

Retirement

Government Benefits

| Social Security or Medicare | 2019 | 2020 |
|--|-----------|-----------|
| Cost of Living Adjustment | 2.80% | 1.60% |
| Social Security Wage Base (OASDI only) | \$132,900 | \$137,700 |
| Medicare Wage Base (single) | \$200,000 | \$200,000 |
| Social Security Tax Rate | 6.20% | 6.20% |
| Medicare Tax Rate | 1.45% | 1.45% |

Retirement Plans Limits

Internal Revenue Code (IRC) limits on benefits and contributions for retirement plans. IRC also limits the amount of compensation considered to compute benefits and contributions. Limits are adjusted for cost-of-living increases.

| Type or Limit | 2019 | 2020 |
|--|-----------|-----------|
| Annual benefit for defined benefit plans | \$225,000 | \$230,000 |
| Annual limit for defined contribution plans | 56,000 | 57,000 |
| Limit on exclusions for elective deferrals to 401(k) and other qualified plans | 19,000 | 19,500 |
| • 401(k) Catch-up amount | 6,000 | 6,500 |
| Maximum annual compensation for each employee that can be taken into account for any plan year | 280,000 | 285,000 |
| SIMPLE Retirement Accounts | 13,000 | 13,500 |
| • SIMPLE Catch-up amount | 3,000 | 3,000 |
| IRA Contribution | 6,000 | 6,000 |
| • IRA Catch-up amount | 1,000 | 1,000 |
| HSA annual contribution limit – Single Coverage | 3,500 | 3,550 |
| HSA annual contribution limit – Family Coverage | 7,000 | 7,100 |

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2020 Federal Tax Guide



CANNON
FINANCIAL INSTITUTE

Phone 706-353-3346
Fax 706-353-3994

www.cannonfinancial.com

Income

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 |
| \$518,401 + | \$156,235 + 37% of the amount over \$518,400 |

Married Filing Jointly 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 |

Additional 3.8% Net Investment Income Tax (NIIT), including but not limited to, interest, dividends, capital gains, rent, and royalties for Individuals over \$200,000 or Married/Joint over \$250,000. Additional .9% applies to earned income over same amounts. -Affordable Care Act and Medicare.

Trust & Estate

| 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 |

Estates & Trusts over top tax bracket (\$12,950 in 2020) also pay 3.8% NIIT on undistributed NII.

Estate & Trust

Annual Exclusion

| Exclusions | Amount |
|--------------------|-----------|
| Individual | \$15,000 |
| Non-Citizen Spouse | \$157,000 |

Annual exclusion requires a "present interest" to the donee. This includes gifts made outright, and certain trusts, like minor's trusts, simple trusts, and trusts with Crummey withdrawal powers.

Gift, Estate, and Generation Skipping Exemptions

| Year | Basic Exclusion Amount | Maximum Rate |
|------|------------------------|--------------|
| 2012 | 5,120,000 | 35% |
| 2013 | 5,250,000 | 40% |
| 2014 | 5,340,000 | 40% |
| 2015 | 5,430,000 | 40% |
| 2016 | 5,450,000 | 40% |
| 2017 | 5,490,000 | 40% |
| 2018 | 11,180,000 | 40% |
| 2019 | 11,400,000 | 40% |
| 2020 | 11,580,000 | 40% |

OTHER INCOME ISSUES

Standard Deductions

| Status | Single Individuals | Married/ Joint | Married/ Separate | Head of Household |
|-----------------------|--------------------|-------------------------------|-------------------|-------------------|
| Basic | \$12,400 | \$24,800 | \$12,400 | \$18,650 |
| 65 and Over | 14,050 | 26,100 (one) 27,400 (both) | 13,700 | 20,300 |
| Blind | 14,050 | 26,100 (one) 27,400 (both) | 13,700 | 20,300 |
| 65 and Over and Blind | 15,700 | 27,400 (one) 28,700 (both) | 15,000 | 21,950 |

Exemptions / Exclusions

| Exemptions / Exclusions | 2019 | 2020 |
|---|-------|-------|
| Individual Personal Exemption / Grantor Trusts | None | None |
| Estates | \$600 | \$600 |
| Simple Trusts (required to distribute all income) | \$300 | \$300 |
| Complex Trusts (may accumulate income) | \$100 | \$100 |

Kiddie Tax

Unearned income for children under age 19, or full-time students under age 24, is as follows:

| Income | Tax |
|---------------|------------------------|
| First \$1,100 | Tax Free |
| Next \$1,100 | Child's Rate |
| Over \$2,200 | Trust Rate (see chart) |

Alternative Minium 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 |

Tax Cuts and Jobs Act

Standard Deduction generally doubles to \$12,400 Single/\$24,800 Married

Personal exemptions suspended for individuals, not for estates and trusts IRC 642(b)

Miscellaneous itemized deductions suspended. Trusts & estates cannot deduct investment fees and expenses, unreimbursed business expenses, etc. The 2% limit does not apply to administration expenses incurred solely because property is in an estate or trust, so trustee fees are still deductible. IRC 67(e)

State and Local Tax (SALT) deduction (e.g. sales tax, income tax, and property tax) capped at \$10,000

Repealed the Affordable Care Act Individual Mandate in 2019

Long-term Capital Gains and Qualified Dividends

| Single | Married/Joint | Rate |
|----------------------|----------------------|------|
| 0 - \$40,000 | 0 - \$80,000 | 0 |
| \$40,000 - \$441,450 | \$80,000 – \$496,600 | 15% |
| Over \$441,450 | Over \$496,600 | 20% |

Primary residence sale capital gain exemption remains \$250,000 Single, \$500,000 Married

Mortgage Interest deduction on new acquisition indebtedness and/or Home Equity Line used to buy, build, or substantially improve primary and/or second homes combined capped at \$750,000

529 plans now include K-12 up to \$10,000/year, and \$15,000/year may move to a 529 ABLE account (may be subject to State Medicare clawback at death)

Charitable deductions percentage of AGI limit on cash donations to public charity increased to 60% of AGI for 2020 and Pease limits used to phase-out deductions of high-income taxpayers were eliminated

Charitable IRA direct distributions still allowed over age 70 ½ up to \$100,000 annually

Unreimbursed Medical Expenses exceeding 10% of AGI are deductible

Alimony will not be deductible by payor, nor be taxable to recipient for divorce decrees issued after 12/31/18

Basic/Applicable Exclusion/Portability

The Basic Exclusion Amount (BEA) is what an individual can pass gift/estate/gstt tax free. Applicable Exclusion Amount is the BEA plus any Deceased Spousal Unused Exclusion (DSUE), often referred to as 'portability'. DSUE applies for GIFT and ESTATE, but not GENERATION SKIPPING. Portability is elected by timely filing the estate tax return.

Generation-Skipping Transfer Tax

Generation-skipping transfer tax (GSTT) is imposed on gifts or bequests to persons two or more generations below the transferor ("skip persons") upon the occurrence of one of three events: "direct skip," "taxable termination," or "taxable distribution." GSTT is in addition to gift tax or estate tax. The GST tax exemption is equal to the BEA.