

2020 Tax Update



Tax Brackets

Federal Ordinary Income Taxes			
Taxable Income Over	But not over	The tax is	Of the amount over
Single			
\$0	\$9,875	10%	\$0
\$9,875	\$40,125	\$988 + 12%	\$9,875
\$40,125	\$85,525	\$4,618 + 22%	\$40,125
\$85,525	\$163,300	\$14,606 + 24%	\$85,525
\$163,300	\$207,350	\$33,272 + 32%	\$163,300
\$207,350	\$518,400	\$47,368 + 35%	\$207,350
\$518,400	—	\$156,235 + 37%	\$518,400
Married Filing Jointly			
\$0	\$19,750	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	—	\$167,308 + 37%	\$622,050
Trusts and Estates			
\$0	\$2,600	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
Federal Long-Term Capital Gains and Qualified Dividends			
Rate	Single	Married Filing Jointly	Trusts and Estates
0%	\$0-\$40,000	\$0-\$80,000	\$0-\$2,650
15%	\$40,000-\$441,450	\$80,000-\$496,600	\$2,650-\$13,150
20%	\$441,450 +	\$496,600 +	\$13,150 +
Collectibles: 28%			
3.8% Medicare Surtax Thresholds			
Assessed on lesser of net investment income / MAGI over threshold			
Single and Head of Household	\$200,000		
Married Filing Jointly	\$250,000		
Married Filing Separately	\$125,000		
Trusts and Estates	\$12,500		
Alternative Minimum Tax (AMT)			
	Exemption	Phaseout	
Single	\$72,900	\$518,400	
Married Filing Jointly	\$113,400	\$1,036,800	
Married Filing Separately	\$56,700	\$518,400	
Trusts and Estates	\$25,400	\$84,800	
26% up to \$197,900 of AMT base		28% over \$197,700 of AMT base	
Social Security			
	Single	Married Filing Jointly	
Not taxable	< \$25,000	< \$32,000	
Up to 50% taxable	\$25,000 - \$34,000	\$32,000 - \$44,000	
Up to 85% taxable	> \$34,000	> \$44,000	
*Married filing separately - Up to 85% of benefits are taxable			

Deductions and Exemptions

Standard Deductions and Exemptions					
Single	Married Filing Jointly	Married Filing Separately	Head of Household		
\$12,400	\$24,800	\$12,400	\$18,650		
Additional for Elderly or Blind		\$1,650 (single) / \$1,300 each (married)			
Kiddie Tax (to age 18 or 23 if FT student)		\$1,100			
Child Tax Credit (Children under age 17)		\$2,000			
Health Savings Accounts					
Single / Family limit		\$3,550 / \$7,100			
Age 55+ Catch-up		\$1,000			
Min Deductible Single/Family		\$1,400 / \$2,800			
Max Out of pocket Single/Family		\$6,900 / \$13,800			
Education Phase-outs					
	MFJ	All Others			
Student Loan Interest (\$2.5k)	\$140k - \$170k	\$70k - \$85k			
Lifetime Learning Credits	\$118k - \$138k	\$59k - \$69k			
Tax-free savings bonds	\$123.55k - \$153.55k	\$82.35k - \$97.35k			
American Opp. Credit (\$2.5k)	\$160k - \$180k	\$80k - \$90k			
Qualified Business Income					
Deduction = Lesser of 20% of business income or 50% wages					
Service business phase-out		\$326,600 (MFJ)	\$163,300 (S)		
Charitable Contributions AGI Limits					
	Cash	Cap Gain Property			
Donations to public charities	60%	30%			
Donations to private foundations	30%	20%			
Long-Term Care Insurance					
Max qualified LTC premiums eligible for deductions					
Age	< 40	41 - 50	51 - 60	61 - 70	70+
Max	\$430	\$810	\$1,630	\$4,350	\$5,430

SECURE Act Provisions

Increased initial RMD age to 72 for taxpayers turning 70.5 after 12/31/19.
 QCDs are still permitted starting at age 70.5.
 Eliminated age cap on Roth and Traditional IRA contributions.
 Eliminated stretch IRAs for non-eligible designated beneficiaries*. Inherited IRAs must be fully distributed within 10 years.
 *Eligible designated beneficiaries include: 1) surviving spouse 2) minor child 3) a beneficiary who is no more than 10 years younger 4) a chronically-ill individual
 Permitted up to \$10,000 of 529 college savings plan distributions per account beneficiary to be used for student loan repayment.
 Permitted up to \$5,000 of penalty-free IRA withdrawals for birth or adoption events.

Seasoned financial guidance, with respect and integrity, backed by a disciplined investment process.

Social Security			
SS wage base	\$137,700	Social Security COLA	1.6%
FICA tax rate - employee	7.65%	Self-employment tax	15.3%
Maximum FRA benefit	\$36,132/year		
Earnings limitation			
Below FRA (\$1 for \$2)	\$18,240/year		
Year of FRA (\$1 for \$3)	\$48,600/year		
Year of birth	FRA	Year of Birth	FRA
1943-1954	66	1958	66 and 8 months
1955	66 and 2 months	1959	66 and 10 months
1956	66 and 4 months	1960 and later	67
1957	66 and 6 months		
8% annual delayed retirement credit until age 70			

Uniform Life Table					
Age	Factor	Age	Factor	Age	Factor
70	27.4	81	17.9	92	10.2
71	26.5	82	17.1	93	9.6
72	25.6	83	16.3	94	9.1
73	24.7	84	15.5	95	8.6
74	23.8	85	14.8	96	8.1
75	22.9	86	14.1	97	7.6
76	22.0	87	13.4	98	7.1
77	21.2	88	12.7	99	6.7
78	20.3	89	12.0	100	6.3
79	19.5	90	11.4	101	5.9
80	18.7	91	10.8	102	5.5

Retirement Accounts

Self-Employed Retirement Plan Comparison			
*Tax refers to prior to tax filing	i401(k)	SIMPLE	SEP
Max employee contribution	\$19.5k	\$13.5k	N/A
Max catch-up contribution	\$6.5k	\$3k	N/A
Max employer contribution:			
1) Corporations (% of w-2 income)	25%	3%	25%
2) Sole Prop. / Partnership (% of Sch. C income)	20%	3%	20%
Max includible compensation	\$285k	N/A	\$285k
Max total contributions (before catch-up)	\$57k	Varies	\$57k
Roth contributions permitted	Yes	No	Yes
Establishment deadline	31-Dec	1-Oct	Tax
Employee contribution deadline	ASAP	ASAP	N/A
Employer contribution deadline	*Tax	*Tax	*Tax

Retirement Plans	
401(k), 403(b), 457(b) salary deferral	\$19,500
50+ Catch-up	\$6,500
Max annual additions to a DC plan	\$57,000
Max annual additions to a DB plan	\$230,000
Maximum compensation considered	\$285,000
Highly compensated employee	\$130,000
Key employee - Officer	\$185,000

Traditional and Roth IRAs			
Contribution Limit	\$6,000	50+ catch-up	\$1,000
Traditional IRA deductibility phase-out based on MAGI			
Plan Participation	MFJ	MFS	Single
Both Spouses	\$104,000 - \$124,000	\$0 - \$10,000	\$65,000 - \$75,000
One Spouse	\$196,000 - \$206,000	N/A	N/A
Neither	Fully deductible		
Roth IRA phase-out based on MAGI			
Married Filing jointly	\$196,000 - \$206,000		
Single	\$124,000 - \$139,000		

Medicare and Estate Tax

Medicare			
Based on 2018 MAGI			
Single	MFJ	Part B	Part D Surtax
<\$87k	<\$174k	\$144.60	\$0.00
\$87k - \$109k	\$174k - \$218k	\$202.40	\$12.20
\$109k - \$136k	\$218k - \$272k	\$289.20	\$31.50
\$136k - \$163k	\$272k - \$326k	\$376.00	\$50.70
\$163k - \$500k	\$326k - \$750k	\$462.70	\$70.00
>\$500k	>\$750k	\$491.60	\$76.40

Estate and Gift Tax	
Annual gift exclusion	\$15,000
Estate & gift tax basic exclusion	\$11,580,000
Applicable credit amount	\$4,577,800
Highest estate tax bracket	40%

Tax Liability Computation Example			
Married Filing Jointly / Under age 65			
Ordinary Income	\$65,000	Ordinary Income (10%)	\$19,750
Long-Term Capital Gains	\$45,000	Ordinary Income (12%)	\$45,250
Standard Deduction	\$24,800	LTCG (0%)	\$15,000
Total Taxable Income	\$85,200	LTCG (15%)	\$5,200

