

2020 QUICK TAX GUIDE

FEDERAL INCOME TAX RATES

Taxable income between:

Single ¹		Head of household (HOH) ¹		Estates and trusts ¹	
\$0-\$9,875	10%	\$0-\$14,100	10%	\$0-\$2,600	10%
\$9,875-\$40,125	12%	\$14,100-\$53,700	12%	\$2,600-\$9,450	24%
\$40,125-\$85,525	22%	\$53,700-\$85,500	22%	\$9,450-\$12,950	35%
\$85,525-\$163,300	24%	\$85,500-\$163,300	24%	Over \$12,950	37%
\$163,300-\$207,350	32%	\$163,300-\$207,350	32%	Standard deduction¹	
\$207,350-\$518,400	35%	\$207,350-\$518,400	35%	Single	\$12,400
Over \$518,400	37%	Over \$518,400	37%	Married, filing jointly	\$24,800
Married, filing jointly¹		Married, filing separately¹		Head of household	\$18,650
\$0-\$19,750	10%	\$0-\$9,875	10%	Married, filing separately	\$12,400
\$19,750-\$80,250	12%	\$9,875-\$40,125	12%	Additional standard deduction for tax-payers who are age 65 or older, or who are blind: \$1,300 for married; \$1,650 for unmarried and not a surviving spouse. ¹	
\$80,250-\$171,050	22%	\$40,125-\$85,525	22%		
\$171,050-\$326,600	24%	\$85,525-\$163,300	24%		
\$326,600-\$414,700	32%	\$163,300-\$207,350	32%		
\$414,700-\$622,050	35%	\$207,350-\$311,025	35%		
Over \$622,050	37%	Over \$311,025	37%		

Kiddie tax exemption¹

\$2,200

A "kiddie" is under age 18; or age 18 provided child's earned income does not exceed 1/2 of his/her support; or ages 19-23 if full-time student and earned income does not exceed 1/2 of support.

Rates for long-term capital gains and qualified dividends^{1,2}

	Individuals	Head of Household	Married, filing jointly	Married, filing separately	Estates and trusts
0%	\$0 - \$40,000	\$0 - \$53,600	\$0 - \$80,000	\$0 - \$40,000	\$0-\$2,650
15%	\$40,000 - \$441,450	\$53,600 - \$469,050	\$80,000 - \$496,600	\$40,000 - \$248,300	\$2,650-\$13,150
20%	Over \$441,450	Over \$469,050	Over \$496,600	Over \$248,300	Over \$13,150
28%	Collectibles				

3.8% Medicare surtax thresholds³

Single or HOH	\$200,000
Married, filing jointly	\$250,000
Married, filing separately	\$125,000
Estates and trusts ^{1,3}	\$12,950

The tax is assessed on the lesser of the amount of income over the threshold or the amount of net investment income.

IRA⁴

IRA contribution (under age 50)	\$6,000
IRA contribution (50 and older)	\$7,000
Single or HOH phase out	\$65,000-\$75,000
Married, filing jointly	\$104,000-\$124,000
Married, filing separately	\$0-\$10,000
Spousal IRA	\$196,000-\$206,000

Phase-out of Roth IRA contribution eligibility⁴

Single phase out	\$124,000-\$139,000
Married, filing jointly	\$196,000-\$206,000
Married, filing separately	\$0-\$10,000

SEP^{4,11}

SEP contribution	Up to 25% of compensation (limit \$57,000)	Individual 401(k) ⁴	Employer contribution	Up to 25% of compensation
Minimum compensation participant	\$600	Employee salary deferral (under 50)		\$19,500

SIMPLE⁴

SIMPLE elective deferral (under age 50)	\$13,500	Employee salary deferral (50 and older)	\$26,000
SIMPLE elective deferral (50 and older)	\$16,500	Total employer and employee	\$57,000 (\$63,500 age 50 and older)

Other qualified plans⁴

401(k), 403(b) ⁵ governmental 457(b) ⁵ and SARSEP elective deferral (under age 50)	\$19,500
401(k), 403(b), ⁵ governmental 457(b) ⁵ and SARSEP elective deferral (age 50 and older)	\$26,000
Limit on additions to defined contribution plans	\$57,000
Annual benefit limit on defined benefit plans	\$230,000
Highly compensated employee makes	\$130,000
Maximum compensation taken into account for qualified plans	\$285,000
HSA contribution individual coverage ¹²	\$3,550
HSA contribution family coverage ¹²	\$7,100

¹ Rev. Proc. 2019-44.

³ IRC Sec. 1411.

⁵ Additional catch-up contributions may be available for 403(b) participants with 15 or more years of service.

² IRC Sec. 1(j)(1), (2), (4), (5)(B).

⁴ IR-2019-179. Treas. Reg. 1.403(b).4(c)(3).



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FEDERAL GIFT AND ESTATE TAX¹

Gift tax annual exclusion	\$15,000
Annual exclusion for gift to noncitizen spouse	\$157,000
Highest estate and gift tax rate ¹⁴	40%
Unified estate and gift tax credit amount ¹	\$11,580,000
Generation-skipping transfer tax exclusion ¹	\$11,580,000

Unused credit can pass to the surviving spouse if decedent spouse elects on Form 706.

SOCIAL SECURITY

Maximum earnings (during working years) subject to payroll tax ⁷	\$137,700
Social Security payroll tax⁷	Employees pay 7.65%
	Self-employed pay 15.30%

Additional 0.9% high-income payroll tax for wages in excess of¹⁰

Single or HOH	\$200,000
Married, filing jointly	\$250,000
Married, filing separately	\$125,000

Income⁸ (in retirement) causing Social Security benefits to be taxable⁹

Single or HOH	
Up to 50% taxable	\$25,000 MAGI
Up to 85% taxable	\$34,000 MAGI
Married, filing jointly	
Up to 50% taxable	\$32,000 MAGI
Up to 85% taxable	\$44,000 MAGI

Max earnings (from a job) between age 62 and full (normal) Social Security retirement age before Social Security benefits are reduced \$1 for every \$2 above \$18,240. For individuals who reach FRA in 2020, \$1 for every additional \$3 earned: \$48,600 up until first of month of birthday. Thereafter unlimited.⁷

LTC¹

Maximum premium amount allowed as a medical expense (deductible to extent all medical expenses exceed 7.5% AGI)	
Age 40 or less	\$430
More than age 40 but not more than 50	\$810
More than age 50 but not more than 60	\$1,630
More than age 60 but not more than 70	\$4,350
More than age 70	\$5,430

EDUCATION

Student loan interest deduction ¹	\$2,500
Phase-out: ¹ Single	\$70,000-\$85,000
Married, filing jointly	\$140,000-\$170,000

American Opportunity Tax Credit (Hope Scholarship Credit)¹²

Maximum \$2,500 (100% of first \$2,000 + 25% of next \$2,000 of eligible expenses)	
Phase-out: ¹² Single	\$80,000 - \$90,000
Married, filing jointly	\$160,000 - \$180,000
Lifetime learning credit ¹²	20% of qualified expenses up to \$10,000
Phase-out: ¹² Single or HOH	\$59,000 - \$69,000
Married, filing jointly	\$118,000 - \$138,000

⁶ In last 3 years pre-retirement, governmental 457(b) ¹¹ IRC Sec. 402 (h)(2). Unless otherwise noted, the source of data in the document is the Internal Revenue Code. ¹² IRC Sec. 25A (c).⁽ⁱ⁾ ¹³ IRC Sec. 2001(c). Information is accurate at time of printing, February 2020.

⁷ "2019 Social Security Changes," Fact Sheet, Social Security Administration.

⁸ Most income, including municipal bond interest, but only 1/2 of Social Security benefits.

⁹ IRC Sec. 86.

¹⁰ IRC Sec. 3101(b)(2).

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2020 TAX SUMMARY

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 increases the age for required minimum distributions (RMDs) for all qualified retirement plans to age 72. IRA owners who were born June 30, 1949 or prior must continue to take RMDs under the previous rules. The required minimum distribution (RMD) for any year is calculated as the December 31 value of the prior year (plus the actuarial present value of any additional benefit provided within the annuity contract) divided by the RMD factor from the appropriate table.²

Uniform Lifetime Table³

For use by:

- Unmarried IRA owners
- Married IRA owners whose spouses are not more than 10 years younger
- Married IRA owners whose spouses are not the sole beneficiaries of their IRAs

(For married IRA owners whose spouses are more than 10 years younger, use Joint Life Table from Treas. Reg. 1.401 (a)(9)-9, Q&A 3)

Single Life Expectancy Table⁴

Spouse beneficiary

IRA owner dies on/after Required Beginning Date (RBD): Beginning in the year following the year of the IRA owner's death, recalculate spouse beneficiary's single life expectancy each year while spouse beneficiary survives, using spouse beneficiary's age on birthday in that calendar year. If RMD would be less, spouse beneficiary would use IRA owner's term certain life expectancy. For that, use IRA owner's age attained on the birthday in the calendar year of IRA owner's death. Reduced by one for each passing year. (Note: Spouse beneficiary could instead roll over to his or her own IRA at IRA owner's death).

Death before RBD: Same options as above, minus using IRA owner's term certain life expectancy, plus spouse beneficiary can delay until IRA owner would have turned age 70½.⁵

Nonspouse beneficiary

Death after December 31, 2019: The stretch IRA option will be replaced with a 10-year rule for the vast majority of nonspouse beneficiaries. The rule will require assets to be liquidated by the end of the 10th year following the year of death of the IRA owner. There will be no scheduled RMDs. The only RMD on an inherited IRA would be the entire remaining balance at the end of the 10 years after death. There are some exceptions if the nonspouse beneficiary is a minor, disabled, chronically ill, or not more than 10 years younger than the deceased IRA owner. For minors, the exception only applies until the child reaches the age of majority, at which point the 10-year rule is enforced.

Death prior to December 31, 2019

Death on/after RMD: Beneficiary uses beneficiary's own term certain life expectancy. For that, use the beneficiary's age attained on the birthday in the calendar year after the calendar year of IRA owner's death. Reduce by one for each passing year. If RMD would be less, beneficiary would use IRA owner's term certain life expectancy. For that, use IRA owner's attained age in the calendar year of IRA owner's death. Reduce by one for each passing year.

Death before RMD: Same options as above, minus using IRA owner's term certain life expectancy, or beneficiary can defer all distributions as long as all funds are distributed in five years.

No designated beneficiary

Death on/after RMD: Inheritor uses IRA owner's term certain life expectancy. For that, use IRA owner's age attained on the birthday in the calendar year of owner's death. Reduce by one for each passing year.

Death before RMD:

Distribute all within five years.

Single Life Expectancy Table¹

Age	Life expectancy	Age	Life expectancy	Age	Life expectancy	Age	Life expectancy
0	82.4	29	54.3	58	27.0	87	6.7
1	81.6	30	53.3	59	26.1	88	6.3
2	80.6	31	52.4	60	25.2	89	5.9
3	79.7	32	51.4	61	24.4	90	5.5
4	78.7	33	50.4	62	23.5	91	5.2
5	77.7	34	49.4	63	22.7	92	4.9
6	76.7	35	48.5	64	21.8	93	4.6
7	75.8	36	47.5	65	21.0	94	4.3
8	74.8	37	46.5	66	20.2	95	4.1
9	73.8	38	45.6	67	19.4	96	3.8
10	72.8	39	44.6	68	18.6	97	3.6
11	71.8	40	43.6	69	17.8	98	3.4
12	70.8	41	42.7	70	17.0	99	3.1
13	69.9	42	41.7	71	16.3	100	2.9
14	68.9	43	40.7	72	15.5	101	2.7
15	67.9	44	39.8	73	14.8	102	2.5
16	66.9	45	38.8	74	14.1	103	2.3
17	66.0	46	37.9	75	13.4	104	2.1
18	65.0	47	37.0	76	12.7	105	1.9
19	64.0	48	36.0	77	12.1	106	1.7
20	63.0	49	35.1	78	11.4	107	1.5
21	62.1	50	34.2	79	10.8	108	1.4
22	61.1	51	33.3	80	10.2	109	1.2
23	60.1	52	32.3	81	9.7	110	1.1
24	59.1	53	31.4	82	9.1	111+	1.0
25	58.2	54	30.5	83	8.6		
26	57.2	55	29.6	84	8.1		
27	56.2	56	28.7	85	7.6		
28	55.3	57	27.9	86	7.1		

Uniform Lifetime Table¹ (for RMD purposes)

Age	Distribution period
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6
94	9.1
95	8.6
96	8.1
97	7.6
98	7.1
99	6.7
100	6.3
101	5.9
102	5.5
103	5.2
104	4.9
105	4.5
106	4.2
107	3.9
108	3.7
109	3.4
110	3.1
111	2.9
112	2.6
113	2.4
114	2.1
115+	1.9

¹ Treas. Reg. 1.401(a)(9) - 9. This table is proposed to change after 2020.

² Treas. Reg. 1.401(j)(9) - 6 Q&A 12, 1.401(a)(g) - 5. This table is proposed to change after 2020.

³ Treas. Reg. 1.401(a)(9) - 5, Q&A 4.

⁴ Treas. Reg. 1.401(a)(9) - 5, Q&A 5.

⁵ Although the SECURE Act changed the required beginning date to age 72, Reg. § 1.401(a)(9)-3, Q&A 3(b) still specifically references age 70½ as the date that distributions must begin for spousal beneficiaries who do not perform a rollover. It is likely that the 70½ date will be changed to 72 when the IRS issues further guidance.

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