

NEWS YOU CAN USE-2020 TAX FACTS

MILEAGE RATES FOR 2020

| | |
|-----------------|-----------------|
| BUSINESS: | 57.5 cents/mile |
| MEDICAL/MOVING: | 17 cents/mile |
| CHARITABLE: | 14 cents/mile |

STANDARD PER DIEM RATES FOR MEALS, LODGING, AND INCIDENTAL EXPENSES EFFECTIVE 10/1/19; THE LOW AND HIGH STANDARD PER DIEM RATE RANGES FROM \$200 TO 297 FOR LODGING, FOR MEALS THE LOW/HIGH RANGE IS \$60 TO \$71. ALL LOCALITIES HAVE RATES APPLICABLE FOR THEIR AREA. MOST GO IN EFFECT AS OF 10/1/19 AND CARRY THRU SEPTEMBER 2020.

Kiddie Tax standard deduction amount is \$1100.00. However Parents can elect to report their child's income on their return if the child's unearned income is between \$1,100 and 12,400.

- Social Security wage base is \$137,700 for 2020;
- Maximum wage earnings between ages 62 and 66 is increased to \$18,200 before repayment of social security benefits starts.
- Base Medicare premiums for 2020: \$144.60

2020 BASIC STANDARD DEDUCTIONS

| | |
|-----------------------|----------|
| MFJ/SURVIVING SPOUSE: | \$24,800 |
| HEAD OF HOUSEHOLD: | \$18,650 |
| SINGLE/MFS: | \$12,400 |

ADDITIONAL DEDUCTION FOR BLIND/OVER AGE 65 TAXPAYERS: \$1,300.00(MFJ) OR \$1,650(SINGLE)

PERSONAL EXEMPTION AMOUNT FOR GROSS INCOME TEST: \$4,300

2020 AMT EXEMPTION AMOUNTS

| | |
|------------------------------|-------------------------|
| MFJ/SURVIVING SPOUSE: | \$113,400 |
| UNMARRIED INDIVIDUALS: | \$72,900 |
| MARRIED FILING SEPARATE: | \$56,700 |
| ESTATES/TRUST: | \$25,400 |
| CHILD SUBJECT TO KIDDIE TAX: | \$7,900 + EARNED INCOME |

Alternative minimum tax rates are 26% and 28%. The 28% rate starts at AMTI amounts of \$98,950 for MFS and for all others statuses: \$197,900.

LONG TERM CAPITAL GAINS TAX RATES AT 0%, 15%, AND 20%

| FILING STATUS | -0 % RATE | 15% RATE | 20% RATE |
|--------------------------|-----------------------|------------------------------|-----------------------|
| <i>MARRIED/JOINT, QW</i> | <i>UP TO \$80,001</i> | <i>\$80,001 TO \$496,600</i> | <i>OVER \$496,600</i> |
| <i>SINGLE</i> | <i>UP TO \$40,001</i> | <i>\$40,001 TO \$441,450</i> | <i>OVER \$441,450</i> |
| <i>HEAD HOUSEHOLD</i> | <i>UP TO \$53,601</i> | <i>\$53,601 TO \$469,050</i> | <i>OVER \$469,050</i> |
| <i>MARRIED SEPARATE</i> | <i>UP TO \$40,001</i> | <i>\$40,001 TO \$248,300</i> | <i>OVER \$248,300</i> |
| <i>ESTATES/TRUST</i> | <i>UP TO \$2,651</i> | <i>\$2,651 TO \$13,151</i> | <i>OVER \$13,150</i> |

UPDATED 1/20/21

Keep in mind that the 23.8% Net Investment Income tax is still relevant. However the income thresholds start at \$250,000 for MJF and QW taxpayers. The single, and HOH threshold is \$200,000. MFS is \$125,000. This tax is subject a modified AGI calculation.

QUALIFIED BUSINESS INCOME DEDUCTION (SECTION 199A) PHASE OUT

MARRIED FILING JOINT: \$326,600

ALL OTHER FILERS: \$163,300.

BASIC PERSONAL INCOME TAX BRACKET AMOUNTS-2020

| MFJ OR SURVIVING SPOUSE | | | | SINGLE | | | |
|--------------------------------|---|-----------|-----|----------------|---|-----------|-----|
| -0- | - | \$19,751 | 10% | -0- | - | \$9,876 | 10% |
| \$19,752 | - | \$80,251 | 12% | \$9,877 | - | \$40,126 | 12% |
| \$80,252 | - | \$171,051 | 22% | \$40,127 | - | \$85,526 | 22% |
| \$171,052 | - | \$326,601 | 24% | \$85,527 | - | \$163,301 | 24% |
| \$326,601 | - | \$414,701 | 32% | \$163,302 | - | \$207,351 | 32% |
| \$414,701 | - | \$622,051 | 35% | \$207,352 | - | \$518,401 | 35% |
| OVER \$622,051 | | | 37% | OVER \$518,401 | | | 37% |

| HEAD OF HOUSEHOLD | | | | MARRIED FILING SEPARATE | | | |
|--------------------------|---|-----------|-----|--------------------------------|---|-----------|-----|
| -0- | - | \$14,101 | 10% | -0- | - | \$9,876 | 10% |
| \$14,102 | - | \$53,701 | 12% | \$9,877 | - | \$40,126 | 12% |
| \$53,702 | - | \$85,501 | 22% | \$40,127 | - | \$85,526 | 22% |
| \$85,502 | - | \$163,301 | 24% | \$85,527 | - | \$163,301 | 24% |
| \$163,302 | - | \$207,351 | 32% | \$163,302 | - | \$207,351 | 32% |
| \$207,352 | - | \$518,401 | 35% | \$207,352 | - | \$518,401 | 35% |
| OVER \$518,401 | | | 37% | OVER \$518,401 | | | 37% |

2020 RETIREMENT PLAN CHANGES

- Effective January 1, 2020, the limitation on the annual benefit under a defined benefit plan under § 415(b)(1)(A) is increased from \$225,000 to \$230,000
- Maximum 401(k), 403(b), Thrift Savings Plan, and 457(e) (15) contributions: \$19,500.00. Individuals age 50 or older can contribute an additional \$6,500 for a total of \$26,000.00.
- SIMPLE IRA maximum contributions are \$13,500. If a participant is age 50 or older, then an additional \$3,000 can be contributed.
- The maximum annual IRA contribution is changed to \$6,000 plus \$1000 for anyone age 50 or older.
- Dollar ceilings on retirement plans increase to \$57,000 for defined contribution plans (Keogh plans, profit sharing plans, etc).
- Retirement plan contributions can be based on \$285,000 of salary.

SPECIAL NEEDS ADOPTION CREDIT: \$14,300-However this credit phases out at incomes exceeding \$214,520 to \$254,520.

MAXIMUM EARNED INCOME CREDIT AMOUNT FOR LOW INCOME TAXPAYERS WITH THREE OR MORE QUALIFYING CHILDREN IS \$6660.

FOREIGN EARNED INCOME EXCLUSION AMOUNT 2020: \$107,600.

ARCHER MSA ACCOUNTS AMOUNTS 2020

| <u>2020 Minimum Deductible</u> | <u>Maximum Deductible</u> | <u>Out-of-Pocket</u> |
|--------------------------------|---------------------------|----------------------|
| Self Only | \$2,350 | \$3,550 |
| Family | \$4,750 | \$7,100 |

HEALTH SAVINGS ACCOUNTS AMOUNTS 2020

| <u>2020 Minimum HDHP Deductible</u> | <u>Out-of-Pocket</u> |
|-------------------------------------|----------------------|
| Self Only | \$1,400.00 |
| Family Plan | \$2,800.00 |

2020 Maximum Annual Contribution Limits

| | |
|------------|---------|
| Individual | \$3,550 |
| Family | \$7,100 |

"Catch-up" amount for 55+ account holders is \$1,000 (unchanged)

Maximum employee salary reductions to health flexible spending arrangements is \$2,750.

STATE OF ARIZONA ISSUES

BASIC STANDARD DEDUCTIONS - 2020

| | | | |
|-------------------------|-------------|--------------------------|-------------|
| Single: | \$12,400.00 | Married Filing Separate: | \$12,400.00 |
| Married Filing Jointly: | \$24,800.00 | Head of Household: | \$18,650.00 |

2020 ARIZONA TAX RATE SCHEDULE (unchanged)

| <u>SINGLE</u> | | | | <u>MARRIED FILING JOINT</u> | | | |
|----------------|---|-----------|-------|-----------------------------|---|-----------|-------|
| \$0 | - | \$27,272 | 2.59% | \$0 | - | \$54,544 | 2.59% |
| \$27,273 | - | \$54,544 | 3.34% | \$54,545 | - | \$109,088 | 3.34% |
| \$54,545 | - | \$163,632 | 4.17% | \$109,089 | - | \$327,263 | 4.17% |
| OVER \$163,632 | | | 4.5% | OVER \$327,263 | | | 4.5% |

Extra-Curricular Tuition Credits, as well as credits for Private Education Tuition amounts are still available. The dollar values are \$200/\$400 for the extra-curricular credit, depending on filing status, and \$593/\$1186 for the private education tuition credit, depending on filing status.

Taxpayers may also contribute to a "Certified School Tuition Organization" once they have used all available credits for the Private Education Tuition Credit Organization. Use forms 323 and 348. Form 348 credit amounts are \$590 and \$1179 respectively for single versus married filing joint taxpayers.

FEDERAL ESTATE TAX EXCLUSION 2020: \$11,580,000-AND IT IS STILL PORTABLE!

ANNUAL GIFT TAX EXCLUSION: 2020: \$15,000

BASIC ESTATE AND TRUST TAX BRACKET AMOUNTS-2020

TAXABLE INCOME IS: THE TAX PERCENTAGE IS

| | |
|-------------------------|-----|
| Not over \$2600 | 10% |
| \$2601.00 to \$9,451.00 | 24% |
| 9,451.00 to \$12,951.00 | 35% |
| Over \$12,951.00 | 37% |

**SECTION 179 ELECTION TO EXPENSE DEPRECIABLE ASSETS IS \$1,040,000 IN 2020.
This number phases out as depreciable asset cost rises to \$2,500,000**

Eligible Long-Term Care Premiums. For taxable years beginning in 2020, the limitations under § 213(d)(10), regarding eligible long-term care premiums includible in the term "medical care," are as follows:

Attained Age Before the Close of the Taxable Year Limitation on Premiums

| | |
|-------------------------|---------|
| 40 or less | \$430 |
| Over 40 but not over 50 | \$810 |
| Over 50 but not over 60 | \$1,630 |
| Over 60 but not over 70 | \$4,350 |
| Over 70 | \$5,430 |