

# Forbes Tax Guide 2020

BY KELLY PHILLIPS ERB


# Kelly Phillips Erb



## BIO

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Kelly has published four books together with Forbes. She authors the popular Taxgirl blog for Forbes.com and has also written about taxes for Trulia, Reuters, Time and AOL's WalletPop.

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The Internal Revenue Service has announced the annual inflation adjustments for the year 2020, including tax rate schedules, tax tables and cost-of-living adjustments.

These are the numbers for the tax year 2020 beginning January 1, 2020.

They are not the numbers and tables that you'll use to prepare your 2019 tax

**If you plan to make more money or change your circumstances consider adjusting your withholding or tweaking your estimated tax payments**

returns in 2020 (see page 11 for 2019 information). **These are the numbers that you'll use to prepare your 2020 tax returns in 2021.**

If you aren't expecting any significant changes in 2020, you can use the updated numbers to estimate your liability. If you plan to make more money

or change your circumstances (i.e., get married, start a business, have a baby), consider [adjusting your withholding](#) or tweaking your [estimated tax payments](#). To check out the new IRS withholding estimator, click [here](#).

# Tax Brackets and Tax Rates

There are seven tax rates in 2020: 10%, 12%, 22%, 24%, 32%, 35% and 37% (there is also a [zero rate](#)). Here's how those break out by filing status.

## Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,875	10% of taxable income
\$9,876 - \$40,125	\$987.50 + 12% of the amount over \$9,875
\$40,126 - \$85,525	\$4,617.50 + 22% of the amount over \$40,125
\$85,526 - \$163,300	\$14,605.50 + 24% of the amount over \$85,525
\$163,301 - \$207,350	\$33,271.50 + 32% of the amount over \$163,300
\$207,351 - \$518,400	\$47,367.50 + 35% of the amount over \$207,350
\$518,400	\$156,235 + 37% of the amount over \$518,400

## Married Individuals Filing Joint Returns and Surviving Spouses

If Taxable Income Is Between:	The Tax Due Is:
0 - \$19,750	10% of taxable income
\$19,751 - \$80,250	\$1,975 + 12% of the amount over \$19,750
\$80,251 - \$171,050	\$9,235 + 22% of the amount over \$80,250
\$171,051 - \$326,600	\$29,211 + 24% of the amount over \$171,050
\$326,601 - \$414,700	\$66,543 + 32% of the amount over \$326,600
\$414,701 - \$622,050	\$94,735 + 35% of the amount over \$414,700
\$622,051	\$167,307.50 + 37% of the amount over \$622,050

## Heads of Household

If Taxable Income Is Between:	The Tax Due Is:
0 - \$14,100	10% of taxable income
\$14,101 - \$53,700	\$1,410 + 12% of the amount over \$14,100
\$53,701 - \$85,500	\$6,162 + 22% of the amount over \$53,700
\$85,501 - \$163,300	\$13,158 + 24% of the amount over \$85,500
\$163,301 - \$207,350	\$31,830 + 32% of the amount over \$163,300
\$207,351 - \$518,400	\$45,926 + 35% of the amount over \$207,350
\$518,401	\$154,793.50 + 37% of the amount over \$518,400

### Married Filing Separately

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$9,875	10% of taxable income
\$9,876 - \$40,125	\$987.50 + 12% of the amount over \$9,875
\$40,126 - \$85,525	\$4,617.50 + 22% of the amount over \$40,125
\$85,526 - \$163,300	\$14,605.50 + 24% of the amount over \$85,525
\$163,301 - \$207,350	\$33,271.50 + 32% of the amount over \$163,300
\$207,351 - \$311,025	\$47,367.50 + 35% of the amount over \$207,350
\$311,026	\$83,653.75 + 37% of the amount over \$311,025

And for trusts and estates:

### Trusts & Estates

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$2,600	10% of taxable income
\$2,601 - \$9,450	\$260 + 24% of the amount over \$2,600
\$9,451 - \$12,950	\$1,904 + 35% of the amount over \$9,450
\$12,951	\$3,129 + 37% of the amount over \$12,950

### Standard Deduction Amounts

The standard deduction amounts will increase to \$12,400 for individuals and married couples filing separately, \$18,650 for heads of household, and \$24,800 for married couples filing jointly and surviving spouses.

Filing Status	Standard Deduction Amount
Single	\$12,400
Married Filing Jointly & Surviving Spouses	\$24,800
Married Filing Separately	\$12,400
Heads of Household	\$18,650

- For 2020, the **additional standard deduction** amount for the aged or the blind is \$1,300. The additional standard deduction amount increases to \$1,650 for unmarried taxpayers.
- For 2020, the **standard deduction amount for an individual who may be claimed as a dependent** by another taxpayer cannot exceed the greater of \$1,100 *or* the sum of \$350 and the individual's earned income (not to exceed the regular standard deduction amount).

There will be no **personal exemption amount** for 2020. The personal exemption amount remains zero under the Tax Cuts and Jobs Act (TCJA).

The **alternative minimum tax (AMT) exemption amounts** are adjusted for inflation. Here's what those numbers look like for 2020.

**Alternative Minimum Tax (AMT) Exemptions**

Filing Status	Exemption Amount:
Individual	\$72,900
Married Filing Jointly & Surviving Spouses	\$113,400
Married Filing Separately	\$56,700
Trusts and Estates	\$25,400

### **Kiddie Tax**

The kiddie tax applies to unearned income for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages and salary, like dividends and interest. Your child must pay taxes on their unearned income if that amount is more than \$1,100 in 2020. Taxable income attributable to net unearned income will be taxed according to the brackets applicable to trusts and estates (*see above*). For earned income, the rules are the same as before.

## Capital Gains

Rates will not change for 2020, but the brackets for the rates will change. Most taxpayers pay a maximum 15% rate, but a 20% tax rate applies if your taxable income exceeds the thresholds set for the 37% ordinary tax rate. Exceptions also apply for art, collectibles and section 1250 gain (related to depreciation). The maximum zero rate amounts and maximum 15% rate amounts break down as follows.

Maximum Capital Gains Rates

Filing Status	Maximum Zero Rate Amount:	Maximum 15% Rate Amount
Married Filing Jointly & Surviving Spouses	\$80,000	\$496,600
Married Filing Separately	\$40,000	\$248,300
Heads of Household	\$53,600	\$469,050
Individual Taxpayers	\$40,000	\$441,450
Trusts and Estates	\$2,650	\$13,150

There are changes to itemized deductions found on **Schedule A**, including:

**Medical and Dental Expenses:** The “floor” for medical and dental expenses remains 10% in 2020, which means you can only deduct those expenses that exceed 10% of your adjusted gross income.

**State and Local Taxes:** Deductions for state and local sales, income and property taxes remain in place and are limited to a combined total of \$10,000, or \$5,000 for married taxpayers filing separately.

**Home Mortgage Interest:** You may only deduct interest on acquisition indebtedness—your mortgage used to buy, build or improve your home—up to \$750,000, or \$375,000 for married taxpayers filing separately. For more on mortgage interest under the TCJA, click [here](#).

**Charitable Donations:** As a result of tax reform, the percentage limit for charitable cash donations to public charities increased from 50% to 60% in 2018 and will remain at 60% for 2020.

**Casualty and Theft Losses:** The deduction for personal casualty and theft losses has been repealed except for losses attributable to a federal disaster area. For more on casualty losses after a disaster, [click here](#).

### **Job Expenses and Miscellaneous Deductions Subject to 2%**

**Floor:** Miscellaneous deductions, including unreimbursed employee expenses and tax preparation expenses, which exceed 2% of your AGI have been eliminated. For more info, click [here](#).

There are no **Pease limitations** in 2020.

Some additional **tax credits** and **deductions** have been adjusted for 2020. Here's a look at a few of the most popular:

**Child Tax Credit:** The child tax credit has been expanded to \$2,000 per qualifying child and is refundable up to \$1,400, subject to phaseouts; there is a temporary \$500 nonrefundable credit for other qualifying dependents. AGI phaseouts are not indexed for inflation and remain at \$400,000 for married taxpayers filing jointly and more than \$200,000 for all other taxpayers. For more about the expanded CTC, click [here](#).

**Earned Income Tax Credit (EITC):** For 2020, the maximum EITC amount available is \$6,660 for married taxpayers filing jointly who have three or more qualifying children (it's \$538 for a married taxpayer with no children). Phaseouts apply.

**Adoption Credit:** For 2020, the credit for an adoption of a child with special needs is \$14,300, and the maximum credit allowed for other adoptions is the



amount of qualified adoption expenses up to \$14,300. The available adoption credit begins to phase out for taxpayers with modified adjusted gross income (MAGI) in excess of \$214,520; it's completely phased out at \$254,520 or more.

**Student Loan Interest Deduction:** For 2020, the maximum amount that you can deduct for interest paid on student loans remains \$2,500. The deduction begins to phase out for single taxpayers with MAGI in excess of \$70,000, or \$140,000 for married taxpayers filing jointly, and is completely phased out for single taxpayers at \$85,000 or more, or \$170,000 or more for married taxpayers filing jointly.

**Lifetime Learning Credit:** For the 2020 tax year, the adjusted gross income (AGI) amount for joint filers to determine the reduction in the Lifetime Learning Credit is \$118,000; the AGI amount for single filers is \$59,000.

**Medical Savings Accounts (MSA):** For 2020, a high-deductible health plan (HDHP) is one that, for participants who have self-only coverage in an MSA, has an annual deductible that is not less than \$2,350 but not more than \$3,550; for self-only coverage, the maximum out-of-pocket expense amount is \$4,750. For 2020, HDHP means, for participants with family coverage, an annual deductible that is not less than \$4,750 but not more than \$7,100; for family coverage, the maximum out-of-pocket expense limit is \$8,650.

The unpopular **shared individual responsibility payment** has been eliminated for the tax year 2020.

**Foreign Earned Income Exclusion:** For tax year 2020, the foreign earned income exclusion is \$107,600.

And don't forget section **199A (Qualified Business Income):** As part of the TCJA, sole proprietors and owners of pass-through businesses are eligible

for a deduction of up to 20% for qualified business income. The deduction is subject to threshold and phased-in amounts. For 2020, the threshold amounts begin at \$326,600 for married taxpayers filing jointly:

Filing Status	Threshold Amount	Phased-In Amount
Married Filing Jointly & Surviving Spouses	\$326,600	\$426,600
Married Filing Separately	\$163,300	\$213,300
All Other Taxpayers	\$163,300	\$213,300

You can read all of the numbers in [Revenue Procedure 2019-44](#).

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**If you haven't prepared your tax returns for 2019 yet be sure to check out last year's tax change highlights on the following pages.**

## 2019 Tax Brackets and Tax Rates

The big news is, of course, the tax brackets and tax rates for 2019. There are still seven tax rates. They are: 10%, 12%, 22%, 24%, 32%, 35% and 37% (there is also a [zero rate](#)). Here's how those break out by filing status:

### Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,700	10% of taxable income
\$9,701 - \$39,475	\$970 + 12% of the amount over \$9,700
\$39,476 - \$84,200	\$4,543 + 22% of the amount over \$39,475
\$84,201 - \$160,725	\$14,382.50 + 24% of the amount over \$84,200
\$160,726 - \$204,100	\$32,748.50 + 32% of the amount over \$160,725
\$204,101 - \$510,300	\$46,628.50 + 35% of the amount over \$204,100
\$510,301 +	\$153,798.50 + 37% of the amount over \$510,300

### Married Individuals Filing Joint Returns and Surviving Spouses

If Taxable Income Is Between:	The Tax Due Is:
0 - \$19,400	10% of taxable income
\$19,401 - \$78,950	\$1,940 + 12% of the amount over \$19,400
\$78,951 - \$168,400	\$9,086 + 22% of the amount over \$78,950
\$168,401 - \$321,450	\$28,765 + 24% of the amount over \$168,400
\$321,451 - \$408,200	\$65,497 + 32% of the amount over \$321,450
\$408,201 - \$612,350	\$93,257 + 35% of the amount over \$408,200
\$612,351 +	\$164,709.50 + 37% of the amount over \$612,350

## Heads Of Household

If Taxable Income Is Between:	The Tax Due Is:
0 - \$13,850	10% of taxable income
\$13,851 - \$52,850	\$1,385 + 12% of the amount over \$13,850
\$52,851 - \$84,200	\$6,065 + 22% of the amount over \$52,850
\$84,201 - \$160,700	\$12,962 + 24% of the amount over \$84,200
\$160,701 - \$204,100	\$31,322 + 32% of the amount over \$160,700
\$204,001 - \$510,300	\$45,210 + 35% of the amount over \$204,100
\$510,301 +	\$152,380 + 37% of the amount over \$510,300

## Married Filing Separately

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$9,700	10% of taxable income
\$9,701 - \$39,475	\$970 + 12% of the amount over \$9,700
\$39,476 - \$84,200	\$4,543 + 22% of the amount over \$39,475
\$84,201 - \$160,725	\$14,382.50 + 24% of the amount over \$84,200
\$160,726 - \$204,100	\$32,748.50 + 32% of the amount over \$160,725
\$204,101 - \$306,175	\$46,628.50 + 35% of the amount over \$204,100
\$306,176 +	\$82,354.75 + 37% of the amount over \$306,175

**Tax rates for trusts and estates have changed, too →**

## Trusts & Estates

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$2,600	10% of taxable income
\$2,601 - \$9,300	\$260 + 24% of the amount over \$2,600
\$9,301 - \$12,750	\$1,868 + 35% of the amount over \$9,300
\$12,751 +	\$3,075.50 + 37% of the amount over \$12,750

• Remember to pay attention to the progressive nature of the rates when you're making comparisons—don't simply multiply your income by the top rate. For more on taxable income and marginal rates, check out [this quick primer](#).

## Standard Deduction Amounts

The standard deduction amounts will increase to \$12,200 for individuals, \$18,350 for heads of household and \$24,400 for married couples filing jointly and surviving spouses.

Filing Status	Standard Deduction Amount
Single	\$12,200
Married Filing Jointly & Surviving Spouse	\$24,400
Married Filing Separately	\$12,200
Head of Household	\$18,350

- For 2019, the **additional standard deduction** amount for the aged or the blind is \$1,300. The additional standard deduction amount increases to \$1,650 for unmarried taxpayers.
- For 2019, the **standard deduction amount for an individual who may be claimed as a dependent** by another taxpayer cannot exceed the greater of \$1,100 or the sum of \$350 and the individual's earned income.

There will be **no personal exemption amount** for 2019. The personal exemption amount was set to zero under the Tax Cuts and Jobs Act. The **alternative minimum tax (AMT) exemption amounts** are adjusted for inflation. Here's what those numbers look like for 2019:

## Alternative Minimum Tax (AMT) Exemptions

Filing Status	Exemption Amount:
Individual	\$71,700
Married Filing Jointly & Surviving Spouses	\$111,700
Married Filing Separately	\$55,850
Trusts and Estates	\$25,000

## Kiddie Tax

The kiddie tax applies to unearned income for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages and salary, like dividends and interest. Taxable income attributable to net unearned income will be taxed according to the brackets applicable to trusts and estates. For earned income, the rules are the same as before.

There are changes to itemized deductions found on **Schedule A**, including:

- **Medical And Dental Expenses:** The “floor” for medical and dental expenses rises to 10% (it was 7.5% in 2018), which means you can only deduct those expenses which exceed 10% of your AGI.
- **State And Local Taxes:** Deductions for state and local sales, income and property taxes remain in place but are limited to a combined total of \$10,000 (\$5,000 for married taxpayers filing separately).
- **Home Mortgage Interest:** You may only deduct interest on acquisition indebtedness—your mortgage used to buy, build or improve your home—up to \$750,000 (\$375,000 for married taxpayers filing separately). For more on mortgage interest under the new law, click [here](#).
- **Charitable Donations:** As a result of tax reform, the percentage limit for charitable cash donations to public charities increased from 50% to 60% in 2018 and will remain at 60% for 2019.
- **Casualty And Theft Losses:** The deduction for personal casualty and theft losses is repealed except for losses attributable to a federal disaster area. For more on casualty losses after a disaster, click [here](#).
- **Job Expenses And Miscellaneous Deductions Subject To 2% Floor:** Miscellaneous deductions, including unreimbursed employee expenses and tax preparation expenses, which exceed 2% of your AGI have been eliminated. For more info, click [here](#).

- For high-income taxpayers who itemize their deductions, **the Pease limitations**, named after former Rep. Don Pease (D-OH) used to cap or phase out certain deductions. There are no Pease limitations in 2019.

Some additional **tax credits and deductions** were adjusted for 2019 or changed under the tax reform law. Here's a look at a few of the most popular:

- **Child Tax Credit:** The child tax credit has been expanded to \$2,000 per qualifying child and is refundable up to \$1,400, subject to phaseouts. The bill also includes a temporary \$500 nonrefundable credit for other qualifying dependents. Phaseouts, which are not indexed for inflation, will begin with adjusted gross income (AGI) of more than \$400,000 for married taxpayers filing jointly and more than \$200,000 for all other taxpayers. For more about the expanded CTC, click [here](#).

- **Earned Income Tax Credit (EITC):** For 2019, the maximum EITC amount available is \$6,557 for married taxpayers filing jointly who have three or more qualifying children. Phaseouts apply. You can check out [Revenue Procedure 2018-57](#) for a table providing maximum credit amounts for other categories, income thresholds, and phaseouts.

- **Adoption Credit:** Despite rumors of the death of the adoption credit, it's still in place. For 2019, the credit allowed for an adoption of a child with special needs is \$14,080, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,810. Phaseouts apply.

- **Student Loan Interest Deduction:** Like the adoption credit, there were rumors that the student loan interest deduction had been shuttered: it was not. For 2019, the maximum amount that you can deduct for interest paid on student loans remains \$2,500. Phaseouts apply for taxpayers with MAGI more than \$70,000 (\$140,000 for joint returns) and the deduction is completely phased out for taxpayers with MAGI of \$85,000 or more (\$170,000 or more for joint returns).

- **Lifetime Learning Credit:** For the 2019 tax year, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$116,000, up from \$114,000 for tax year 2018.



- **Medical Savings Accounts (MSA):** For 2019, a high-deductible health plan (HDHP) is one that, for participants who have self-only coverage in an MSA, has an annual deductible that is not less than \$2,350 but not more than \$3,500; for self-only coverage, the maximum out-of-pocket expense amount is \$4,650. For 2019, HDHP means, for participants with family coverage, an annual deductible that is not less than \$4,650 but not more than \$7,000; for family coverage, the maximum out-of-pocket expense limit is \$8,550.
- **Foreign Earned Income Exclusion:** For tax year 2019, the foreign earned income exclusion is \$105,900, up from \$103,900 for tax year 2018.
- The unpopular **shared individual responsibility payment** has been eliminated for the tax year 2019 (remember that it [remains in place](#) for 2018). Don't forget about those changes affecting pass-throughs and business owners who file a **Schedule C**, including the new Section 199A deduction. You'll find more on that [here](#).