

# INFLATION ADJUSTED AMOUNTS FOR 2020

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## INFLATION ADJUSTED AMOUNTS FOR 2020 (TS2021)

IRS news release [IR-2019-180](#) provides inflation adjusted amounts that will take effect for calendar year 2020 (tax season 2021). [Rev. Proc. 2019-44](#) is summarized in the chart below. Despite the slower chained consumer price index (chained CPI) rate of adjustment, most items have increased for 2019. Items that are the same for 2020 are marked “N/C.” Also, we’ve included some non-inflation adjusted items, such as the maximum child tax credit, so that all information can be viewed together. See the revenue procedure for additional details.

### Adoption Credit or Assistance (§§23 and 137)

Maximum benefit– \$14,300

MAGI phaseout range (all filing statuses) \$214,520 – \$254,520

### Affordable Care Act Items

PTC: Excess Advance Premium Tax Credit Repayment Limitations (§36B)

| Household income category     | Single filers | All other taxpayers |
|-------------------------------|---------------|---------------------|
| Less than 200% of FPL (N/C)   | \$325         | \$650               |
| 200% to less than 300% of FPL | \$800 (N/C)   | \$1,600 (N/C)       |
| 300% to less than 400% of FPL | \$1,350       | \$2,700             |
| 400% or more of FPL           | No limitation | No limitation       |

Small Employer Health Insurance Credit (§45R)

Average annual wage phaseout begins – \$27,600

Maximum annual average wage – \$55,200

### Alternative Minimum Tax (AMT) (§55)

|                    | AMT exemption | AGI exemption phaseout starts at AMTI of... | 28% rate starts at income subject to AMT of... |
|--------------------|---------------|---|--|
| MFJ/QW             | \$113,400     | \$1,036,800                                 | \$197,900                                      |
| Single/HOH         | \$72,900      | \$518,400                                   | \$197,900                                      |
| MFS                | \$56,700      | \$518,400                                   | \$98,500                                       |
| Estates and trusts | \$25,400      | \$84,800                                    | \$197,900                                      |

*For children subject to the kiddie tax, the AMT exemption is the total of 1) the child's earned income, plus 2) \$7,900*

**Child Tax Credit / Credit for Other Dependents (§24)**

Maximum CTC \$2,000 (not inflation adjusted)

Maximum ODC \$500 (not inflation adjusted)

Phaseout begins at MAGI of \$200,000 (\$400,000 MFJ) (not inflation adjusted)

Maximum refundable portion of CTC – \$1,400 (N/C)

**Domestic (Household) Employee Coverage (§3121(a)(7))**

Schedule H filing [threshold](#) – \$2,200

**Due diligence penalty** in determining EIC, CTC/ACTC/ODC, HOH, or AOTC eligibility (§6695(g))

Per return penalty – \$540 per failure

**Earned Income Credit (§32)**

Investment income maximum – \$3,650

| Item                             | Number of Qualifying Children |                   |                   |                   |
|----------------------------------|-------------------------------|-------------------|-------------------|-------------------|
|                                  | One                           | Two               | Three or more     | No children       |
| Maximum EIC                      | \$3,584                       | \$5,920           | \$6,660           | \$538             |
| Earned income for maximum credit | \$10,540                      | \$14,800          | \$14,800          | \$7,030           |
| Phaseout range                   |                               |                   |                   |                   |
| Single/QW/HH                     | \$19,330-\$41,756             | \$19,330-\$47,440 | \$19,330-\$50,954 | \$8,790-\$15,820  |
| MFJ                              | \$25,220-\$47,646             | \$25,220-\$53,330 | \$25,220-\$56,844 | \$14,680-\$21,710 |

**Education Credits (§25A)**

American Opportunity Credit

The maximum \$2,500 credit phaseout begins at MAGI of \$80,000 (\$160,000 MFJ) and ends at MAGI of \$90,000 (\$180,000 MFJ) (not inflation adjusted)

Lifetime Learning Credit

The maximum \$2,000 credit phaseout begins at MAGI of \$59,000 (\$118,000 for MFJ) and ends at MAGI of \$69,000 (\$138,000 for MFJ)

**Educator Expense Deduction (§62(a)(2)(D))**

Maximum above-the-line deduction – \$250 (N/C)

**Excess business losses (§461(l))**

Taxable income threshold - \$259,000 (\$518,000 MFJ)

**Expatriation Tax (§877A)**

Covered expat average annual net income tax threshold – \$171,000

Gross income inclusion reduced by – \$737,000

**Failure to File Tax Return (§6651(a)) – Minimum Penalty (applies after 60 days)**

Lesser of \$330 or 100% of tax

**Foreign Earned Income Exclusion (§911)**

Maximum foreign earned income exclusion – \$107,600

**Gift and Estate Tax**

Maximum exclusion for gifts to any one person (§2503) – \$15,000 (N/C)

Basic exclusion amount for determining unified credit against estate tax (§2010) – \$11,580,000

**Health FSAs (§125(i))**

The maximum amount that may be contributed to a health FSA is \$2,750

**Health Savings Accounts** (posted in [Rev. Proc. 2019-25](#)) (§223)

Maximum contribution amounts

Single coverage – \$3,550 (\$4,550 age 55 or older)

Family coverage – \$7,100 (\$8,100 age 55 or older)

Minimum HDHP deductible

Single coverage – \$1,400

Family coverage – \$2,800

**Kiddie Tax (§1(g))**

Kiddie Tax Threshold – Begins at child's unearned income of \$1,100 (N/C)

Kiddie Tax Rates – See the AMT table and the Tax Tables for Estates/Trusts and Maximum Capital Gains

**Long-Term Care Premiums (§213(d)(10))**

Long-term care premiums – maximum premium amount that can be treated as medical care:

- Age 40 or less – \$430
- Over 40 but not more than 50 – \$810
- Over 50 but not more than 60 – \$1,630
- Over 60 but not more than 70 – \$4,350
- Over 70 – \$5,430

**Passport Revocation or Denial (§7345)**

Serious delinquent tax debt – \$53,000

**Personal Exemption (§§151 and 152)**

- The personal exemption is \$0 for 2018-2025
- Gross income test for qualifying relative – \$4,300

**Qualified Business Income Deduction (§199A)**

Taxable income phase-in range for wage/property limitation

MFJ – \$326,600-\$426,600

MFS – \$163,300-\$213,300

All others – \$163,300-\$213,300

**Qualified Small Employer Health Insurance Arrangement (§9831)**

Total HRA payments and reimbursements cannot exceed \$5,250 (\$10,600 for family coverage)

**Qualified Transportation Fringe Benefits (§132(f))**

Maximum monthly exclusion for transit pass and commuter vehicle - \$270

Maximum monthly exclusion for qualified parking – \$270

**Section 179 Deduction**

Maximum deduction – \$1,040,000

Phaseout begins when cost of qualifying property exceeds – \$2,590,000

**Standard Deductions (§63(c))**

|   | Single        | MFJ/QW        | MFS           | HOH           |
|---|---------------|---------------|---------------|---------------|
| Standard deduction*   | \$12,400      | \$24,800      | \$12,400      | \$18,650      |
| Additional (aged or blind—each)                                       | \$1,650 (N/C) | \$1,300 (N/C) | \$1,300 (N/C) | \$1,650 (N/C) |
| *Dependents: the greater of \$1,100 or earned income plus \$350 (N/C) |               |               |               |               |

**Student Loan Interest Deduction Phaseout (§221)**

The \$2,500 deduction phases out at MAGI of:

- \$140,000–\$170,000 (MFJ)
- \$70,000–\$85,000 (all others)

**Tax Table: Rates and Brackets for Individuals (§1(j))**

|           | Single              | MFJ/QW              | MFS                 | HOH                 |
|-----------|---------------------|---------------------|---------------------|---------------------|
| Tax Rates | Taxable Income      | Taxable Income      | Taxable Income      | Taxable Income      |
| 10%       | \$0–\$9,875         | \$0–\$19,750        | \$0–\$9,875         | \$0–\$14,100        |
| 12%       | \$9,876–\$40,125    | \$19,751–\$80,250   | \$9,876–\$40,125    | \$14,101–\$53,700   |
| 22%       | \$40,126–\$85,525   | \$80,251–\$171,050  | \$40,126–\$85,525   | \$53,701–\$85,500   |
| 24%       | \$85,526–\$163,300  | \$171,051–\$326,600 | \$85,526–\$163,300  | \$85,501–\$163,300  |
| 32%       | \$163,301–\$207,350 | \$326,601–\$414,700 | \$163,301–\$207,350 | \$163,301–\$207,350 |
| 35%       | \$207,351–\$518,400 | \$414,701–\$622,050 | \$207,351–\$311,025 | \$207,351–\$518,400 |
| 37%       | \$518,401 and over  | \$622,051 and over  | \$311,026 and over  | \$518,401 and over  |

**Tax Table: Rates and Brackets for Estates and Trusts (§1(j)(2)(E))**

| Tax Rates | Taxable Income    |
|-----------|-------------------|
| 10%       | \$0–\$2,600 (N/C) |
| 24%       | \$2,601–\$9,450   |
| 35%       | \$9,451–\$12,950  |
| 37%       | \$12,951 and over |

**Tax Table: Maximum Capital Gains Rates for Individuals, Estates and Trusts (§1(h))**

|   | Single             | MFJ/QW*            | HOH                | Estates/Trusts    |
|---|--------------------|--------------------|--------------------|-------------------|
| Tax Rates                                   | Taxable Income     | Taxable Income     | Taxable Income     | Taxable Income    |
| 0%  | \$0–\$40,000       | \$0–\$80,000       | \$0–\$53,600       | \$0–\$2,650 (N/C) |
| 15%   | \$40,001–\$441,450 | \$80,001–\$496,600 | \$53,601–\$469,050 | \$2,651–\$13,150  |
| 20%   | \$441,451 and over | \$496,601 and over | \$469,051 and over | \$13,151 and over |
| * MFS brackets are one-half of MFJ brackets |                    |                    |                    |                   |

**U.S. Savings Bond Income Exclusion (§135)**

Exclusion for taxpayers who pay qualified education expenses MAGI phaseout begins at \$82,350 (\$123,550 for joint returns) and ends at \$97,350 (\$153,550 for joint returns).

## 2020 PENSION PLAN LIMITATIONS

Information is now available on inflation adjusted dollar limitations for retirement plans and IRAs for calendar year 2020. Note that some items are “no change” (N/C) from 2019 and some items are listed for reference but are not inflation adjusted. See IRS news release [IR-2019-179](#) and [Notice 2019-59](#) for more details.

| Item   | 2020         | 2019         |
|--|--------------|--------------|
| Elective deferrals for employer plans 401(k), 403(b), 457(b) and TSPs            | \$19,500     | \$19,000     |
| Catch-up contributions for elective deferral plans age 50 and over               | \$6,500      | \$6,000      |
| IRA (traditional or Roth) contribution limit (N/C)                               | \$6,000      | \$6,000      |
| Catch-up contributions for IRA age 50 and over (not adjusted)                    | \$1,000      | \$1,000      |
| SIMPLE elective deferral limit   | \$13,500     | \$13,000     |
| Catch-up contribution limit for SIMPLE plans (N/C)                               | \$3,000      | \$3,000      |
| Defined contribution plan (SEP) annual additions limitation                      | \$57,000     | \$56,000     |
| Compensation test limit for highly compensated employees                         | \$130,000    | \$125,000    |
| Dollar limit for key employee in a top-heavy plan                                | \$185,000    | \$180,000    |
| Saver’s credit maximum MAGI  |              |              |
| MFJ—50% credit   | \$39,000     | \$38,500     |
| MFJ—20% credit   | \$42,500     | \$41,500     |
| MFJ—10% credit   | \$65,000     | \$64,000     |
| HH—50% credit  | \$29,250     | \$28,875     |
| HH—20% credit  | \$31,875     | \$31,125     |
| HH—10% credit  | \$48,750     | \$48,000     |
| Other filers—50% credit  | \$19,500     | \$19,250     |
| Other filers—20% credit  | \$21,250     | \$20,750     |
| Other filers—10% credit  | \$32,500     | \$32,000     |
| Deductible IRA contribution—active participation MAGI—phaseout <i>starts at:</i> |              |              |
| MFJ and QW   | \$104,000    | \$103,000    |
| MFS (not adjusted)   | first dollar | first dollar |
| Single and HOH   | \$65,000     | \$64,000     |
| Spouse active participant  | \$196,000    | \$193,000    |
| Roth IRA contribution MAGI limitation—phaseout <i>starts at:</i>                 |              |              |
| MFJ and QW   | \$196,000    | \$193,000    |
| MFS (not adjusted)   | first dollar | first dollar |
| Single and HOH   | \$124,000    | \$122,000    |

## 2020 SOCIAL SECURITY UPDATES

The Social Security Administration [announced](#) that there will be a 1.6% cost of living adjustment (COLA) for 2020 social security and SSI benefits. A different COLA measurement applies to other items, as summarized below. See the [fact sheet](#) for additional details. Social security and Medicare tax rates remain the same.

| Item   | 2020                            | 2019                            |
|--|---------------------------------|---------------------------------|
| Employees:   |                                 |                                 |
| Social security tax rate                                 | 6.20%                           | 6.20%                           |
| Medicare tax rate*                                       | <u>1.45%</u>                    | <u>1.45%</u>                    |
| Total  | 7.65%                           | 7.65%                           |
| Self-employed:   |                                 |                                 |
| Social security tax rate                                 | 12.4%                           | 12.4%                           |
| Medicare tax rate  | <u>2.9%</u>                     | <u>2.9%</u>                     |
| Total  | 15.3%                           | 15.3%                           |
| Maximum taxable earnings for social security             | \$137,700                       | \$132,900                       |
| Maximum employee social security contribution from wages | \$8,537.40                      | \$8,239.80                      |
| Maximum base for Medicare                                | No limit                        | No limit                        |
| Minimum earnings for one quarter of coverage             | \$1,410                         | \$1,360                         |
| Retirement earnings test**                               |                                 |                                 |
| Under full retirement age                                | \$18,240 / yr<br>(\$1,520 / mo) | \$17,640 / yr<br>(\$1,470 / mo) |
| Year full retirement age attained                        | \$48,600 / yr<br>(\$4,050 / mo) | \$46,920 / yr<br>(\$3,910 / mo) |
| Coverage <a href="#">thresholds</a> :                    |                                 |                                 |
| Domestic employees                                       | \$2,200                         | \$2,100                         |
| Election officials/workers                               | \$1,900                         | \$1,800                         |

\*Individuals with earned income of more than \$200,000 (\$250,000 for married filing jointly, \$125,000 for married filing separately) pay an additional 0.9% in Medicare taxes on earned income exceeding the applicable threshold. These thresholds are not adjusted for inflation.

\*\* If under full retirement age, benefits are reduced \$1 for every \$2 of earnings in excess of earnings test amount; in year of full retirement age, benefits are reduced \$1 for every \$3 of earnings in excess of earnings test – applies only to earnings in months before full retirement age. “[Full retirement age](#)” (or “normal retirement age”) depends on the individual’s birth year. Individuals born in 1954 (starting January 2) will reach full retirement age in 2020.