions by the employee will be \$14,300 (up from \$14,080 for 2019).

For 2020, the amount excludable from an employee's gross income will begin to phase out for taxpayers with MAGI in excess of \$214,520 (up from \$211,160 for 2019). The phaseout will be complete if MAGI is \$254,520 (up from \$251,160 for 2019).

**Student loan interest deduction.** For 2020, the deduction phases out ratably for taxpayers other than joint filers with MAGI between \$70,000 and \$85,000 (same as for 2019), and MAGI between \$140,000 and \$170,000 for joint filers (same as for 2019).

**MAGI limits for making deductible contributions by active plan participants to traditional IRAs.** In general, an individual who isn't an active participant in certain employer-sponsored retirement plans, and whose spouse isn't an active participant, may make an annual deductible cash contribution to an IRA up to the lesser of: (1) an inflation-adjusted statutory dollar limit, or (2) 100% of the compensation that's includible in his or her gross income for that year. For 2020, the statutory dollar

limit is \$6,000 (same as for 2019), plus an additional \$1,000 for those age 50 or older.

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\$75,000 (up from \$64,000 and \$74,000 for 2019). For married taxpayers filing separate returns, the otherwise allowable deductible contribution will be phased out ratably for MAGI between \$0 and \$10,000 (same as for 2019).

For a married taxpayer who is not an active plan participant but whose spouse is such a participant, the otherwise allowable deductible contribution will be phased out ratably for 2020 for MAGI between \$196,000 and \$206,000 (up from between \$193,000 and \$203,000 for 2019).

**MAGI limits for making contributions to Roth IRAs.** Individuals may make nondeductible contributions to a Roth IRA, subject to the overall limit on IRA contributions. The maximum annual contribution that can be made to a Roth IRA is phased out for taxpayers with MAGI over certain levels for the tax year. For taxpayers filing joint returns, the otherwise allowable contributions to a Roth IRA will be phased out ratably for 2020 for MAGI between \$196,000 and \$206,000 (up from \$193,000 and \$203,000 for 2019). For single taxpayers and heads of household, it will be phased out ratably for MAGI between \$124,000 and \$139,000 (up from \$122,000 and \$137,000 for 2019). For married taxpayers filing separate returns, the otherwise allowable contribution will continue to be phased out ratably for MAGI between \$0 and \$10,000 (same as for 2019).

**Saver's credit.** For tax years beginning in 2020, an eligible lower-income taxpayer can claim a nonrefundable tax credit for the applicable percentage (50%, 20%, or 10%, depending on filing status and AGI) of up to \$2,000 of his or her qualified retirement savings contributions, as follows:

- Joint filers: \$0 to \$39,000, 50%; \$39,000 to \$42,500, 20%; and \$42,500 to \$65,000, 10% (no credit if AGI is above \$65,000).
- Heads of households: \$0 to \$29,250, 50%; \$29,250 to \$31,875, 20%; and \$31,875 to \$48,750, 10% (no credit if AGI is above \$48,750).

- All other filers: \$0 to \$19,500, 50%; \$19,500 to \$21,250, 20%; and \$21,250 to

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- Heads of households: \$0 to \$28,875, 50%; \$28,875 to \$31,125, 20%; and \$31,125 to \$48,000, 10% (no credit if AGI is above \$48,000).
- All other filers: \$0 to \$19,250, 50%; \$19,250 to \$20,750, 20%; and \$20,750 to \$32,000, 10% (no credit if AGI is above \$32,000).

Other inflation-adjusted estimates calculated by Thomson Reuters will be published in Federal Tax Update, available on [Checkpoint](#).

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