

Filing season quick guide — tax year 2020

CARES ACT RULES

- **Recovery rebate credit:** \$1,200 (\$2,400 for married filing jointly) plus \$500 per qualifying child. Phases out for incomes above \$150,000 (for joint filers), \$112,500 (for heads of household), and \$75,000 (for other individuals).
- **10% early-withdrawal penalty waived:** On up to \$100,000 of retirement distributions made for coronavirus-related reasons.
- **Required minimum distributions (RMDs) suspended:** For certain defined contribution plans and IRAs.
- **Charitable contributions:** For nonitemizers, above-the-line deduction for cash donations of up to \$300. For itemizers, qualified contributions disregarded for purposes of 60%-of-adjusted-gross-income (AGI) limitation; qualified contributions deductible up to 100% of individual's contribution base less amount of all other charitable contributions for which charitable contribution deduction is allowed.
- **Excess loss limitation repealed:** The Sec. 461(l) limitation is repealed for 2020.

NET INVESTMENT INCOME TAX

3.8% of the lesser of (1) net investment income or (2) the amount of modified adjusted gross income (MAGI) over these thresholds:

- Single: \$200,000.
- Married filing jointly and surviving spouses: \$250,000.
- Married filing separately: \$125,000.
- Heads of household: \$200,000.
- Estates and trusts: \$12,950.

SELF-EMPLOYMENT TAX

- Tax rate: 15.3% (12.4% OASDI tax plus 2.9% Medicare tax).
- Surtax: 0.9% Medicare surtax is applied to self-employment income in excess of \$200,000 (single), \$250,000 (married filing jointly), or \$125,000 (married filing separately).
- Wage base: \$137,700 of self-employment income for OASDI (maximum OASDI tax of \$17,074.80; no ceiling on Medicare tax).

KIDDIE TAX

For child subject to kiddie tax, net unearned income of child taxed at parents' marginal tax rate. Net unearned income for 2020 is the child's unearned income less the sum of (1) \$1,100 plus (2) the greater of \$1,100 or the child's itemized deductions directly connected to the production of the unearned income if the child itemizes.

PERSONAL EXEMPTION

Personal exemptions are suspended from 2018 through 2025. A deemed personal exemption amount of \$4,300 is used for purposes of determining who is a "qualifying relative" under Sec. 152(d)(1)(B).

STANDARD DEDUCTION

- Single: \$12,400.
 - Married filing jointly and surviving spouses: \$24,800.
 - Married filing separately: \$12,400 (\$0 if spouse itemizes deductions).
 - Heads of household: \$18,650.
- Additional standard deduction for 65+ and blind taxpayers:
- Single: \$1,650.
 - Married filing jointly and surviving spouses: \$1,300.
 - Heads of household: \$1,650.

Standard deduction for individuals who can be claimed as dependents is the lesser of (1) \$12,400 or (2) the greater of \$1,100 or \$350 plus the individual's earned income.

STANDARD MILEAGE RATE

- Business: 57.5 cents per mile. Business mileage is no longer deductible as an unreimbursed employee business expense, except for members of a reserve component of the U.S. armed forces, state or local government officials paid on a fee basis, and certain performing artists.

- Medical and moving: 17 cents per mile. Moving mileage is deductible only by U.S. armed forces members on active duty who move pursuant to a military order and incident to a permanent change of station to whom Sec. 217(g) applies.
 - Charitable services: 14 cents per mile.
- For business autos for which the optional business standard mileage rate is used, the portion treated as depreciation is 27 cents per mile.

TAX CREDITS

- **Earned income:** Maximum credit depends on number of qualifying children: \$538 (none); \$3,584 (one); \$5,920 (two); \$6,660 (three or more), subject to phaseouts.
- **Child:** \$2,000 per qualifying child under age 17. Up to \$1,400 is generally refundable to the extent of 15% of the taxpayer's earned income in excess of \$2,500 or, for a taxpayer with three or more qualifying children, the excess (if any) of (1) the taxpayer's Social Security taxes for the tax year over (2) the earned income tax credit for the tax year. Phases out with MAGI above \$200,000 (\$400,000 for married filing jointly). An additional \$500 nonrefundable credit is available for each dependent of the taxpayer who is not a qualifying child (but must be a U.S. citizen, national, or resident).
- **Adoption:** \$14,300 maximum. Phases out with MAGI between \$214,520 and \$254,520.
- **American opportunity:** \$2,500 per year maximum (100% of the first \$2,000 of qualifying expenses and 25% of the next \$2,000), with 40% of the credit refundable unless the taxpayer is a child subject to the kiddie tax. Phases out for single taxpayers with MAGIs between \$80,000 and \$90,000 (\$160,000 and \$180,000 for married filing jointly).
- **Lifetime learning:** 20% of up to \$10,000 of qualified tuition and related expenses. Phases out between \$59,000 and \$69,000 of MAGI for single filers and from \$118,000 to \$138,000 for married filing jointly.
- **Sec. 25D residential energy-efficient property:** 26% of amount paid for qualifying property (for qualified fuel cell property, maximum credit of \$500 for each 0.5 kilowatt of capacity).

SEC. 179 AND BONUS DEPRECIATION

- Sec. 179 expense deduction: \$1,040,000 with a phaseout threshold of \$2,590,000.
- Sec. 168(k) bonus depreciation: 100% of adjusted basis of qualifying property in the first year it is placed in service (for property placed in service after Sept. 27, 2017).

RETIREMENT PLAN LIMITS

- Maximum 401(k) plan elective deferral: \$19,500 (plus \$6,500 catch-up for age 50+).
- Defined benefit plan maximum benefit: \$230,000.
- Defined contribution plan contribution limit: \$57,000 or 100% of compensation, whichever is less.
- IRA contribution limit: \$6,000 (plus \$1,000 catch-up for age 50+).
- IRA deduction phaseout for active participant in a workplace retirement plan: MAGI from \$104,000 to \$124,000 (married filing jointly); \$65,000 to \$75,000 (single taxpayers and heads of household); \$0 to \$10,000 (married filing separately); \$196,000 to \$206,000 (individual who is not an active participant in a workplace retirement plan whose spouse is an active participant in a workplace retirement plan).
- Roth IRA contribution limit: \$6,000 (plus \$1,000 catch-up for age 50+).
- Roth IRA contribution limit phaseout (MAGI): \$196,000 to \$206,000 (married filing jointly); \$124,000 to \$139,000 (single and heads of household); \$0 to \$10,000 (married filing separately).
- SEP minimum required compensation: \$600; compensation limit for determining maximum allowable contributions by employer: \$285,000.