

## 2020 Income Tax Numbers to Know

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Each year in November the IRS announces the upcoming changes to certain tax brackets, deductions, and other pertinent tax items. For 2020 most adjustments are related to inflation with no sweeping changes. Below are some of the most pertinent items for taxpayers from the release November 6<sup>th</sup>.

- The standard deduction for married filing jointly rises to \$24,800 for tax year 2020, up \$400 from the prior year. For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,400 in for 2020, up \$200, and for heads of households, the standard deduction will be \$18,650 for tax year 2020, up \$300.
- The personal exemption for tax year 2020 remains at 0, as it was for 2019, this elimination of the personal exemption was a provision in the Tax Cuts and Jobs Act.
- **Marginal Rates:** For tax year 2020, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$518,400 (\$622,050 for married couples filing jointly). The other rates are:
  - 35%, for incomes over \$207,350 (\$414,700 for married couples filing jointly);
  - 32% for incomes over \$163,300 (\$326,600 for married couples filing jointly);
  - 24% for incomes over \$85,525 (\$171,050 for married couples filing jointly);
  - 22% for incomes over \$40,125 (\$80,250 for married couples filing jointly);
  - 12% for incomes over \$9,875 (\$19,750 for married couples filing jointly).

The lowest rate is 10% for incomes of single individuals with incomes of \$9,875 or less (\$19,750 for married couples filing jointly).

- For 2020, as in 2019 and 2018, there is no limitation on itemized deductions, as that limitation was eliminated by the Tax Cuts and Jobs Act.
- The tax year 2020 maximum Earned Income Credit amount is \$6,660 for qualifying taxpayers who have three or more qualifying children, up from a total of \$6,557 for tax year 2019. The revenue procedure contains a table providing maximum credit amounts for other categories, income thresholds and phase-outs.

- For the taxable years beginning in 2020, the dollar limitation for employee salary reductions for contributions to health flexible spending arrangements is \$2,750, up \$50 from the limit for 2019.
- For tax year 2020, participants who have self-only coverage in a Medical Savings Account, the plan must have an annual deductible that is not less than \$2,350, the same as for tax year 2019; but not more than \$3,550, an increase of \$50 from tax year 2019. For self-only coverage, the maximum out-of-pocket expense amount is \$4,750, up \$100 from 2019. For tax year 2020, participants with family coverage, the floor for the annual deductible is \$4,750, up from \$4,650 in 2019; however, the deductible cannot be more than \$7,100, up \$100 from the limit for tax year 2019. For family coverage, the out-of-pocket expense limit is \$8,650 for tax year 2020, an increase of \$100 from tax year 2019.
- For tax year 2020, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$118,000, up from \$116,000 for tax year 2019.
- Estates of decedents who die during 2020 have a basic exclusion amount of \$11,580,000, up from a total of \$11,400,000 for estates of decedents who died in 2019.
- The annual exclusion for gifts is \$15,000 for calendar year 2020, as it was for calendar year 2019.

Source: [www.irs.gov](http://www.irs.gov)

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