

2020  
Pocket Guide to  
**TAXES**

**Saltmarsh**

Saltmarsh, Cleaveland & Gund

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## 2020 Taxable Income: Amount of Tax:

## 2020 Standard Deduction

<b>Single</b>	\$ 0 - \$ 9,875	10% of taxable income			
	\$ 9,876 - \$ 40,125	\$ 987.50 +	12%	of amt.	> \$ 9,875
	\$ 40,126 - \$ 85,525	\$ 4,617.50 +	22%	of amt.	> \$ 40,125
	\$ 85,526 - \$ 163,300	\$ 14,605.50 +	24%	of amt.	> \$ 85,525
	\$ 163,301 - \$ 207,350	\$ 33,271.50 +	32%	of amt.	> \$ 163,300
	\$ 207,351 - \$ 518,400	\$ 47,367.50 +	35%	of amt.	> \$ 207,350
	Over \$518,401	\$ 156,235.00 +	37%	of amt.	> \$ 518,400

<b>Head of Household</b>	\$ 0 - \$ 14,100	10% of taxable income			
	\$ 14,101 - \$ 53,700	\$ 1,410.00 +	12%	of amt.	> \$ 14,100
	\$ 53,701 - \$ 85,500	\$ 6,162.00 +	22%	of amt.	> \$ 53,700
	\$ 85,501 - \$ 163,300	\$ 13,158.00 +	24%	of amt.	> \$ 85,500
	\$ 163,301 - \$ 207,350	\$ 31,830.00 +	32%	of amt.	> \$ 163,300
	\$ 207,351 - \$ 518,400	\$ 45,926.00 +	35%	of amt.	> \$ 207,350
	Over \$518,401	\$ 154,793.50 +	37%	of amt.	> \$ 518,400

<b>Married Filing Jointly</b> and qualified widow(er) with a dependent child	\$ 0 - \$ 19,750	10% of taxable income			
	\$ 19,751 - \$ 80,250	\$ 1,975.00 +	12%	of amt.	> \$ 19,750
	\$ 80,251 - \$ 171,050	\$ 9,235.00 +	22%	of amt.	> \$ 80,250
	\$ 171,051 - \$ 326,600	\$ 29,211.00 +	24%	of amt.	> \$ 171,050
	\$ 326,601 - \$ 414,700	\$ 66,543.00 +	32%	of amt.	> \$ 326,600
	\$ 414,701 - \$ 622,050	\$ 94,735.00 +	35%	of amt.	> \$ 414,700
	Over \$622,051	\$ 167,307.50 +	37%	of amt.	> \$ 622,050

<b>Married Filing Separately</b>	\$ 0 - \$ 9,875	10% of taxable income			
	\$ 9,876 - \$ 40,125	\$ 987.50 +	12%	of amt.	> \$ 9,875
	\$ 40,126 - \$ 85,525	\$ 4,617.50 +	22%	of amt.	> \$ 40,125
	\$ 85,526 - \$ 163,300	\$ 14,605.50 +	24%	of amt.	> \$ 85,525
	\$ 163,301 - \$ 207,350	\$ 33,271.50 +	32%	of amt.	> \$ 163,300
	\$ 207,351 - \$ 311,025	\$ 47,367.50 +	35%	of amt.	> \$ 207,350
	Over \$311,026	\$ 83,653.75 +	37%	of amt.	> \$ 311,025

<b>Estates and Trusts</b>	\$ 0 - \$ 2,600	10% of taxable income			
	\$ 2,601 - \$ 9,450	\$ 260.00 +	24%	of amt.	> \$ 2,600
	\$ 9,451 - \$ 12,950	\$ 1,904.00 +	35%	of amt.	> \$ 9,450
	Over \$12,951	\$ 3,129.00 +	37%	of amt.	> \$ 12,950

You may deduct your standard deduction or your itemized deductions, whichever is greater:

Single . . . . . \$ 12,400  
Head of Household . . . . . \$ 18,650

Married filing separate . . . . . \$ 12,400  
Married filing joint, and surviving spouses . . . . . \$ 24,800

You may increase your standard deduction by an additional \$ 1,300 if you are *married* and:

- blind or
- 65 or older

You may increase your standard deduction by an additional \$ 1,650 if you are *single* or *head of household* and:

- blind or
- 65 or older

If you are both blind *and* 65 or older, you may double this additional standard deduction.

## Planning Tips for 2020

- Election to expense cost of tangible personal property under Section 179 is \$1,040,000 with a \$2,590,000 investment limitation.
- "Bonus depreciation" is 100% of cost for qualified assets including purchase of used property.
- Qualified Business Income deduction includes 20% deduction for pass through business income up to \$163,300 single and \$326,000 married filing jointly.
- Social Security recipients can earn the following amounts before benefits are reduced in 2020:

Under Full Retirement Age	\$ 18,240
Full Retirement Age attained	\$ 48,600
Over Full Retirement Age	No limitation
- Child tax credit - \$2,000 per qualifying child (\$1,400 is refundable); joint filers with AGI up to \$400,000 (\$200,000 for all others).
- The estate tax exemption is \$11,580,000 per individual.
- The annual exclusion for gifts of present interests is \$15,000 per recipient for 2020.

## Income You Must Report

- Wages, salary, tips and other compensation
- Fees, commissions, bonuses, rents
- Interest income, dividends
- IRA distributions
- Lump-sum distributions
- Distributions from SEPs
- Employer-paid disability benefits
- Excess business expense reimbursements
- Gains on sale or exchange of property
- Trust accumulation distribution
- Income earned outside the U.S.
- Embezzled or illegal income
- Social Security benefits
- Lottery & gambling winnings
- Tier 2 and supplemental annuities from Railroad Retirement Act
- Capital gains
- Pensions and annuities
- Taxable state tax refunds
- Bartering income
- Unemployment benefits
- S Corporation profits
- Partnership profits
- Original issue discount
- Executor fees
- Director's fees
- Prizes and awards
- Certain scholarship amounts
- Endowments
- Punitive damages

## Income You Do Not Report

- Welfare benefits
- Veteran's Administration benefits
- Worker's Compensation benefits
- Child support
- Gifts
- Veteran's life insurance dividends
- Life insurance proceeds received because of a person's death
- Casualty insurance amounts
- Certain fellowships
- Student loans canceled in return for services
- Certain inherited assets (excluding accrued income and retirement accounts)
- Alimony (Divorces after 2018)

## Personal Exemption

**2020 Exemption amount: - 0 -**

Tax Cuts and Jobs Act (TCJA) suspends personal exemptions.

## 2020 Social Security Tax

	<u>Tax Base</u>	<u>Rate</u>	<u>Max. Tax</u>
Social Security	\$137,700	6.20%	\$8,537
Medicare	No Limit	1.45%	No Limit
Additional Medicare	*	0.9%	No Limit

## 2020 Self-Employment Tax

	<u>Tax Base</u>	<u>Rate</u>	<u>Max. Tax</u>
Social Security	\$137,700	12.4%	\$17,074
Medicare	No Limit	2.9%	No Limit
Additional Medicare	*	0.9%	No Limit

\* Wages/self-employment income over \$250,000 joint filers; \$200,000 single filers

## Itemized Deductions & Percentage Limitations

Medical expense	Minimum — 7.5% of AGI
Non-business state, local, property and sales tax	Maximum — \$10,000
Mortgage interest deduction:	
▪ Mortgage interest up to \$750,000 acquisition indebtedness	
▪ No interest deduction for home equity loans, unless proceeds used to improve home	
Miscellaneous itemized deduction	No Deduction Allowed
Phase out of total itemized deductions	No Limit

## 2020 Standard Mileage Rates

	<u>2020</u>
Business use of auto	\$ .575 a mile
Charitable use of auto	\$ .14 a mile
Medical use of auto	\$ .17 a mile

## Additional Tax on Investment Income

3.8% Additional tax on Net Investment Income

AGI over \$250,000 joint filers; \$200,000 single filers and head of household.

*Investment Income* - Includes interest, dividends, annuities, royalties, tangible property rents and capital gains.

## Who Must File a Return?

### You must file if you are:

### And have gross income of:

#### Single

Under 65 .....	\$ 12,400
65 or older .....	\$ 14,050

#### Married filing a joint return

Both spouses under 65 .....	\$ 24,800
One spouse 65 or older .....	\$ 26,100
Both spouses 65 or older .....	\$ 27,400

#### Head of household

Under 65 .....	\$ 18,650
65 or older .....	\$ 20,300

#### Qualifying widow(er)

Under 65 .....	\$ 24,800
65 or older .....	\$ 26,450

## For Children and Other Dependents

Earned income taxed at rates and brackets for Single Taxpayers.

Unearned income taxed at rates and brackets for Estates and Trusts.