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2020 Tax Brackets, Standard Deduction, and Other Changes

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Last week the IRS published the annual inflation updates for 2020. As was the case for 2019, it's really just regular inflation adjustments, as opposed to the major legislative changes we had two years ago (i.e., effective for 2018).

If you have questions about a particular amount that I do not mention here, you can likely find it in the official IRS announcements: **Rev. Proc. 2019-44** (which contains most inflation adjustment figures) and **Notice 2019-59** (for figures relating to retirement accounts).

Single 2020 Tax Brackets

Taxable Income	Tax Bracket:
\$0-\$9,875	10%
\$9,875-\$40,125	12%
\$40,125-\$85,525	22%
\$85,525-\$163,300	24%
\$163,300-\$207,350	32%
\$207,350-\$518,400	35%
\$518,400+	37%

Married Filing Jointly 2020 Tax Brackets

Taxable Income	Tax Bracket:
\$0-\$19,750	10%
\$19,750-\$80,250	12%
\$80,250-\$171,050	22%
\$171,050-\$326,600	24%
\$326,600-\$414,700	32%
\$414,700-\$622,050	35%
\$622,050+	37%

Head of Household 2020 Tax Brackets

Taxable Income	Tax Bracket:
\$0-\$14,100	10%
\$14,100-\$53,700	12%
\$53,700-\$85,500	22%
\$85,500-\$163,300	24%
\$163,300-\$207,350	32%
\$207,350-\$518,400	35%
\$518,400+	37%

Married Filing Separately 2020 Tax Brackets

Taxable Income	Marginal Tax Rate:
\$0-\$9,875	10%
\$9,875-\$40,125	12%
\$40,125-\$85,525	22%
\$85,525-\$163,300	24%
\$163,300-\$207,350	32%
\$207,350-\$311,025	35%
\$311,025+	37%

Standard Deduction Amounts

The 2020 standard deduction amounts are as follows:

- Single or married filing separately: \$12,400
- Married filing jointly: \$24,800
- Head of household: \$18,650

The additional standard deduction for people who have reached age 65 (or who are blind) is \$1,300 for each married taxpayer or \$1,650 for unmarried taxpayers.

IRA Contribution Limits

The contribution limit for Roth IRA and traditional IRA accounts is unchanged at \$6,000.

The catch-up contribution limit for people age 50 or over does not get inflation adjustments and therefore is still \$1,000.

401(k), 403(b), 457(b) Contribution Limits

The salary deferral limit for 401(k) and other similar plans has increased to \$19,500.

The catch-up contribution limit for 401(k) and other similar plans for people age 50 and over has increased to \$6,500.

The maximum possible contribution for defined contribution plans (e.g., for a self-employed person with a sufficiently high income contributing to a **solo 401(k)**) is increased to \$57,000.

Child Tax Credit

The child tax credit (\$2,000 per child) and the related phaseout threshold (\$200,000 of modified adjusted gross income, \$400,000 if married filing jointly) do not get inflation adjustments. The portion of the credit that can be refundable (up to \$1,400 per child) does receive inflation adjustments, but it is still \$1,400 for 2020.

Capital Gains and Qualified Dividends

For 2020, long-term capital gains and qualified dividends face the following tax rates:

- 0% tax rate if they fall below \$80,000 of taxable income if married filing jointly, \$53,600 if head of household, or \$40,000 if filing as single or married filing separately.
- 15% tax rate if they fall above the 0% threshold but below \$496,600 if married filing jointly, \$469,050 if head of household, \$441,450 if single, or \$248,300 if married filing separately.
- 20% tax rate if they fall above the 15% threshold.

Alternative Minimum Tax (AMT)

The AMT exemption amount is increased to:

- \$72,900 for single people and people filing as head of household,
- \$113,400 for married people filing jointly, and
- \$56,700 for married people filing separately.

Estate Tax

The estate tax exclusion is increased to \$11,580,000 per decedent.

Pass-Through Business Income

With respect to the **20% deduction for qualified pass-through income**, for 2020, the threshold amount at which the “specified service trade or business” phaseout and the wage (or wage+property) limitations begin to kick in will be \$326,600 for married taxpayers filing jointly and \$163,300 for single taxpayers, people filing as head of household, or married people filing separately.